

ALASKA LEGISLATURE

1866

HOUSE and SENATE FINANCE COMMITTEE FILES, 1999 - 2000

For another, everyone seemed to recognize the risks involved in using the Fund to pay for government.

"If we say 'yes' to one of these, we need to say 'yes' to 15 or 20 others," one man said, "and pretty soon we'll find we've done the same thing with the Permanent Fund that we did with the \$900 million."



Anchorage Daily News Columnist Mike Doogan moderated the panel "Present at the Creation: Personal Reflections on the Birth of the Permanent Fund." From left to right are Oral Freeman, former legislator and former Chair of the Permanent Fund Board of Trustees; Avrum Gross, former Alaska Attorney General; Tom Fink, former Anchorage Mayor and former Speaker of the State House; Doogan; Jay Hammond, former Governor; and Hugh Malone, former Speaker of the State House and former Commissioner of Revenue.

(The spending of the \$900 million from the 1969 Prudhoe Bay oil lease sale is thought to be one reason voters approved the Permanent Fund in 1976).

But there was agreement that the currently fashionable budget cutting is going too far.

"We are not taking care of the fundamental things we should be taking care of," one man said.

The group's solution? Believe it or not, taxes.

"The system we have now is perverse," a man said. "What we teach our children is that you get what you pay for, and we don't pay for anything."

Humanities Forum executive director Steve Lindbeck is quick to point out that these groups are not scientifically selected.

"It's people who decide to show up," he said. "Our impression is that it's people who cross the spectrum, but is very self-selecting."

Still, he said, distrust of the legislature and a willingness to consider taxation are themes that have come up again and again. They will be included, along with other results, in the final report on the project.

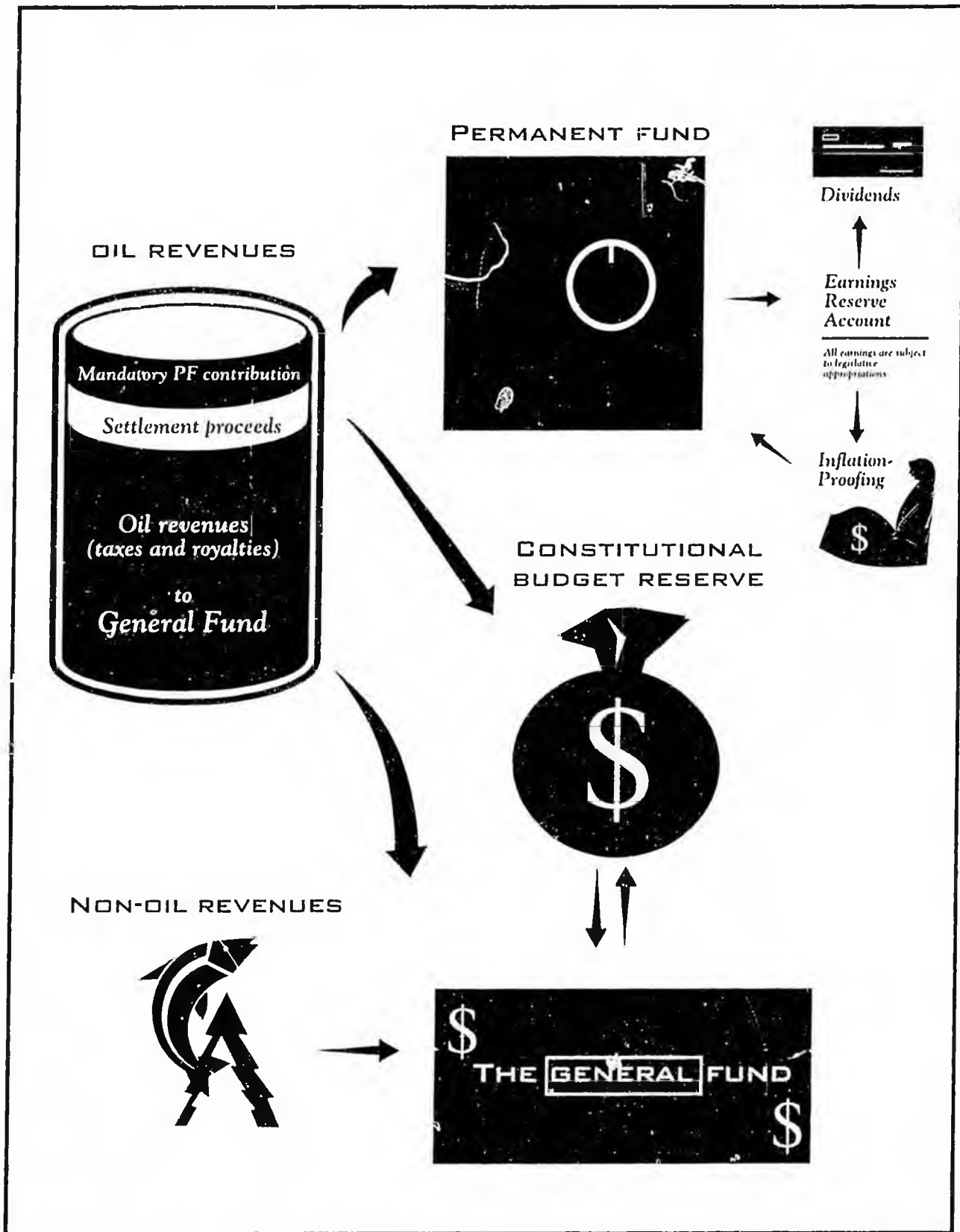
I came away from Wednesday's discussion feeling better about Alaska than I have in some time. Often it seems that all public discussion here is the same selfish voices spouting reactionary slogans. But this group was interested in thoughtful discussion and finding a way to make government work for everyone. Just to hear that kind of talk again made the whole project worthwhile.

WHAT ALASKANS THINK ABOUT THE FUND

Participants in the town meetings were asked their opinions on the use of Fund earnings and other public policy questions. Here are their responses.

	Agree	Disagree
1. What are your feelings about how Alaska's public wealth in the Permanent Fund should be shared? Please say whether you agree or disagree with the following statements.		
a. "Every Alaskan, young or old, new comer or old timer, has a right to an equal share in the public wealth of the Permanent Fund."	85%	15%
b. "The public benefits of education, arts, sciences, etc., are important to the well-being of all Alaskans and should be a very high priority use of Permanent Fund public wealth."	69%	31%
c. "We should invest Permanent Fund public wealth in commercial and industrial development to provide more jobs for Alaskans."	31%	69%
d. "We should use Permanent Fund public wealth to support construction and maintenance of community infrastructure such as roads, health clinics, schools, etc."	61%	39%
e. "We should use Permanent Fund public wealth to compensate for decreasing oil revenues."	51%	49%
2. How do you feel about these approaches to using Alaska's public wealth in the Permanent Fund? Please say whether you agree or disagree with the following statements.	Agree	Disagree
a. Put all Fund earnings back into the Fund to provide maximum growth of dividends, EVEN IF this means continued cuts to the state budget to match decreasing oil revenues.	35%	65%
b. Use the Fund or Fund earnings to create endowments for public programs, such as education, arts, etc., EVEN IF this means future dividend checks would not grow as fast.	56%	44%
c. Use the Fund or Fund earnings to invest in commercial and industrial projects in Alaska, EVEN IF this means future dividend checks would stay the same or get smaller.	26%	74%
d. Distribute some Fund earnings to communities to build infrastructure, EVEN IF this means future dividend checks would not grow as fast.	53%	47%
e. Use some Fund earnings to increase the current level of state services, as determined by elected representatives, EVEN IF this means future dividend checks would not grow as fast.	46%	54%
f. Give each Alaskan here today their share now, either \$38,000 lump sum or stock shares in the Fund, EVEN IF it means future Alaskans (unborn children or people who move here later) would not receive any benefits.	13%	87%
3. People have views about who should benefit from the Permanent Fund wealth, and how that wealth should be distributed. How do you feel? Please say whether you agree or disagree with the following statements.	Agree	Disagree
a. Sharing Permanent Fund wealth as cash to individuals is better than sharing wealth through non-cash forms such as roads, schools, health clinics, land fills, social services, etc.	50%	50%
b. Putting a maximum on future dividends or reducing future dividends wouldn't be fair to the people who need the dividends the most.	44%	56%
c. Giving equal Permanent Fund benefits to future Alaskans (unborn children and people who move here later) is as important as giving benefits to Alaskans here today.	74%	26%
d. Individual Alaskans can decide how to spend their wealth better than the government.	71%	29%
e. Using some Permanent Fund wealth to help Alaskans in need is fair.	65%	35%

CONSTITUTIONAL ALLOCATION OF THE STATE'S REVENUES



THE PARADOXES OF PUBLIC WEALTH

by Steve Lindbeck, Executive Director, Alaska Humanities Forum

Twenty-one years after its formation, the Alaska Permanent Fund has become a major factor in the state's finances, policies and politics. To give all Alaskans an opportunity to consider the role of the Fund in our state's future, the Alaska Humanities Forum in late 1997 and 1998 convened a major series of public activities devoted to high-quality civic discourse.

Principles & Interests: The Permanent Fund and Alaska's Future had three main purposes:

- To promote the broadest and most robust possible public dialogue and education on a uniquely Alaskan topic of critical importance to the future of the state.
- To focus on the different principles and competing interests that underlie the continuing controversies surrounding the Permanent Fund.
- To ensure that the future of Alaska's largest public asset will be shaped by the informed participation of its major stakeholders, the people of Alaska.

Principles & Interests included three major components: a major public policy conference in Anchorage in November 1997, 100 local discussion forums in 41 communities throughout the state in March and April 1998, and a final statewide radio call-in program on the Alaska



Steve Lindbeck

Steve Lindbeck is executive director of the Alaska Humanities Forum, an independent non-profit organization and state affiliate of the National Endowment for the Humanities. The Forum offers grants to

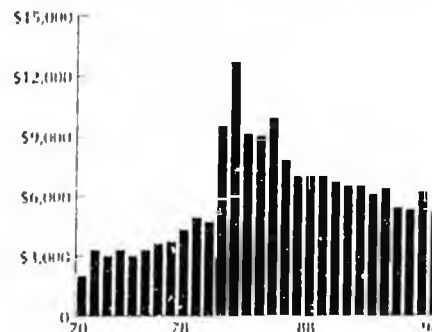
projects in the humanities, operates a statewide speakers bureau, conducts special projects and publishes a journal.

Lindbeck previously served as news editor and editorial page editor at the *Anchorage Daily News*, sports editor at the *Anchorage Times* and editorial page editor at the *Everett (Wash.) Herald*. He authored the report of the Alaska Oil Spill Commission in 1989-1990.

He has served on a variety of boards, including Big Brothers/Big Sisters of Anchorage, Alaska Common Ground, United Way of Anchorage and Commonwealth North.

Lindbeck is a graduate of West Anchorage High School and Stanford University.

PER CAPITA STATE SPENDING



State spending per Alaskan rose from \$1,965 in 1970 to \$9,479 in 1981. In 1998, spending per Alaskan was \$5,242.



Former Anchorage Mayor Jack Roderick, left, talks with former Governor Wally Hickel.

Public Radio Network in June 1998. All events were free of charge and open to the public.

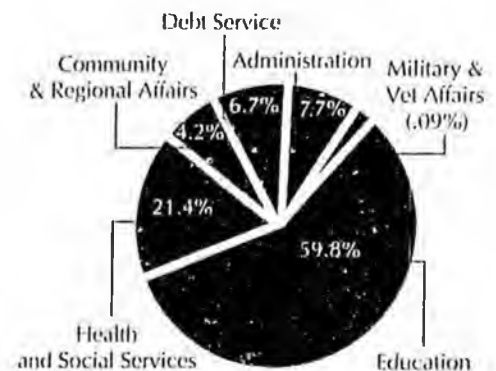
What emerged from all that discussion was a sense of the paradoxes that have come to surround Alaskans in their extraordinary public wealth:

- A state that is financially rich yet overwhelmingly dependent on one, diminishing resource.
- A populace that is devoted to the future yet fearful of the present, particularly the decline in public institutions and a perceived lack of leadership.
- A polity that, with \$25 billion in the bank, has more choices than ever before but less confidence and vision in exercising them.
- A statewide community that holds \$25 billion in common yet distributes the benefits of that wealth entirely through individuals.

What also emerged from the discussion were recurring themes – and paradoxes attached to them – that grew from the welter of ideas, perspectives, opinions and value choices of thousands of Alaskans who joined in-depth dialogues from Ketchikan to Kotzebue. And it must be stressed that this document is a broad compilation of themes. It cannot hope to express every viewpoint or even every debate. No single report can capture the full diversity and richness of views expressed. No short document can quite describe the combination of personal conviction, reflective listening, body language and community chemistry that elevated the best of these meetings from bull sessions to community encounters.

What follows is a description of the dialogues and the recurring themes they produced. These findings are not based on scientific methods, nor do they claim to represent a consensus of Alaskan thought. What they do represent is the ideas that emerged most frequently among thousands of Alaskans who, in good faith, came forward during the spring of 1998 to discuss the future with their friends and neighbors.

COMPOSITION OF STATE BUDGET
(Fiscal 1999)



The community forums

Some 100 well-advertised public forums were held in 41 communities around the state, reaching every region and every major population hub. At each forum a trained facilitator asked participants to consider six options for the future of the Permanent Fund. These options were

culled from discussions with community leaders, academicians and policy-makers, as well as public statements at the November 1997 conference. Prior to the community dialogues, participants viewed a 15-minute video that explained the history of the Fund, how the Fund works, and the six options for the future. Participants also were asked to fill out questionnaires both before and after the discussion.

1. Alaskans expect their Permanent Fund to be permanent, an inheritance to be passed along to future generations.

This conviction is well established and virtually unassailable in all regions of the state. While some participants discussed diverting Permanent Fund earnings to current or future needs – even if that required capping or reducing dividend payments – very few were willing to consider invading the principal of the Fund, either now or in the future. They are pleased to see the Fund, which represents the lost oil resources that have been pumped from the ground, continue to grow steadily. Many expressed the hope of letting the Fund grow large enough to simply endow state government forever. Support for the Fund and its dividend program was rooted in their positive qualities – helping families meet their needs, boosting the economy as dividends are spent, individual choice in the use of the money. So natural and transparent is support for the Fund that hardly anyone mentioned one of former Gov. Jay Hammond's major reasons for creating the dividend program – building a self-interested constituency for the Fund itself. Alaskans are proud of the Fund and its growth and expect it to be there for their children and grandchildren.

The paradox: While Alaskans want to pass along a nest egg to future generations, they have yet to reach agreement on how this asset might benefit the current generation.

SIX OPTIONS FOR THE FUTURE

- **“Leave It Alone”**

We could continue to use earnings for dividends, inflation-proofing and increasing the Fund's principal. The Permanent Fund is a great success that has grown faster than anyone imagined. It earns money for every Alaskan, and dividend recipients can spend their dividend as they please. This is real democracy at work.

- **“Create Separate Funds”**

We could use some or all of the earnings to strengthen deteriorating public services and institutions by creating separate funds for special purposes, such as education, maintenance, arts and cultural activities, children's services or the University of Alaska.

- **“Create a Community Dividend”**

We could use some or all of the Permanent Fund earnings to create a “community dividend” (above and beyond the current individual dividend) that would go to every community to be used for public purposes determined by that community.

- **“Spend Some of the Income”**

We could use some of the Permanent Fund earnings to help meet public needs. We could put some earnings into the General Fund and let the legislature, elected by us, decide how it should be spent.

- **“Invest It in Alaska”**

We could use Permanent Fund dollars to finance new businesses, projects and jobs, making the economy more productive and diverse.

- **“Privatize It”**

We could cash in the Fund corpus and distribute the shares to each Alaskan. If released into the hands of all Alaskans, this money would stimulate economic growth through individual incentives, investments and entrepreneurship.

2. Support for Permanent Fund dividends is overwhelming, but not absolute.

The great majority of participants expressed support for the current system of using approximately half of Permanent Fund earnings for divi-



Cliff John Groh helped plan and organize the Principles & Interests project.

dends paid in equal shares to every qualified Alaskan. Indeed, this was the reason many took part in the community dialogues at all – to insist upon the sanctity of dividends.

Participants recognized the importance of dividends in overcoming hardships for many families, especially in rural areas. Most participants believed the state can continue paying dividends and, if necessary, devote some Fund earnings to other purposes. A significant minority of participants, however, was willing to forego dividends in favor of some community purpose – most often education. A larger number was willing to use Permanent Fund earnings for community purposes if the dividend were protected at current levels.

The paradox: Alaskans value individual choice and individual purposes, yet for those reasons have created the country's most far-reaching state entitlement program.

3. Distrust of politics and public officials is rampant.

This sentiment, expressed in every part of the state but especially pronounced in communities along the road system, had no partisan, ideologi-

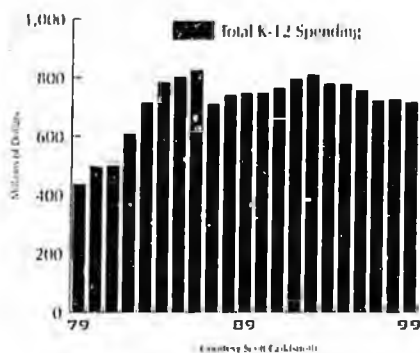


Ira Perman, right, from the Anchorage Concert Association participates in an Anchorage town meeting.

cal, or individual focus. It simply reflected an assumption that politics, and politicians, are wasteful, greedy, insatiable, out of control – that the \$25 billion Permanent Fund would be frittered away in no time if legislators had access to it. Legislators are seldom, if ever, credited for decisions over two decades to build the Fund through special appropriations of so-called excess earnings. Open-ended questions about the future of the Permanent Fund nearly always produced the response: “We don’t want the politicians to get their hands on it!” Whether participants placed responsibility for this condition on irresponsible politicians or apathetic citizens, the dissatisfaction was vehement and universal – and so strong as to lead meeting facilitators to wonder about the future of our representative democracy.

The paradox: The largest single contributor to the growth of the Fund has been supplemental appropriations by state legislatures, yet Alaskans view their elected representatives with distrust and vehemently oppose turning Fund decisions over to politicians.

STATE SPENDING ON K-12 EDUCATION (Adjusted to 1998 dollars)



4. Education is on everyone's mind, but there is no consensus on what should be done about it.

Support for a strong educational system – both K-12 and higher education – was virtually universal, but there the agreement ended. Some participants felt Alaska's schools were starved for funds and getting hungrier; others found them wasteful and fat. Some complained of decaying university facilities or cuts in class offerings; others found the problem in mismanagement or lack of vision. Alaskans seemed to understand that money is a necessary but not sufficient ingredient in educational excellence. Many expressed a willingness to trade Permanent Fund earnings for better education, but many also doubted that more money would bring better performance. Alaskans recognize that strong education at all levels will be essential for success in the 21st Century, but have little shared vision for how to bring that about.

The paradox: While Alaskans have the financial means for an education system they never dreamed of at statehood, they are not convinced more money would bring better educational results.

5. Willingness to consider a progressive income tax or, less often, a statewide sales tax, came forth at virtually every meeting.

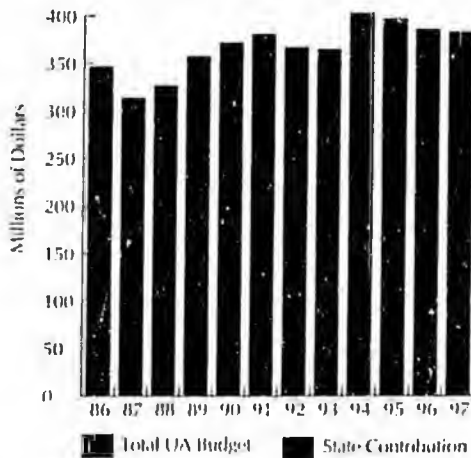
This standpoint was hardly universal, and denunciations of state taxes were often vehement. But to a surprising degree, given legislative reticence around taxation in recent decades, participants were willing to talk about taxes. This willingness was rooted in four attitudes. The first was apprehension about a state of affairs where individuals pay no taxes while receiving large checks from the government. This isn't reality, many said, and it made them vaguely uncomfortable. The second attitude concerned accountability, and the belief that politicians and public officials would pay closer attention to public interests if individuals were paying taxes. The third was the hope of capturing from non-resident workers a portion of the income they take out of the state (and, in the case of sales taxes, capturing some revenues from visitors). The fourth attitude was a willingness to pony up for desired services, most often education and child protection. Most often, this attitude was accompanied by a preference for instituting an income tax before capping, reducing or eliminating the dividend.

The paradox: While the legislature has shied away from general tax measures since eliminating the personal income tax in the first flush of oil revenues, meeting participants easily and frequently discussed the subject of personal taxation.

6. In the bush and the Anchorage, Fairbanks and Juneau areas, many people believe that the “rainy day” has come. That sentiment was less often shared in the Interior, Mat-Su Valley, Kenai Peninsula or Southeast regions.

For many participants, the proverbial “rainy day” against which we’ve been saving is here. Participants lamented shortcomings in state or local services, particularly for education, the university, public safety, sanitation and resource management. These participants expressed a will-

STATE SUPPORT OF UNIVERSITY OF ALASKA
(Adjusted to 1998 dollars)



ingness to use excess Fund earnings, cap the dividends or reinstate the state income tax to raise revenues for public institutions. Yet attitudes reflected a political standoff: while participants often expressed a willingness to meet public needs, they had little confidence in the state’s ability to spend public money wisely. Many had favorite stories of waste or abuse – stories that were generalized into an attitude about all government. Many were loathe to use Permanent Fund earnings for community needs because they doubted their own communities would see the

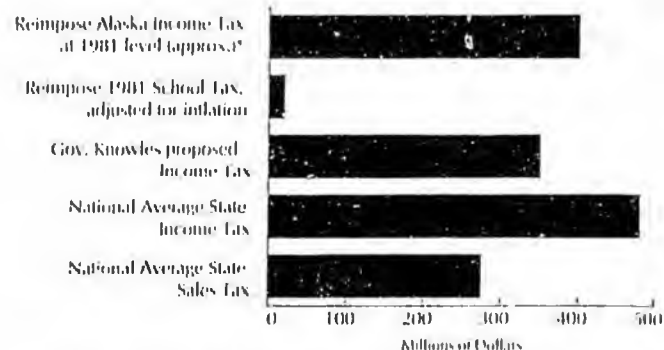


Speaking about the origins of the Fund are Hugh Malone, former Speaker of the House, right, and former Gov. Jay Hammond.

benefit – somebody else, they assumed, would devour the money before their own community got a chance.

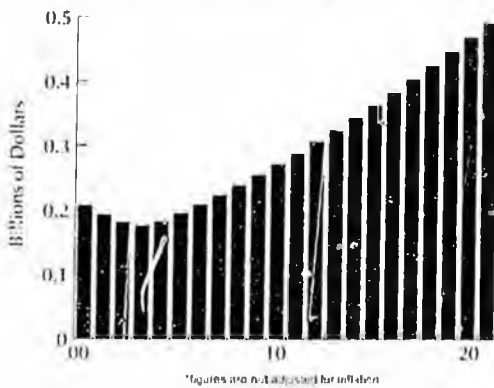
The paradox: Even with \$25 billion in the bank, Alaskans see public services and institutions in a state of long-term decline and express little confidence in those institutions to help fashion a better future.

REVENUES RAISED UNDER VARIOUS TAX PROPOSALS



* Graduated rate that phased out at 9% of taxable income.

PROJECTED FUND EARNINGS AFTER DIVIDENDS AND INFLATION-PROOFING

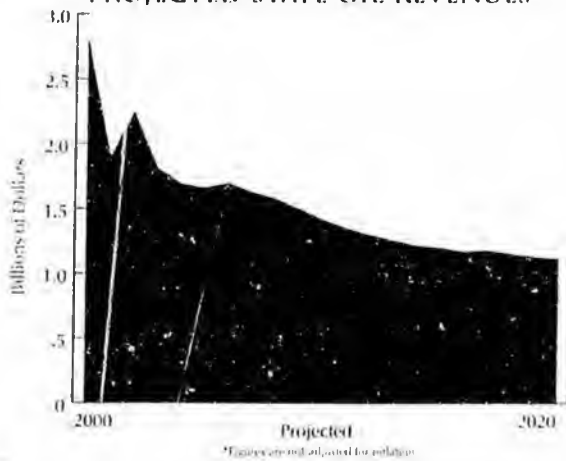


*Figures are not adjusted for inflation

7. Participants clearly appreciated being listened to and were willing to listen to each other in thoughtful dialogue.

Before encountering the process, a substantial number of people approached the dialogues with suspicion or even antagonism – most often because they feared their Permanent Fund divi-

PROJECTED STATE OIL REVENUES



*Figures are not adjusted for inflation

divs would be threatened by the dialogue. But these fears often were overcome – whether positions changed or not – as Alaskans encountered the opportunity to discuss thoughtfully their shared future. Given a supportive forum, people expressed themselves willingly, but also demonstrated flexibility, absorbed different points of view and often clarified or modified their own position.

Participants sometimes reported changing their position several times as a result of hearing other perspectives. Dialogue served to lower the levels of suspicion and mistrust, at least among people in the room. This dynamic – where hardened positions and antagonism are mediated by the civilizing influence of dialogue – would seem to mirror Alaskans' hopes for their broader political processes. Again and again, participants expressed the wish that their voices could be heard in this way more frequently in public life.

The paradox: Public forums rarely attract a true cross-section of society, even though most citizens believe in the importance of public process and recognize that consensus can only be reached when they truly listen and talk with one another.

8. Participants at the forums increased their understanding of the Permanent Fund and its workings.

Of those who returned post-forum surveys, 36 percent said their understanding of the issues increased a lot and 58 percent said their understanding increased a little. Only 6 percent said their understanding did not increase at all. Relatively few participants knew at the outset how the Fund's earnings are currently allocated or how different instruments in the state's fiscal structure fit together.

The paradox: While the Permanent Fund was Alaska's largest source of revenue in 1998, its place in the state's fiscal structure is not well understood and Alaskans have yet to reach consensus on the use of its earnings.

The Trustees Papers, Volume No. 1, printed in March, 1982, is a collection of papers prepared for the Board of Trustees as part of a series of seminars conducted that year to address such issues as the appropriate criteria for public investment, the pros and cons of investing the Permanent Fund in-state, and alternative methods of distributing Permanent Fund benefits.

The Trustees Papers, Volume No. 2, printed in April, 1988, is entitled, "Wealth Management: A Comparison of the Alaska Permanent Fund and Other Oil-Generated Savings Accounts Around the World."

The Trustees Papers, Volume No. 3, printed in August, 1989, is entitled, "The Role of the Permanent Fund in Alaska's Fiscal and Economic Future: A Collection of Public Policy Perspectives."

The Trustees Papers, Volume No. 4, printed in January, 1997, is entitled, "Changes to the Investment World During the Permanent Fund's First Two Decades and a Look into the Future."

The Trustees Papers, Volume No. 5, printed in February, 1997, is entitled, "The Early History of the Alaska Permanent Fund: Perspectives on the Origins of Alaska's Oil Savings Account."

Copies of *The Trustees Papers* and all other public information materials prepared by the Alaska Permanent Fund Corporation are available by request at the Corporation's office in Juneau. All volumes are also available at the Corporation's web site: www.apfc.org

The APFC Board of Trustees would like to thank the Alaska Humanities Forum, its executive director and staff for their assistance on this publication.

Photos courtesy of Beth Rose, the Alaska Humanities Forum and BP Exploration (Alaska) Inc.

4/22/99

Overview:

Long Term

Fiscal ...

HFIN

FILE

HOUSE BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - FIRST SESSION

BY REPRESENTATIVE HUDSON

**Introduced:
Referred:**

A BILL

FOR AN ACT ENTITLED

1 "An Act making a special appropriation from the budget reserve fund under art.
2 IX, sec. 17(c), Constitution of the State of Alaska, to the Alaska Income Account;
3 and providing for an effective date."

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 * **Section 1.** The unappropriated balance in the budget reserve fund (art. IX, sec. 17,
6 Constitution of the State of Alaska) on July 2, 1999, is appropriated to the Alaska Income
7 Account (AS 37.13.145). This appropriation is made under art. IX, sec. 17(c), Constitution
8 of the State of Alaska.

9 * **Sec. 2.** This Act takes effect only if a version of a bill establishing the Alaska Income
10 Account in the Alaska permanent fund is passed by the Twenty-First Alaska State Legislature
11 and becomes law.

12 * **Sec. 3.** If this Act takes effect, it takes effect on the effective date of the provisions of
13 the bill described in sec. 2 of this Act that establish the Alaska Income Account in the Alaska
14 permanent fund.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM

March 30, 1999

SUBJECT: Appropriation to the Alaska Income Account (Work Order No. 21-LS0788\D)

TO: Representative Bill Hudson
Attn: Melinda Hofstad

FROM: Tamara Brandt Cook
Director

TBC

Here is a sectional summary that you requested.

Sec. 1. Appropriates the balance in the budget reserve fund on July 2, 1999 to the Alaska Income Account. The July 2 date is intended to accommodate the possibility that money may be appropriated from the budget reserve fund in the FY 2000 budget, hopefully, with an effective date of July 1. This appropriation requires the 3/4 vote under the state constitution.

Sec. 2. This appropriation bill will take effect only if a substantive bill is enacted establishing the Alaska Income Account.

Sec. 3. If it takes effect, the effective date will coincide with the effective date of provisions of substantive law establishing the account.

TBC:pl:glc
98-041.plm

1-LS0787G
Cook/
3/30/99

HOUSE BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - FIRST SESSION

BY REPRESENTATIVE HUDSON

Introduced:

Referred:

A BILL**FOR AN ACT ENTITLED**

1 "An Act relating to income of the Alaska permanent fund, to the Alaska Income
2 Account, and to the permanent fund dividend program; and providing for an
3 effective date."

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

5 * Section 1. AS 37.13.140 is amended to read:

6 Sec. 37.13.140. **Income.** Net income of the fund includes income of the
7 Alaska Income Account [EARNINGS RESERVE ACCOUNT] established under
8 AS 37.13.145. Net income of the fund shall be computed annually as of the last day
9 of the fiscal year in accordance with generally accepted accounting principles,
10 excluding any unrealized gains or losses. [INCOME AVAILABLE FOR
11 DISTRIBUTION EQUALS 21 PERCENT OF THE NET INCOME OF THE FUND
12 FOR THE LAST FIVE FISCAL YEARS, INCLUDING THE FISCAL YEAR JUST
13 ENDED, BUT MAY NOT EXCEED NET INCOME OF THE FUND FOR THE
14 FISCAL YEAR JUST ENDED PLUS THE BALANCE IN THE EARNINGS

1 RESERVE ACCOUNT DESCRIBED IN AS 37.13.145.]

2 * Sec. 2. AS 37.13.145(a) is amended to read:

3 (a) The Alaska Income Account [EARNINGS RESERVE ACCOUNT] is
4 established as a separate account in the fund. Net income [INCOME] from the fund
5 shall be deposited by the corporation into the account as soon as it is received. Money
6 in the account shall be invested in investments authorized under AS 37.13.120.

7 * Sec. 3. AS 37.13.145(b) is repealed and reenacted to read:

8 (b) On July 1 of each fiscal year, the corporation shall transfer from the
9 Alaska Income Account to the general fund an amount that equals 5.25 percent of the
10 total fair market value on that day of

11 (1) the fund, including the unappropriated balance of the Alaska Income
12 Account; and

13 (2) the unappropriated balance of the budget reserve fund (art. IX, sec.
14 17, Constitution of the State of Alaska).

15 * Sec. 4. AS 37.13.150 is amended to read:

16 **Sec. 37.13.150. Corporation budget.** The Alaska Income Account
17 [REVENUE GENERATED BY THE FUND'S INVESTMENTS] must be identified as
18 the source of the operating budget of the corporation in the state's operating budget
19 under AS 37.07 (Executive Budget Act). The unexpended balance of the corporation's
20 annual operating budget lapses into the Alaska Income Account [DOES NOT
21 LAPSE] at the end of the fiscal year [BUT SHALL BE TREATED AS INCOME
22 UNDER AS 37.13.140].

23 * Sec. 5. AS 43.23.025(a) is amended to read:

24 (a) By October 1 of each year, the commissioner shall determine the value of
25 each permanent fund dividend for that year by

26 (1) determining the total amount available for dividend payments,
27 which equals

28 (A) the amount appropriated from the general fund [OF
29 INCOME OF THE ALASKA PERMANENT FUND TRANSFERRED] to the
30 dividend fund [UNDER AS 37.13.145(b)] during the current year;

31 (B) plus the unexpended and unobligated balances of prior fiscal

- 1 year appropriations that lapse into the dividend fund under AS 43.23.045(d);
- 2 (C) less the amount necessary to pay prior year dividends from
- 3 the dividend fund in the current year under AS 43.23.005(h) and under
- 4 AS 43.23.055(3) and (7);
- 5 (D) less the amount necessary to pay dividends from the
- 6 dividend fund due to eligible applicants who, as determined by the department,
- 7 filed for a previous year's dividend by the filing deadline but who were not
- 8 included in a previous year's dividend computation;
- 9 (E) less appropriations from the dividend fund during the
- 10 current year, including amounts to pay costs of administering the dividend
- 11 program and the hold harmless provisions of AS 43.23.075;
- 12 (2) determining the number of individuals eligible to receive a dividend
- 13 payment for the current year and the number of estates and successors eligible to
- 14 receive a dividend payment for the current year under AS 43.23.005(h); and
- 15 (3) dividing the amount determined under (1) of this subsection by the
- 16 amount determined under (2) of this subsection.
- 17 * Sec. 6. AS 37.13.145(c) and 37.13.145(d) are repealed.
- 18 * Sec. 7. TRANSITION. The Alaska Income Account established in AS 37.13.145(a), as
- 19 amended in sec. 2 of this Act, is the successor to the earnings reserve account, and the balance
- 20 in the earnings reserve account on the effective date of this section shall be retained in the
- 21 Alaska Income Account until distributed to the general fund in accordance with
- 22 AS 37.13.145(b), as repealed and reenacted in sec. 3 of this Act.
- 23 * Sec. 8. This Act takes effect immediately under AS 01.10.070(c).

LEGAL SERVICES

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130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM

April 22, 1999

SUBJECT: Alaska Income Account (Work Order No. 21-LS0787\ G)

TO: Representative Bill Hudson
Attn: Melinda Hofstad

FROM: Tamara Brandt Cook *TBC*
Director

Sec. 1. Deletes the "income available for distribution" formula which is now used to calculate the amount to transfer to the permanent dividend fund. Renames the earnings reserve account the Alaska Income Account.

Sec. 2. Changes name of the earnings reserve account to the Alaska Income Account, but leaves it as a separate account in the permanent fund. Net income from the permanent fund is to be deposited in the account. "Net income" is described in existing law under AS 37.13.140.

Sec. 3. On July 1 each year the permanent fund corporation is directed to transfer from the Alaska Income Account to the general fund an amount based on the fair market value of the permanent fund and the budget reserve fund: 5.25 percent.

Sec. 4. Requires the budget of the permanent fund corporation to come from the Alaska Income Account.

Sec. 5. Bases the amount of the permanent fund dividend on the amount appropriated for that purpose from the general fund. The existing link between the amount of the dividend and the income of the permanent fund is eliminated.

Sec. 6. Repeals provisions relating to inflation proofing and treatment of certain income resulting from litigation.

Sec. 7. Provides that the Alaska Income Account, as the successor to the earnings reserve account, retains the balance that is in the earnings reserve account on the effective date.

Sec. 8. Immediate effective date.

TBC:jdr:lmb
99-056.lmb

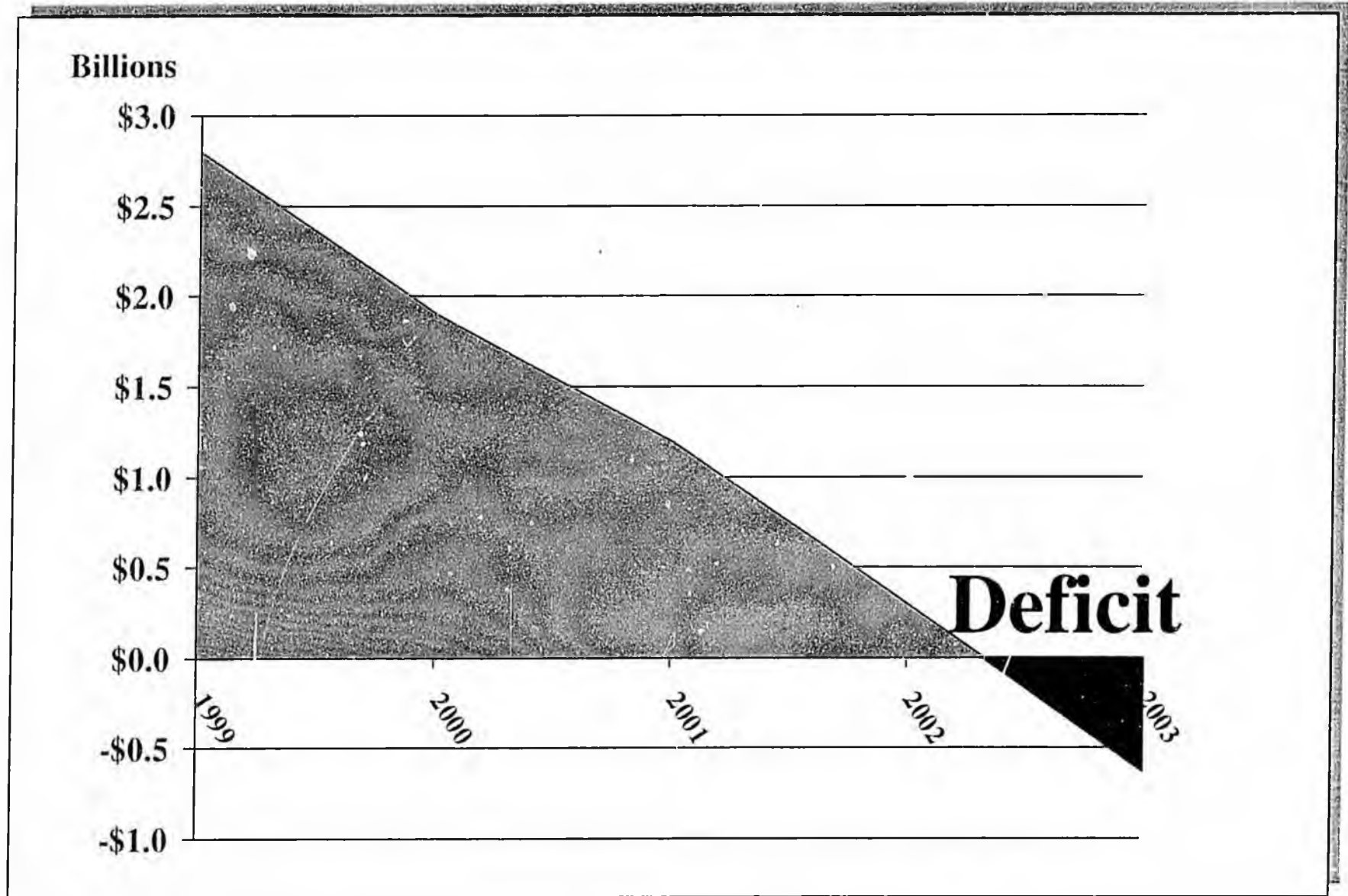
*A Balanced Budget Plan
for Alaska*

House Finance

4/22/99

- **We need a long-term balanced budget plan to provide Alaska families a secure economic future.**
- **Higher oil prices do not change the need to act now!**

Constitutional Budget Reserve



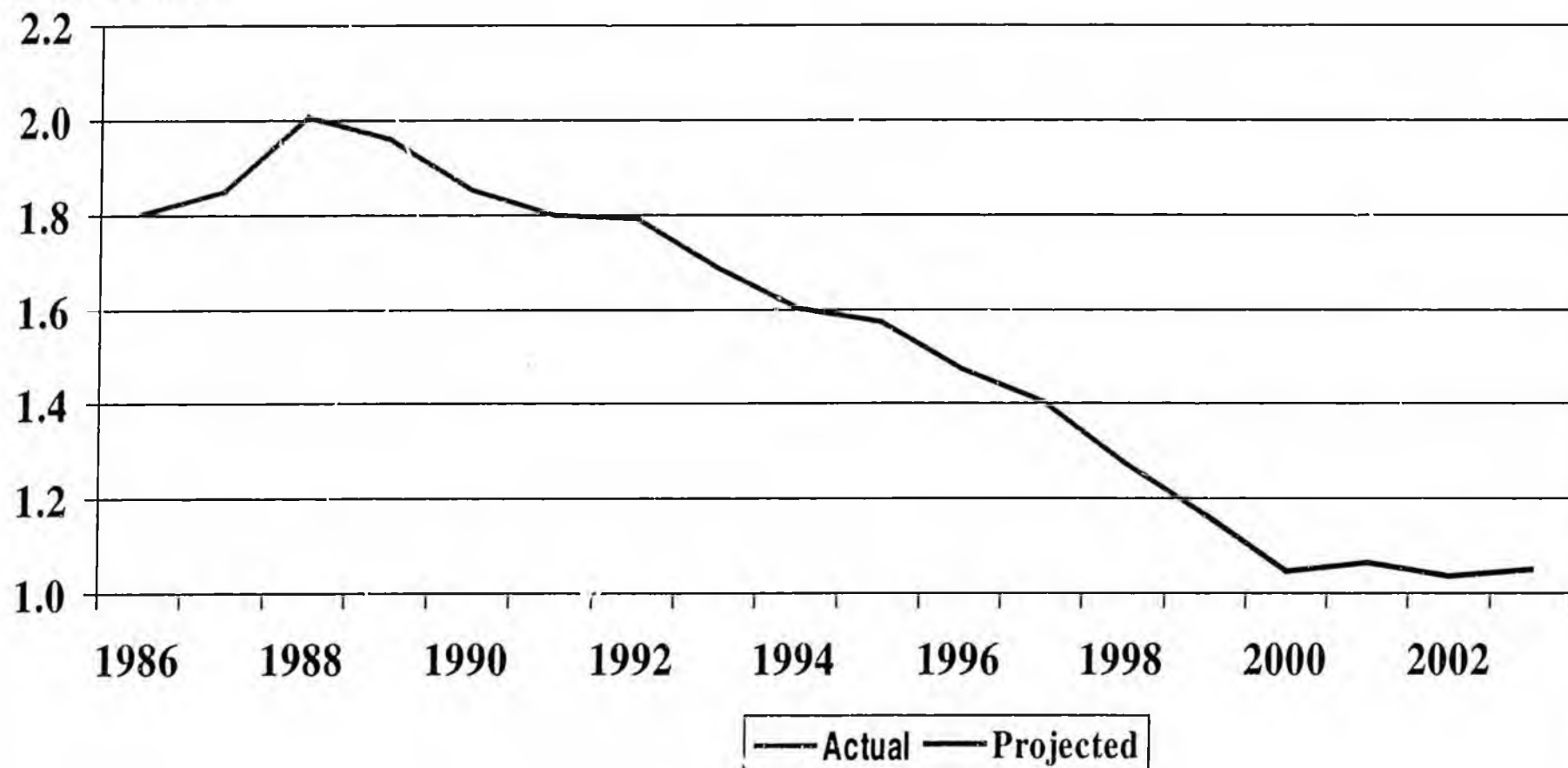
Month/Year

Constitutional Budget Reserve Exhausted

<i>Operating Budget Annual Change</i>	Average ANS Oil Price at West Coast Destination			
	\$10.50	\$12.50	\$14.50	\$16.50
Hold the line	Jan-02	Jul-02	Jan-03	Sep-03
Cut \$40 million this year then hold the line	Feb-02	Aug-02	Feb-03	Nov-03

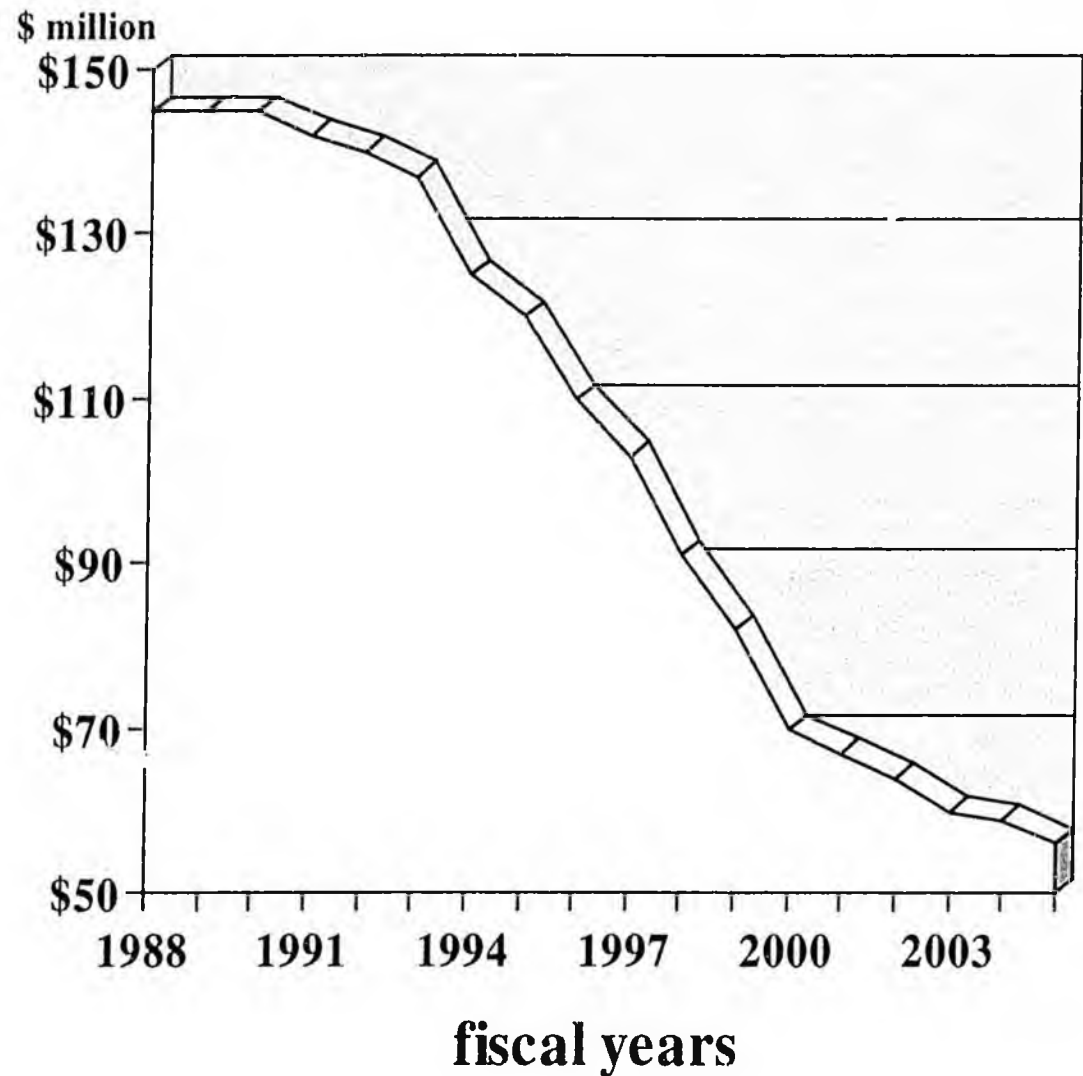
Alaska North Slope Production Volume

Million bbl/day



Annualize \$1 per barrel effect on general fund unrestricted revenue

FY	\$ million
1988	145
1990	145
1992	140
1994	125
1997	103
1998	91
1999	82
2000	70
2001	67
2002	64
2003	60
2004	59
2005	56



Governor Knowles believes any balanced budget plan should meet five principles:

- Produce a long-term balanced budget;
- Protect Alaska's children, maintain vital public services - especially schools - and our pro-business economy;
- Protect and grow our savings accounts;
- Continue a sizable Permanent Fund Dividend; and,
- Changes to the Alaska Permanent Fund or dividends should be made with a vote of Alaskans.

Principles Shape a Plan

- To preserve a healthy dividend, Alaska needs a broad-based tax.
- Eliminating a healthy dividend and avoiding a broad-based tax means non-residents don't pay for their use of Alaska's public services.

Governor Knowles' Proposal

- **Use Permanent Fund Earnings**
 - transfer \$4 billion in Permanent Fund earnings now to a separate fund (CBRF)
 - transfer additional earnings if and when needed (currently projected between 2010 and 2014)

- **New or Enhanced Revenue Sources**
 - a broad, general tax
 - more aggressive investment of separate fund (CBRF)

- **Responsible Budget Reductions**

Other approaches could balance the budget including:

- **A separate fund structured differently**
- **Annual use of Permanent Fund income**

But only a balanced approach which includes using (1) Permanent Fund earnings; (2) a broad-based tax; and (3) responsible budget cuts will both balance our budget and preserve a sizable annual Permanent Fund Dividend.

Principles on which the Governor is weighing balanced budget plans

- **Does it produce a long-term balanced budget as far into the future as one can reasonably predict?**
- **Does it keep a healthy Alaska pro-business economy and provide vital services, including schools and the protection of Alaska's children?**
- **Does it protect and grow our savings accounts, the Permanent Fund and the Constitutional Budget Reserve?**
- **Does it continue to generate a sizable Permanent Fund dividend?**
- **Does it require a vote of Alaskans before changing the Permanent Fund or dividends?**



THE ALLIANCE

... for responsible development of Alaska's Oil, Gas & Mineral Resources

Written Testimony by the Alaska Support Industry Alliance to the Alaska State House Finance Committee

April 22, 1999

by Karen Cowart, General Manager

The Alliance is a statewide trade organization formed 20 years ago to provide a collective voice for companies that provide goods and services in support of oil and gas exploration, development and production. Although The Alliance does not include all support businesses in the state, most of the major players are members. Like most trade organizations, we believe our membership reflects the industry as a whole.

The Alliance has 300-plus member businesses, organizations and individuals that operate and work all across the state, from the North Slope to the Kenai Peninsula. Collectively, our membership employs about 25,000 Alaskan residents. While The Alliance is headquartered in Anchorage, we have active chapters and committees in Fairbanks, Kenai and Prudhoe Bay.

The Alaska oil and gas support industry is suffering difficult times in these days of low oil prices. We estimate over 3,000 people have lost their jobs within our membership during the last quarter of 1998 and the first quarter of 1999. According to industry experts, despite the recent upward fluctuation, overall low oil prices will likely go on for another one to two years, perhaps longer.

As difficult as times are, it is critical that we *do not lose sight of the future*, when the economic climate changes and opportunities re-emerge. The most important thing that state government can do *right now* is to ensure that Alaska is poised to encourage and take advantage of future resource development. And that means balancing the budget, *this year*.

I think it is important to note that The Alliance has advocated a balanced state budget virtually since its inception in 1979. Closing the state's fiscal gap *remains as our top priority* this year. Why? Because the financial status of state government will dictate our members' livelihood by either encouraging future petroleum investments, or by chasing investors away.

Unchecked, the rising fiscal gap between state revenues and expenditures projects an image of an unstable, irresponsible government. It generates uncertainty among potential and existing industry investors. It is critical that oil companies view Alaska as a *stable place to invest in* when oil prices rise in the future.

For this reason, The Alliance is heartened to see *bipartisan efforts* to address the state's most serious problem, the budget. We *applaud the governor* for coming to the table with a proposal that has served as the catalyst for meaningful dialogue on various measures to balance the state budget.

We understand that there are now several plans that address the budget gap. The Alliance Board of Directors has not reviewed these plans in detail, nor can we provide comment on specific plans at this time. We can, however, provide the support industry's perspective regarding several tools, many of which are included

as elements to the plans now on the table. The Alliance polled its membership in mid-March to discover which tools are most palatable. This is what we found:

State Government Spending Reductions

The vast majority - 98% - of Alliance members *support continued cuts* in government spending. About three-fourths (76%) picked spending cuts as the *top choice* of methods to balance the budget. Most agreed that *spending reductions should occur before any other revenue sources are established.*

The state of Alaska can no longer do business as usual. The Alliance looks to the leadership in the House, the Senate and the Administration to make thoughtful decisions that will realize greater efficiency in government, whether it be by results-based budgeting, consolidation of government programs, elimination of non-essential services, use of a two-year budget cycle, and/or privatization of some government functions.

Cutting the budget must be done in a way that will not cripple the state's economy and infrastructure. Over the years, government has incorporated more and more programs, not all of them mandated by the constitution. We must identify the essential programs, and closely review those programs that may be "nice" but not necessary.

As citizens, we may have our opinion on programs in government, but we are not privy to all the information that is available to legislators and administration officials. We have elected you to research information about government programs and then decide what can be reduced or eliminated without harming the state.

I'd like to emphasize that The Alliance has always supported efforts to reduce government spending as the *first and foremost* method of balancing the budget. We still do, but we also realize spending cuts alone will not close the billion-dollar-plus gap. The time has come to consider all options.

Permanent Fund Undistributed and Unrealized Earnings

Using some portion of the Permanent Fund's undistributed or unrealized earnings to fund government is acceptable to *eight out of 10* Alliance members. Two-thirds (64%) supported use of some, but not all of the fund's unrealized earnings, while 16% said use it all, if necessary.

Limiting (or eliminating) the Permanent Fund Dividend, and using the remaining earnings to fund government services, was acceptable to *seven out of 10* of responding Alliance members.

We understand that the Permanent Fund Dividend is a significant contributor to the economy, and that it is considered by some Alaskans as income to support their families. Even so, we must recognize that the permanent fund was originally established to help fund government in a time of declining oil production and revenue. That time has come, at least for now.

Taxes

The Alliance has never taken a position in support of taxes. We will not endorse a tax now, but we understand taxes may need to be considered. If a tax is absolutely necessary, we believe it should be levied so that all Alaskans share in the burden of funding public services. No one segment of commerce or the public should be singled out to shoulder the burden alone.

While taxes of any type were the least popular budget-balancing tools to Alliance members, a sales tax appeared to be the most palatable taxation. About half – 52% - said they could support a state sales tax, *provided it would be levied statewide and on a fair and equitable basis.*

Alliance members *overwhelmingly oppose a state income tax.* Eighty-one percent said they “do not support” or “strongly oppose” using this tool to balance the budget.

Conclusion

In closing, I would like to leave you with this thought. The Alaska oil and gas support industry IS in crisis. Businesses are taking *immediate measures* to survive in the long term. They are realigning budgets to reflect losses in project revenues and reducing expenditures accordingly. It is imperative that the state does the same. Time IS of the essence.

We recognize that these are tumultuous times, with budget decisions closely tied to emotional issues. The Alliance looks to state leaders to make sound decisions based on what is good for all Alaskans, not just a few. We are willing to do our fair share.

Thank you for the opportunity to provide testimony on this important issue.

April 21, 1999

Re: All-Alaskan Endowment

Representative Eldon Mulder:

You asked me to comment on various bills that, collectively, would change the way the State's financial assets are used to fund government. Those assets are in the Permanent Fund, the Budget Reserve Fund and the Earnings Reserve Account. I assume that the objective of the bills' proponents is to bring about sustainable spending.

I've read the bills and can only conclude that spending would still be unsustainable under the proposed system. The endowment that would be employed in the attempt to make spending sustainable lacks essential elements.

(1) Initially, the endowment must be composed of all of the financial assets that are subject to appropriation under the present system. The proposed endowment satisfies this requirement. Indeed it includes assets that are not subject to appropriation (the Permanent Fund's assets).

(2) All of the oil money received in the future must be added to the endowment. What's proposed does not satisfy this requirement, because most of that money would continue to go into the General Fund. Since it is paid to the State in such irregular amounts, it is not sustainable. (Do we need any more proof of this fact?)

(3) The amount withdrawn from the endowment for spending each year must be limited to expected real growth from investment (about 5% of the market value of the endowment's assets). That much is sustainable. Any more than that taken out of the endowment would not be sustainable. The proposal satisfies this requirement (if a favorable construction is given to the bills).

(4) Even if all three of the above requirements were satisfied, the endowment would have to be established by constitutional amendment. Otherwise, subsequent legislatures would change the system when they wanted more money to spend, and unsustainable spending would resume. Besides, isn't it for the people and not the Legislature to define legislative authority?

Note that a proper endowment would deprive the Legislature of resources that it is accustomed to having. The oil money in the General Fund and the Budget Reserve Fund would be missing. It would be good riddance, however, because that's the money that causes the problem.

The oil money comes into the General Fund in amounts that aren't sustainable. Thus, in some years estimated receipts are low and there's a gap between them and proposed expenditures. The Legislature struggles to close the gap by increasing non-oil receipts and reducing expenditures. If it isn't closed, the gap is conveniently bridged for one or more years with reserves from the Budget Reserve Fund. When the reserves are exhausted, however, the gap must be closed. At that point the drop in spending, particularly if the gap has grown during the period of bridging, can be precipitous.


An endowment takes that problem-causing money off the table, converts it to sustainable revenue and puts it back on the table. Spending becomes sustainable.

None of the problem-causing money can be allowed to by-pass the endowment, because if any substantial part of what is spent is unsustainable, necessarily spending is unsustainable. That's why the elements of the endowment, enumerated above, are essential.

Other comments that could be made about the bills would not go to the heart of the matter. For instance, one could question the authority of a legislature to direct a subsequent legislature, expressly or impliedly, to appropriate money for a certain purpose, or to impose a cap on what can be appropriated for that purpose, or to require that the money be appropriated from a certain fund. And a question could be raised as to a legislature's authority to avoid the constitutional requirement of a three-quarter vote by "appropriating" (since an appropriation is an authorization to spend, transferring) the assets of the Budget Reserve Fund to the Alaska Income Account.

And it's beyond the scope of this brief note to comment on the incidental advantages of an endowment, such as its effect on the State's credit and on private investment in resource development.

I hope these comments are helpful. Incidentally, this will be sent to two other legislators who have asked me to comment on the bills.



Roger Cremo



Comments by

Cheryl Frasca to House Finance Committee, April 22, 1999

Criteria to Evaluate Fiscal Plans

Purpose

Advance identification of a financial plan that closes the state's fiscal gap and fosters the long-term prosperity of the Alaskan economy and its people.

Evaluation Criteria

1. **Stability**
 - a) Stable and predictable annual flow of revenues
 - b) Predictable tax regime
 - c) Stable spending
 - d) Ability to adjust to changing needs
 - e) Can be implemented

2. **Sustainability**
 - a) Protects and grows the Permanent Fund
 - b) Maintains revenue generating capacity of other financial assets
 - c) Advances financial investment policies that achieve maximum financial return

3. **Fairness**
 - a) Trade-offs between taxes, dividends, and public services are balanced across all Alaskan households, businesses, and communities
 - b) Links economic activity and a return to the state treasury
 - c) Connects Alaskans to financial decisions
 - d) Provides a smooth transition between any change in the size of dividends, taxes, or public services

4. **Simplicity**
 - a) Disposition of revenues and financial earnings is understandable
 - b) Clear definition of each element's composition and purpose

5. **Complete and full disclosure**
 - a) Uses reasonable assumptions for revenue generating capacity of natural resources and financial assets
 - b) Uses reasonable assumptions for population growth and composition change, and inflation
 - c) Balances revenues and spending for at least twenty years
 - d) Clearly accounts for all revenues, current spending and future financial commitments





**Comments on
"All Alaskan Plan"
Cheryl Frasca
House Finance Committee
April 22, 1999**

The following comments are offered on the "Alaska Alaskan Plan," based on the Fiscal Policy Council's criteria it developed to evaluate fiscal plans.

Overall

- Real value of the state's financial assets remains approximately constant through 2025. As long as the withdrawal rate is consistent with the long-run real rate of return on financial assets, there is no significant decline in value.

Evaluation using the Council's criteria for long-term plans

1. Stability

- Flow of revenues from financial assets will be relatively stable if the withdrawal rate is constant.
- Flow of revenues from other sources is not necessarily stable. Fluctuating oil revenues can still impact revenues available in a particular year. A separate fund or account could serve as a "shock absorber" on a temporary basis and providing an opportunity to implement other revenue generating measures.

2. Sustainability

- Plan's provisions that contribute to sustainability:
 - Proper selection of the withdrawal rate
 - Inclusion of market value of all financial assets in the base for withdrawal formula
 - Automatically Inflation-proofs
- An "endowment rule" creates the potential for the Permanent Fund to earn a maximum return consistent with an appropriate risk target

3. Fairness

- Dividend and general fund spending compete directly for available revenues. This can lead to more accountability and public involvement in the allocation of public resources
- Budget gap is filled through a combined use of tools: reduction of the dividend, use of financial earnings, budget cuts, and new taxes
- No broad-based tax is imposed in the near-term; recognizes the potential for a broad-based tax in the long term
- No solution to the "Alaska Disconnect" through which current economic development activity would not contribute to the state treasury through a broad-based tax



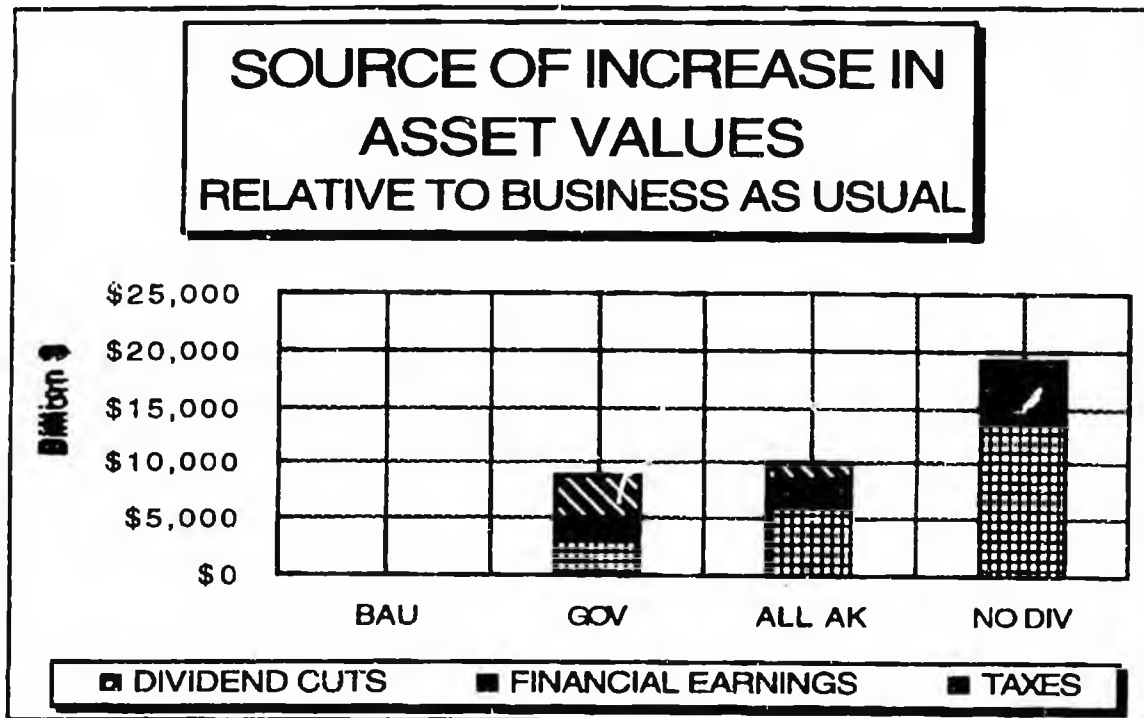
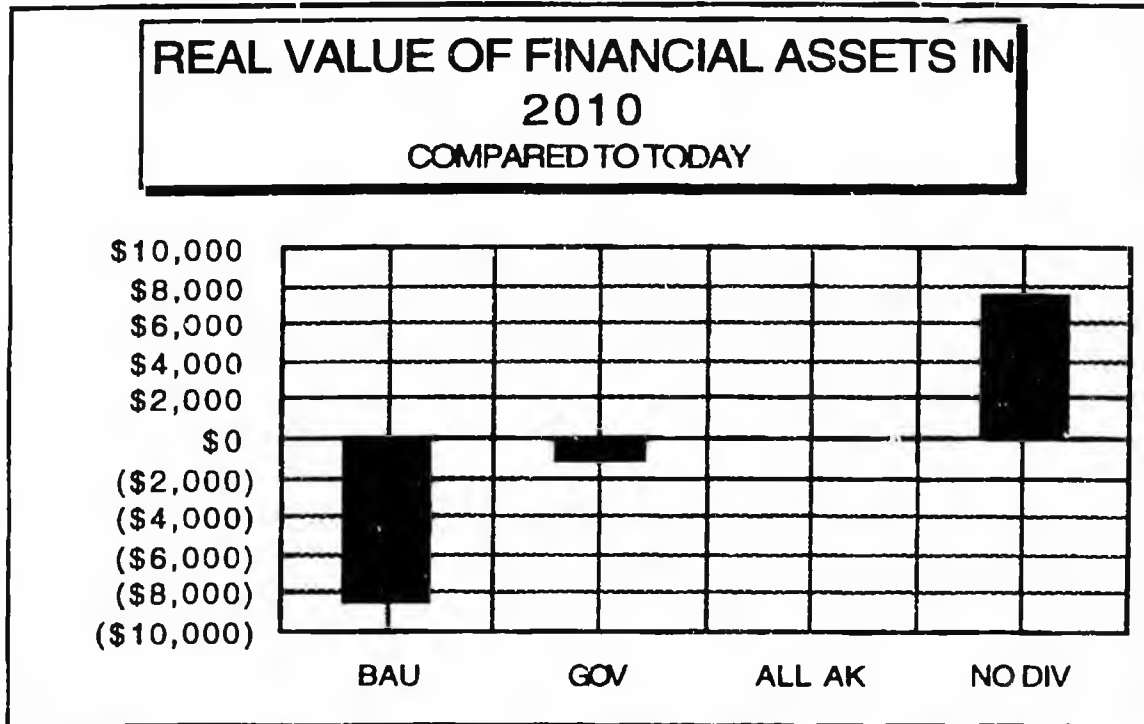
4. ***Simplicity***

- No new fund(s) created
- Permanent Fund and Alaska Income Fund have clear purpose
- Can be implemented with only a change to the CBR
- Retains flexibility in the use of earnings of financial assets (no dedication of earnings to particular purposes)

5. ***Completeness***

- Recognizes the need to use all the tools
- Assumptions are reasonable

Fiscal Policy Council of Alaska
 House Finance Committee * April 22, 1999



BAU="Business as Usual"

Analysis by
 Dr. Scott Goldsmith, UAA ISER

4



WORKING TO PROMOTE
ALASKA'S LONG-TERM
FISCAL CERTAINTY

FISCAL SENSE

AN UPDATE ON CLOSING ALASKA'S FISCAL GAP • ISSUE #5 • WEEK OF APRIL 12, 1999

In evaluation of fiscal plans . . .

Goal: Sustain value of state's financial assets

In between its work on next year's state budget, the Finance Committees are reviewing various ideas on how the state can close the gap between spending and revenues. Most use the same tools—spending reductions, permanent fund earnings, new and/or increased taxes—in different ways to get different results.

To evaluate ideas, the Council is working with Dr. Scott Goldsmith, an economist with UAA's Institute for Social and Economic Research (ISER). The Council believes any plan to secure the state's financial future must sustain the real value of the state's financial assets since they are the primary source of revenues for the foreseeable future. To "pass" this test, the inflation-adjusted value of the state's financial assets (CBR, Permanent Fund, and general

funds) must be at least as great in year 2010 as today.

To objectively compare proposals, the model standardizes assumptions. By using the same "inputs" (rate of return on financial assets, projected revenues from oil and non-oil, inflation, population, and general fund spending), a plan can be judged on how well it sustains asset value.

The accompanying charts describe three basic scenarios. Chart #1 and #2 represent the "extremes." Chart #1 is "business as usual" in which no structural fiscal changes are made. Chart #2 illustrates what happens if Permanent Fund dividends are no longer paid. Chart #3 shows how PF dividends are impacted when earnings are first used to sustain the real value of financial assets.

What happens if . . .

Chart #1: Business as Usual

Illustrates

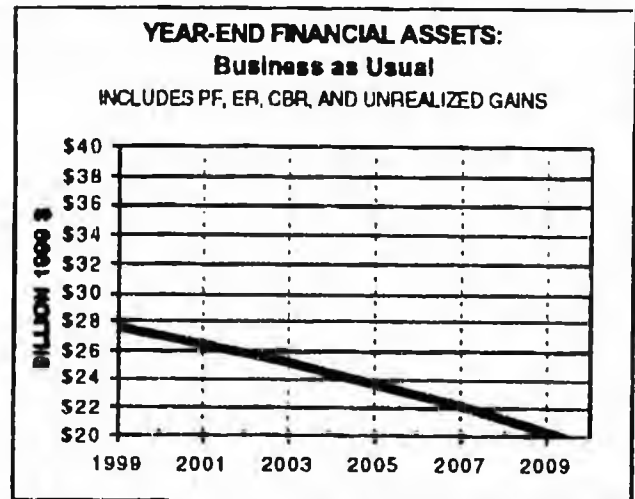
- How long financial assets last with no change in the state's fiscal policies

How works

- All financial assets (including the PF) and earnings are used as needed to pay for general fund spending and dividends

What it means

- CBR is exhausted in FY 2003
- Financial assets (including the PF) decline to less than 70% of current value by 2010
- Financial assets disappear entirely about 2020



FISCAL POLICY COUNCIL OF ALASKA • FISCAL SENSE • WEEK OF APRIL 12, 1999

What happens if . . . (continued)

Chart #2: No PF dividend

Illustrates

- If the state budget can be financed from current sources if the dividend were eliminated

How works

- Status quo except PF dividends are no longer paid

What it means

- Value of the state's financial assets grow 25% by 2010 and offset decline of oil revenues
- Financial assets continue growing well beyond 2025

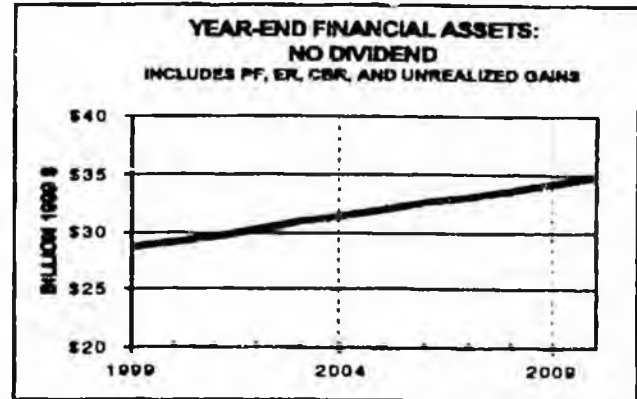


Chart #3: Sustain real value of assets

Illustrates

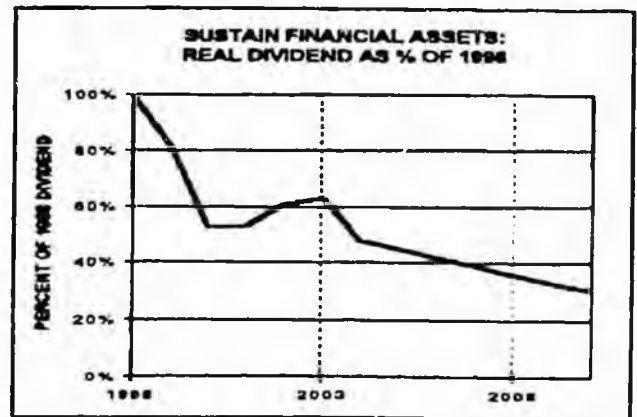
- What size of dividend is consistent with sustaining the real value of financial assets

How works

- Financial earnings are allocated among inflation proofing, the dividend, and GF spending to maintain the real value of financial assets

What it means

- The real value of the dividend falls to 30% of current value in 2010
- Dividend disappears about 2025



About the model . . .

The Council is using this model because it focuses on the "big picture" and highlights two important indicators of the state's long-term fiscal health: value of financial assets and the level of general fund and dividend spending.

By standardizing assumptions, it enables plans to be compared on a level playing field. Three sets of assumptions (base, optimistic, and pessimistic) allow plans to be compared under different conditions (the base case is reflected in the above charts).

Base case assumptions:

Years 1999 to 2003	Real	Nominal
Rate of Return long	4.5%	7.6%
Rate of return short	2.5%	5.6%
Oil revenues	DOR April 1999 forecast	
Non-oil revenues	Grow \$10 million/year	
GF spending	Flat except K-12 at 1.5%	
Inflation	3.0%	
Population	1.1%	

Years 2004+	Real	Nominal
Rate of Return long	4.5%	7.6%
Rate of return short	2.5%	5.6%
Growth rate oil revenues	-3.0%	-0.1%
Non-oil revenues	0.0%	3.0%
Growth rate personal inc tax	0.0%	
Growth rate other revs to GF	0.0%	
GF spending	0.0%	3.0%
Inflation	3.0%	
Population	1.1%	

The Fiscal Policy Council of Alaska, Inc. is a nonpartisan, nonprofit, member-supported organization dedicated to promoting the state's long-term fiscal certainty through research and providing objective information about Alaska's finances. "FISCAL SENSE" is written by FPCA board member Cheryl Frasca, a longtime budget-watcher. The Council can be reached by calling (907)258-2331; fax 258-2332; exdir@fiscalak.org.

Ken Lester
Box 373
Kodiak, AK 99615

Ph: (907)486-3376
Fax: (907)486-4488

From
Hon. Alan Austerman
Alaska State House
Juneau, Ak.

Dear Alan:

THE PROBLEM: How fund State Government into the Future.

ANSWER: Set up an account that makes enough earnings in FY This Year to fund FY Next Year.

SOLUTION: Begin an Alaska Income Account that the people of Alaska will get behind and support.

WHERE DO THE BEGINNING FUNDS COME FROM: Somehow this Account needs a substantial cash infusion that will allow it to quickly begin to earn enough to inflation proof itself and fund at substantial amount of Government as it builds to fund all of Government.

It is readily apparent to me, in talking to regular voters (I have not discussed this with Government Workers), that they would support moving half (50%) of the Permanent Fund Principal into this ACCOUNT if the Permanent Fund remainder stayed as is and was administered the same. They also do not understand how the Permanent Fund operates. (ie Inflation Proofing, Dividends, and Excess Earnings) When I suggest that the CBR and Excess Earnings could be added to this ACCOUNT they are lost.

It is also readily apparent that they are deathly afraid that the Legislature is going to gain excess to the Permanent Fund Principal and squander the principal. They seem to be supportive of establishing the ACCOUNT if it is set up in the same manner as the Permanent Fund. (ie. Inflation Proofing and the remaining earnings going into the General Fund)

I have found that they are really really set against having the Permanent Fund dry up and be gone with respect to the Annual Dividend Checks. They understand that some of the Permanent Fund will more than likely have to be used to balance the budget. Governor Knowles plan to move \$4 billion into the General Account went over like a ton of bricks on the top of the head. This would be spent and gone in no time is the feeling.

In explaining that the ACCOUNT would be set up by the Legislature and thus allowing the rules to change at their whim in respect to the principal of the ACCOUNT is also not acceptable. They are for a vote of the people to set up the ACCOUNT in such a manner that the People would have to allow, by vote, the principal to be used. The lesson of the Permanent Fund Principal needing a vote of the people is a safety net that they are well aware of and appreciate.

One of the ideas that Governor Knowles has now is that of set aside funds for certain costs of Government. Such as the Highway Funds coming from the gasoline taxes. This in my opinion is the worst mistake that can be made. I feel that it is imperative that the funding of Government needs to remain in the hands of the Legislature. Once special accounts are set up there will be more to come until all of the budget is accounted for prior to any discussion of what is need where. In order to continue funding as needed year to year we need to stay with the present system or Government will run without fiscal control.

The State Budget shortfall is approximately \$1.2 billion this year. The excess earnings of the Permanent Fund is close to this amount this year. If \$18 billion is the amount of the Permanent Fund Principal this year, then we need to start the ACCOUNT with about \$18 billion. If the CBR, Excess Earnings, and Unrealized Gains are \$9 billion and \$9 billion (50%) of the Permanent Fund were placed into the ACCOUNT the interest gained would be somewhere along the lines of the Permanent Fund Excess Earnings, thus funding the shortfall of the budget.

Whatever happens the PEOPLE need to be involved, educated, and supportive of the ACCOUNT. As I understand the proposals today, I am against them.

I would like to see and I believe the People would accept:

1. A vote of the people set up the ACCOUNT (so the Legislature can not reach the principal without our approval)
2. The ACCOUNT be inflation proofed as part of the vote to set up the ACCOUNT (thus removing the possibility of the Legislature not appropriating inflation proofing to increase the budget)
3. At least half (50%) of the Permanent Fund Principal remain in the Fund and the dividend program continued, even if the dividend is greatly reduced. Income to the Fund would continue to be deposited to the principal as it is today allowing the Fund to grow slowly. (I believe the People would accept this over the complete loss of the dividend)
4. The Excess Earnings of the Permanent Fund (after the 50% is moved to the ACCOUNT and after inflation proofing each year and after dividends are paid each year) would be deposited into the ACCOUNT. This would continue until such time as the ACCOUNT has grown to the extent that it earns enough to cover the complete budget.

5. At the time that the budget is fully funded by the earnings of the ACCOUNT the General Fund Income that is not from the ACCOUNT earnings could be deposited into the ACCOUNT principal.

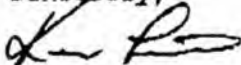
I realize that this may seem a simple plan and that the Legislature more than likely will not accept it as they will not have the control that it appears they are seeking over the Principal of the ACCOUNT. The greatest problems with the plans that I see that are being presented today is this control without input that the Legislature is trying to gain over the savings of the State.

The problems with the Governor's plans that have been and continue to be presented is that they all hinge on increased taxes without decreased Government.

It would be nice to sit down in a room full of People and debate the issues that the ACCOUNT brings to the surface and the good that it can have for the future of Alaska.

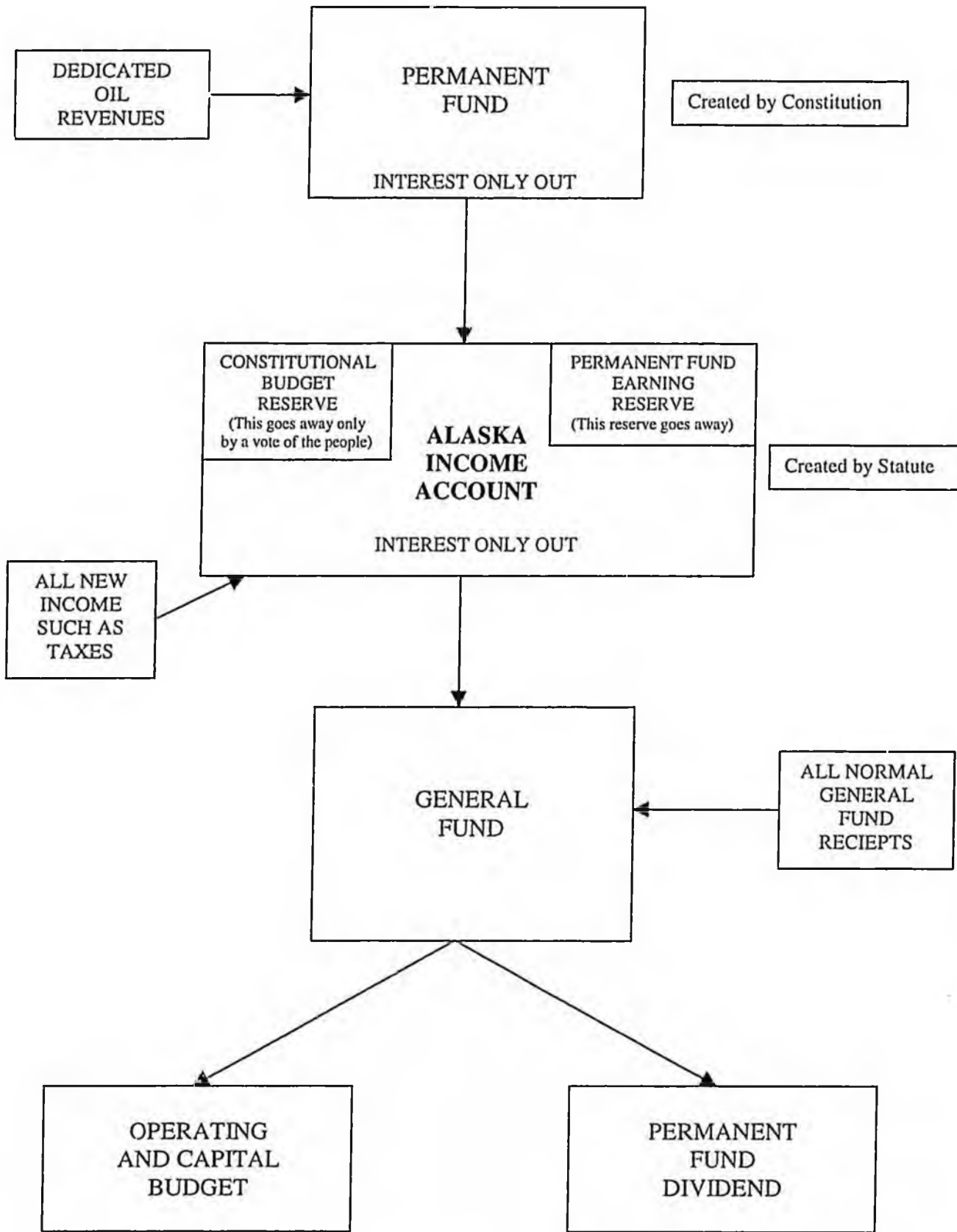
I wish you luck in trying to do the best with this idea of the ACCOUNT and thanks for trying. I will continue to beat my small drum around town and when I feel that I have enough answers and ideas I will be writing the Editor of the Mixxor, Anchorage News, Fairbanks Miner, and the Juneau paper.

Sincerely,

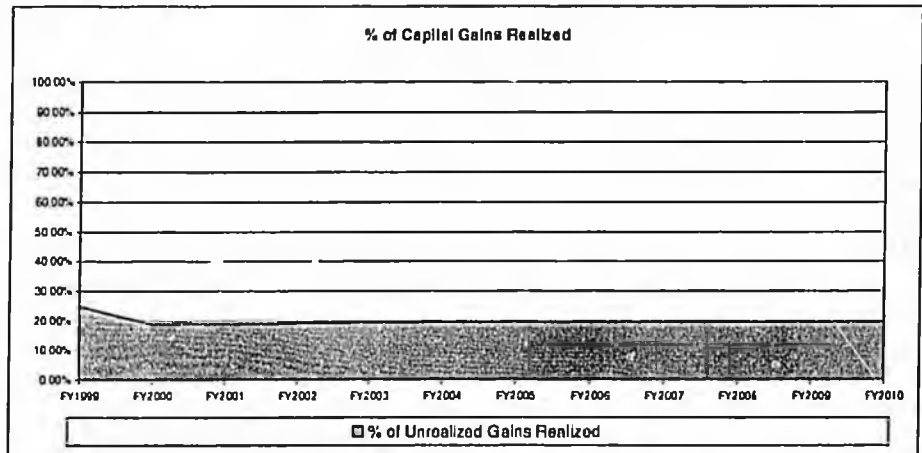
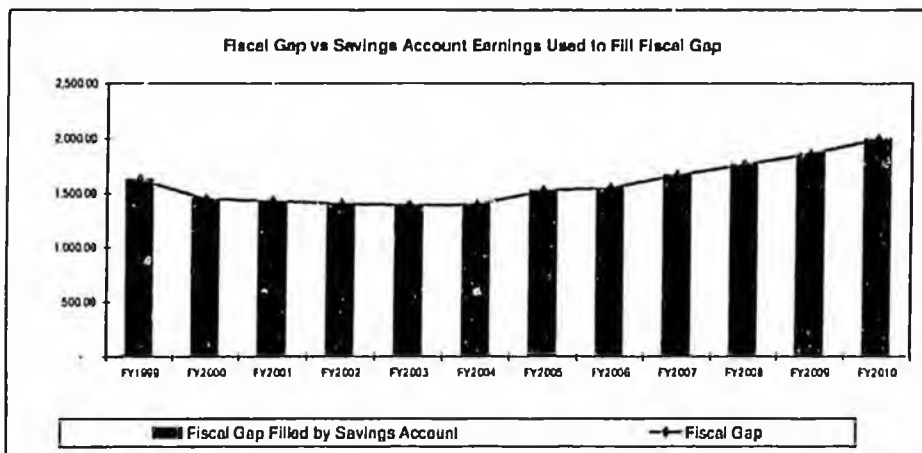
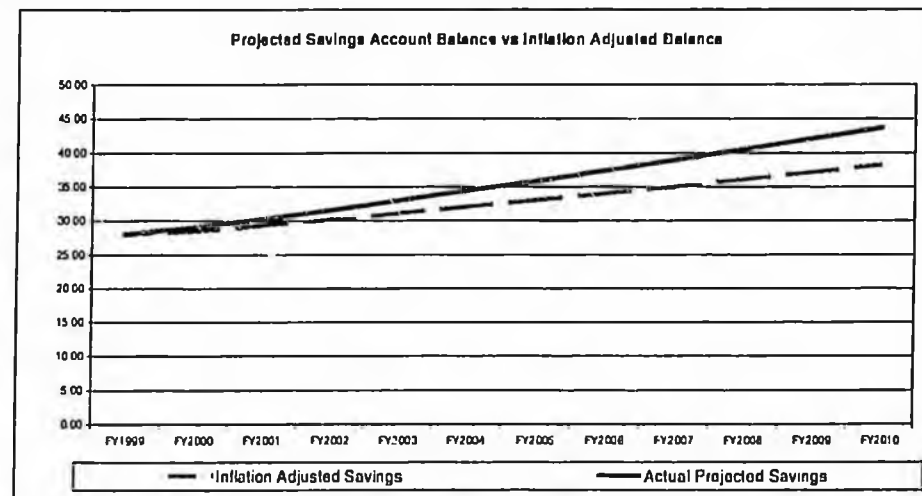
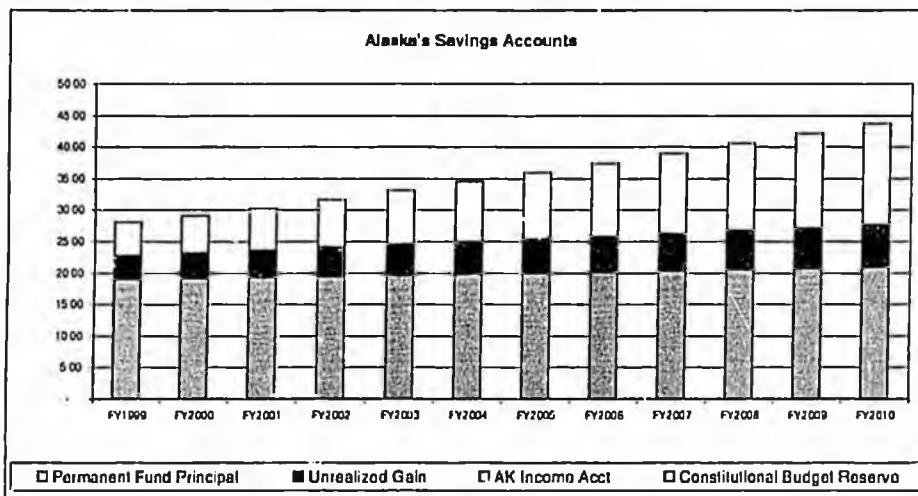
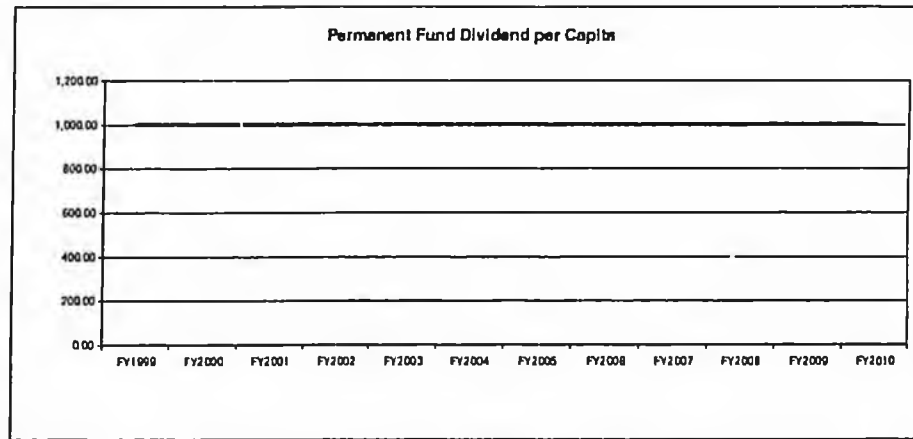
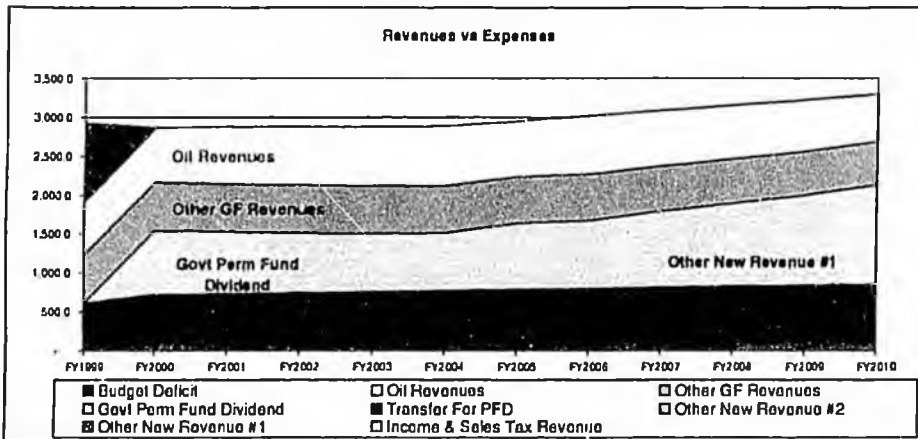


Ken Lester

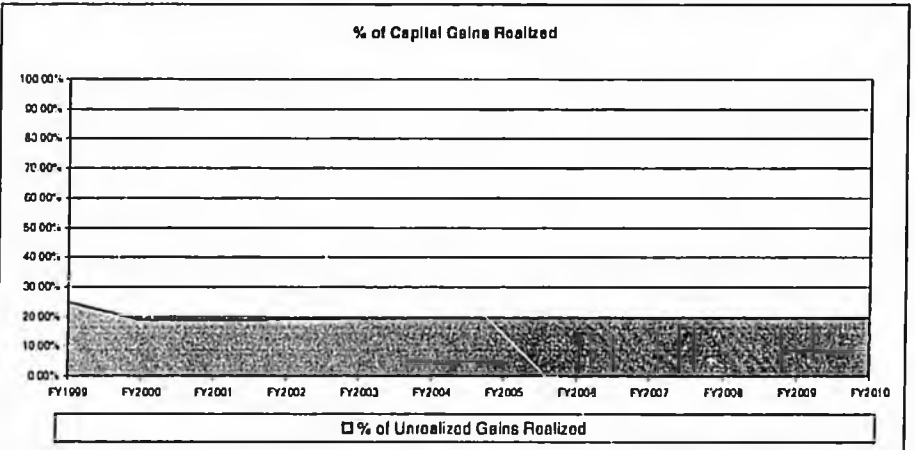
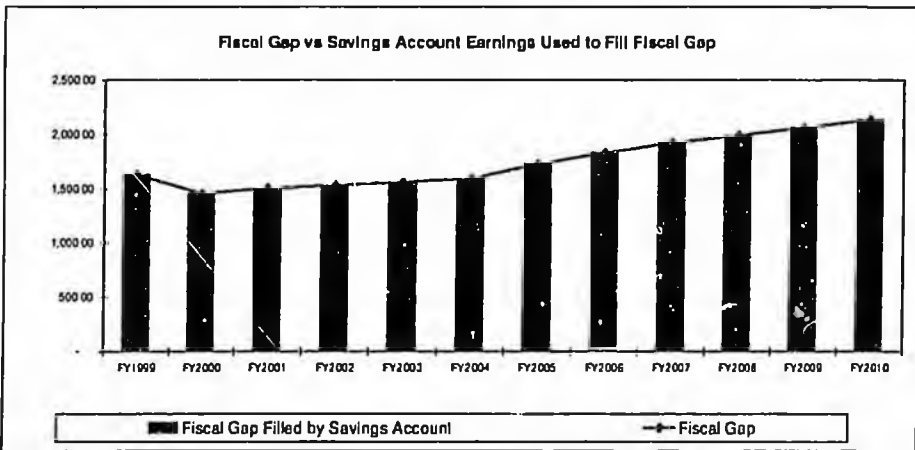
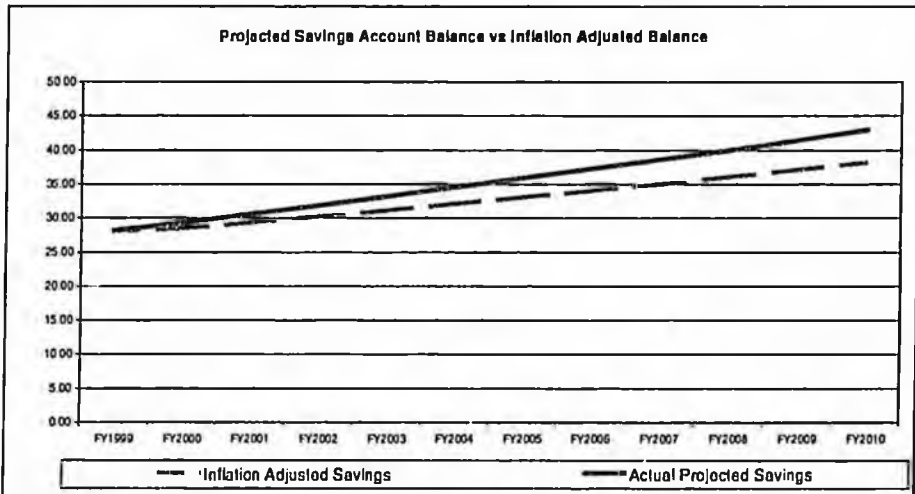
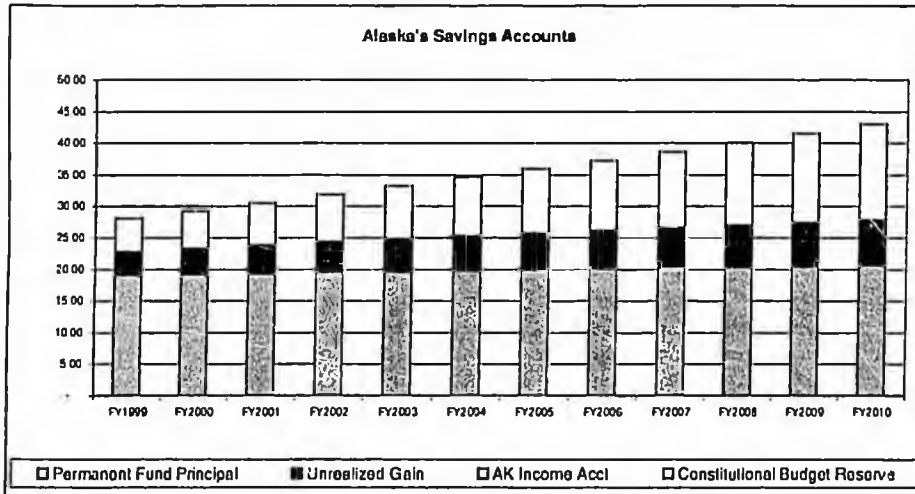
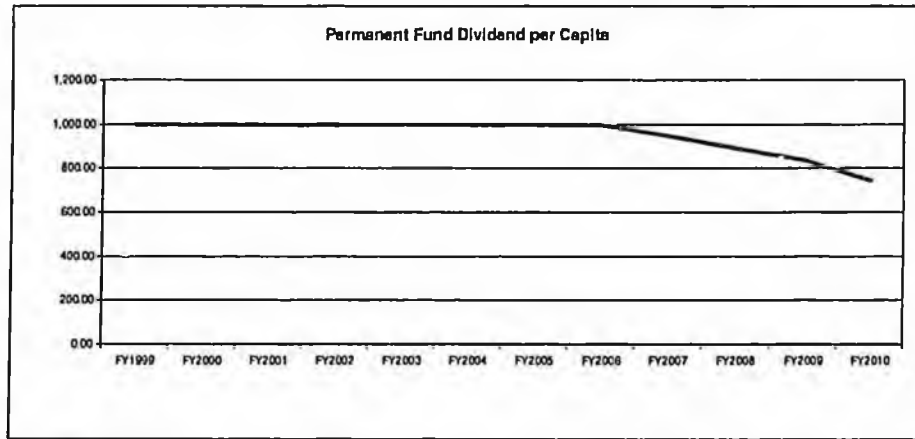
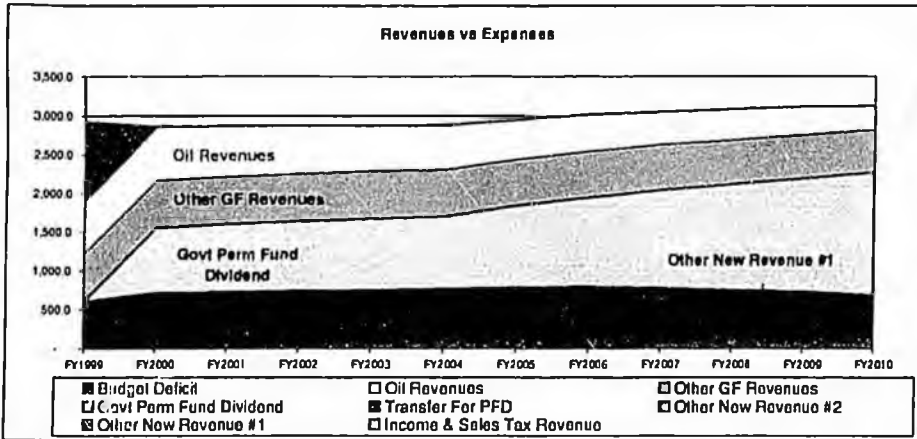
ALASKA INCOME ACCOUNT PLAN



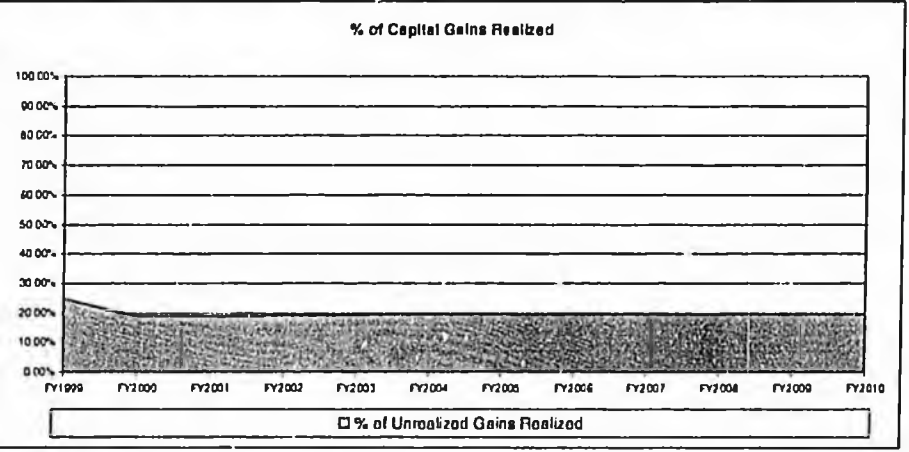
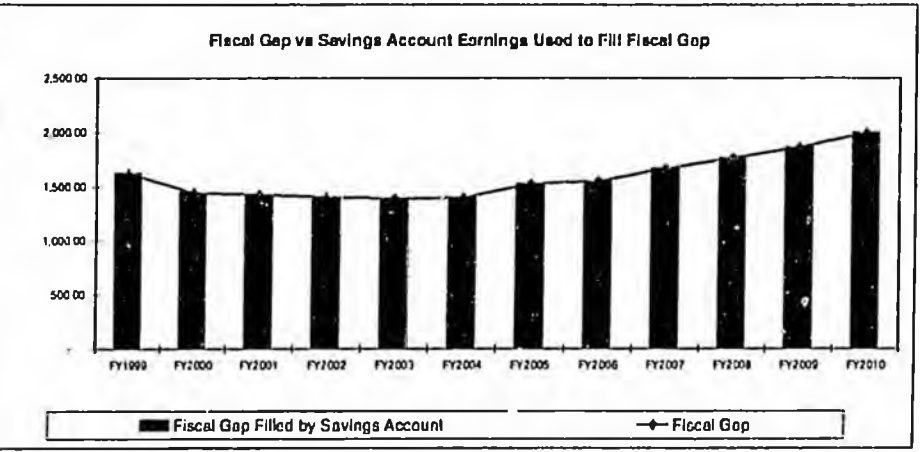
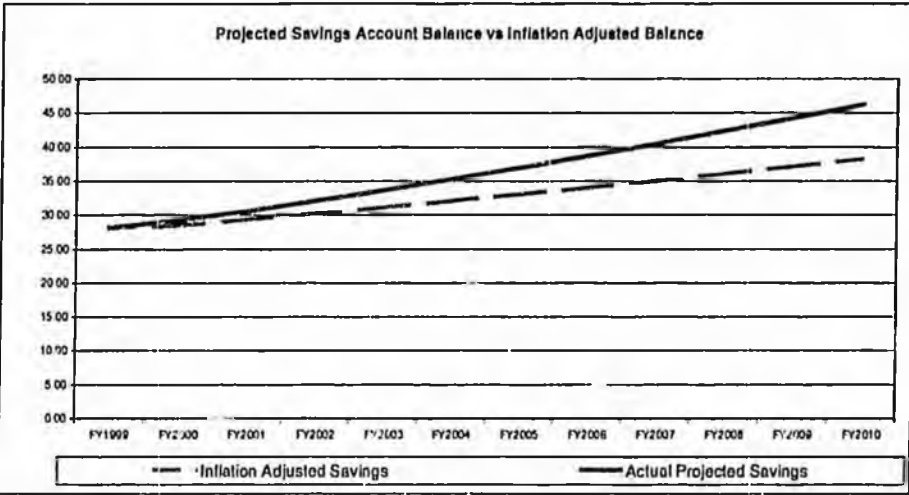
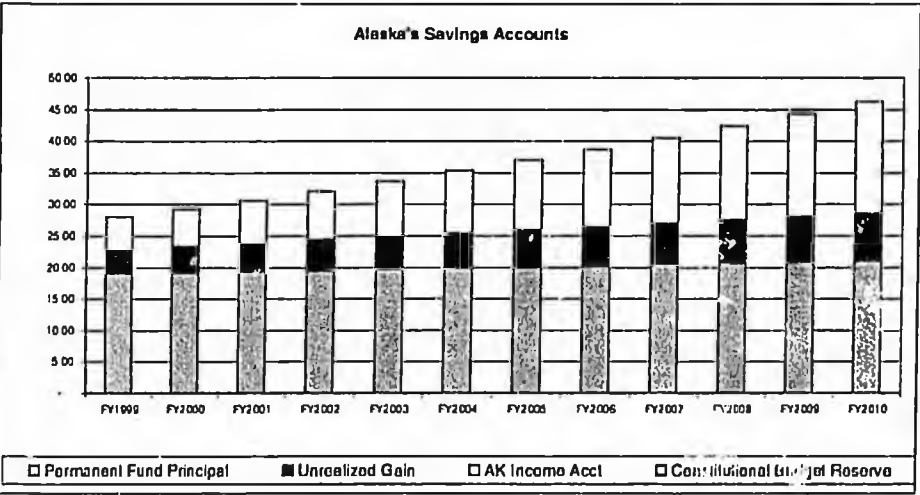
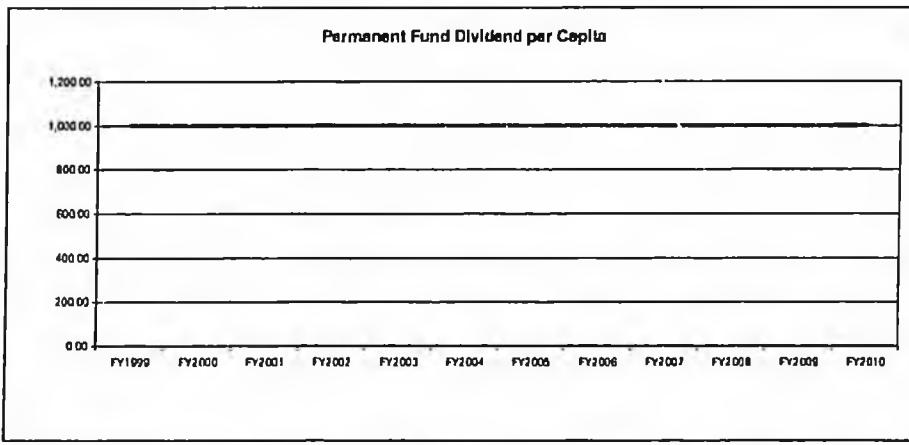
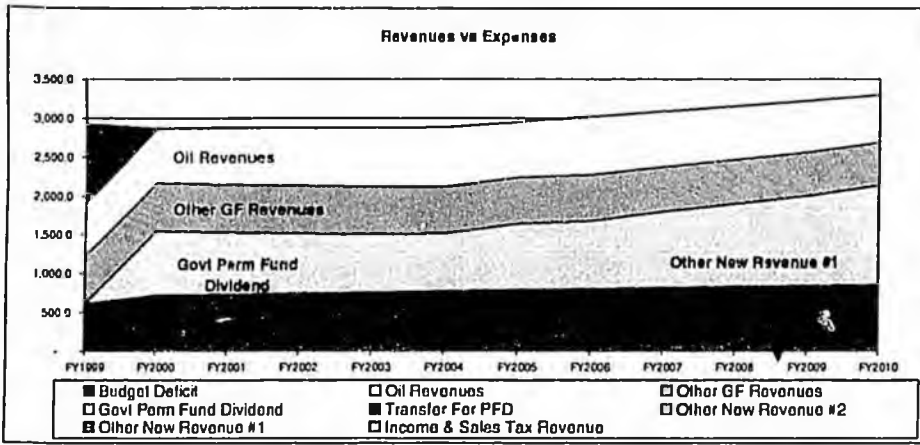




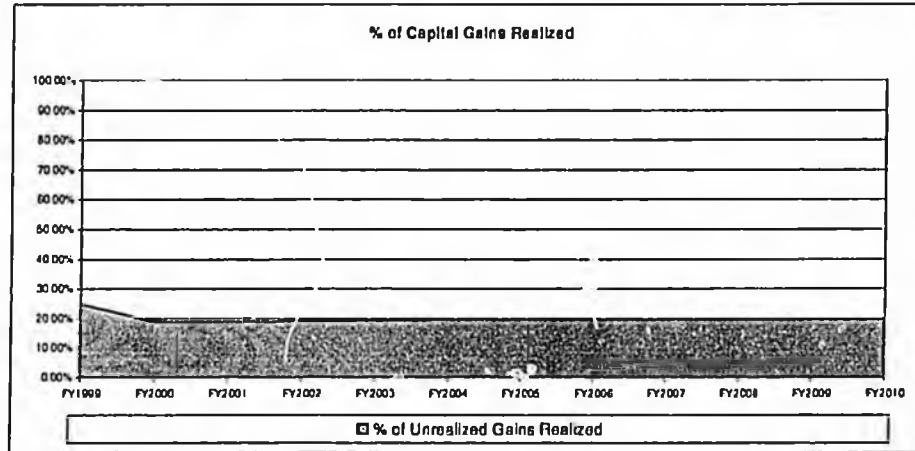
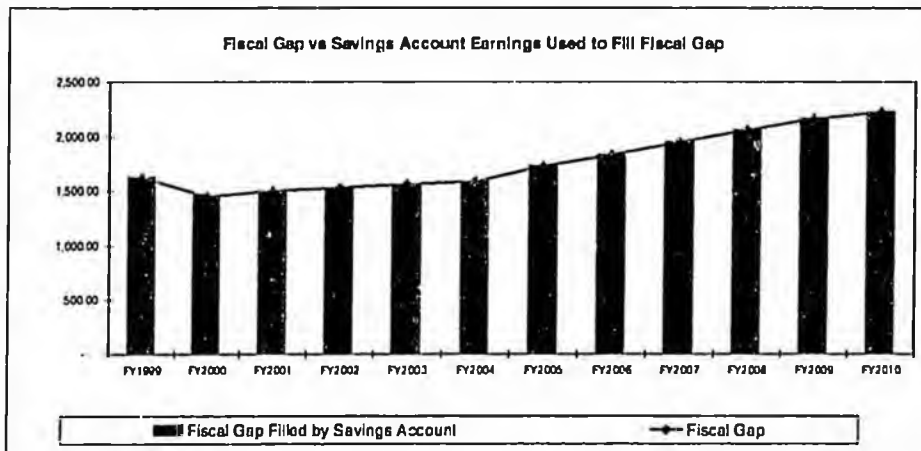
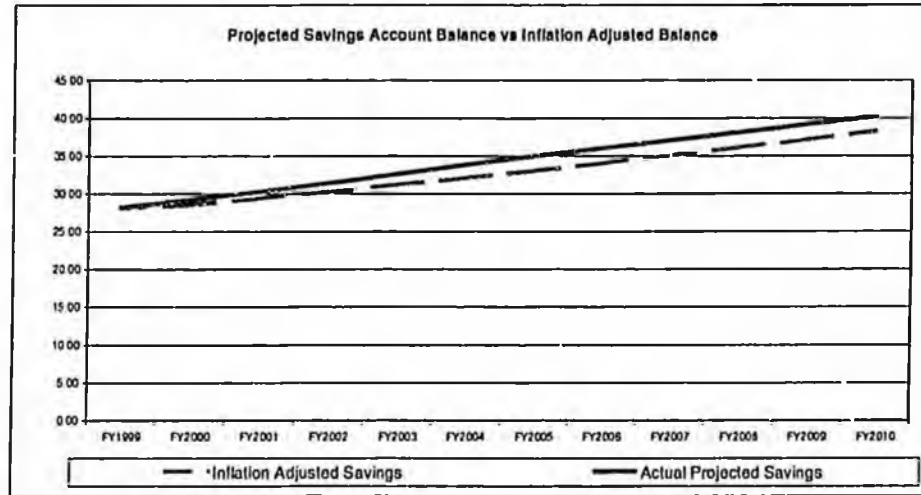
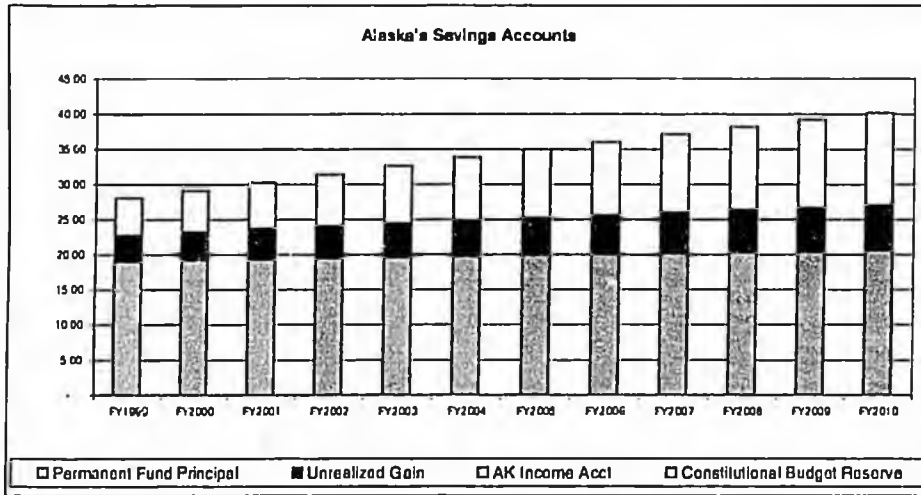
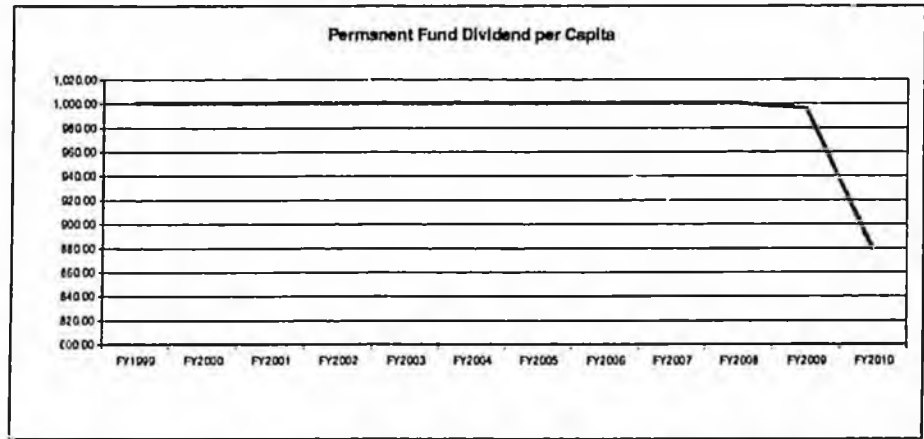
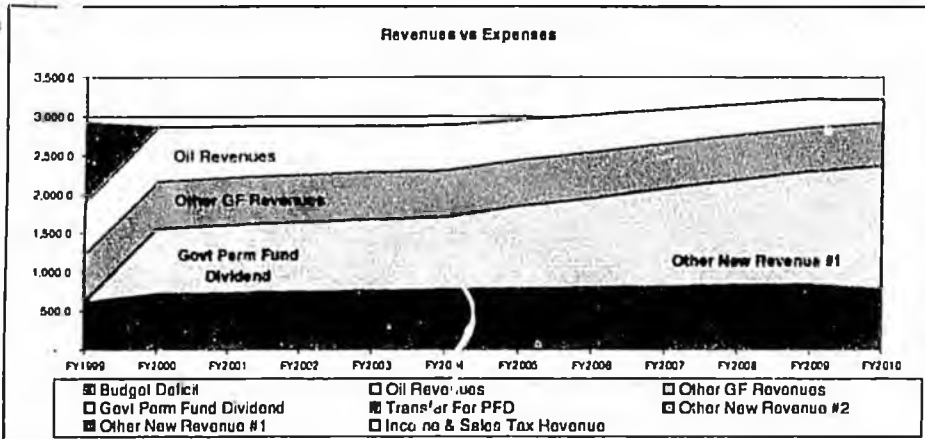
ALL-ALASKAN PLAN – USING SPRING FORECAST FOR OIL PRICES



ALL-ALASKAN PLAN – USING HIGHER PERMANENT FUND EARNINGS @ 8.69%



ALL-ALASKAN PLAN – USING SPRING FORECAST AND HIGHER PERMANENT FUND EARNINGS @ 8.69%



ALL-ALASKAN PLAN (REVISED)

	FY1999	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011
Revenue Assumptions													
Oil Price in \$/bbl	12.11	13.57	14.52	15.28	16.00	16.30	16.64	18.10	18.62	19.16	19.72	20.31	20.91
Volume in mbb/d	1.166	1.047	1.064	1.035	1.049	1.076	1.031	0.979	0.919	0.871	0.824	0.768	0.718
HB96 Passes (Y or N) - All Leases @ 25%	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Market Assumptions													
Perm Fund Total Return	7.910%	8.250%	8.250%	8.250%	8.250%	8.250%	8.250%	8.250%	8.250%	8.250%	8.250%	8.250%	8.250%
Yield of Dividends & Interest	4.000%	3.820%	3.820%	3.820%	3.820%	3.820%	3.820%	3.820%	3.820%	3.820%	3.820%	3.820%	3.820%
Expected Capital Gains/Losses	3.910%	4.430%	4.430%	4.430%	4.430%	4.430%	4.430%	4.430%	4.430%	4.430%	4.430%	4.430%	4.430%
% of Unrealized Gains Realized	24.820%	18.750%	18.900%	19.000%	19.230%	19.460%	19.460%	19.460%	19.460%	19.460%	19.460%	19.460%	19.460%
CBH Yield	6.080%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%
<i>Anualized Return</i>	XXXX												
Dividend Assumptions													
Maximum Dividend to \$ per Person	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Calculated Dividend Amount	x \$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$996	\$879	\$518
Inflation Assumptions													
General Inflation Rate - Used for Inflation Proofing	1.540%	3.000%	3.000%	3.000%	3.000%	3.000%	3.000%	3.000%	3.000%	3.000%	3.000%	3.000%	3.000%
Growth of Agency Expenditures - Inflation	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Growth of Formula Expenditures - Inflation	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Growth of School Expenditures - Inflation	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Growth of Capital Budget - Inflation	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Population Growth Assumptions													
Agency Expenditures - Population	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
Formula Expenditures - Population	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
School Expenditures - Population	1.500%	2.642%	1.500%	1.500%	1.500%	1.500%	1.500%	1.500%	1.500%	1.500%	1.500%	1.500%	1.500%
Capital Budget - Population	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
Dividends	1.600%	1.600%	1.600%	1.600%	1.600%	1.600%	1.600%	1.600%	1.600%	1.600%	1.600%	1.600%	1.600%
Inflation Proofing Assumptions													
Statutory Inflation Proofing Amount	x 287.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Question: Use the Statutory Method? (Y or N)	Y	N	N	N	N	N	N	N	N	N	N	N	N
Endowment Assumptions													
Payout %	N/A	5.55%	5.69%	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%	5.25%
Minimum Dividend		\$250.00	\$250.00	\$250.00	\$250.00	\$250.00	\$250.00	\$250.00	\$250.00	\$250.00	\$250.00	\$250.00	\$250.00
Split (Y or N)	N/A	N	N	N	N	N	N	N	N	N	N	N	N
% Split for Dividend	N/A												
% Split for General Government	N/A												

Budget Assumptions	FY1999	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011
Revenues													
<i>Petroleum Revenue</i>	677.6	692.9	657.2	615.5	588.9	581.9	511.5	471.1	427.4	393.8	362.9	372.6	270.0
<i>Non-petroleum Revenue</i>	621.1	614.8	613.2	617.6	612.0	598.7	592.9	592.1	581.4	571.3	560.7	550.2	539.7
Alaska Credit Income Tax (Net receipts in millions)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Alaska Sales Tax (1% = \$60 million, exempts food & hca)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other New Revenue #1	0.0	100.0	103.0	106.1	109.3	112.6	115.9	119.4	123.0	126.7	130.5	134.4	138.4
Other New Revenue #2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Revenues	1,298.7	1,407.7	1,373.4	1,339.2	1,310.1	1,293.1	1,220.2	1,182.6	1,131.8	1,091.7	1,054.1	987.2	948.1
Expenditures													
Agency Operations	1,104.7	1,104.7	1,054.7	1,014.7	984.7	964.7	973.8	993.3	1,013.1	1,033.4	1,054.1	1,075.1	1,096.7
Formula Programs	372.5	372.5	372.5	372.5	372.5	372.5	380.0	387.5	395.3	403.2	411.3	419.5	427.9
K-12 Education	681.2	699.2	709.7	720.3	731.1	742.1	768.1	795.0	822.8	851.6	881.4	912.2	944.2
Perm Fund Dividends	x 572.4	581.6	590.9	600.4	610.0	619.7	629.6	639.7	650.0	660.4	668.1	599.0	359.1
Perm Fund Hold Harmless	28.6	29.2	29.8	30.4	31.0	31.6	32.3	32.9	33.6	34.2	34.9	35.6	36.3
Proposed Budget Cuts #1	0.0	(50.0)	(40.0)	(30.0)	(20.0)	(10.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Proposed Budget Cuts #1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Supplemental Budget - Fires, Floods, (Y2K, FY99), etc.	13.6	16.5	16.5	16.5	16.5	16.5	16.5	16.5	16.5	16.5	16.5	16.5	16.5
Debt Service (Net of non-GF School Fund and AHFC off	46.0	3.5	38.7	41.9	41.8	41.8	41.8	41.8	41.8	41.8	41.8	41.8	41.8
Capital Budget	85.4	85.4	85.4	85.4	85.4	85.4	87.1	88.9	90.6	92.4	94.3	96.2	98.1
State Match for Loan Programs (Water, Sewer, etc.)	20.9	19.4	17.2	17.2	17.2	17.2	17.2	17.2	17.2	17.2	17.2	17.2	17.2
Other #1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other #2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total General Fund Expenditures:	2,925.4	2,862.0	2,875.4	2,869.3	2,870.2	2,881.6	2,946.3	3,012.8	3,080.9	3,150.7	3,219.5	3,213.2	3,037.7
Budget (Deficit)/Surplus	(1,626.7)	(1,454.3)	(1,502.0)	(1,530.1)	(1,560.1)	(1,588.4)	(1,726.1)	(1,830.2)	(1,949.1)	(2,059.0)	(2,165.4)	(2,226.0)	(2,089.5)
Transfers													
<i>Transfer (to)/from CBR (Beg of Year)</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Transfer (to)/from CBR (Thru the Year)</i>	1,025.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Transfer (to)/from CBR (End of Year)</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Legislative Appropriations to Perm Fund Principal	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Transfer (to)/from Alaska Income Acct (Beg of Year)</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Transfer (to)/from Alaska Income Acct (Thru the Year)</i>	0.0	843.5	881.3	899.3	919.1	937.1	1,064.2	1,157.5	1,265.6	1,364.4	1,462.4	1,591.4	1,694.1
<i>Transfer (to)/from Alaska Income Acct (End of Year)</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>PFDF Transfer from Earn Reserve (End of Year)</i>	572.4	581.6	590.9	600.4	610.0	619.7	629.6	639.7	650.0	660.4	668.1	599.0	359.1
<i>PFDF Transfer from Earn Reserve for Hold Harmless</i>	28.6	29.2	29.8	30.4	31.0	31.6	32.3	32.9	33.6	34.2	34.9	35.6	36.3
Total Transfers	1,626.7	1,454.3	1,502.0	1,530.1	1,560.1	1,588.4	1,726.1	1,830.2	1,949.1	2,059.0	2,165.4	2,226.0	2,089.5
Difference	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CBR Balance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Alaska Income Acct Balance	5,367.2	5,966.0	6,631.4	7,377.2	8,208.5	9,003.4	9,756.2	10,497.3	11,209.9	11,900.4	12,569.8	13,261.4	14,171.7
Unrealized Gain:	3,689.1	4,008.4	4,298.3	4,567.3	4,813.1	5,041.1	5,266.5	5,487.9	5,705.5	5,918.8	6,127.6	6,331.8	6,532.7
Unrealized Gains Realized %	24.820%	18.750%	18.900%	19.000%	19.230%	19.460%	19.460%	19.460%	19.460%	19.460%	19.460%	19.460%	19.460%
Continued Deficit													

CONSTITUTIONAL BUDGET RESERVE

	FY1999	FY2000	FY2001	FY2002	FY2003	FY2004	FY 005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011
TOTAL Const Budget Reserve (Beg of Yr)	3,559.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Oil & Gas Tax Dispute Resolutions (Thru the Year)	56.0	120.0	120.0	120.0	120.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfer (to)/from APFC Alaska Income Acct (Beg of Year)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfer (to)/from APFC Alaska Income Acct (Thru the Year)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfer (to)/from APFC Alaska Income Acct (End of Year)	(2,761.9)	(123.3)	(123.3)	(123.3)	(123.3)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfer (to)/from Gen Fund (Beg of Year)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfer (to)/from Gen Fund (Thru the Year)	(1,025.6)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfer (to)/from Gen Fund (End of Year)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Earnings	172.4	3.3	3.3	3.3	3.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL Const Budget Reserve (End of Yr)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

ALASKA PERMANENT FUND**Principal/Corpus**

	FY1999	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011
TOTAL Principal at Cost (Beg of Yr)	18,516.0	18,971.9	19,120.4	19,268.3	19,414.3	19,562.9	19,715.2	19,858.7	19,999.4	20,137.3	20,274.6	20,411.2	20,540.7
Dedicated Oil Revenues (Thru the Year)	130.0	122.2	119.2	114.8	114.6	115.4	103.6	97.5	91.2	86.9	82.2	70.7	64.8
Other Transfers (Amerada Hess) (End of Year)	38.2	26.3	28.7	31.2	34.0	37.0	39.9	43.2	46.6	50.4	54.4	58.8	63.5
Legislative Appropriations (End of Year)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfer (to)/from APFC Alaska Income Acct (Beg of Year)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfer (to)/from APFC Alaska Income Acct (Thru the Year)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfer (to)/from APFC Alaska Income Acct (End of Year)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Statutory Inflation Proofing (End of Year)	287.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL Principal at Cost (Ending Bal)	18,971.9	19,120.4	19,268.3	19,414.3	19,562.9	19,715.2	19,858.7	19,999.4	20,137.3	20,274.6	20,411.2	20,540.7	20,669.0

Alaska Income Account

	FY1999	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011
TOTAL Alaska Income Acct Acct Balance (Beg of Yr)	1,369.0	5,367.2	5,966.0	6,631.4	7,377.2	8,208.5	9,003.4	9,756.2	10,497.3	11,209.9	11,900.4	12,569.8	13,261.4
Transfer (to)/from APFC Principal (Beg of Year)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfer (to)/from APFC Principal (Thru the Year)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfer (to)/from APFC Principal (End of Year)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfer (to)/from Gen Fund (Beg of Year)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfer (to)/from Gen Fund (Thru the Year)	(0.0)	(843.5)	(881.3)	(899.3)	(919.1)	(937.1)	(1,064.2)	(1,157.5)	(1,265.6)	(1,364.4)	(1,462.4)	(1,591.4)	(1,694.1)
Transfer (to)/from Gen Fund (End of Year)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfer (to)/from CBR (Beg of Year)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfer (to)/from CBR (Thru the Year)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfer (to)/from CBR (End of Year)	2,761.9	123.3	123.3	123.3	123.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PFD Transfer (to) Gen Fund (End of Year)	(572.4)	(581.6)	(590.9)	(600.4)	(610.0)	(619.7)	(629.6)	(639.7)	(650.0)	(660.4)	(668.1)	(599.0)	(359.1)
PFD Transfer (to) Gen Fund for Hold Harmless (E x	(28.6)	(29.2)	(29.8)	(30.4)	(31.0)	(31.6)	(32.3)	(32.9)	(33.6)	(34.2)	(34.9)	(35.6)	(36.3)
Interest Income x	957.6	1,073.0	1,113.7	1,155.8	1,200.1	1,246.9	1,291.6	1,334.3	1,376.4	1,417.1	1,456.8	1,495.3	1,534.4
Realized Gains x	1,217.9	925.0	1,001.7	1,071.3	1,145.9	1,218.0	1,272.5	1,326.0	1,378.6	1,430.1	1,480.5	1,529.9	1,578.4
Statutory Inflation Proofing	(287.7)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating Costs of APFC	(32.2)	(42.0)	(42.6)	(43.3)	(43.9)	(44.6)	(45.2)	(45.9)	(46.6)	(47.3)	(48.0)	(48.7)	(49.5)
Legislative Appropriations for Oil & Gas Litigator	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Legislative Appropriations for Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Less Amerada Hess Settlement Earnings (not inc x	(38.2)	(26.3)	(28.7)	(31.2)	(34.0)	(37.0)	(39.9)	(43.2)	(46.6)	(50.4)	(54.4)	(58.8)	(63.5)
TOTAL Alaska Income Acct Balance (End of Yr)	5,367.2	5,966.0	6,631.4	7,377.2	8,208.5	9,003.4	9,756.2	10,497.3	11,209.9	11,900.4	12,569.8	13,261.4	14,171.7

Unrealized Gains

	FY1999	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011
Balance of Unrealized Gains (Beg of Year)	3,970.9	3,689.1	4,008.4	4,298.3	4,567.3	4,813.1	5,041.1	5,266.5	5,487.9	5,705.5	5,918.8	6,127.6	6,331.8
Current Year Unrealized Gains	936.1	1,244.4	1,291.5	1,340.3	1,391.7	1,446.0	1,497.9	1,547.4	1,596.1	1,643.4	1,689.4	1,734.1	1,779.4
Amount of Gains Realized	(1,217.9)	(925.0)	(1,001.7)	(1,071.3)	(1,145.9)	(1,218.0)	(1,272.5)	(1,326.0)	(1,378.6)	(1,430.1)	(1,480.5)	(1,529.9)	(1,578.4)
Additional Gains Realized	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bal Unreal Gain add to Market Value	3,689.1	4,008.4	4,298.3	4,567.3	4,813.1	5,041.1	5,266.5	5,487.9	5,705.5	5,918.8	6,127.6	6,331.8	6,532.7

Alaska State Legislature



HOUSE OF REPRESENTATIVES

TO: Representative Eldon Mulder, Co-Chair
Representative Gene Therriault, Co-Chair
House Finance Committee

FROM: The All-Alaskan Plan Working Group
Representative Alan Austerman Representative Lisa Murkowski
Representative Gary Davis Representative Gail Phillips
Representative Bill Hudson Representative Jim Whitaker
Representative Carl Morgan Representative Bill Williams

DATE: April 22, 1999

RE: All-Alaskan Plan

The members of the All-Alaskan Plan Working Group thank you for the opportunity to present the All-Alaskan Plan to the House Finance Committee. These are exciting times and if we have the courage to act now, we believe a tremendous opportunity exists to put our fiscal house in order for many, many years to come.

The following materials are attached for your review:

- Sponsor statement
- The All-Alaskan Plan with revised color copies of the plan's spreadsheet
- "The Case for Increased Flexibility: HB156"
- "Alaska Permanent Fund"
- "Alaska's Public Finances"
- "The Dividend – Four Different Scenarios"

We respectfully ask members of the House Finance Committee to fully consider the many merits of the All-Alaskan Plan.

Attachments

Alaska State Legislature



Official Business

State Capitol
Juneau AK
99801-1182

Sponsor Statement

The All-Alaskan Plan

The "All-Alaskan Plan" is the work product of a group of members of the House Representatives and will hopefully serve as a template for a long-term, sustainable fiscal solution for our state.

Why do we need a plan and why do we need it now?

Alaska needs a long-term, sustainable fiscal plan and we need it now. The State of Alaska has not had one budget that has stood on its own since 1992. Over \$3.4 billion has been borrowed from our savings accounts to balance these budgets despite over \$275 million in spending cuts over the past several years. Even with these difficult cuts, the legislature will have to withdraw another \$1.2 billion this year just to balance the budget. Some have suggested a personal income tax to bridge the gap. An income tax is estimated to generate a maximum of \$350 million annually, still leaving us almost \$850 million short! Others have expressed support for a statewide sales tax. Estimates are that the revenues produced by a 5% sales tax would produce only \$300 million, still leaving us with a deficit of \$900 million. These measures fall woefully short of the revenue needed to fund essential services. In addition, the public as a whole has indicated that they do not support the institution of such measures.

Every year that we just continue to spend our savings down to fill our billion dollar-plus deficit, forces us to take more drastic action later. The deficit does not go away this year. Next year's deficit is also projected to be close to a billion dollars. Without taking definitive action now, we put off the hard decisions that will, without a doubt, become only harder to make. Each year our options to bail ourselves out become more limited. As we continue to drain our savings, we forever lose the opportunity to generate income from these assets.

The All-Alaskan creates an endowment

The All-Alaskan Plan is an endowment plan. It creates the Alaska Income Account, which replaces the current Earnings Reserve Account. Net income from the Permanent Fund continues to accrue to this account. Each year 5.25%

to 5.75% of the market value of the Permanent Fund and our other savings accounts would be removed from the Alaska Income Account and deposited to the general fund to pay for essential services and dividends. The plan does not take a dime from the corpus of the Permanent Fund.

Additionally, the plan calls for the deposit of certain revenues directly to this new account could include a school tax of \$100 a year for every employed person, contributions from the Alaska Railroad, the Alaska Housing Finance Corporation, the Alaska Industrial and Export Authority, and the Science and Technology Foundation. The proceeds from the Governor's proposed nine cents a gallon motor fuel tax are also included. Any other new revenues that may be considered could be added to this account as well.

By coordinating all these funds into one account we can maximize our investment return. Like any good endowment, the corpus of the permanent fund remains untouched, is inflation proofed and continues to grow. The difference between the endowment payout from the Alaska Income Account and the Permanent Fund's long-term earnings of over 8% will remain in the corpus for inflation proofing.

The assumptions we have based this plan on could be called conservative and even a bit pessimistic. In it, the price of oil over 10 years does not exceed \$13.50 a barrel. The plan does not include any new revenue that may occur from additional resource development such as a new gas pipeline or added oil production. We have been making real cuts to our State budget for the past nine years. The plan continues responsible budget reductions, but in later years it realistically considers increased costs for education, formula programs and other state programs as our population grows.

To implement this plan there is no income tax required and no statewide sales tax is proposed. The endowment works because of increased earning power, reductions in state spending, and reduced dividends not to exceed \$1000. Please understand, however, that higher oil prices, higher investment earnings, new production, lower population growth or just less government spending could serve to raise the dividends in later years. As there are only so many components in any fiscal plan, a higher dividend would require the addition of an income tax or statewide sales tax. At this time we believe most people would find that combination unacceptable.

Even under our current system, the continued payout of dividends is not certain. We have been blessed with a bull equities market for many years. The possible reversal of this market trend, combined with the required statutory inflation proofing of the fund and increased population growth could also severely impact our future dividends.

The All-Alaskan Plan assures a stable financial future

The All-Alaskan Plan closes the fiscal gap and provides sustained funding for essential and responsible state programs and services. By removing much of the uncertainty about the State's role in our overall economy, this plan will also serve to stabilize employment, protect property values and foster economic growth.

We are a young and growing state. We must take action sooner, not later, to assure that we can support our priorities of education, transportation, energy, public safety, deferred maintenance, water and sewer, resource development and social services. The All-Alaskan Plan can do all that – and still pay a dividend for many years to come.

It's safe and logical

The endowment approach is the safe and logical template on which to design our fiscal future. We believe that this plan or some variation of it must be enacted before this session ends. We urge the Alaska people, the Legislature and the Governor to fully consider the merits of the All-Alaskan Plan. We encourage your ideas, suggestions, and recommendations as we make progress in resolving the fiscal gap. If anyone has a better idea or improvements to this plan, we remain open to listen. To do nothing is not an option.

Representative Alan Austerman
Representative Gary Davis
Representative Bill Hudson
Representative Carl Morgan

Representative Lisa Murkowski
Representative Gail Phillips
Representative Jim Whitaker
Representative Bill Williams

THE ALL-ALASKAN PLAN

CONTENTS

- I. ELEMENTS OF THE PLAN**
- II. LONG RANGE PRIORITIES**
- III. SUSTAINABLE REVENUE BASE**
- IV. BILLS FOR INTRODUCTION**
- V. SPREAD SHEET RUN**

I. ELEMENTS OF THE ALL-ALASKAN PLAN

1. Prioritizes spending and services
2. Develops a sustainable revenue base
3. Establishes the Alaska Income Account which will grow over the years
4. Includes the following new revenues and places all in the Alaska Income Account:

A. Tobacco settlement/annual	\$ 30.0 Million
B. School Tax - \$100/year due July 1 st each year	\$ 28.6 Million
C. Fuel Tax (Governor's Bill)/annual	\$ 27.0 Million
D. Cigarette Tax/annual	\$ 32.0 Million
E. Rental Car Tax/annual	\$ 5.0 Million
F. Business Licenses Doubled/annual	\$ 4.0 Million
5. Consideration of annual deposits from the following:
 - A. Alaska Railroad
 - B. AHFC
 - C. AIDEA
 - D. ASTF
6. Inflation proofs at the long term rate of 3%
7. Establishes price of oil for planning purposes at no higher than \$13.50 bbl.
8. Continues budget cuts through year 2004
9. Assumes population growth to 775,000 by 2015

II. LONG RANGE PRIORITY FOR SPENDING & SERVICES

EDUCATION

K-12 Education

1. Put into place curriculum, testing and money to make sure every Alaskan school child graduates from high school in the top 1/3 of the National Rating System.
2. Prioritize vocational education of all opportunities applicable in Alaska today; develop direct apprenticeship programs for students going from high school into a vocational job.
3. Reformulate college-bound students into a grades 10-14 program so they receive first two years of college in our university system and can intermingle beginning college classes during their last year of high school.
4. Put into place program to reduce and delete high school drop-out rates.

University

1. Delete beginning or remedial courses; high school students will have to qualify for full college status; the grades 10-14 program can be tied into this goal – local school districts must be educating high school graduates to enter a full university curriculum – not to take remedial courses in college because they didn't get the education in high school.
2. Reorganize all the community colleges and have their mission focus on tele-education and vocational education. Have only the campuses in Fairbanks, Anchorage and Juneau provide four-year curriculum.
3. As much as possible, consolidate all schools of study into one location *and* make each community college develop a specific specialty, such as Arctic environmental study in Kotzebue, mining in Nome or whatever. By doing this, we strengthen the missions of the community colleges and give them the opportunity for expansion and growth.
4. Increase Alaskan student enrollment through incentives, scholarships and availability of diversified curriculum through expanded community colleges and tele-education delivery.

STATEWIDE TRANSPORTATION SYSTEM

1. Prioritize expansion of transportation network to all viable resource projects in the State.
2. Insure transportation access throughout the state – finalize all RS2477 designations.
3. Expand and build a Northwest rail system from the Arctic Coal Project south to Kotzebue, Nome, Unalakleet and the mouth of the Yukon at St. Michael. Expand this rail line north to Point Lay and possibly Pt. Barrow. Not only will this expansion provide cheaper energy source to this whole section of Alaska, but it also creates a vast transportation system in which Alaskans can create commerce.
4. Build a trans-Alaska rail line from Fairbanks to Nome; tie this into the Arctic Rail line
5. Build roads into all mining projects that are now in the process of being developed, such as the Donlin Creek Mine, Pogo Mine, etc.
6. Upgrade all harbors in the state that need it and transfer ownership to local municipalities. Develop a program with local governments to designate marine fuel tax for maintenance of harbors.
7. Build a fast, light rail commuter train to serve Anchorage from the Matanuska Valley.
8. Designate the highway fuel tax now being paid for maintenance of highways throughout the state.

STATEWIDE ENERGY NETWORK

1. Fully develop Cook Inlet gas reserves.
2. If gas pipeline is built, guarantee percentage of gas to in-state users.
3. Distribution of Red Dog excess energy to users in the NANA Region.
4. Build an Arctic rail distribution system to bring Arctic coal to areas of Northwest Alaska.

5. When development of ANWR and NPR-A occurs, ensure distribution of this energy resource to residents of Arctic Alaska.
6. Develop all known types of energy, fuel cells, LNG, cold water fuels, shallow gas wells; and, build a transmission system for providing cheaper power to all communities in the state.

DEFERRED MAINTENANCE

1. Complete all deferred maintenance projects on the 1998 priority list.
2. Provide legislation protecting the maintenance portion of every budget to insure the deferred maintenance problem does not reoccur.

PUBLIC SAFETY

1. Make sure public safety is a priority in all populated areas of the state.
2. Coordinate state efforts with that of local communities for insuring local involvement.
3. Wage a statewide war on the debilitating effects of drug and alcohol abuse.
4. Create intense work programs for non-violent offenders.

WATER, SEWER, PUBLIC HEALTH

1. Complete water and sewer projects to all population centers in Alaska.
2. Coordinate public health and medical care through statewide network of tele-medicine delivery.

RESOURCE DEVELOPMENT AND COMMERCE

1. Actively solicit investors and entrepreneurs to develop all major resources in our state.
2. Complete all RS2477 designations and acquire guaranteed title for Alaska in order to guarantee access.

3. Ensure access and transportation networks in order to develop resources.
4. Establish and Arctic Gold Exchange in Alaska in cooperation with Canada, Russia and Japan.
5. Continue work on the development of ANWR and NPR-A.
6. Capitalize on renewable fisheries.

III. SUSTAINABLE REVENUE BASE

Short-term

1. Fund K-12 education from earnings of the Earnings Reserve Account
2. Cut \$45 – 50 million in this year's budget
3. Put tobacco settlement into health care budget
4. Fuel Tax to go into maintenance of highway and harbors

Long-term

1. Coordinate all funds into one income account to be managed for maximum return and for guaranteeing draw for the gap – this would include funds from the CBR, Earnings Reserve, AIEDA, AHFC, ASTF, the railroad, etc. These funds would be accessible by a majority vote of the legislature. Include legislation for a constitutional vote to de-authorize the CBR. All future tax settlements will go directly into the this income account
2. Institute a \$100/year school tax to be paid by every employee in Alaska on July 1
3. Mandate that all state travel mileage be placed into the state transportation budget and none to anyone's personal account
4. Divest the state of the Matanuska Maid Dairy. Turn this over to private sector at *NO* further expense to the state.
5. Make certain all fuel taxes collected - both highway and marine - go to maintenance. Check to see where aviation fuel tax goes, and designate it for maintenance, if not already there.
6. All tobacco taxes and tobacco settlements go directly into income account

IV. BILLS FOR INTRODUCTION

1. 5 Bill Drafts
2. Sectional analyses for these 5 bills
3. Bills already introduced
4. Two additional bills have been requested
 - a. Implements a \$100 per year tax on every employed person That would be due on the 1st paycheck of July each year.
 - b. Implements a business license fee increase from \$25.00 to \$50.00 per year – or \$100 per two-year license.

I-LS0789\G
Cook/
3/30/99

HOUSE BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - FIRST SESSION

BY REPRESENTATIVE HUDSON

Introduced:

Referred:

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to income of the Alaska permanent fund, to the Alaska Income
2 Account, and to the permanent fund dividend program; and providing for an
3 effective date."

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 * Section 1. AS 37.13.140 is amended to read:

6 **Sec. 37.13.140. Income.** Net income of the fund includes income of the
7 Alaska Income Account [EARNINGS RESERVE ACCOUNT] established under
8 AS 37.13.145. Net income of the fund shall be computed annually as of the last day
9 of the fiscal year in accordance with generally accepted accounting principles,
10 excluding any unrealized gains or losses. [INCOME AVAILABLE FOR
11 DISTRIBUTION EQUALS 21 PERCENT OF THE NET INCOME OF THE FUND
12 FOR THE LAST FIVE FISCAL YEARS, INCLUDING THE FISCAL YEAR JUST
13 ENDED, BUT MAY NOT EXCEED NET INCOME OF THE FUND FOR THE
14 FISCAL YEAR JUST ENDED PLUS THE BALANCE IN THE EARNINGS

1 RESERVE ACCOUNT DESCRIBED IN AS 37.13.145.]

2 * Sec. 2. AS 37.13.145(a) is amended to read:

3 (a) The Alaska Income Account [EARNINGS RESERVE ACCOUNT] is
4 established as a separate account in the fund. Net income [INCOME] from the fund
5 shall be deposited by the corporation into the account as soon as it is received. Money
6 in the account shall be invested in investments authorized under AS 37.13.120.

7 * Sec. 3. AS 37.13.145(b) is repealed and reenacted to read:

8 (b) On July 1 of each fiscal year, the corporation shall transfer from the
9 Alaska Income Account to the general fund an amount that equals three percent of the
10 total fair market value on that day of11 (1) the fund, including the unappropriated balance of the Alaska Income
12 Account; and13 (2) the unappropriated balance of the budget reserve fund (art. IX, sec.
14 17, Constitution of the State of Alaska).

15 * Sec. 4. AS 37.13.150 is amended to read:

16 **Sec. 37.13.150. Corporation budget.** The Alaska Income Account
17 [REVENUE GENERATED BY THE FUND'S INVESTMENTS] must be identified as
18 the source of the operating budget of the corporation in the state's operating budget
19 under AS 37.07 (Executive Budget Act). The unexpended balance of the corporation's
20 annual operating budget lapses into the Alaska Income Account [DOES NOT
21 LAPSE] at the end of the fiscal year [BUT SHALL BE TREATED AS INCOME
22 UNDER AS 37.13.140].

23 * Sec. 5. AS 43.23.025(a) is amended to read:

24 (a) By October 1 of each year, the commissioner shall determine the value of
25 each permanent fund dividend for that year by26 (1) determining the total amount available for dividend payments,
27 which equals28 (A) the amount appropriated from the budget reserve fund
29 (art. IX, sec. 17, Constitution of the State of Alaska) [OF INCOME OF THE
30 ALASKA PERMANENT FUND TRANSFERRED] to the dividend fund
31 [UNDER AS 37.13.145(b)] during the current year;

1 (B) plus the unexpended and unobligated balances of prior fiscal
2 year appropriations that lapse into the dividend fund under AS 43.23.045(d);

3 (C) less the amount necessary to pay prior year dividends from
4 the dividend fund in the current year under AS 43.23.005(h) and under
5 AS 43.23.055(3) and (7);

6 (D) less the amount necessary to pay dividends from the
7 dividend fund due to eligible applicants who, as determined by the department,
8 filed for a previous year's dividend by the filing deadline but who were not
9 included in a previous year's dividend computation;

10 (E) less appropriations from the dividend fund during the
11 current year, including amounts to pay costs of administering the dividend
12 program and the hold harmless provisions of AS 43.23.075;

13 (2) determining the number of individuals eligible to receive a dividend
14 payment for the current year and the number of estates and successors eligible to
15 receive a dividend payment for the current year under AS 43.23.005(h); and

16 (3) dividing the amount determined under (1) of this subsection by the
17 amount determined under (2) of this subsection.

18 * Sec. 6. AS 37.13.145(c) and 37.13.145(d) are repealed.

19 * Sec. 7. TRANSITION. The Alaska Income Account established in AS 37.13.145(a), as
20 amended in sec. 2 of this Act, is the successor to the earnings reserve account, and the balance
21 in the earnings reserve account on the effective date of this section shall be retained in the
22 Alaska Income Account until distributed to the general fund in accordance with
23 AS 37.13.145(b), as repealed and reenacted in sec. 3 of this Act.

24 * Sec. 8. This Act takes effect immediately under AS 01.10.070(c).

HOUSE BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - FIRST SESSION

BY REPRESENTATIVE HUDSON

**Introduced:
Referred:**

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10 excluding any unrealized gains or losses. [INCOME AVAILABLE FOR
11 DISTRIBUTION EQUALS 21 PERCENT OF THE NET INCOME OF THE FUND
12 FOR THE LAST FIVE FISCAL YEARS, INCLUDING THE FISCAL YEAR JUST
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5 shall be deposited by the corporation into the account as soon as it is received. Money
6 in the account shall be invested in investments authorized under AS 37.13.120.

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9 Alaska Income Account to the general fund an amount that equals three percent of the
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31 [UNDER AS 37.13.145(b)] during the current year;

1 (B) plus the unexpended and unobligated balances of prior fiscal
2 year appropriations that lapse into the dividend fund under AS 43.23.045(d);

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4 the dividend fund in the current year under AS 43.23.005(h) and under
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8 filed for a previous year's dividend by the filing deadline but who were not
9 included in a previous year's dividend computation;

10 (E) less appropriations from the dividend fund during the
11 current year, including amounts to pay costs of administering the dividend
12 program and the hold harmless provisions of AS 43.23.075;

13 (2) determining the number of individuals eligible to receive a dividend
14 payment for the current year and the number of estates and successors eligible to
15 receive a dividend payment for the current year under AS 43.23.005(h); and

16 (3) dividing the amount determined under (1) of this subsection by the
17 amount determined under (2) of this subsection.

18 * Sec. 6. AS 43.23.025 is amended by adding a new subsection to read:

19 (c) Notwithstanding (a) of this section, the value of a permanent fund dividend
20 for a year may not exceed \$1,000.

21 * Sec. 7. AS 37.13.145(c) and 37.13.145(d) are repealed.

22 * Sec. 8. TRANSITION. The Alaska Income Account established in AS 37.13.145(a), as
23 amended in sec. 2 of this Act, is the successor to the earnings reserve account, and the balance
24 in the earnings reserve account on the effective date of this section shall be retained in the
25 Alaska Income Account until distributed to the general fund in accordance with
26 AS 37.13.145(b), as repealed and reenacted in sec. 3 of this Act.

27 * Sec. 9. This Act takes effect immediately under AS 01.10.070(c).

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Cook/
3/30/99

HOUSE BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - FIRST SESSION

BY REPRESENTATIVE HUDSON

Introduced:
Referred:

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to income of the Alaska permanent fund, to the Alaska Income
2 Account, and to the permanent fund dividend program; and providing for an
3 effective date."

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 * Section 1. AS 37.13.140 is amended to read:

6 **Sec. 37.13.140. Income.** Net income of the fund includes income of the
7 Alaska Income Account [EARNINGS RESERVE ACCOUNT] established under
8 AS 37.13.145. Net income of the fund shall be computed annually as of the last day
9 of the fiscal year in accordance with generally accepted accounting principles,
10 excluding any unrealized gains or losses. [INCOME AVAILABLE FOR
11 DISTRIBUTION EQUALS 21 PERCENT OF THE NET INCOME OF THE FUND
12 FOR THE LAST FIVE FISCAL YEARS, INCLUDING THE FISCAL YEAR JUST
13 ENDED, BUT MAY NOT EXCEED NET INCOME OF THE FUND FOR THE
14 FISCAL YEAR JUST ENDED PLUS THE BALANCE IN THE EARNINGS

1 RESERVE ACCOUNT DESCRIBED IN AS 37.13.145.]

2 * Sec. 2. AS 37.13.145(a) is amended to read:

3 (a) The Alaska Income Account [EARNINGS RESERVE ACCOUNT] is
4 established as a separate account in the fund. Net income [INCOME] from the fund
5 shall be deposited by the corporation into the account as soon as it is received. Money
6 in the account shall be invested in investments authorized under AS 37.13.120.

7 * Sec. 3. AS 37.13.145(b) is repealed and reenacted to read:

8 (b) On July 1 of each fiscal year, the corporation shall transfer from the
9 Alaska Income Account to the general fund an amount that equals 5.25 percent of the
10 total fair market value on that day of

11 (1) the fund, including the unappropriated balance of the Alaska Income
12 Account; and

13 (2) the unappropriated balance of the budget reserve fund (art. IX, sec.
14 17, Constitution of the State of Alaska).

15 * Sec. 4. AS 37.13.150 is amended to read:

16 **Sec. 37.13.150. Corporation budget.** The Alaska Income Account
17 [REVENUE GENERATED BY THE FUND'S INVESTMENTS] must be identified as
18 the source of the operating budget of the corporation in the state's operating budget
19 under AS 37.07 (Executive Budget Act). The unexpended balance of the corporation's
20 annual operating budget lapses into the Alaska Income Account [DOES NOT
21 LAPSE] at the end of the fiscal year [BUT SHALL BE TREATED AS INCOME
22 UNDER AS 37.13.140].

23 * Sec. 5. AS 43.23.025(a) is amended to read:

24 (a) By October 1 of each year, the commissioner shall determine the value of
25 each permanent fund dividend for that year by

26 (1) determining the total amount available for dividend payments,
27 which equals

28 (A) the amount appropriated from the general fund [OF
29 INCOME OF THE ALASKA PERMANENT FUND TRANSFERRED] to the
30 dividend fund [UNDER AS 37.13.145(b)] during the current year;

31 (B) plus the unexpended and unobligated balances of prior fiscal

1 year appropriations that lapse into the dividend fund under AS 43.23.045(d);
2 (C) less the amount necessary to pay prior year dividends from
3 the dividend fund in the current year under AS 43.23.005(h) and under
4 AS 43.23.055(3) and (7);

5 (D) less the amount necessary to pay dividends from the
6 dividend fund due to eligible applicants who, as determined by the department,
7 filed for a previous year's dividend by the filing deadline but who were not
8 included in a previous year's dividend computation;

9 (E) less appropriations from the dividend fund during the
10 current year, including amounts to pay costs of administering the dividend
11 program and the hold harmless provisions of AS 43.23.075;

12 (2) determining the number of individuals eligible to receive a dividend
13 payment for the current year and the number of estates and successors eligible to
14 receive a dividend payment for the current year under AS 43.23.005(h); and

15 (3) dividing the amount determined under (1) of this subsection by the
16 amount determined under (2) of this subsection.

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22 AS 37.13.145(b), as repealed and reenacted in sec. 3 of this Act.

23 * Sec. 8. This Act takes effect immediately under AS 01.10.070(c).

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