

SJR

25

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 4-14-88 5-DAY NOTICE  
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER: JUDICIARY  
FINANCE

\*\*FISCAL NOTE(S) ATTACHED ✓ \*\*  
IN ACCORDANCE WITH AS 24.08.035  
(see below)

3/6/87

DATE TURNED INTO OFFICE 4-21-88

Mr. President:

STATE AFFAIRS Committee considered SJR 25

Proposing an amendment to the Constitution of the State of Alaska  
relating to income from the permanent fund.

and recommended:

- replace with CS \_\_\_\_\_  same title
- attached amendment(s) and  new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- further referral to \_\_\_\_\_
- letter of intent adopted and attached

\*\* Committee  attached or  adopted fiscal note(s)  
 zero  fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

*No Rec*  
*Do Not Pass -*  
*"40/30/30" plan is superior to*  
*SJR 25*

*[Signature]*  
Chairman signature and recommendation

Committee Backup Attached

RECEIVED MAR 30 1988

March 26, 1988

Senator Rick Halford  
C/O Pouch V  
Juneau, Ak. 99811

Dear Senator Halford,

I heard you on the radio re: budget cuts.

Budget cuts are not very palatable, so here is a suggestion:

For every buck cut, add 50 cents to the PF dividends.

You would have a lot of public support, the money would do wonders for the economy, and show everyone how budget cuts can be beneficial to them personally!

What do you think of this approach?

Also, consider putting SJR-25 on the ballot in exchange for ELF.

I view SJR-25's placement on the ballot as the most important legislation in Juneau! For 10 years we have haggled over what to do with PF earnings. The best time to make the a decision is when the pressure of lower oil income prices is off---not when the price goes to 5.00 bucks!

Also, the 530 million dividend payment reserve fund should be plowed into the 9 billion where it is safe and will continue to bring money into the state and pay dividends for years to come.

Sincerely yours, c



Jim Weidner  
5479 C.H.S.R.  
Fairbanks, Ak. 99701  
488-6366

# 'Government gifts' should go before tapping fund



**Jay Hammond**  
bushra'fings

There is now before the legislature a proposed constitutional amendment to require a public vote before permanent fund earnings could be spent for other than dividends or inflation proofing. Objection comes from legislators concerned that a sudden emergency might pose an insurmountable need to dip into those earnings.

Of course, we're a far cry from insurmountable financial need to start fund dipping so long as there remain on the books non-mandated government programs which subsidize Alaskans inequitably with no consideration for need. These programs should be first sacrificed before "equitably" penalizing all Alaskans by trimming their pro-

spective dividends through trapping current fund earnings. Similarly, so long as there remains off the books a state income tax or other more appropriate revenue "enhancements," it is premature to use those earnings.

Unfortunately, however, actions required to balance

the budget from more appropriate sources probably confront most legislators with insurmountable political obstacles. After all, it's far less painful to offend a mostly oblivious public by tapping their future dividends than it is to face more immediate backhanding at the ballot box by all those extremely attentive special interests which will be outraged should their particular government gift be reduced or charged for.

Accordingly, let's add an emergency clause to that proposed constitutional amendment: "Provided, however, if by 2/3 vote each legislative House and the governor conclude an emergency exists, they may borrow from the

permanent fund's undistributed income account. At the next general election voters would be asked whether they wished to forgive the loan or compel the legislature to pay it back at a rate of interest it would have earned had it remained in the fund."

I've little doubt but that the public would sanction a truly warranted dip into fund earnings. After all, a recent poll alleged that Alaskans may be less concerned about alternative use of fund earnings than once thought. Perhaps. However, before the legislature acts on this presumption it should bear in mind how the polling question was posed. Of course a drowning man is going to

clutch the first straw that floats by, be it ever so flimsy. So let's sail out a few of more substance for them to cling to. Let's flesh out that list of budget balancing alternatives to see which one the public deems as most seaworthy.

I'd like to see the public's response to a poll which asked:

List in order of preference what you believe to be the most appropriate means of budget balancing:

- 1) Re-imposition of the income tax.
- 2) Reduction of the state payroll.
- 3) Elimination of non-mandated selective state subsidies not based on need.
- 4) Deferral of the economic

limit factor which otherwise will accord oil companies roughly \$150,000,000 a year in tax breaks.

5) Reduction of future dividends through expenditure of permanent fund earnings.

I placed use of fund earnings at the bottom where I think it belongs. These should be tapped only after all other sources have been exhausted. While many Alaskans may not agree with that ranking, I'll bet you next year's dividend check that very few would place my No. 5 at the top of their list.

□ Jay Hammond was governor of Alaska from 1974 to 1982.

## Poll: More Alaskans eye permanent fund for aid

By SUE CROSS

THE ASSOCIATED PRESS

Alaskans appear more willing than ever before to spend the Alaska Permanent Fund, probably because so many of them are in financial trouble, says Anchorage pollster David Dittman.

In a \$20,000 survey of Railbelt area residents, paid for by the Alaska Senate, Dittman found almost two-thirds of the respondents support spending the excess earnings of the permanent fund.

And if the economy declines further, 43 percent said, it would be OK to spend the principal of the \$9 billion oil-money savings account.

"This is the first time in anything we've done that people were willing to use it," Dittman said.

"For a long time, if you said permanent fund, it didn't matter if you said 'earnings' or 'principal,' it was followed by 'No,'" he said.

Dittman presented his findings Friday to the Senate Finance Committee.

Committee Co-chairman Rick Halford, R-Chugiak, said he was surprised by the change in attitude toward the permanent fund, but believes the responses might have differed if the question was expanded.

The poll-takers asked people if the earnings left over after permanent fund dividends and inflation proofing are paid should be used to "help pay for programs to help the economy." Sixty-four percent said "yes;" 32 percent said "no."

The excess earnings reserve held \$56 million as of Dec. 31.

Halford, a vocal opponent of any plan to tap the Permanent Fund, said more people would have disapproved of the idea had they been told use of the excess earnings could eventually slow the growth of the fund and decrease the size of their dividends.

Dittman said he did not believe the answers would have changed.

The telephone survey was answered by 1,002 people in 27 Railbelt communities, from Valdez and Cordova in the south to Fairbanks and its surrounding communities on the north end. The margin of error for the poll was estimated at 1 percent to 3 percent.

Senate President Jan Falks, R-Anchorage, said she commissioned the poll because she wanted a data base for use in judging economic development proposals.

She did not request a statewide survey, she said, be-

cause at the time she did not realize the seriousness of economic problems in other parts of Alaska. If legislators outside the Railbelt want their areas polled, the questions could be included in later statewide surveys by Dittman, she said.

Falks said the biggest surprise in the poll was Alaskans' assessment of the economy.

Almost one in four Railbelt residents said they are seriously considering leaving Alaska because of economic problems, and 19 percent said they are "very likely" or "quite likely" to leave the state within the next two years.

More than half the people polled said their families had suffered wage cuts, reduced work hours or job losses in the past two years.

"The situation is worse than I thought it was," Falks said.

Who do Alaskans blame? A third of the respondents say government or some part of it: the Legislature, politicians in general, federal officials, local officials, former Gov. Bill Sheffield and Gov. Steve Cowper.

Oil companies and oil-producing countries were next on the list.

When asked how they goofed, Alaskans said government spent too much money and on the wrong things. The second most popular response was that those who were to blame had "let oil prices go down."

At the same time, many respondents said government should help improve the economy by spending more money on various programs.

Among their top suggestions for legislative action were passing the strongest possible law to enforce local hire and lowering home mortgage rates.

Respondents also generally liked Cowper's proposals for an education endowment and a science foundation, though they were not asked how the state should find money to establish those or other programs included in the questions.

Falks said senators will consider the poll results when deciding what type of economic aid programs to fund.

House Speaker Ben Grussendorf, D-Sitka, said representatives also will study the poll and are especially interested in questions regarding the permanent fund.

But Grussendorf said he will withhold judgment on the specifics of the survey until he can read it in more detail and determine whether the answers were influenced by how the questions were asked.

# Poll: Public more inclined to spend permanent fund

FDXS 2/6/88 (F)

By SUE CHICKS

Associated Press Writer

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(See FUND, Page 10)

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