

ALASKA LEGISLATURE

2460

HOUSE and SENATE FINANCE COMMITTEE FILES, 2003-2004

6/23/04

SPECIAL

SESSION –

LEGISLATIVE

PACKAGE,

JUNE 2004

HFIN

FILE

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STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

June 22, 2004

The Honorable Bill Williams
Alaska State Representative
State Capitol, Room 515
Juneau, AK 99801

Dear Representative Williams:

Welcome back to Juneau.

I know you share my excitement about the opportunity this special session provides to pass legislation the people of Alaska want and to resolve issues left unresolved during the regular session: POMV, tobacco tax, and workers' compensation.

We have an impressive list of accomplishments to our credit, both in the legislative arena, and at the administrative level. Accomplishments in which we can both take pride include:

- Modified statutes expediting oil and gas lease sales.
- Reduced delays in processing right-of-way applications for the gas pipeline.
- Streamlined the Department of Environmental Conservation water permitting process.
- Established fund to ensure mining companies have money for long-term reclamation for large mines and bonding for port facilities to assist Kensington mine startup.
- Approved long-term contract with Flint Hills, doubling state revenue.
- Increased the K-12 base student allocation by \$407 per student, increased the financial resources to the University of Alaska, and modified Alaska Housing Finance Corporation statutes to help provide teacher housing in rural Alaska.
- Added 20 new Troopers and six new criminal prosecutors.
- Strengthened drunk driving laws, increased the penalties for exploiting our children, and passed a crime bill which will provide enforcement officers and prosecutors the tools they need to keep our communities safe.
- Established the SeniorCare program to offer our needy seniors a prescription drug benefit.
- Created a statewide information clearinghouse to help eligible seniors get the benefits to which they are entitled.
- Established Alaska's first veterans' home.
- Increased Alaska's preparedness for potential terrorist threats.
- Provided additional opportunities for small business to participate in health insurance plans.
- Provided loans to communities to buy back out-of-state halibut and black cod quota shares, thus increasing local jobs.
- Advanced the extension of the Alaska railroad.

The Honorable Bill Williams
June 22, 2004
Page 2

In addition, I am pleased with the good work being done by state employees on many fronts, including: working to combat drug and alcohol abuse in our communities; participating in ongoing negotiations with three sponsor groups for a Stranded Gas Development Act contract to build the natural gas pipeline; permitting the Pogo and Kensington gold mines, among other mining projects; moving forward on oil and gas leasing on the Alaska Peninsula; and, negotiating new contracts with state employee unions.

We are also making progress in addressing the myriad of difficulties faced by the salmon industry, much of it with legislative help.

As I have noted, the three major issues remain to be addressed – workers' compensation, the tobacco tax increase, and most important – finding a solution to our long-term fiscal shortfall. These issues were well debated during the regular session and hearings were held. Your efforts should not require long deliberation to resolve, with the possible exception of POMV.

I encourage your quick consideration and resolution of these issues. I cannot express how important it is for Alaska to find a solution to the fiscal shortfall. As I have traveled the state in the past week, Alaskans have told me how important it is to resolve these issues now. Major newspapers have weighed in on the need to get the job done; and in that regard, I am enclosing a packet of editorials. These include endorsements of our proposal from the:

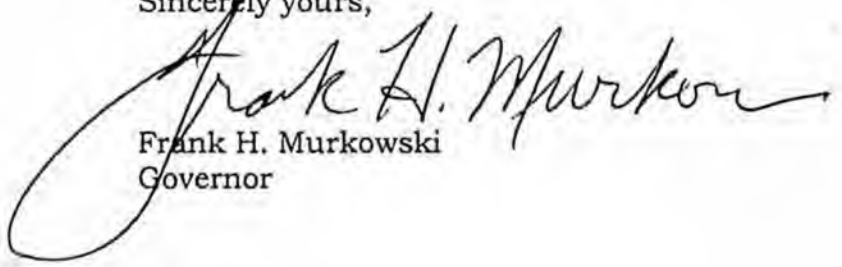
- Anchorage Daily News
- Peninsula Clarion
- Fairbanks Daily News-Miner
- Juneau Empire
- Ketchikan Daily News
- Anchorage Times

The voters should be given the opportunity to vote on the fiscal plan this November. What better campaign issue than a solution to a nagging, decade old, chronic revenue shortfall?

In the interest of assisting you as you deliberate this special session I have asked my staff to prepare a binder for you. I hope you find the enclosed information useful and informative.

Again, I remain optimistic that by working on behalf of Alaska, we can arrive at a solution.

Sincerely yours,


Frank H. Murkowski
Governor

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: HJR 101
(H) Publish Date: 6/22/01

Revision Date/Time (Note if correction): _____
Title: Constitutional Amendment
Permanent Fund Income
Sponsor: Rules
Requester: Governor Murkowski
Dep. Affected: Revenue
RDU: AK Permanent Fund Corporation
Component: AK Permanent Fund Corporation
Component No.: 109

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: 0.0
Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This resolution would ask voters in the next general election whether to approve a constitutional amendment that would limit annual appropriations to no more than 5% of the average year-end market value of the Fund for the preceeding five years.

This resolution would not affect the budgeted costs to manage and invest the Permanent Fund, nor would it change the amount of income earned by Permanent Fund investments.

See the attached schedule for financial projections of the Fund comparing the "Status Quo" to a 5% POMV spending limit.

Prepared by: Robert D. Storer, Executive Director Phone 465-2047
Division: Alaska Permanent Fund Corporation Date/Time 6/19/2004 /11:43:00 AM
Approved by: Steve Porter, Deputy Commissioner Date 6/19/2004
Agency: Department of Revenue



Alaska Permanent Fund Corporation

Financial projection comparison of the Alaska Permanent Fund under current statutes versus POMV 5% lump sum payout, median case. All dollars in millions except per person dividend.

FN #1, HJR 101

Current Statutes	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY05-FY15 Totals
Contributions & appropriations (principal)	24,452	25,383	26,278	27,189	28,120	29,077	30,053	31,049	32,061	33,090	34,139	
Unrealized appreciation/depreciation on assets	1,683	1,913	2,160	2,425	2,702	2,993	3,304	3,624	3,965	4,317	4,684	
Realized earnings account (REA, after payouts)	1,297	1,879	2,375	2,778	3,185	3,617	4,074	4,568	5,092	5,658	6,263	
Total market value end of year (after payouts)	27,433	29,176	30,814	32,393	34,007	35,688	37,431	39,241	41,118	43,065	45,087	45,087
Total lump sum dividend appropriation	512	576	750	924	1,002	1,058	1,114	1,170	1,228	1,288	1,350	10,972
Per person dividend under current statute	\$ 790	\$ 890	\$ 1,160	\$ 1,420	\$ 1,530	\$ 1,600	\$ 1,670	\$ 1,740	\$ 1,810	\$ 1,880	\$ 1,950	\$ 16,440
Transfer status quo inflation-proofing (REA to Principal)	620	643	666	689	713	737	762	787	812	839	865	8,132

POMV - 5% (beginning in FY05)	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY05-FY15 Totals
Contributions & appropriations (principal)	23,840	24,128	24,358	24,580	24,800	25,021	25,237	25,447	25,648	25,841	26,026	
Unrealized appreciation/depreciation on assets	1,683	1,892	2,103	2,322	2,548	2,781	3,026	3,274	3,532	3,793	4,059	
Realized earnings account (REA, after payouts)	1,173	1,687	2,243	2,809	3,382	3,965	4,561	5,179	5,811	6,465	7,139	
Total market value end of year (after payouts)	26,695	27,707	28,703	29,712	30,730	31,768	32,824	33,900	34,991	36,099	37,224	37,224
5 year average market value lagged one year	25,851	25,902	26,508	27,614	28,846	30,012	31,066	32,140	33,234	34,344	35,472	
Total 5 % lump sum average market value available for appropriation	1,293	1,295	1,325	1,381	1,442	1,501	1,553	1,607	1,662	1,717	1,774	16,549

Assumptions:

Callan Associates 2004 Capital Market Assumptions, APFC 2004 asset allocation, Spring 2004 revenue forecast, financial statements through 06/30/03. All payouts are assumed to happen at fiscal year end, all dollar values in millions.

POMV payout assumes calculation methodology is 5% of the ending market value (pre payout) for the first five of the last six fiscal years.

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: HJR 101
(H) Publish Date: 6/22/04

Revision Date/Time (Note if correction): _____ Dept. Affected: _____
Title Constitutional amendment relating to and RDU Elections
limiting appropriations from the APF based on an averaged Component Elections
percent of the fund market value.
Sponsor Rules
Requester Governor Component No. 21

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual	1.5					
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	1.5	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	1.5					
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	1.5	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: 0.0
Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This figure includes the cost of providing information about this issue in the Official Election Pamphlet, as required by AS 15.58. If this measure requires the printing of an 8-1/2 by 18 inch ballot, the cost will increase by \$22.0.

Prepared by: Lauri Allred Phone 465-5347
Division: Division of Elections Date/Time 6/18/04 8:44 AM
Approved by: Laura A. Glaiser, Director Date 6/18/2004
Agency: Office of the Lt. Governor, Division of Elections

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: HJR 102
(H) Publish Date: 6/22/04

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title Constitutional Amendment RDU AK Permanent Fund Corporation
Permanent Fund Income Component AK Permanent Fund Corporation
Sponsor Rules
Requester Governor Murkowski Component No. 109

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This resolution would ask voters in the next general election whether to approve a constitutional amendment that would limit annual appropriations to no more than 5% of the average year-end market value of the Fund for the preceding five years, would specify how earnings of the Fund will be distributed and guarantees a dividend of at least \$1000 per qualified applicant.

This resolution would not affect the budgeted costs to manage and invest the Permanent Fund, nor would it change the amount of income earned by Permanent Fund investments.

See the attached schedule for financial projections of the Fund comparing the "Status Quo" to a 5% POMV spending limit.

Prepared by: Robert D. Storer, Executive Director Phone 455-2047
Division Alaska Permanent Fund Corporation Date/Time 6/19/2004/1:32 PM
Approved by: Steve Porter, Deputy Commissioner Date 6/19/2004
Agency Department of Revenue



Alaska Permanent Fund Corporation

Financial projection comparison of the Alaska Permanent Fund under current statutes versus POMV 5% lump sum payout, median case. All dollars in millions except per person dividend.

FN #1, HJR 102

	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY05-FY15
Current Statutes												Totals
Contributions & appropriations (principal)	24,452	25,383	26,278	27,189	28,120	29,077	30,053	31,049	32,061	33,090	34,139	
Unrealized appreciation/depreciation on assets	1,683	1,913	2,160	2,425	2,702	2,993	3,304	3,624	3,965	4,317	4,684	
Realized earnings account (REA, after payouts)	1,297	1,879	2,375	2,778	3,185	3,617	4,074	4,568	5,092	5,658	6,263	
Total market value end of year (after payouts)	27,433	29,176	30,814	32,393	34,007	35,688	37,431	39,241	41,118	43,065	45,087	45,087
Total lump sum dividend appropriation	512	576	750	924	1,002	1,058	1,114	1,170	1,228	1,288	1,350	10,972
Per person dividend under current statute	\$ 790	\$ 890	\$ 1,160	\$ 1,420	\$ 1,530	\$ 1,600	\$ 1,670	\$ 1,740	\$ 1,810	\$ 1,880	\$ 1,950	\$ 16,440
Transfer status quo inflation-proofing (REA to Principal)	620	643	666	689	713	737	762	787	812	839	865	8,132
POMV - 5% (beginning in FY05)												Totals
Contributions & appropriations (principal)	23,840	24,128	24,358	24,580	24,800	25,021	25,237	25,447	25,648	25,841	26,026	
Unrealized appreciation/depreciation on assets	1,683	1,892	2,103	2,322	2,548	2,781	3,026	3,274	3,532	3,793	4,059	
Realized earnings account (REA, after payouts)	1,173	1,687	2,243	2,809	3,382	3,965	4,561	5,179	5,811	6,465	7,139	
Total market value end of year (after payouts)	26,695	27,707	28,703	29,712	30,730	31,768	32,824	33,900	34,991	36,099	37,224	37,224
5 year average market value lagged one year	25,851	25,902	26,508	27,614	28,846	30,012	31,066	32,140	33,234	34,344	35,472	
Total 5 % lump sum average market value available for appropriation	1,293	1,295	1,325	1,381	1,442	1,501	1,553	1,607	1,662	1,717	1,774	16,549

Assumptions:

Callan Associates 2004 Capital Market Assumptions, APFC 2004 asset allocation, Spring 2004 revenue forecast, financial statements through 06/30/03. All payouts are assumed to happen at fiscal year end, all dollar values in millions.

POMV payout assumes calculation methodology is 5% of the ending market value (pre payout) for the first five of the last six fiscal years.

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: HJR 102
(H) Publish Date: 6/22/04

Revision Date/Time (Note if correction): _____ Dept. Affected: _____
Title Constitutional amendment relating to and RDU Elections
limiting appropriations from the APF based on an averaged Component Elections
percent of the fund market value and relating to permanent _____
fund dividend payments. _____
Sponsor Rulas _____
Requester Governor Component No. 21

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual	1.5					
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	1.5	0.0	0.0	0.0	0.0	0.0

CAP' AL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	1.5					
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	1.5	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: 0.0
Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This figure includes the cost of providing information about this issue in the Official Election Pamphlet, as required by AS 15.58. If this measure requires the printing of an 8-1/2 by 18 inch ballot, the cost will increase by \$22.0.

Prepared by: Lauri Allred Phone 465-5347
Division: Division of Elections Date/Time 6/18/04 8:38 AM
Approved by: Laura A. Glaiser, Director Date 6/18/2004
Agency: Office of the Lt. Governor, Division of Elections

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: HJR 103
(H) Publish Date: 6/22/04

Revision Date/Time (Note if correction): _____ Dept. Affected: GOV
Title: Constitutional amendment relating RDU: Elections
to spending limits. _____ Component: Elections
Sponsor: Rules
Requester: Governor Component No. 21

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual	1.5					
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	1.5	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	1.5					
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	1.5	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This figure includes the cost of providing information about this issue in the Official Election Pamphlet, as required by AS 15.58. If this measure requires the printing of an 8-1/2 by 18 inch ballot, the cost will increase by \$22.0.

Prepared by: Lauri Allred
Division: Division of Elections
Approved by: Laura A. Glaiser, Director
Agency: Office of the Lt. Governor, Division of Elections

Phone 465-5347
Date/Time 6/7/04 2:46 PM
Date 6/7/2004

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: HB 1003
 (H) Publish Date: 6/22/04

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Dist. Of Approps from PermFund RDU AK Permanent Fund Corporation
 Component AK Permanent Fund Corporation
 Sponsor Rules
 Requester Governor Component No. 109

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill would change the Alaska statutes that address distributions from the Permanent Fund to conform to a Percent of Market Value payout limit. It would not change the management or the cost of operations of the Fund.

See the attached schedule for financial projections of the Fund comparing the "Status Quo" to a 5% POMV spending limit.

Prepared by: Robert D. Storer, Executive Director Phone 465-2047
 Division Alaska Permanent Fund Corporation Date/Time 6/19/2004/1:09 PM
 Approved by: Steve Porter, Deputy Commissioner Date 6/19/2004
 Agency Department of Revenue



Alaska Permanent Fund Corporation
 Financial projection comparison of the Alaska Permanent Fund under
 current statutes versus POMV 5% lump sum payout, median case. All
 dollars in millions except per person dividend.

Fiscal Note #1 - HB 1003

	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY05-FY15 Totals
Current Statutes												
Contributions & appropriations (principal)	24,452	25,383	26,278	27,189	28,120	29,077	30,053	31,049	32,061	33,090	34,139	
Unrealized appreciation/depreciation on assets	1,683	1,913	2,160	2,425	2,702	2,993	3,304	3,624	3,965	4,317	4,684	
Realized earnings account (REA, after payouts)	1,297	1,879	2,375	2,778	3,185	3,617	4,074	4,568	5,092	5,658	6,263	
Total market value end of year (after payouts)	27,433	29,176	30,814	32,393	34,007	35,688	37,431	39,241	41,118	43,065	45,087	45,087
Total lump sum dividend appropriation	512	576	750	924	1,002	1,058	1,114	1,170	1,228	1,288	1,350	10,972
Per person dividend under current statute	\$ 790	\$ 890	\$ 1,160	\$ 1,420	\$ 1,530	\$ 1,600	\$ 1,670	\$ 1,740	\$ 1,810	\$ 1,880	\$ 1,950	\$ 16,440
Transfer status quo Inflation-proofing (REA to Principal)	620	643	666	689	713	737	762	787	812	839	865	8,132
POMV - 5% (beginning in FY05)												
Contributions & appropriations (principal)	23,840	24,128	24,358	24,580	24,800	25,021	25,237	25,447	25,648	25,841	26,026	
Unrealized appreciation/depreciation on assets	1,683	1,892	2,103	2,322	2,548	2,781	3,026	3,274	3,532	3,793	4,059	
Realized earnings account (REA, after payouts)	1,173	1,687	2,243	2,809	3,382	3,965	4,561	5,179	5,811	6,465	7,139	
Total market value end of year (after payouts)	26,695	27,707	28,703	29,712	30,730	31,768	32,824	33,900	34,991	36,099	37,224	37,224
5 year average market value lagged one year	25,851	25,902	26,508	27,614	28,846	30,012	31,066	32,140	33,234	34,344	35,472	
Total 5 % lump sum average market value available for appropriation	1,293	1,295	1,325	1,381	1,442	1,501	1,553	1,607	1,662	1,717	1,774	16,549

Assumptions:

Callan Associates 2004 Capital Market Assumptions, APFC 2004 asset allocation, Spring 2004 revenue forecast, financial statements through 06/30/03. All payouts are assumed to happen at fiscal year end, all dollar values in millions.
 POMV payout assumes calculation methodology is 5% of the ending market value (pre payout) for the first five of the last six fiscal years.



Alaska Permanent Fund Corporation

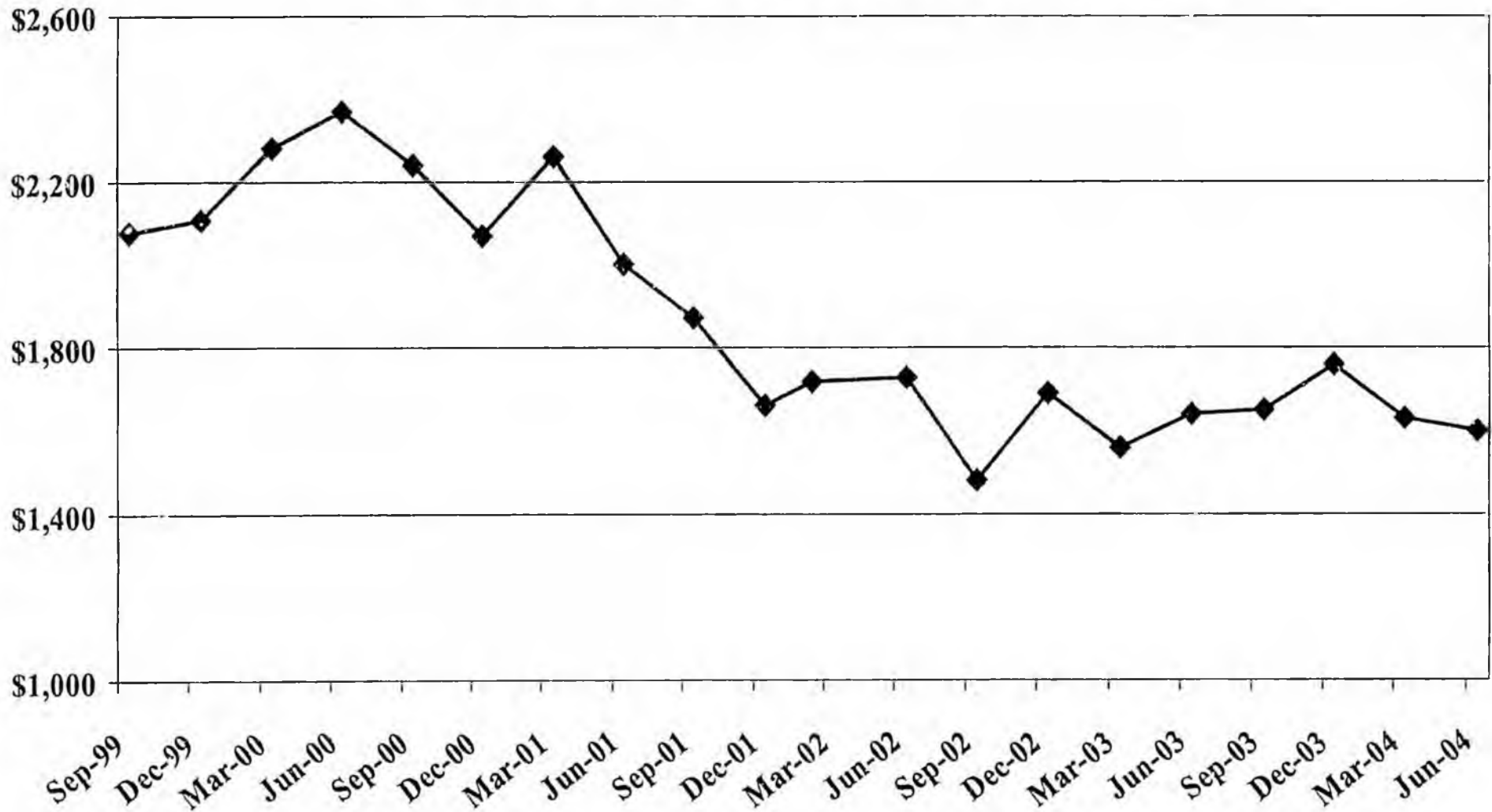
Fiscal Note #1 - HB 1003

POMV payout, split 50% to the Dividend, 45% to public services and 5% to the municipal dividend

	<u>FY05</u>	<u>FY06</u>	<u>FY07</u>	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY05-FY15</u>
POMV - 3% (beginning in FY05)												Totals
Contributions & appropriations (principal)	23,840	24,128	24,358	24,580	24,800	25,021	25,237	25,447	25,648	25,841	26,026	
Unrealized appreciation/depreciation on assets	1,683	1,892	2,103	2,322	2,548	2,781	3,026	3,274	3,532	3,793	4,059	
Realized earnings account (REA, after payouts)	1,173	1,687	2,243	2,809	3,382	3,965	4,561	5,179	5,811	6,465	7,139	
Total market value end of year (after payouts)	<u>26,695</u>	<u>27,707</u>	<u>28,703</u>	<u>29,712</u>	<u>30,730</u>	<u>31,768</u>	<u>32,824</u>	<u>33,900</u>	<u>34,991</u>	<u>36,099</u>	<u>37,224</u>	37,224
5 year average market value lagged one year	25,851	25,902	26,508	27,614	28,846	30,012	31,066	32,140	33,234	34,344	35,472	
Total available for appropriation	1,293	1,295	1,325	1,381	1,442	1,501	1,553	1,607	1,662	1,717	1,774	16,549
AFPC management costs	(43)	(44)	(45)	(47)	(48)	(50)	(51)	(53)	(54)	(56)	(57)	(547)
payout 50% after APFC costs - lump sum dividend	625	626	640	667	697	726	751	777	804	831	858	8,001
payout 45% after APFC costs for government services	562	563	576	600	627	653	676	699	723	748	772	7,201
payout 5% after APFC costs for municipal dividend	62	63	64	67	70	73	75	78	80	83	86	800
Per person dividend	\$990	\$990	\$1,000	\$1,040	\$1,090	\$1,130	\$1,160	\$1,200	\$1,230	\$1,270	\$1,310	\$12,410
<hr/>												
Total available for appropriation	1,293	1,295	1,325	1,381	1,442	1,501	1,553	1,607	1,662	1,717	1,774	16,549
AFPC management costs	(43)	(44)	(45)	(47)	(48)	(50)	(51)	(53)	(54)	(56)	(57)	(547)
payout 50% after APFC costs - lump sum dividend	628	631	640	667	697	726	751	777	804	831	858	8,009
payout 45% after APFC costs for government services	559	558	576	600	627	653	676	699	723	748	772	7,193
payout 5% after APFC costs for municipal dividend	62	63	64	67	70	73	75	78	80	83	86	800
Guarantee \$1,000 minimum dividend	\$1,000	\$1,000	\$1,000	\$1,040	\$1,090	\$1,130	\$1,160	\$1,200	\$1,230	\$1,270	\$1,310	\$12,430



Volatility in change in FY10 per person dividend projection over time



ACCOUNTABILITY

TO ALASKANS, FOR ALASKANS

Special Session

**Legislative
Package**

June 2004

Inside Track . . .

June 19, 2004

Vol. 1, Number 12

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Rep. Chénault 800 469 3779
Rep. Coe 800 922 3875
Rep. Coquil 877 465 3719
Rep. Crawford 888 478 3138
Rep. Croft 800 689 4998
Rep. Dahlstrom 877 460 3783
Rep. Eate 800 465 4976
Rep. Foster 800 478 3789
Rep. Gata 888 465 2647
Rep. Gallo 800 565 3713
Rep. Granberg 800 465 4910
Rep. Gutterberg 800 928 4152
Rep. Harris 888 465 4859
Rep. Hawker 800 478 4950
Rep. Henry 800 431 4936
Rep. Hoyer 866 465 3466
Rep. Joub 800 782 4873
Rep. Kapsner 800 323 4942
Rep. Kertula 907 465 4766
Rep. Kolring 800 468 2186
Rep. Kooresh 888 488 3473
Rep. Kott 800 861 5688
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Rep. Masek 800 505 2678
Rep. McGinn 800 365 2995
Rep. Meyer 800 465 4945
Rep. Morgan 800 491 4527
Rep. Moses 800 898 4451
Rep. Ogg 800 865 2487
Rep. Rokelberg 800 777 4968
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Rep. Scatton 800 665 2689
Rep. Stepanoff 877 465 3001
Rep. Stoltz 907 465 4958
Rep. Weyrauch 800 968 6744
Rep. Williams 800 203 2455
Rep. Wilson 800 686 3824
Rep. Zapp 800 465 2694

Office of the Governor

DETAILS ON GOVERNOR'S PROPOSAL FOR SPECIAL SESSION POMV/FISCAL FIX

Why Call a Special Session?

- The Governor called the Legislature into special session to consider legislation that helps close the gap between annual state spending and recurring revenue.
- Alaska needs to bring certainty to its finances so Alaska businesses can invest in the state's economy with confidence and Alaskan family budgets can rely on a stable and predictable dividend.
- The Administration is working vigorously to develop the state's natural resources, but getting a return from these projects to the state's treasury will take time.
- To continue the level of state services Alaskans have come to rely on requires building a "fiscal bridge" to when revenues from this resource development are available to support state services.

The Governor's Proposal Would Provide Financial Stability for Alaskans, Education, and Communities

- Proposal locks into Alaska's Constitution a guarantee that Permanent Fund earnings will only be used for dividends, education, and local communities.
- Specifically, it amends the Permanent Fund section of Alaska's Constitution to:
 1. Modernize the Fund's management by changing to an endowment model (also known as Percent of Market Value, or "POMV");
 2. Guarantee individual dividends will be at least \$1,000, or 50% of the Fund's annual payout, whichever is greater;
 3. Guarantee 45% of the Fund's payout will help fund K-12, University of Alaska education; and
 4. Guarantee 5% of the Fund's payout will go to local communities for tax relief or to meet other local priorities.
- The Governor's proposal would also:
 5. Guarantee revenues will be available to help finance needed state investments through general obligation bonds.
 6. Guarantee the state won't go on a spending spree if Permanent Fund income is available, by imposing a constitutional limit on state spending.
- These provisions sunset in ten years so Alaskans will be able to decide what plan best meets the state's needs after a decade has passed.
- This Constitutional amendment must go to voters at a general election. Therefore, this proposal is simply asking the Legislature to let Alaskans decide the state's fiscal future in November.

CALL TODAY!

Call your Senators and urge them to support bills providing a long term fiscal fix for Alaskans.

Sen. Bunde - 800 892 4843
Sen. Cowdery - 888 269 3879
Sen. Davis - 800 770 3872
Sen. Dyson - 800 342 2199
Sen. Ellis - 888 330 3701
Sen. Elton - 907 465 4917
Sen. French - 866 465 3892
Sen. Green - 877 465 6601
Sen. Guess - 800 550 7135
Sen. Hoffmann - 866 465 4453
Sen. Lincoln - 888 461 3232
Sen. O'Neil - 800 862 3878
Sen. Olson - 800 592 3707
Sen. Seakins - 800 465 3873
Sen. Steinhilber - 877 463 3873
Sen. B. Stevens - 800 465 4943
Sen. G. Stevens - 800 821 4925
Sen. Thomsen - 800 860 4797
Sen. Wagoner - 800 964 5733
Sen. Wilton - 907 465 3709

Office of the Governor

1) More Modern Management of the Alaska Permanent Fund

- Proposal limits how much of the Fund's earnings can be spent to 5% of the Fund's overall market value. Currently 100% of the Fund's profits can be spent each year.
- By basing the Fund's payout on its market value instead of annual earnings, it will mean more predictable and stable dividends.

2) Guaranteed Permanent Fund Dividend of at least \$1,000

- Even though the Permanent Fund will see a 12.5% return this year, individual dividends are estimated to drop to \$790 in 2005. This is because the current dividend calculation is based on a five-year average of the Fund's investment returns. But because the Fund lost money in 2001 and 2002, these low years will negatively impact the dividend amount for the next few years.]
- The following is the percentage certainty that dividends will be \$1,000.00 under the current program:

Dividend Year	Certainty of \$1,000 Dividend Under Current Program
2005	24%
2006	40%
2007	60%
2008	74%
2009	75%
2010	78%

- In 2005 the current program will pay out \$512 million in dividends. Under the Governor's proposal, the total amount to be paid out for dividends will be \$625 million. Instead of the current program's \$790 dividend, it will be \$1,010 for each Alaskan under the Governor's proposal.
- Alaskans have a choice: a 100% guarantee under the Governor's proposal that they will get at least a \$1,000 dividend—or a 24% chance the dividend will be \$1,000 under the current program

3) Guarantee Solid Base for Education Funding

- This session the Legislature increased funding for K-12 and the University by \$90 million, bringing the state's support for education to over \$970 million. But for the state to be able to afford this increase, new revenue needs to be identified. Even more new revenue is necessary for the state to afford helping school districts pay other increased costs, such as the \$39 million in additional retirement costs next year and nearly \$130 million over the following three years.
- The Governor's proposal would provide \$563 million as a solid base of funding for education—a level of protection that no other state program currently has. While this does not translate into \$563 million in more funding for education as some advocates want, it significantly increases the prospects for increased funding in the future.

4) Guaranteed Financial Assistance for Local Communities

- Local communities currently do not receive state financial assistance to help pay for local operations and priority projects. In 2005 this 5% guarantee would distribute \$63 million to communities around the state that they could use for tax relief to meet or other local priorities.

- This 5% translates into more money for communities, such as almost \$24 million for Anchorage, \$7.2 million for Fairbanks, \$230,000 for Wrangell and \$99,850 for Saint Mary's.
- Just like school districts, retirement system costs for local governments will increase over the next few years. The increased cost next year will \$22 million and will be followed by another \$61 million over the next three years. This guaranteed assistance from the state will help local governments meet these and other obligations without further burdening local taxpayers.

5) Investments In Infrastructure - But If No Fix, No Bonds

- The Governor is proposing two general obligation bond packages that will go to voters this November—but only if the Legislature lets Alaskans approve a fiscal fix. The bond packages are:
 - *Transportation:* More than \$73 million in projects that range from solutions to congestion in Alaska's larger cities to building infrastructure that promotes resource development around the state.
 - *University:* Nearly \$39 million in University of Alaska projects that address expand classrooms and research facilities to needed repairs of existing facilities throughout Alaska.
- However, bond-rating agencies have advised the state that its excellent AA rating will be downgraded if it incurs new debt without the state getting its revenues closer to what it spends each year. A lower rating means higher interest rates to local governments, homebuyers through AHFC's loan programs, and student loan borrowers. As a result, the Governor says no fiscal fix, no bonds.

6) Constitutional Limit to Government Spending

- A key first step in a fiscal plan is to assure Alaskans that the state won't go on a spending spree if Permanent Fund income is available to help support essential responsibilities such as education.
- The Governor is introducing a spending limit that will also be placed in the Constitution to ensure it can't be overlooked by the Legislature. The spending limit ties future growth in the budget to changes in the state's population and increased costs due to inflation.
- During the regular legislative session the House approved the spending limit that the Governor will re-introduce in the House. In the Senate the measure will be similar to that rejected on the Senate floor. (Because it is a constitutional amendment, it requires a two-thirds vote in favor to pass each house.)

To contact your legislator by email, send message to:
Representative_Firstname_Lastname@legis.state.ak.us
Senator_Firstname_Lastname@legis.state.ak.us

To find your legislator's office phone or fax, go to:
<http://w3.legis.state.ak.us/infodocs/tollfree.pdf>

Special Session and a Fiscal Plan

Why a Special Session for a Fiscal Plan?

- Alaska needs to bring certainty to its finances so Alaska businesses can invest in the state's economy with confidence and Alaskan family budgets can rely on a stable and predictable dividend.
- The Administration is working vigorously to develop the state's natural resources, but getting a return from these projects to the state's treasury will take time.
- To continue the level of state services Alaskans have come to rely on requires building a "fiscal bridge" to when revenues from this resource development are available to support state services.

Governor's Constitutional Proposals

1. Modernize Permanent Fund's management (POMV)
2. Distribution of Permanent Fund's annual payout, which sunsets in ten years, as follows:
 - 50% to dividends with a guarantee that each dividend will be at least \$1,000;
 - 45% to help fund education (K-12, UA); and
 - 5% to local communities.
3. Constitutional spending limit.

Proposal: Bring Financial Stability to Alaskans, Education, and Communities

Financial Stability to Alaskans:

- **Guarantees dividends will be at least \$1,000**, or 50% of the Fund's annual payout, whichever is greater (total 2005 dividend distribution estimated to be \$625 million).

Financial Stability to Education:

- Guarantees **45%** of the Fund's payout (estimated \$563 million in 2005) will help fund **K-12, University of Alaska**.
- This session the Legislature increased funding for K-12 and the University by \$90 million, bringing the state's support for education to over \$970 million. But for the state to be able to continue to afford this increase, new revenue needs to be identified. Even more new revenue is necessary for the state to afford helping school districts pay other increased costs, such as the \$39 million in additional retirement costs next year and nearly \$130 million over the following three years.
- While this does not translate into \$563 million in more funding for education as some advocates want, it significantly increases the prospects for increased funding in the future.

Financial Stability to Local Communities:

- Guarantee 5% (estimated \$63 million in 2005) to local communities for **tax relief or to meet other local priorities.**
- Retirement system costs for local governments also will increase over the next few years. Next year the increased cost statewide will be \$22 million and will be followed by another \$61 million over the next three years. This guaranteed assistance from the state will help local governments meet these and other obligations without further burdening local taxpayers.

Infrastructure Investment—But No Fix, No Bonds

- Proposing two general obligation bond packages --but they will go to voters only if the Legislature lets Alaskans approve a local fix. Packages are:
 - **Transportation:** \$77 million to address congestion in Alaska's larger cities to building infrastructure that promotes resource development.
 - **University:** \$39 million to expand classrooms and research facilities as well as make needed repairs to existing facilities.
- However, bond-rating agencies have advised the state that its excellent AA rating will be downgraded if it incurs new debt without the state getting its revenues closer to what it spends each year. A lower rating means higher interest rates to local governments, homebuyers through AHFC's loan programs, and student loan borrowers. So, no fix, no bonds.

Limit Government Spending

- A spending limit that will be placed in the Constitution will be introduced to ensure it can't be overlooked by future Legislatures. The spending limit ties future growth in the budget to changes in the state's population and increased costs due to inflation.

Special Session's Bottom Line

In Calendar Year 2005	Under Current Law	Under Governor's Proposal
Total Amount to Pay Dividends	\$512 million	\$625 million
Individual Dividend Amount	\$790.00	\$1,010.00
Guaranteed Base Funding for Education	0	\$563 million
Guaranteed funding to Local Communities	0	\$63 million
Transportation Bond Projects	0	\$76.7 million
University of Alaska Bond Projects	0	\$38.9 million

PROPOSED WORKERS' COMPENSATION REFORM LEGISLATION

The Workers' Compensation Reform Bill is a measured response to workers' compensation insurance increases and unhealthy market conditions now impacting Alaska business.

- Amount paid in 2003 on Alaska workers' compensation claims exceeded \$ 210 million.
- The insurance companies in the Alaska workers' compensation market paid out from \$.99 to \$1.54 in claims for every premium dollar collected from 1997 to 2002. The average claims pay out was \$1.24 per dollar in premium collected.
- Average workers compensation premiums increased 21% this year, but premiums in 17 business classes went up over 50% (hospital non-professional 54%, household appliance installation & repair 52%, day nurseries, child care & day camps 56%, barber shops and hair salons 57%, building & property management 57%, geophysical seismic exploration 56.8%).

Bill does not change type, amount or computation of benefits paid to Alaskans; outside residents capped at Alaska rate.

- No change to compensation rates or benefits, including rehabilitation and medical benefits.
- Compensation rates for total disability capped at the rate recipient would receive if residing in Alaska.

Reorganization streamlines adjudicative and appeals process.

- Single administrative law judge from the newly formed central panel replaces 3-member Board panel that now hears cases and reviews settlements.
- Administrative law judges will have special expertise, reside in the central Office of Administrative Hearings created by SB 203 and be independent of the Department of Labor.
- Five member Appeals Commission replaces Superior Court appeals. Appeals Commission composed of four citizen members (2 from labor, 2 from industry), plus one full-time attorney commission Chair. Panel of 3 reviews appeals (Chair plus one industry and one labor member). Chair administers commission and advises other members on the law.
- Appeals Commission has 90 days to decide appeal; half the time allowed Superior Court. Transfer of record costs and delays decreased. (Transfer of record can add a year or more delay over the six months appeal time limitation in Superior Court.)
- Specific provisions made to insure impartiality of Appeals Commission, including prohibiting political activity by Chair and prohibiting conflicts of interest for members.

Consistency and predictability increased in process.

- Appeal to single Commission addresses inconsistent decisions rendered by dozens of different hearing panels and Superior Court judges.

- Single Appeals Commission with expertise plus citizen participation will decide all appeals. Appeals decided by a single entity will insure predictability and consistency in the interpretation and application of the law. Review directly to Supreme Court.

Insurance code amendments strengthen Insurance Guaranty Fund, Assigned Risk Pool for protection of employers and insurers.

- Workers' compensation insurers required to deposit special cash or securities to provide protection beyond the Insurance Guaranty Association.
- Assigned Risk Pool made self-funding by lifting the surcharge cap.

Active, accountable and effective Division Director given new enforcement tools to enforce insurance requirements & investigate fraud.

- Takes enforcement power and responsibilities of the Board and gives them to Workers' Compensation Division Director with:
 - Investigation powers, including subpoena and record inspection;
 - Power to intervene in hearings directly;
 - Power to make decisions affecting enforcement; and
 - New powers to investigate fraud.
- Director may seek new penalty (up to \$100/day/uninsured employee) against uninsured employers and obtain default judgment in faster, streamlined process to stop defaulting employers leaving the state and their liabilities behind.

New workers' compensation fraud provisions.

- Persons who report fraud are given immunity for good faith reports and reports from workers' compensation industry are required if fraud is known.
- Fraud claims cover health care providers, insurers and other industry participants, not just employee claimants.

COMPLAINTS REGARDING PRIOR LEGISLATION (SB 311) ADDRESSED

Cost of Appeals Commission to High for Caseload.

- Only one full-time Commissioner.
- Fiscal note of \$627,000 reduced by half.

Appeals Commission *De Novo* Review Power Reduces Influence of Lay Members.

- Lay members added to Appeals Commission exercise *de novo* review of hearing officers.
- Lay member at appellate level gives greater influence on outcomes than current system.

Commission members Should Be Vetted by Alaska Judicial Council.

- Unconstitutional intrusion on executive branch appointment powers in violation of separation of power doctrine and Article 3, Section 26 of the Alaska Constitution.

Proposed Tobacco Tax Increase Legislation

The tobacco tax increase is proposed to reduce the use of tobacco products by those currently using them, but more importantly to reduce the number of young people who would otherwise begin the use of tobacco products.

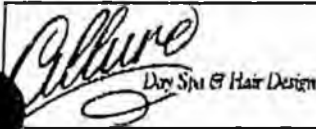
- Tobacco use is responsible for approximately one in five deaths in Alaska and is the single most preventable cause of death and disease.
- Since the 1997 tobacco tax rate increase, there has been a 16% decrease in taxable cigarette consumption, which has persisted for two years.
- Alaskan youth and adults use smokeless tobacco at high rates in comparison with the nation.
- Smokeless tobacco users may be up to twice as likely as non-users to die from heart disease and other cardiovascular conditions due to increased blood pressure.

Bill makes the following changes in existing law:

- Increase the cigarette tax from \$1 per pack of twenty cigarettes to \$2 per pack and the tobacco products tax (OTP) from 75% to 100% of the wholesale cost.
- Institute a floor stock tax on existing cigarette inventories held for sale in an attempt to reduce the amount of stockpiling of cigarettes on the effective date
- Allow the Department of Public Safety to seize and dispose of equipment, vehicles, monies and other assets used in activities which violate the cigarette and tobacco products statutes
- Earmarks part of the tax revenues for the smoking education, tobacco use prevention, and tobacco control program.

Expected results of tobacco tax increase:

- Current estimates are that passage of the cigarette tax should result in a 15 percent drop in illegal teen smoking. A 15 percent drop in youth smoking rates from current levels translates into 1,800 lives saved from premature death due to tobacco addiction.
- Among current adult smokers, 3,500 will quit smoking because of the tax, and of those, 800 will be saved from a smoking-caused death.
- DOR estimates cigarette and tobacco products tax revenues to increase between \$33 and \$37 million each year.
- This bill targets users and asks them to pay a bit more of the costs they impose on all Alaskans.



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Anchorage Daily News

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Voice of the Times

(Published: June 22, 2004)

LEGISLATURE REASSEMBLES FOR . . . Another try

THE LEGISLATURE is gathered in Juneau to make another try at coming up with a long-term fix to the state's fiscal problems.

The special session was called by Gov. Frank Murkowski and many legislators are grumbling about returning so soon after they said no to proposals similar to those before them now.

Their complaining is understandable, but Gov. Murkowski rightly maintains that the problem has not gone away and that filling the fiscal gap is critical to the state's financial well-being. At the top of the session's agenda is a measure to allow use of at least a portion of Permanent Fund earnings for state expenses.

Individual dividends would still be paid from the fund's earnings. And though some critics claim any use of earnings would be "a raid on the Permanent Fund," such a fix could actually assure that dividend checks would continue for years to come.

Murkowski would like to put such a measure before the voters in the November election. Without a legislative decision now, voter ratification of a fiscal fix would otherwise be forced to wait until at least the next statewide election in 2006. Such ratification may or may not be essential depending on which fix the Legislature chooses, but the governor wants the option of putting it on the ballot.

Among those watching the outcome of the special session are prospective investors in Alaska's oil industry. They are looking for any signs that the state is inclined to send them the bill for Alaska's fiscal fix -- in the form of higher oil taxes. Some frustrated Democrats seem inclined to do just that, though hopefully cooler heads will prevail. Investments like those at risk are essential in order to grow the state's economy.

The state's fiscal gap -- the difference between what it spends and what its present revenue streams bring in -- is a threat to its credit rating.

Using a portion of Permanent Fund earnings for state expenses may not be the ultimate solution to the fiscal problem, but it's a good place to start. That is the purpose for which the fund was established and the time has come when that purpose should be honored.

The special session may be a good reason for legislators to grumble, but it will enable focused discussion on a vital issue with the public looking over their shoulder.



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Anchorage Daily News



OUR VIEW

(Published: June 22, 2004)

Special session

Lawmakers have a job to do this week in Juneau

Wally Hickel was in classic form Monday morning at a statewide press conference with local officials pushing for a state fiscal solution and especially for the "community dividend" long touted by the former governor.



(Peter Dunlap-Shohl)

[Click on photo to enlarge](#)

"If we don't address our fiscal problem, we will fail," Mr. Hickel said with characteristic directness.

"We have a duty as a human community, he added, to match the grandeur and opportunity God gave Alaska. We need a powerful vision. We must live up to the obligations of the "owner state" -- and leadership to get this done.

And: "Oh, to be as rich again as we were before Prudhoe Bay -- as rich in spirit!"

And, more pragmatically: "We have \$27 billion in the bank, and we can't get across town!" You couldn't miss the reference to Lake Otis and Tudor or the larger one to legislative stalemate.

Mayor Mark Begich spoke of the fiscal uncertainty that hurts the economy by making businesses less confident. He pitched the road bond that includes help for Lake Otis and Tudor. And he pitched other needs around the state -- basic government costs in the Bush, education in Mat-Su and so on. Borough Mayor Edith Vorderstrasse spoke to the strains of rural communities, where oil prices truly threaten to leave people in the cold and dark.

All this is an extended prelude to the special session of the Alaska Legislature opening today in Juneau. The mayors got their priorities right: They called first for an endowmentlike percent of market value approach to Alaska Permanent Fund management to bring it in line with modern practices and protect its long-run value. That secures the seed corn. And second, they called for using "a safe and sustainable portion" of Permanent Fund earnings for dividends, education and community dividends.

The deeper question at the special session is whether the Legislature can surmount the partisanship and self-interest of the past to provide a foundation for the future. Mr. Hickel's urgings are driven, no doubt, by a kind of amazement that a state with so many assets seems so unwilling to use them. He is, characteristically, onto something.



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Anchorage Daily News

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Opinion

(Published: June 18, 2004)

Temptation

Fixing the fiscal gap does not require cluttering the constitution

Gov. Frank Murkowski succumbs to the temptation for constitutional monkey-wrenching with his proposal to guarantee a minimum \$1,000 Alaska Permanent Fund dividend in the Alaska Constitution. Let's hope legislators heading for next week's special session resist the temptation but accept his sense of urgency.

Give the governor some credit: He is dedicated to finding a solution to Alaska's fiscal problems. He wants a more sensible fiscal structure so he can get on with bigger, better things. "We want a solution," he says. "Don't duck it."

A big majority of Alaskans surely agree. In Anchorage, for instance, voters in an April advisory vote called for a fiscal solution this year by a 2-to-1 margin. Polls consistently reflect that kind of support, or more.

There is no need, however, to clutter up the Alaska Constitution. The governor's minimum-dividend guarantee joins two other bad ideas for constitutional amendments: a state spending limit and a constitutional dedication of Permanent Fund earnings to one purpose or another.

Banish them all. Leave authority -- and accountability -- in the hands of the elected representatives of the people.

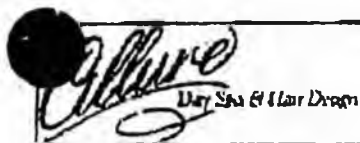
The Legislature could solve its current fiscal difficulties and prepare for a better future with two simple steps: 1) Send to voters this fall a percent-of-market-value proposal to limit payouts from the Permanent Fund to 5 percent of its total value; and 2) Decide by majority vote each year what should be done with that money. That would fill the fiscal gap, at least short-term, and maintain the natural and proper tension between spending for services and Permanent Fund dividends. It also would protect the fund.

The governor points out that a POMV plan, if currently in effect, would produce about \$1.3 billion to be divided between state services and dividends -- out of \$4.1 billion in fund earnings the past year. That ought to be enough to fix the problem without screwing around with the constitution.

BOTTOM LINE: Fix the fiscal gap, not the state constitution.

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Opinion

(Published: June 17, 2004)

University in progress

Want to help build a better UAA? Here's your chance

A good university is always a work in progress. After what university backers have called "a decade in the wilderness" of underfunding, in recent years Alaska's university system has gained support in the Legislature and won friends with strong leadership -- including that of retiring University of Alaska Anchorage Chancellor Lee Gorsuch.

It now that UAA is 50 years old, the time is right to build the kind of endowments and powerful connections to the community that will make UAA self-sustaining. For that the university turns not to the State of Alaska but to the citizens of Alaska.

That's why UAA has launched its 50th Anniversary Campaign. The goal is to raise \$12 million by the end of 2005 -- \$5 million for student scholarships and faculty awards and research; \$2 million to enhance programs like nursing and aviation technology to attract the best students and faculty; and \$5 million for the Longhouse Community Learning Center for the Alaska Native Science and Engineering Program and all math, science and engineering students, and the Library of the 21st Century, to build its collections.

Community leaders have already contributed \$7.2 million. Now the university is going public with its campaign.

Potential gains go well beyond the \$12 million. Much of this money can be used to leverage matching grants. Progress builds on itself; as the university enriches its programs, better students and faculty continue to come here.

UAA, with a superb library, a Nobel laureate teaching, a state-of-the-art sciences building and pioneering work in the study of complex systems -- how the world actually works -- is a university that creates and imparts new knowledge.

A UAA with steady community support can afford continued growth, can open doors to students, faculty and the community for richer, fuller lives.

A UAA with all these assets pays off in spades. According to a 1998 study by the McDowell Group, every dollar invested in the University of Alaska generates \$4.50 in economic activity in Alaska. That's a return we'll take any time -- and we can make it better.

And finally, a UAA with top-of-the-line programs, faculty and facilities will inspire love of learning.

Marc Langland of the campaign steering committee said, the university is a reflection of the community. After 50 years, the university is ready for its first private fund-raising campaign. After 50 years, Anchorage is ready to respond.

Reflection of the community: UAA has range, from the thin air of the Ivory tower to the nitty gritty of dirt under your fingernails. It's all life. It's all learning.

There's more than one way to give, and you can direct your gift to specific purposes. Donors can contact the Office of Development, 3211 Providence Drive, Anchorage, 99508-9979, 786-1278.

BOTTOM LINE: Here's a chance for the people of Anchorage to help build a great university. Let's take the chance and give.

POMV: Just do it

Special session is the time

Whatever else they may do at next week's special session, legislators should approve the percent-of-market-value (POMV) approach to using earnings of the Alaska Permanent Fund. And they should do it whether they can reach agreement on a larger fiscal plan or not.

Permanent Fund trustees have been promoting POMV for years, for sound reasons of management and prudence. Trustees' Chair Carl Brady makes the key point: Whatever elected officials may decide to do with Permanent Fund earnings -- and remember, the Legislature already has the authority to spend them -- POMV is a tool to stabilize management and protect the long-run value of the Fund.

Why? Because the biggest risk to the fund is overspending in a crisis. Trustees long ago saw state fiscal crises on the horizon if legislators refused to set state finances on a sustainable path. Upwards of \$5 billion already taken from the Constitutional Budget Reserve proves their point. The CBR is as much at risk as ever, and the Permanent Fund is next in line if lawmakers keep choosing to use up cash assets rather than face the budget problem squarely.

POMV would limit spending from the fund to 5 percent of its total value in any given year. Lawmakers would retain the authority -- as they have now -- to decide what to do with that money. With enough votes, they could choose to put it all into dividends, all into necessary state services, or anything in between. With enough votes, to make the point bluntly, they could put it all into banditry, cronyism and high living for themselves and their friends. POMV would only limit the amount at their disposal.

As Alaska moves closer to the fiscal cliff, POMV gets more important. POMV reflects modern management practices of the best endowments around the country.

The best way to achieve POMV as a fund management tool would be as part of a long-term fiscal plan. Such a plan would fairly apportion the burdens and benefits of citizenship through some use of fund earnings, a progressive income tax and a rational adjustment of oil taxes to share both the benefits at high prices and the risks at low prices.

If the best way can't be achieved, however, POMV stands alone. It makes sense to help protect the fund, long-run dividends and the state's fiscal stability. If necessary, the Legislature should separate POMV from all the other questions -- and put it to the voters in the fall.

BOTTOM LINE: POMV is a sensible way to manage the Permanent Fund. Lawmakers should send it to voters.

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Anchorage Daily News

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Opinion

(Published: June 14, 2004)

Stick with democracy

State fiscal fix needs to happen; constitutional juggling doesn't

Democracy is both hard to do and worth the trouble. It works, when it's applied. So why not trust it?

That's the question to ask about proposals to find a series of constitutional amendments that would buy off enough votes in the Alaska Senate for a state fiscal plan -- but at the price of less democracy and accountability.

When this comes up in the effort to round up votes and ideas before next week's legislative special session. Some people just can't resist trying to rig Alaska's democracy their way -- by demanding permanent constitutional protection for something that ought to be a continuing policy decision.

Here are the general outlines of a deal being pursued: The governor would get his 5 percent of market value plan for managing the Alaska Permanent Fund and new revenues for government. Democrats would get a 60-40 split enshrined in the constitution to provide generous dividends as close to forever as government can provide. Republicans would get a constitutional spending limit intended to prevent a future spending spree.

What's wrong with all that? Only that putting it in the constitution is unnecessary, that it assumes this crop of politicians is smarter than all future ones, and that it would be a classic case of legislative overreach.

Why not use the constitution we already have? Why not insist this Legislature use its existing authority to solve a problem everyone understands just fine -- rather than usurp the authority of future legislatures to address problems nobody can predict?

Republicans make a mistake by seeking a spending limit that inevitably would distort future decisions. Democrats make a mistake by demanding enshrinement of a particular split for dividends versus state services. Both would be better off to resist the urge to clutter up the constitution and just do their work: restoring balance to state finances. Then they could go home with the satisfaction of a job well done.

BOTTOM LINE: Fix the fiscal gap, but leave the constitutional juggling act out of it.

Death of presidents



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Voice of the Times

(Published: June 13, 2004)

MURKOWSKI'S SPECIAL SESSION IS . . .Worth trying

GOV. FRANK MURKOWSKI'S call for a special session on June 22 was a bold attempt to force legislators to deal with important business left undone when they adjourned on May 11.

The governor has written an ambitious agenda for a session expected to last just a few days. Up for consideration will be a long-term fix for the state's fiscal gap, a spending limit, bond propositions for needed transportation facilities, a tobacco tax and a workers' compensation bill. And Democrats would like to add a measure to increase oil taxes, which would almost certainly reduce Alaska's attraction as a place for industry investments.

Murkowski would like to see a fiscal fix that converts the Permanent Fund to an endowment, which would limit spending of earnings to 5 percent of the fund's total value, and allocate that 5 percent to spending for state services and individual dividend payments.

Murkowski said he is flexible on how the earnings are allocated, but considers it important that dividends be protected and that ". . . a reasonable portion of the fund's earnings are available to maintain essential public services, like education."

If approved, the measure would assure that some fund earnings are finally used to pay state expenses, a long overdue change. Though the Legislature could now use earnings for such a purpose, it has instead been drawing down the Constitutional Budget Reserve established years ago with windfall cash from settlement of oil price disputes with North Slope oil producers.

The day of reckoning is obviously coming and the state necessarily will dip into the Permanent Fund earnings account to pay for its operations. Murkowski notes that the earnings fund now contains \$4 billion, all of which could be spent under current law. That is far more than the \$1.4 billion that would be available if a 5 percent limitation were in effect.

One motivation for the governor appears to be that approving a fiscal fix this year would allow it to be put before voters in the November election.

Legislators will gather in Juneau as ordered. But whether they will comply with the governor's wishes is an open question. Many have said privately that they are reluctant to vote for using any Permanent Fund earnings for state government in an election year.

They fear that their opponents will claim they are jeopardizing dividend payments, though a well-written fiscal fix could actually protect the state's free-money program.



Wednesday, June 09, 2004

The online edition of the Frontiersman does not contain the entire content of our print version.

It's back to summer school for naughty legislators

Frontiersman editorial board

When you spend the regular school year messing around and focusing your energies on lower priorities, you're likely to fall behind. Fall behind far enough, and you'll land in summer school for part of your vacation. It's bad enough when you ruin your own summer, but if your shenanigans bring the whole class inside for the warm months, nobody's going to be your friend.

Some big Alaskan kids have found themselves in such a mess, as the teacher has called them back to finish the work they left undone during the allotted time. Gov. Frank Murkowski, playing the role of teacher, has called the Legislature back for a special summer session, and he says he won't let them go fishing until they've completed the assignment he's given them -- namely to pass a fiscal plan that includes a spending cap and with his Percent of Market Value formula for generating general fund capital from the Permanent Fund.

The House reached agreement on a fiscal plan during the regular session, but the fiscally-conservative Senate chose to wait to see if Alaska's fiscal dilemma might solve itself. After all, some senators said, oil prices are high, and it looks like our fiscal problems are all imagined. Of course, since then, the Organization of the Petroleum Exporting Countries, or OPEC, has promised to increase production, and the price of U.S. crude has already begun to fall. Go figure. That's never happened before.

So far, legislators seem to feel that little has changed since the end of the session, and many are saying neither a POMV plan nor a spending cap is likely to find its way out of the Senate and onto Murkowski's desk. That's all well and good. If the Legislature doesn't find merit in that solution, we don't expect the proposal to pass.

What's frustrating is that there doesn't seem to be a reasonable effort to work out an alternate solution. If the Senate believes Murkowski's plan is not the answer, then

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It's incumbent upon that body to propose a plan that is the answer -- or at least a plan a majority of senators can agree upon. Education is in trouble, and we're paying a lot of attention to it because the danger is immediate, and because it affects so many people. There are other serious problems looming if the state can't get its fiscal house in order, though. Voters deserve a solution from their legislators, and they should accept nothing less. The Legislature will be back in session later this month. Voters will be heading to the polls in November. Each group has some important decisions to make. How legislators handle the special session may give voters some good data to consider before casting those votes.

It's back to summer school for naughty legislators

Frontiersman editorial board

American government too entwined in religion to break free

Spectrum, by Harry Yost

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- » Community
- » Classifieds
- » Letters to Editor
- » Schools

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- » Stocks
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Murkowski showing leadership in calling June special session

When it comes to politicians, the public < more often than it should be tempted < just wants to say, "grow up," especially at the end of a legislative session when lawmakers failed to tackle the state's most important issue.

That issue is the chronic budget deficit.

Well aware of the deficit and the need to address it, Alaskans elected former Sen. Frank Murkowski governor. Voters knew who we were electing, what he stood for, and what he would do if elected. We knew he had experience in tackling and overcoming difficult situations; we recognized him as a leader who would set a fiscally responsible course for the state through its budget. Alaskans spoke overwhelmingly in support of the man who would do that.

And Murkowski's trying. He has made budget decisions that some of his best friends are pained to accept, but accept them they do. He has cut some programs, and he replaced others with new options to give Alaskans a better value for our dollar.

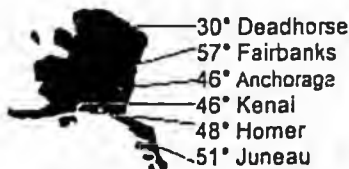
Murkowski also has proposed legislation that will have to effect of shortening this financially painful period of cuts that continues to draw down the state's savings account. And instead of forcing his proposal on Alaskans, he's asking for a vote on it in November.

But the Legislature, in its own wisdom or lack thereof, adjourned last month without giving its necessary endorsement to the election.

The governor even allowed lawmakers time to save face and call themselves back into a special session to address the financial issues. They didn't.

So the governor's doing it. Once again when leadership is needed, it comes from the governor's office. Lawmakers appear to just want to play politics, and it's politics that perturbs the public. This isn't a game to the public.

The governor wants two constitutional amendments to be voted on. The first caps state spending, which the public is



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likely to strongly embrace if it ever gets the opportunity. The second is in regard to the Alaska Permanent Fund. It would limit withdrawals from the fund to 5 percent of its five-year average value, making \$1.3 billion available each year to pay dividends and for state government operations. The House agreed to earmark \$573 million for state government and \$64 million for local governments. The Senate? Zip. Zero. Nothing. It didn't do a thing.

Then the price of oil skyrocketed, and legislators relaxed on a cloud of new revenue. With Alaska's budget about 85-percent dependent on oil revenues and prices high, the deficit shrank. But it didn't disappear, and it's foolish to think that high oil prices will whittle it away and the financial future will be secure for generations to come. It doesn't work that way; prices go up and prices go down.

Alaska doesn't want to be in financial difficulties when it goes down again. The way to prevent that is to come up with a plan and follow it now. Then Alaska might be able to maintain itself without further painful cuts.

With a banker in the governor's seat, it is the best time to figure out state finances. And this banker governor isn't even forcing it on Alaskans; he's just asking the Legislature to allow Alaskans to vote. He'll accept the outcome. That lawmakers cannot do the same makes the public wonder what their political game is. And the perception of a game breeds mistrust.

We don't understand the politicians' lack of action, but we believe in a governor trying to overcome a budget deficit when he trusts voting Alaskans to make the final decision.

When legislators return to special session, they should show they do the same. After all, we elect them. If they don't trust us, that doesn't say much for them or their political maturity.

< **Ketchikan Daily News**

May 26

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- » Classifieds
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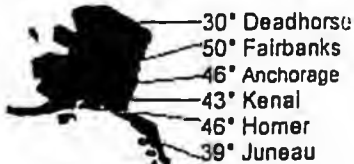
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- » s

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Lack of legislative action behind call for special session

After saying he would and then saying he wouldn't, Gov. Frank Murkowski ... said he will call a special session of the Alaska Legislature to focus on pressing issues, such as the state's fiscal gap, increased tobacco taxes, worker's compensation laws and capital projects.

The governor's flip-flops notwithstanding, a special legislative session really is much more out of necessity than it is gubernatorial prerogative. That's because of how little lawmakers accomplished during the regular session, and in spite of Murkowski's best efforts to offer what in many cases were workable solutions. The special session will begin most likely in late June.

Looming large for legislators will be long-term solutions to the state's chronic budget deficit, and school and transportation bond projects. The budget gap is of the essence, but if lawmakers show up in Juneau (later this) month with a diminished sense of urgency in solving our economic woes, we can all thank the high price of oil.

The most critical issue for Murkowski is his proposal for using a portion of the Alaska Permanent Fund for the operation of state government. His recommendation for establishing a percent-of-market-value, or POMV, management system for the fund would have provided for some \$650 million for the state while protecting permanent fund dividends, but the measure was defeated by the Senate in the closing hours of the regular session. A second pass at the proposal is a given during the special session.

If there's an up side to Murkowski's call for a special legislative session, it is that it will be limited to 30 days and proposed legislation will be limited to subjects designated by the governor. That will keep legislators from straying for the business at hand and pushing their personal agendas. Not that that would happen, of course.

Murkowski deemed it necessary to call a special session after it became evident that members of the state's House of Representatives weren't willing to call themselves back to the Capitol. That left the door open for Murkowski to do what

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legislators wouldn't.

Alaska's lawmakers need to recognize the importance of the work they're being asked to do this summer. There's no reason for a workable budget plan to be delayed until next year, and surely any lawmaker who is seeking re-election next fall can understand the logic in that.

If a special legislative session is as unproductive as was this year's regular session, heads should roll in November's elections. If any members of the Alaska Legislature are shoring up their re-election efforts while the state's business goes unattended, they shouldn't be occupying the office in the first place.

< **The Juneau Empire**

May 26

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Special session born of necessity

Empire editorial

Wednesday, May 26, 2004

After saying he would and then saying he wouldn't, Gov. Frank Murkowski on Monday said he will call a special session of the Alaska Legislature to focus on pressing issues, such as the state's fiscal gap, increased tobacco taxes, worker's compensation laws and capital projects.

The governor's flip-flops notwithstanding, a special legislative session really is much more out of necessity than it is gubernatorial prerogative. That's because of how little lawmakers accomplished during the regular session, and in spite of Murkowski's best efforts to offer what in many cases were workable solutions. The special session will begin most likely in late June.

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willing to call themselves back to the Capitol. That left the door open for Murkowski to do what legislators wouldn't.

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Anchorage Daily News

Voice of the Times*(Published: May 28, 2004)***HERE WE GO AGAIN . . . Special session**

THERE IS one thing to be said for a special session of the Legislature. It is focused. There is no time for sideshows. Not too much opportunity for smoke and mirrors. Get it done and go home.

Of course, that's the way Alaska's regular annual legislative sessions should operate, too. Unfortunately, they don't — as witness the recently adjourned bit of business that lasted four months and left a lot of things dangling.

To address some of those, Gov. Frank Murkowski plans to issue a call that will bring the 40 members of the House and 20 members of the Senate back to Juneau in late June.

Too bad. A more disciplined group of lawmakers, willing to set aside partisan games and concentrating on doing what is best for Alaska, should have been able to better serve the state's needs in the course of 120 days — when they had nothing else to do, and the splendid isolation of Juneau in which to do it.

In the course of the coming session, the governor will be laying before the legislators some familiar items, prime among them a hope that a long-term fiscal plan can be adopted.

That may involve a new way for the state to manage the Permanent Fund to ensure annual dividend checks, on which Alaskans have become fully addicted, while providing the state with operating revenues. The most promising new method would be what is called a Percent of Market Value system — which most legislators clearly like, but which was strangled during the last session by political gamesmanship.

Murkowski's effort to get a \$1-a-pack increase in cigarette taxes also was snuffed out during the regular session. The governor indicates he will bring that back for the end-of-June gathering, along with some bond propositions — one of which would be designed to make motorists happy while idling in traffic at Tudor and Lake Otis.

The opportunity to get something done in a special session, something that couldn't be accomplished in the regular session, comes because the legislators are limited in their ability to bounce all over the map. They can only consider measures proposed by the governor. Period.

There have been many special sessions over the years since the first state Legislature met in 1959. Many of them dealt with the need to respond to natural disasters — the Good Friday earthquake of 1964, the Fairbanks flood of 1967 — and other major state crises.

Whether the problems of this year rise to that standard is debatable.

But there is comfort in knowing that session won't last more than a few days — or maybe a week, at the most.

Undaunted in pursuit of fish dinners

By PAUL JENKINS

It's that time of year again, one fraught with humiliation, angst and even, at times, deep personal loathing. It's fishing season. Armed with the very best equipment a truckload of catalogs can offer, I sally forth, fight through throngs of pesky flatlanders and return, well, broken and fishless.

It was not always thus. Once, I was a professor of piscatology, a fish killer to be reckoned with. At one point, the finny fools feared me, or at least did not laugh outright. Yes, there was apprehension in those little fishy eyes; fear in those little fishy hearts.

Fishing then was a celebration, a rite, a way to spend boatloads of money. Fishing was a way to get neat, new stuff. Hey, it will save me in the woods, I'd say. A guy thing. Who can stay awake the longest? Who will catch the most fish? Who stinks the worst?

At first, I would careen south through the night after work to slay fish in the very belly of the beast — the confluence of the Russian and Kenai rivers. Combat fishing at its finest. Casting under spider webs of snarled, tangled lines, sometimes six, seven, eight of them, stretched tight 8 feet above river, from bank to bank. I fished, therefore I was.

Without a thought, I would drive three hours, fish three hours, drive three hours home. Back to work, comatose. Then to the Anchor River. I would brave rain, butt-deep cold water, mosquitoes and snippy tourists at the whispered rumor of salmon or trout or Dollies or anything. "Hey," someone would say, "they're in." Off in a one-man stampede. I was driven.

Then, almost imperceptibly, it started to happen. Virtually everywhere I fished, I lost my edge. Guys catching fish on my left. Guys catching fish on my right. Me? Maybe a fish; maybe not. And I started falling in with increasing regularity.

At one point, in a boat on the Kenai early in the year, I fished with a guy, his wife and their grown son on their dream vacation. Californians all, and in all senses of the word. The fools were not dressed to be on the river. But each of them caught two fish, with each keeping their largest — in less than hour. For the rest of that miserable, cold morning they sat and stared and whined through blue lips and shivered while I fished. I never got a bite. Nothing. The guide was glaring, trapped on the river with a loser. I didn't feel sorry for any of them.

And that's the way it went no matter where I fished. Falling short of the limit. Not setting the hook. Kerplow! into very, very cold water. I could see fish, I could see people catching fish, but the likelihood was that I was not taking any home. It took a few years but it became crystal clear something seriously was amiss.

I wouldn't give up. It was just a slump, I'd say. Then I dragged my son to the Russian and as we silly windmilled the water, trying not to hook Germans, a guy sauntered up and asked him — the limit is 8 at the most, mind you — if he had caught any fish. Without missing a beat, my boy matter-of-factly answers: "No, we're Jenkinses, we don't catch fish," and went back to thrashing the water.

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June 21, 2004

The Honorable Pete Kott
Speaker of the House
Alaska State Legislature
State Capitol, Room 208
Juneau, AK 99801-1182

Dear Speaker Kott:

Under the authority of article III, section 18, of the Alaska Constitution, I am transmitting a resolution proposing amendments to the Alaska Constitution relating to and limiting appropriations from the Alaska Permanent Fund based on an averaged percent of the fund's market value. Passage of this resolution by the Legislature gives Alaskans a voice on the issue of a long-term fiscal plan. Voters would have the ability to approve the resolution and bring certainty to Alaska's fiscal future for themselves and future generations of Alaskans.

The resolution outlines a long-term fiscal plan that 1) changes the structure of the Alaska Permanent Fund to an endowment model; 2) limits the annual payout from the Alaska Permanent Fund to five percent of the fund's value; 3) allocates the annual payout of 50 percent to dividends, 45 percent to public education, including K-12 and the University, and five percent to communities. Individual dividends would be guaranteed to be at least \$1,000 or 50 percent of the annual payout, whichever is higher. I believe that these allocations reflect the priorities of a majority of the public for the use of the Alaska Permanent Fund.

The resolution is based on provisions of CS House Joint Resolution 26(FIN), which passed the House during the second session of this Legislature. Under the provisions of this resolution, the Alaska Permanent Fund is converted to the Percent of Market Value or "POMV" endowment model. An annual payout of five percent of the value of the fund is set.

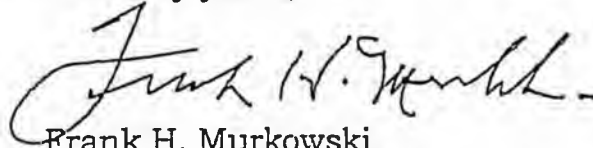
The Honorable Pete Kott
June 21, 2004
Page 2

POMV is an accepted method for managing funds. Anchorage, Fairbanks, the North Slope Borough, and Sitka residents have voted to use the POMV model for their municipal trust accounts. Private foundations like the Ford Foundation and about 83 percent of colleges use some form of a POMV payout method.

These allocation provisions have a ten-year "sunset" to allow the Legislature and the voters an opportunity to revisit them to ensure that the allocations continue to meet state needs.

I urge your prompt and favorable action on this legislation.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Frank H. Murkowski". The signature is written in a cursive style with a long horizontal stroke at the end.

Frank H. Murkowski
Governor

Enclosure

House
SENATE JOINT RESOLUTION NO. 102

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-THIRD LEGISLATURE - FIRST SPECIAL SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced:

Referred:

A RESOLUTION

1 Proposing amendments to the Constitution of the State of Alaska relating to and limiting
2 appropriations from the Alaska permanent fund based on an averaged percent of the
3 fund market value and relating to permanent fund dividend payments.

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

5 * Section 1. Article IX, sec. 15, Constitution of the State of Alaska, is amended to read:

6 Section 15. Alaska Permanent Fund. (a) At least twenty-five per cent of all
7 mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing
8 payments and bonuses received by the State shall be placed in a permanent fund.
9 Except as otherwise provided in this section, money in the permanent fund [
10 THE PRINCIPAL OF WHICH] shall be used only for those income-producing
11 investments specifically designated by law as eligible for permanent fund investments.
12 [ALL INCOME FROM THE PERMANENT FUND SHALL BE DEPOSITED IN
13 THE GENERAL FUND UNLESS OTHERWISE PROVIDED BY LAW.]

14 * Sec. 2. Article IX, sec. 15, Constitution of the State of Alaska, is amended by adding a
15 new subsection to read:

1 (b) Appropriations from the permanent fund for a fiscal year may not exceed
2 five percent of the average of the market values of the fund on June 30 for the earliest
3 five of the six fiscal years immediately preceding that fiscal year.

4 (c) Appropriations from the permanent fund may be made each fiscal year for
5 the costs of administering the permanent fund. The remaining amount annually
6 available for appropriation from the permanent fund shall be appropriated for the
7 following purposes in the amount set out after each:

8 (1) a program of dividend payments for residents of the State
9 established by law - fifty percent;

10 (2) aid to public education - forty-five percent; and

11 (3) aid to municipalities and other communities - five percent.

12 (d) Notwithstanding (c) of this section, the amount of a dividend payment for
13 residents of the State shall be not less than \$1,000 each year. If the appropriation
14 made under (c)(1) of this section would be insufficient to pay that amount, the
15 percentages specified in (c)(2) and (3) of this section are decreased, and the percentage
16 specified in (c)(1) of this section is increased, by the amount necessary to fund the
17 shortfall.

18 * Sec. 3. Article XV, Constitution of the State of Alaska, is amended by adding a new
19 section to read:

20 **Section 30. Transition; repeal.** (a) On the effective date of the 2004
21 amendment relating to the Alaska permanent fund (art. IX, sec. 15), the
22 unencumbered, unappropriated balance of the earnings reserve account established
23 under AS 37.13.145(a) is added to the balance in the Alaska permanent fund.

24 (b) The 2004 amendment relating to the Alaska permanent fund first applies to
25 appropriations for fiscal year 2006. Appropriations from the permanent fund for fiscal
26 year 2005 are subject to Section 15 of Article IX as that section read on June 30, 2004.

27 (c) Sections 15(c) and (d) of Article IX, added by the 2004 amendment, are
28 repealed July 1, 2014.

29 * Sec. 4. The amendments proposed by this resolution shall be placed before the voters of
30 the state at the next general election in conformity with art. XIII, sec. 1, Constitution of the
31 State of Alaska, and the election laws of the state.

FISCAL

NOTE

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: LL#0176
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title Constitutional Amendment RDU AK Permanent Fund Corporation
Permanent Fund Income Component AK Permanent Fund Corporation
 Sponsor Rules
 Requester Governor Murkowski Component No. 109

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type—Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This resolution would ask voters in the next general election whether to approve a constitutional amendment that would limit annual appropriations to no more than 5% of the average year-end market value of the Fund for the preceding five years, would specify how earnings of the Fund will be distributed and guarantees a dividend of at least \$1000 per qualified applicant.

This resolution would not affect the budgeted costs to manage and invest the Permanent Fund, nor would it change the amount of income earned by Permanent Fund investments.

See the attached schedule for financial projections of the Fund comparing the "Status Quo" to a 5% POMV spending limit.

Prepared by: Robert D. Storer, Executive Director Phone 465-2047
 Division Alaska Permanent Fund Corporation Date/Time 6/19/2004/1:32 PM
 Approved by: Steve Porter, Deputy Commissioner Date 6/19/2004
 Agency Department of Revenue



Alaska Permanent Fund Corporation
Financial projection comparison of the Alaska Permanent Fund under
current statutes versus POMV 5% lump sum payout, median case. All
dollars in millions except per person dividend.

Current Statutes	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY05-FY15
												Totals
Contributions & appropriations (principal)	24,452	25,383	26,278	27,189	28,120	29,077	30,053	31,049	32,061	33,090	34,139	
Unrealized appreciation/depreciation on assets	1,683	1,913	2,160	2,425	2,702	2,993	3,304	3,624	3,965	4,317	4,684	
Realized earnings account (REA, after payouts)	1,297	1,879	2,375	2,778	3,185	3,617	4,074	4,568	5,092	5,658	6,263	
Total market value end of year (after payouts)	27,433	29,176	30,814	32,393	34,007	35,688	37,431	39,241	41,118	43,065	45,087	45,087
Total lump sum dividend appropriation	512	576	750	924	1,002	1,058	1,114	1,170	1,228	1,288	1,350	10,972
Per person dividend under current statute	\$ 790	\$ 890	\$ 1,160	\$ 1,420	\$ 1,530	\$ 1,600	\$ 1,670	\$ 1,740	\$ 1,810	\$ 1,880	\$ 1,950	\$ 16,440
Transfer status quo inflation-proofing (REA to Principal)	620	643	666	689	713	737	762	787	812	839	865	8,132

POMV - 5% (beginning in FY05)	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY05-FY15
												Totals
Contributions & appropriations (principal)	23,840	24,128	24,358	24,580	24,800	25,021	25,237	25,447	25,648	25,841	26,026	
Unrealized appreciation/depreciation on assets	1,683	1,892	2,103	2,322	2,548	2,781	3,026	3,274	3,532	3,793	4,059	
Realized earnings account (REA, after payouts)	1,173	1,687	2,243	2,809	3,382	3,965	4,561	5,179	5,811	6,465	7,139	
Total market value end of year (after payouts)	26,695	27,707	28,703	29,712	30,730	31,768	32,824	33,900	34,991	36,099	37,224	37,224
5 year average market value lagged one year	25,851	25,902	26,508	27,614	28,846	30,012	31,066	32,140	33,234	34,344	35,472	
Total 5 % lump sum average market value available for appropriation	1,293	1,295	1,325	1,381	1,442	1,501	1,553	1,607	1,662	1,717	1,774	16,549

Assumptions:

Callan Associates 2004 Capital Market Assumptions, APFC 2004 asset allocation, Spring 2004 revenue forecast, financial statements through 06/30/03. All payouts are assumed to happen at fiscal year end, all dollar values in millions.

POMV payout assumes calculation methodology is 5% of the ending market value (pre payout) for the first five of the last six fiscal years.



Alaska Permanent Fund Corporation

POMV payout, split 50% to the Dividend, 45% to public services and 5% to the municipal dividend

	<u>FY05</u>	<u>FY06</u>	<u>FY07</u>	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY05-FY15</u>
POMV - 5% (beginning in FY05)												Totals
Contributions & appropriations (principal)	23,840	24,128	24,358	24,580	24,800	25,021	25,237	25,447	25,648	25,841	26,026	
Unrealized appreciation/depreciation on assets	1,683	1,892	2,103	2,322	2,548	2,781	3,026	3,274	3,532	3,793	4,059	
Realized earnings account (REA, after payouts)	1,173	1,687	2,243	2,809	3,382	3,965	4,561	5,179	5,811	6,465	7,139	
Total market value end of year (after payouts)	<u>26,695</u>	<u>27,707</u>	<u>28,703</u>	<u>29,712</u>	<u>30,730</u>	<u>31,768</u>	<u>32,824</u>	<u>33,900</u>	<u>34,991</u>	<u>36,099</u>	<u>37,224</u>	37,224
5 year average market value lagged one year	25,851	25,902	26,508	27,614	28,846	30,012	31,066	32,140	33,234	34,344	35,472	
Total available for appropriation	1,293	1,295	1,325	1,381	1,442	1,501	1,553	1,607	1,662	1,717	1,774	16,549
AFPC management costs	(43)	(44)	(45)	(47)	(48)	(50)	(51)	(53)	(54)	(56)	(57)	(547)
payout 50% after APFC costs - lump sum dividend	625	626	640	667	697	726	751	777	804	831	858	8,001
payout 45% after APFC costs for government services	562	563	576	600	627	653	676	699	723	748	772	7,201
payout 5% after APFC costs for municipal dividend	62	63	64	67	70	73	75	78	80	83	86	800
Per person dividend	\$990	\$990	\$1,000	\$1,040	\$1,090	\$1,130	\$1,160	\$1,200	\$1,230	\$1,270	\$1,310	\$12,410
Total available for appropriation	1,293	1,295	1,325	1,381	1,442	1,501	1,553	1,607	1,662	1,717	1,774	16,549
AFPC management costs	(43)	(44)	(45)	(47)	(48)	(50)	(51)	(53)	(54)	(56)	(57)	(547)
payout 50% after APFC costs - lump sum dividend	628	631	640	667	697	726	751	777	804	831	858	8,009
payout 45% after APFC costs for government services	559	558	576	600	627	653	676	699	723	748	772	7,193
payout 5% after APFC costs for municipal dividend	62	63	64	67	70	73	75	78	80	83	86	800
Guarantee \$1,000 minimum dividend	\$1,000	\$1,000	\$1,000	\$1,040	\$1,090	\$1,130	\$1,160	\$1,200	\$1,230	\$1,270	\$1,310	\$12,430

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: Law Log 0176
 () Publish Date: _____

Revision Date/Time (Note if correction): _____
 Title Constitutional amendment relating to and
limiting appropriations from the APF based on an averaged
percent of the fund market value and relating to permanent
fund dividend payments.

Dept. Affected: _____
 RDU Elections
 Component Elections

Sponsor Rules
 Requester Governor Component No. 21

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual	1.5					
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	1.5	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	1.5					
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	1.5	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: 0.0
 Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This figure includes the cost of providing information about this issue in the Official Election Pamphlet, as required by AS 15.58. If this measure requires the printing of an 8-1/2 by 18 inch ballot, the cost will increase by \$22.0.

Prepared by: Lauri Allred Phone 465-5347
 Division Division of Elections Date/Time 6/18/04 8:38 AM
 Approved by: Laura A. Glaiser, Director Date 6/18/2004
 Agency Office of the Lt. Governor, Division of Elections

SECTIONAL



Alaska Permanent Fund Corporation
801 West 10th Street, Suite 302 Juneau, AK 99801
Tel: (907) 465-2047 Fax: (907) 586-2057

Sectional Analysis of WD 0176

Overview

The Resolution proposes changes to the Alaska Constitution Article IX, Section 15, which governs the Alaska Permanent Fund.

Summary of Changes

- 1) Page 1, line 9. Adds a reference to the new sections regarding distributions of funds being added to the constitution.
- 2) Page 1, line 10. Removes the words "the principal of which" from the constitution. This change removes the distinction between the principal and the earnings reserve. The Fund becomes one pool of money versus two.
- 3) Page 1, lines 12 & 13. Deletes the guidance for where income of the Fund should be deposited. The intent is for all income to remain in the Fund until appropriated by the Legislature.
- 4) Page 2, lines 1 - 3. Adds a new subparagraph (b) that establishes an annual payout limit of 5% of the total market value of the Fund. The market value will be based on a five-year average. This is to protect the Fund from inflation and preserve the real value over the long term. Additionally, this provision allows the legislature and the administration to know one year in advance the amount available for appropriation.
- 5) Page 2, lines 4 - 5. Allows appropriations for the operating costs of the corporation to be made from the amount available for appropriation from the Permanent Fund in lines 1 - 3 of page 2.
- 6) Page 2 lines 8 - 11. Requires that after the corporation's operating costs are paid, that 50% of the amount remaining will be allocated to individual dividends, 45% will be allocated to public education and 5% will be allocated to municipalities and other communities.

- 7) Page 2, lines 12 – 16. Requires individual dividends to be at least \$1000. If the amount available for dividends is not sufficient, then a sufficient amount will be transferred from the allocation to public education to cover the shortfall.
- 8) Page 2, lines 19 - 22. Adds a transitional provision that makes clear the balance in the Fund's earnings reserve remains in the Permanent Fund. Some have argued that the earnings reserve belongs in the General Fund.
- 9) Page 2, lines 23 - 25. States that the changes first apply to appropriations for fiscal year 2006.
- 10) Page 2, lines 26 & 27. Repeals the provisions contained in this amendment regarding the distribution of the amount available for appropriation and the requirement that dividends be at least \$1000.
- 11) Page 2, lines 28 - 30. States that the amendments will be placed before the voters at the next general election.

BACK - UP



Alaska Permanent Fund Corporation

POMV payout, split 50% to the Dividend, 45% to public services and 5% to the municipal dividend

	<u>FY05</u>	<u>FY06</u>	<u>FY07</u>	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY05-FY15</u>
POMV - 5% (beginning in FY05)												Totals
Contributions & appropriations (principal)	23,840	24,128	24,358	24,580	24,800	25,021	25,237	25,447	25,648	25,841	26,026	
Unrealized appreciation/depreciation on assets	1,683	1,892	2,103	2,322	2,548	2,781	3,026	3,274	3,532	3,793	4,059	
Realized earnings account (REA, after payouts)	1,173	1,687	2,243	2,809	3,382	3,965	4,561	5,179	5,811	6,465	7,139	
Total market value end of year (after payouts)	<u>26,695</u>	<u>27,707</u>	<u>28,703</u>	<u>29,712</u>	<u>30,730</u>	<u>31,768</u>	<u>32,824</u>	<u>33,900</u>	<u>34,991</u>	<u>36,099</u>	<u>37,224</u>	37,224
5 year average market value lagged one year	25,851	25,902	26,508	27,614	28,846	30,012	31,066	32,140	33,234	34,344	35,472	
Total available for appropriation	1,293	1,295	1,325	1,381	1,442	1,501	1,553	1,607	1,662	1,717	1,774	16,549
APFC management costs	(43)	(44)	(45)	(47)	(48)	(50)	(51)	(53)	(54)	(56)	(57)	(547)
payout 50% after APFC costs - lump sum dividend	625	626	640	667	697	726	751	777	804	831	858	8,001
payout 45% after APFC costs for government services	562	563	576	600	627	653	676	699	723	748	772	7,201
payout 5% after APFC costs for municipal dividend	62	63	64	67	70	73	75	78	80	83	86	800
Per person dividend	\$990	\$990	\$1,000	\$1,040	\$1,090	\$1,130	\$1,160	\$1,200	\$1,230	\$1,270	\$1,310	\$12,410
<u>Governor's proposal</u>												
Total available for appropriation	1,293	1,295	1,325	1,381	1,442	1,501	1,553	1,607	1,662	1,717	1,774	16,549
APFC management costs	(43)	(44)	(45)	(47)	(48)	(50)	(51)	(53)	(54)	(56)	(57)	(547)
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Alaska Permanent Fund Corporation
 Financial projection comparison of the Alaska Permanent Fund under
 current statutes versus POMV 5% lump sum payout, median case. All
 dollars in millions except per person dividend.

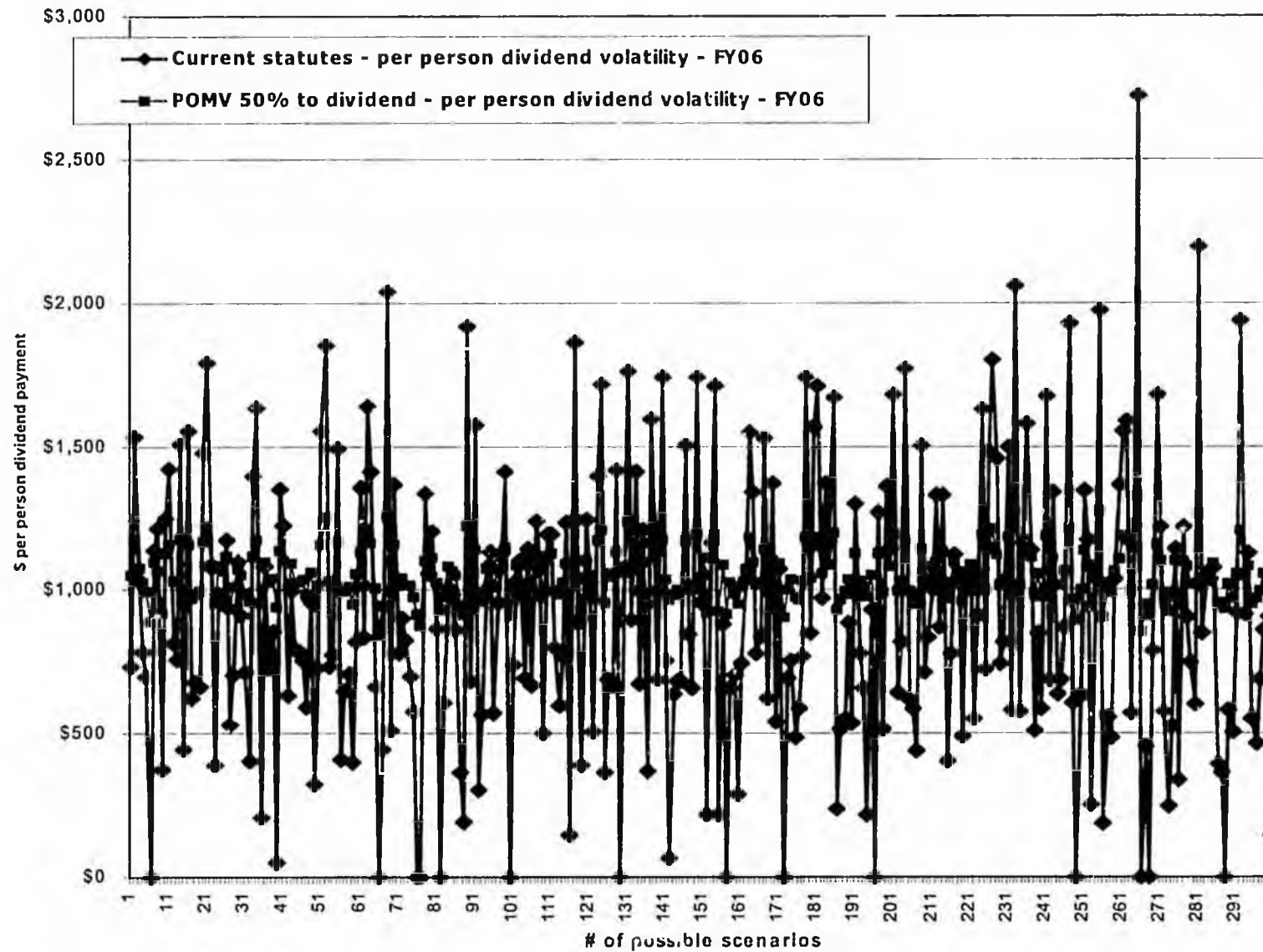
	<u>FY05</u>	<u>FY06</u>	<u>FY07</u>	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY05-FY15</u>
Current Statutes												Totals
Contributions & appropriations (principal)	24,452	25,383	26,278	27,189	28,120	29,077	30,053	31,049	32,061	33,090	34,139	
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Total lump sum dividend appropriation	512	576	750	924	1,002	1,058	1,114	1,170	1,228	1,288	1,350	10,972
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Transfer status quo inflation-proofing (REA to Principal)	620	643	666	689	713	737	762	787	812	839	865	8,132
POMV - 5% (beginning in FY05)												Totals
Contributions & appropriations (principal)	23,840	24,128	24,358	24,580	24,800	25,021	25,237	25,447	25,648	25,841	26,026	
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5 year average market value lagged one year	25,851	25,902	26,508	27,614	28,846	30,012	31,066	32,140	33,234	34,344	35,472	
Total 5 % lump sum average market value available for appropriation	1,293	1,295	1,325	1,381	1,442	1,501	1,553	1,607	1,662	1,717	1,774	16,549

Assumptions:

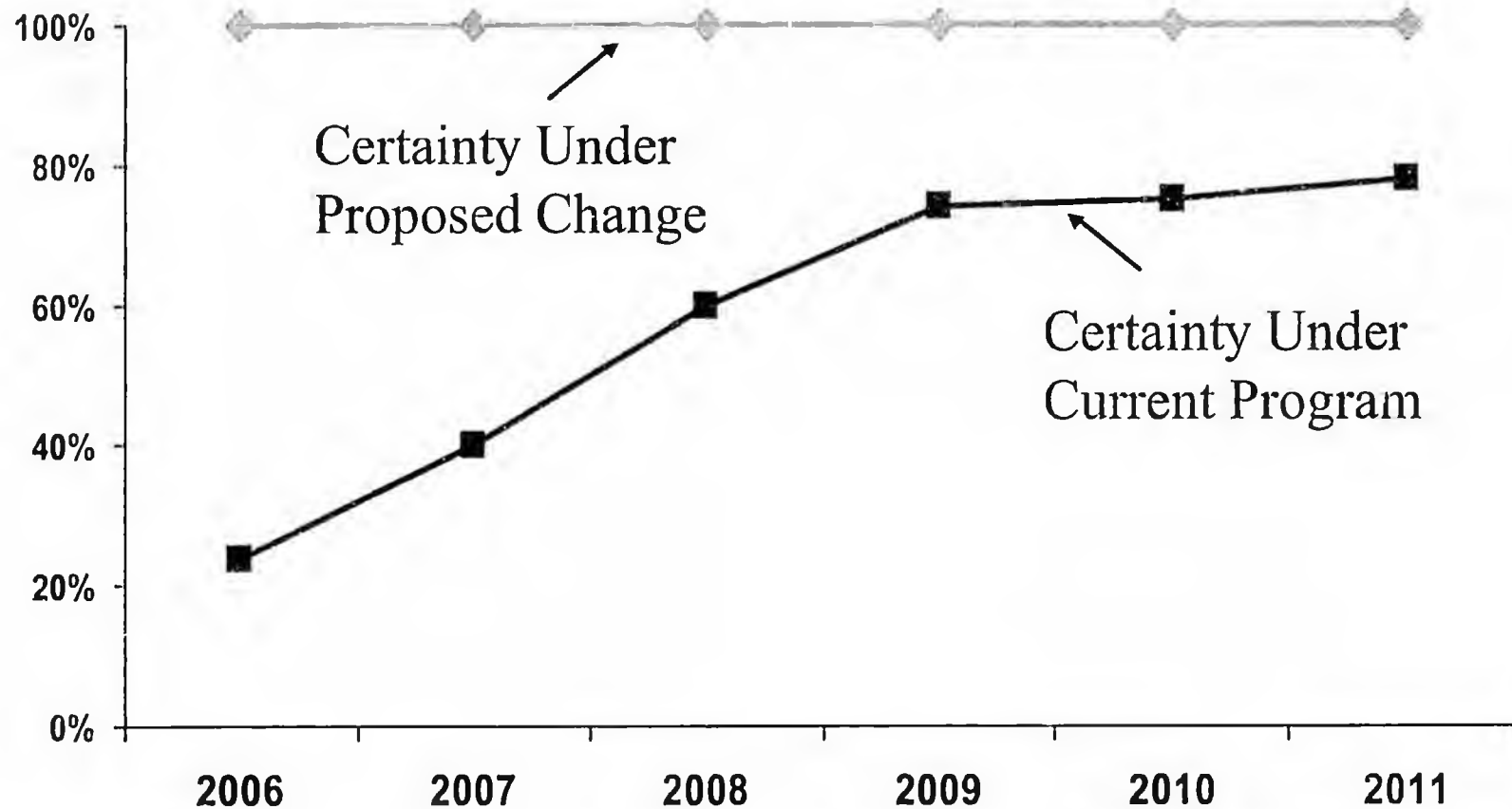
Cailan Associates 2004 Capital Market Assumptions, APFC 2004 asset allocation, Spring 2004 revenue forecast, financial statements through 06/30/03. All payouts are assumed to happen at fiscal year end, all dollar values in millions.

POMV payout assumes calculation methodology is 5% of the ending market value (pre payout) for the first five of the last six fiscal years.

Potential Volatility in Individual Dividend Amount



Do You Want to Take a Chance -- or be Guaranteed at Least \$1,000?



ALASKA PERMANENT FUND FINANCIAL PROJECTIONS 2004 - 2014 as of April 30, 2004

Long-term projections will extend ten years, based on best available information (in millions)

Reserved Fund Balance							Unrealized Gain (Loss)		Unreserved Fund Balance							TOTAL FUND (1) FY End Balance		
FY	FY Begin Contrib. Balance	Appro. (1) Contributions	Dedicated State Revenues	Inflation Proofing	FY End Balance	Change	FY End Balance	FY End Reserved Balance	Accr. Net Income (1)			Distributions of Statutory Net Income		Realized Earnings Accr.			FY	
									Net Income	Statutory Net Income	Dividends	Inflation Proofing	General Fund	Net Change	FY End Balance			
77-98	0	6,734	6,250	5,533	18,517	3,971	3,971	22,488	20,683	16,667	7,589	5,533	268	1,389	1,389	77-98	23,877	
99	18,517	41	155	288	19,001	(430)	3,541	22,542	2,148	2,544	1,045	288	3	1,201	2,590	99	25,132	
00	19,001	264	326	423	20,014	(12)	3,529	23,542	2,149	2,222	1,172	423	3	382	2,972	00	26,515	
01	20,014	8	339	686	21,047	(2,146)	1,383	22,430	(924)	1,199	1,113	686	4	(588)	2,384	01	24,814	
02	21,047	(23) (2)	258	602	21,884	(878)	505	22,389	(617)	257	926	602	5	(1,248)	1,136	02	23,525	
03	21,884	354 (3)	398	352	22,988	601	1,106	24,094	963	355	691	352	0	(1,035)	100	03	24,194	
10%	04	22,988	5	343	170	23,506	(2,157)	(1,051)	22,455	(1,580)	562	331	170	0	61	161	04	22,616
25%	04	22,988	9	343	170	23,510	(807)	299	23,809	195	993	528	170	0	295	395	04	24,204
Med	04	22,988	13	343	170 (4)	23,514	361	1,467	24,981	1,752	1,378	568	170 (5)	0	640	740	04	25,721
25%	04	22,988	17	343	170	23,518	1,411	2,517	26,035	3,357	1,929	626	170	0	1,133	1,233	04	27,268
10%	04	22,988	21	343	170	23,522	2,671	3,777	27,299	5,030	2,337	669	170	0	1,499	1,599	04	28,898
	05	23,514	14	301	619	24,448	218	1,665	26,133	1,921	1,659	512	619	0	558	1,298	05	27,431
	06	24,448	17	270	643	25,377	232	1,917	27,294	2,049	1,800	575	643	0	582	1,880	06	29,174
	07	25,377	19	209	665	26,270	247	2,164	28,434	2,178	1,912	749	665	0	498	2,378	07	30,812
	08	26,270	24	201	688	27,183	261	2,425	29,608	2,301	2,016	924	688	0	404	2,782	08	32,390
	09	27,183	23	196	712	28,113	274	2,698	30,812	2,419	2,122	1,002	712	0	409	3,191	09	34,003
	10	28,113	25	197	736	29,071	287	2,986	32,057	2,540	2,228	1,058	736	0	434	3,624	10	35,681
	11	29,071	31	189	761	30,052	302	3,288	33,339	2,666	2,333	1,114	761	0	458	4,083	11	37,422
	12	30,052	28	182	786	31,048	316	3,604	34,651	2,796	2,452	1,171	786	0	495	4,578	12	39,229
	13	31,048	34	170	812	32,064	331	3,935	35,999	2,932	2,566	1,229	812	0	525	5,103	13	41,102
	14	32,064	33	160	838	33,095	347	4,262	37,377	3,072	2,692	1,288	838	0	566	5,669	14	43,046

Assumptions:	Total Return - Inflation=Total Real Return	Realized Return			
10% FY 2004	-6.54%	2.28%	-8.62%	10%	2.33%
25% FY 2004	0.99%	2.28%	-1.29%	25%	4.11%
Med FY 2004	7.38% (6)	2.28%	5.10%	Med	5.90%
25% FY 2004	13.97%	2.28%	11.69%	25%	7.99%
10% FY 2004	20.83%	2.28%	18.55%	10%	9.68%
FY 2005-2014 (7)	7.61%	2.60%	5.01%		6.77%

- (1) General fund and earnings reserve appropriations to principal, settlement earnings transferred to principal per AS 37.13.145(d), royalty settlement earnings, and other miscellaneous appropriations.
- (2) Final reconciliation on State of AK royalty case.
- (3) \$354 of FY04's projected inflation proofing of \$524 was profunded in FY03. Senate Bill 283 appropriates the remaining \$170 million on June 30, 2004.
- (4) Accounting net income is statutory net income plus the net change in unrealized gains (losses) and settlement earnings. Statutory net income is realized earnings less settlement earnings and is used to calculate the dividend transfer.
- (5) Total Fund equals reserved fund balance plus the realized earnings account.
- (6) Based on 2003 Calian capital market assumptions and a range of expected returns based on the probability of the return outcome.
- (7) Based on 2004 Calian capital market assumptions and median expected return. Actual results will vary from projections.

Additional Information on the financial projections 2004 - 2014

- A. The projections for the current fiscal year show a range of expected returns and Fund values based on market volatility and current statutory language for the dividend calculation and the appropriation for FY04 inflation proofing.
- B. The FY04 center line represents the median case of possible outcomes. As the values move away from the center they become less likely to occur.
- C. All subsequent fiscal year end values (FY05 - FY14) are calculated using the median expected rate of return and the current dividend and inflation proofing formulas as outlined in AS 37.13.140 and 145.

Note: slight differences are due to rounding

Note: The APFC is changing the format of our projection sheet beginning next month, May 2004. The new look is shown above and the original format is attached for your reference. The main difference is the presentation of the current fiscal year activity, which will use beginning values and annual assumptions to provide a range of expected fiscal year end results. The Fund's values are subject to market volatility and projected future returns, which are unknown. Historically, there have been times when the Fund experienced large short term market swings, as evidenced by the September 2002 quarterly Fund return of -7.45% and the June 2003 quarterly return in excess of 10%; both occurring in the same fiscal year. The fundamental point is that short term market swings can dramatically affect fiscal year end results, and a range of expected outcomes more accurately represents our projections for the current fiscal year.

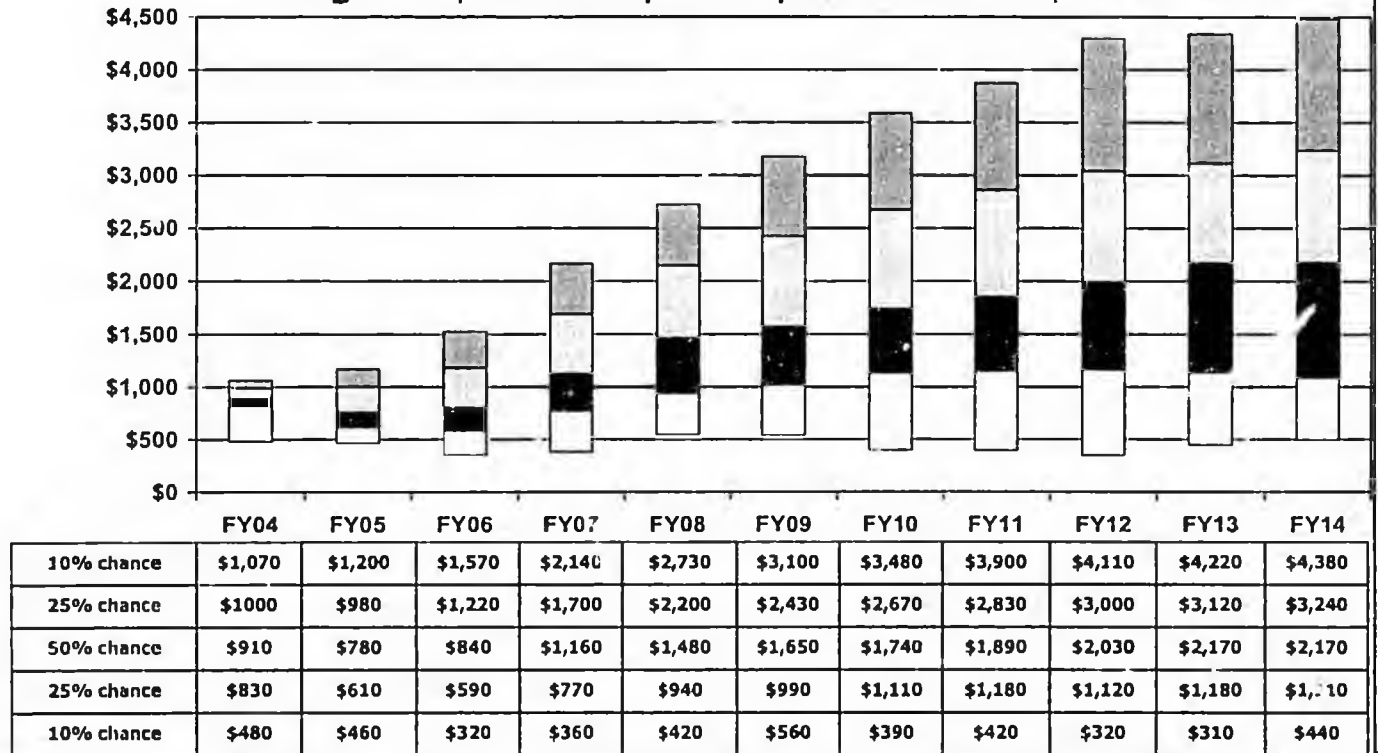


Alaska Permanent Fund Corporation

Financial projection comparison of the Alaska Permanent Fund under current statutes versus POMV 5% lump sum payout (beginning in FY05). All dollars in millions except per person dividend.

	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY04-FY14 Totals
Current Statutes												
Contributions & appropriations (principal)	23,514	24,452	25,383	26,278	27,189	28,120	29,077	30,053	31,049	32,061	33,090	
Unrealized appreciation/depreciation on assets	1,467	1,683	1,913	2,160	2,425	2,702	2,993	3,304	3,624	3,965	4,317	
Realized earnings account (REA, after payouts)	740	1,297	1,879	2,375	2,778	3,185	3,617	4,074	4,568	5,092	5,658	
Total market value end of year (after payouts)	25,721	27,433	29,176	30,814	32,393	34,007	35,688	37,431	39,241	41,118	43,065	43,065
Total lump sum dividend appropriation	568	512	576	750	924	1,002	1,058	1,114	1,170	1,228	1,288	10,190

Range of possible per capita dividend, FY04 – FY14



Callan Associates 2004 Capital Market Assumptions, APFC 2004 asset allocation, Spring 2004 revenue forecast, financial statements through 06/30/03. All payouts are assumed to happen at fiscal year end, all dollar values in millions, graph shows the per person dividend and a range of outcomes.

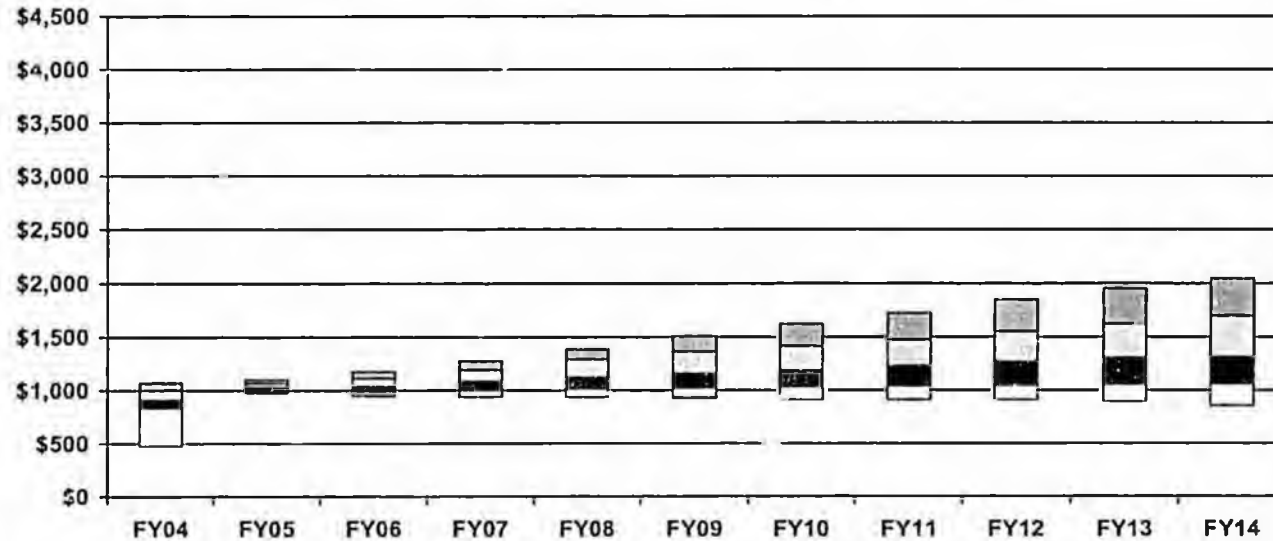


Alaska Permanent Fund Corporation

Financial projection comparison of the Alaska Permanent Fund under current statutes versus POMV 5% lump sum payout (beginning in FY05). All dollars in millions except per person dividend.

	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY04-FY14 Totals
POMV - 5% (beginning in FY05)												
Contributions & appropriations (principal)	23,514	23,832	24,121	24,350	24,572	24,791	25,012	25,227	25,437	25,637	25,830	
Unrealized appreciation/depreciation on assets	1,467	1,683	1,892	2,103	2,322	2,548	2,781	3,026	3,273	3,532	3,793	
Realized earnings account (REA, after payouts)	740	1,179	1,694	2,250	2,816	3,390	3,973	4,570	5,188	5,820	6,475	
Total market value end of year (after payouts)	25,721	26,694	27,706	28,702	29,711	30,729	31,767	32,823	33,899	34,990	36,098	36,098
5 year average market value lagged one year	25,828	25,851	25,902	26,508	27,613	28,845	30,011	31,065	32,139	33,233	34,343	
Total 5 % lump sum average market value available for appropriation	568	1,293	1,295	1,325	1,381	1,442	1,501	1,553	1,607	1,662	1,717	15,344

Range of per capita dividend, FY04 – FY14



	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14
10% chance	\$1,070	\$1,100	\$1,180	\$1,280	\$1,380	\$1,510	\$1,620	\$1,730	\$1,850	\$1,960	\$2,050
25% chance	\$1000	\$1,070	\$1,110	\$1,190	\$1,290	\$1,350	\$1,410	\$1,470	\$1,550	\$1,620	\$1,690
50% chance	\$910	\$1,030	\$1,040	\$1,080	\$1,120	\$1,160	\$1,190	\$1,230	\$1,270	\$1,310	\$1,310
25% chance	\$830	\$1,000	\$990	\$1,000	\$1,010	\$1,020	\$1,030	\$1,040	\$1,040	\$1,050	\$1,060
10% chance	\$480	\$970	\$950	\$940	\$940	\$930	\$910	\$910	\$910	\$890	\$850

Assumptions:

Callan Associates 2004 Capital Market Assumptions, APFC 2004 asset allocation, Spring 2004 revenue forecast, financial statements through 06/30/03. All payouts are assumed to have occurred at fiscal year end, all dollar values in millions, graph shows the per person dividend and a range of outcomes. POMV payout assumes calculation methodology is 5% of the ending market value (pre payout) for the first five of the last six fiscal years.

Proposed Local Government Assistance (Under POMV, HJR 26, HB 298)

Local Government	Type	Local Gov't Assistance	Senate District(s)
Adak	City	\$62,781	S
Akhiok	City	\$54,346	R
Akiachak	Unincorporated	\$25,000	S
Akiak	City	\$78,715	S
Akutan	City	\$117,057	S
Alakanuk	City	\$106,747	T
Alatna	Unincorporated	\$25,000	C
Aleknagik	City	\$70,023	S
Aleutians East Borough	Borough	\$255,538	S
Allakaket	City	\$58,691	C
Ambler	City	\$795	T
Anaktuvuk Pass	City	\$1,181	T
Anderson	City	\$100,442	D
Angoon	City	\$93,029	C
Aniak	City	\$96,949	C
Anvik	City	\$59,202	C
Arctic Village	Unincorporated	\$25,000	C
Atka	City	\$58,095	S
Atmautluak	Unincorporated	\$25,000	S
Atkasuk	City	\$71,046	T
Barrow	City	\$426,356	T
Beaver	Unincorporated	\$25,000	C
Bethel	City	\$552,632	S
Bettles	City	\$52,812	C
Big Salt	Unincorporated	\$25,000	C
Birch Creek	Unincorporated	\$25,000	C
Brevig Mission	City	\$76,755	T
Bristol Bay Borough	Borough	\$344,153	S
Buckland	City	\$84,935	T
Central	Unincorporated	\$25,000	C
Chalkyitsik	Unincorporated	\$25,000	C
Chefornak	City	\$86,980	S
Chenega	Unincorporated	\$25,000	C
Chevak	City	\$125,322	T
Chignik	City	\$57,583	S
Chistochina	Unincorporated	\$25,000	C
Chitina	Unincorporated	\$25,000	C
Chuathbaluk	City	\$58,691	C
Circle	Unincorporated	\$25,000	C
Clark's Point	City	\$55,624	S
Coffman Cove	City	\$63,889	A
Cold Bay	City	\$58,095	S
Copper Center	Unincorporated	\$25,000	C
Cordova	City	\$252,109	C
Craig	City	\$150,032	C
Crooked Creek	Unincorporated	\$25,000	C
Deering	City	\$61,162	T
Delta Junction	City	\$133,843	F
Deltana	Unincorporated	\$25,000	C
Denali Borough	Borough	\$362,643	D
Dillingham	City	\$252,194	S

Proposed Local Government Assistance (Under POMV, HJR 26, HB 298)

Local Government	Type	Local Gov't Assistance	Senate District(s)
Diomedea	City	\$60,992	T
Dot Lake Village	Unincorporated	\$25,000	C
Dry Creek	Unincorporated	\$25,000	C
Eagle	City	\$60,736	C
Eagle Village	Unincorporated	\$25,000	C
Edna Bay	Unincorporated	\$25,000	C
Eek	City	\$74,710	S
Egegik	City	\$57,157	S
Ekwok	City	\$60,906	S
Elfin Cove	Unincorporated	\$25,000	A
Elim	City	\$79,055	T
Emmonak	City	\$115,012	T
Evansville	Unincorporated	\$25,000	C
Fairbanks	City	\$2,562,392	E
Fairbanks North Star Borough	Borough	\$4,602,506	D & E & F
False Pass	City	\$55,879	S
Fort Yukon	City	\$98,908	C
Four Mile Road	Unincorporated	\$25,000	C
Gakona	Unincorporated	\$25,000	C
Galena	City	\$115,012	C
Gambell	City	\$105,128	T
Glennallen	Unincorporated	\$25,000	F
Goldstream	Unincorporated	\$25,000	C
Golovin	City	\$62,440	T
Goodnews Bay	City	\$70,876	S
Grayling	City	\$64,144	C
Gulkana	Unincorporated	\$25,000	C
Gustavus	City	\$87,320	C
Haines Borough	Borough	\$448,275	C
Healy Lake	Unincorporated	\$25,000	C
Hollis	Unincorporated	\$25,000	A
Holy Cross	City	\$67,808	C
Homer	City	\$466,914	R
Hoonah	City	\$122,511	C
Hooper Bay	City	\$145,005	T
Houston	City	\$164,091	H
Hughes	City	\$55,538	C
Huslia	City	\$74,795	C
Hydaburg	City	\$81,526	C
Hyder	Unincorporated	\$25,000	C
City & Borough of Juneau	Borough	\$2,915,507	B
Kachemak	City	\$90,303	R
Kake	City	\$108,111	C
Kaktovik	City	\$75,136	T
Kaltag	City	\$69,512	C
Kasaan	City	\$54,686	C
Kasigluk	Unincorporated	\$25,000	S
Kenai	City	\$657,095	Q
Kenai Peninsula Borough	Borough	\$2,945,670	C & P & Q & R
Kenny Lake	Unincorporated	\$25,000	C

Proposed Local Government Assistance (Under POMV, HJR 26, HB 298)

Local Government	Type	Local Gov't Assistance	Senate District(s)
Ketchikan	City	\$731,820	A
Ketchikan Gateway Borough	Borough	\$686,341	A
Kiana	City	\$84,764	T
King Cove	City	\$112,797	S
Kipnuk	Unincorporated	\$25,000	S
Kivalina	City	\$83,060	T
Klawock	City	\$122,511	C
Klukwan	Unincorporated	\$25,000	C
Kobuk	City	\$60,651	T
Kodiak	City	\$572,996	R
Kodiak Island Borough	Borough	\$837,412	R
Koliganek	Unincorporated	\$25,000	S
Kongiganak	Unincorporated	\$25,000	S
Kotlik	City	\$101,891	T
Kotzebue	City	\$312,094	T
Koyuk	City	\$78,970	T
Koyukuk	City	\$59,458	C
Kupreanof	City	\$52,556	A
Kwethluk	City	\$112,201	S
Kwigillingok	Unincorporated	\$25,000	S
Lake & Peninsula Borough	Borough	\$327,879	R & S
Lake Minchurnina	Unincorporated	\$25,000	C
Larsen Bay	City	\$58,180	R
Lime Village	Unincorporated	\$25,000	C
Lower Kalskag	City	\$72,750	S
Manley Hot Springs	Unincorporated	\$25,000	C
Manokotak	City	\$84,509	S
Marshall	City	\$81,356	C
Matanuska-Susitna Borough	Borough	\$4,846,452	F & G & H
McCarthy	Unincorporated	\$25,000	C
McGrath	City	\$85,361	C
Mekoryuk	City	\$67,467	S
Mentasta Lake	Unincorporated	\$25,000	C
Mettlakatla	City	\$169,118	C
Minto	Unincorporated	\$25,000	C
Mountain Village	City	\$113,905	T
Municipality of Anchorage	Borough	\$23,596,771	H - P
Napakiak	City	\$82,378	S
Napaskiak	City	\$85,701	S
Naukati Bay	Unincorporated	\$25,000	C
Nelchina	Unincorporated	\$25,000	F
Nenana	City	\$94,222	C
New Stuyahok	City	\$92,007	S
Newhalen	City	\$64,229	R
Newtok	Unincorporated	\$25,000	S
Nightmute	City	\$69,427	S
Nikolai	City	\$60,821	C
Nikolski	Unincorporated	\$25,000	S
Nome	City	\$343,791	T
Nondalton	City	\$68,490	R
Noorvik	City	\$105,299	T

Proposed Local Government Assistance (Under POMV, HJR 26, HB 298)

Local Government	Type	Local Gov't Assistance	Senate District(s)
North Pole	City	\$190,250	F
North Slope Borough	Borough	\$273,943	T
Northway Village	Unincorporated	\$25,000	C
Northwest Arctic Borough	Borough	\$312,882	T
Nuiqsut	City	\$85,446	T
Nulato	City	\$79,141	C
Nunam Iqua	City	\$67,382	T
Nunapitchuk	City	\$92,433	S
Old Harbor	City	\$67,979	R
Oscarville	Unincorporated	\$25,000	S
Ouzinkie	City	\$64,485	R
Palmer	City	\$516,419	G
Paxson	Unincorporated	\$25,000	F
Pelican	City	\$59,628	A
Petersburg	City	\$310,731	A
Pilot Point	City	\$55,964	S
Pilot Station	City	\$98,056	T
Pitka's Point	Unincorporated	\$25,000	T
Platinum	City	\$53,408	S
Point Baker	Unincorporated	\$25,000	C
Point Hope	City	\$111,775	T
Port Alexander	City	\$55,964	A
Port Heiden	City	\$57,413	S
Port Lions	City	\$71,387	R
Port Protection	Unincorporated	\$25,000	C
Quinhagak	City	\$99,334	S
Rampart	Unincorporated	\$25,000	C
Red Devil	Unincorporated	\$25,000	C
Ruby	City	\$64,400	C
Russian Mission	City	\$76,414	C
Saint George	City	\$62,696	S
Saint Mary's	City	\$99,846	T
Saint Michael	City	\$85,190	T
Saint Paul	City	\$95,926	S
Sand Point	City	\$130,690	S
Savoonga	City	\$109,985	T
Saxman	City	\$86,213	A
Scammon Bay	City	\$90,047	T
Selawik	City	\$110,954	T
Seldovia	City	\$75,562	R
Seward	City	\$282,869	R
Shageluk	City	\$62,440	C
Shaktolik	City	\$69,001	T
Shishmaref	City	\$100,613	T
Shungnak	City	\$72,494	T
Silver Springs	Unincorporated	\$25,000	C
City & Borough of Sitka	Borough	\$1,007,569	A
Skagway	City	\$121,999	C
Slana	Unincorporated	\$25,000	C
Sleetmute	Unincorporated	\$25,000	C
Soldotna	City	\$395,852	Q

Proposed Local Government Assistance (Under POMV, HJR 26, HB 298)

Local Government	Type	Local Gov't Assistance	Senate District(s)
Stebbins	City	\$96,568	T
Stevens Village	Unincorporated	\$25,000	C
Stony River	Unincorporated	\$25,000	C
Takotna	Unincorporated	\$25,000	C
Tanacross	Unincorporated	\$25,000	C
Tanana	City	\$74,710	C
Tatitlek	Unincorporated	\$25,000	C
Tazlina	Unincorporated	\$25,000	C
Teller	City	\$70,620	T
Tenakee Springs	City	\$59,032	C
Tellin	Unincorporated	\$25,000	C
Thorne Bay	City	\$90,899	A
Togiak	City	\$120,210	S
Tok	Unincorporated	\$25,000	C
Toksook Bay	City	\$98,738	S
Tolsora	Unincorporated	\$25,000	F
Tuluksak	Unincorporated	\$25,000	S
Tuntutuliak	Unincorporated	\$25,000	S
Tununak	Unincorporated	\$25,000	S
Twin Hills	Unincorporated	\$25,000	S
Unalakleet	City	\$113,138	T
Unalaska	City	\$423,885	S
Upper Kalskag	City	\$69,683	S
Valdez	City	\$395,937	F
Venetie	Unincorporated	\$25,000	C
Wainwright	City	\$97,119	T
Wales	City	\$63,463	T
Wasilla	City	\$622,160	G
Whale Pass	Unincorporated	\$25,000	C
White Mountain	City	\$68,234	T
Whittier	City	\$65,167	P
Wiseman	Unincorporated	\$25,000	C
Wrangell	City	\$230,041	A
City & Borough of Yakutat	Borough	\$308,878	C
TOTAL		\$66,691,122	

HJR 26 would have modernized the Permanent Fund's investment model to an endowment with a 5% limit on annual spending. HB 298 prescribed how the 5% should be spent: 50% to pay Permanent Fund dividends; 45% to fund K-12 education and the University of Alaska; and 5% for local government financial aid. For FY 05 this would have meant \$637 million for dividends; \$573 million for K-12 and the University of Alaska; and \$67 million for local government assistance.

Calculations under scenario preferred by DCED: \$250,000 minimum each borough; \$50,000 minimum each city; \$25,000 minimum each eligible unincorporated community in the Unorganized Borough. Balance allocated on a per capita basis to boroughs and cities (approximately \$85 per person).



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June 4, 2004

The Honorable Frank Murkowski
Governor of Alaska
P.O. Box 110001
Juneau, AK 99811

Dear Governor Murkowski:

Municipal leaders thank you for your strong leadership in advocating for a viable fiscal plan for Alaska.

Municipal leaders strongly support the POMV Endowment approach and will coordinate efforts to have municipal leaders contact legislators. We will also work to encourage citizens and organizations to contact legislators.

We urge you to consider the following items for the Special Session:

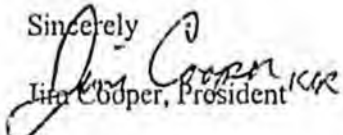
FY 05 critical one-time "lifelines" to ensure that communities remain viable until a fiscal plan is implemented:

- **Revenue Sharing "lifeline" for small communities.** (\$8 million, up to \$50K per community) Small communities are being devastated this year by the loss of revenue sharing, high oil prices, and other climbing costs. (See attached partial list of impacts.)
- **PERS "lifeline" for all municipalities.** (\$19 million) There is a growing public reaction to state cuts that fuel local tax increases or severe local public service cuts. Many municipalities have already had to raise property tax rates and/or cut public services due to state mandated PERS increases, the loss of revenue sharing, and broad local cost increases related to the high price of fuel. Communities with local tax caps cannot raise taxes and have primarily cut public services. A PERS "lifeline" will help alleviate local budget crises this year. (See attached PERS impacts by community)

Long-term Fiscal Plan

- **POMV Endowment plan adopted by the House with a Community-Dividend.** A state fiscal plan would be the most important state action taken in a decade. In addition, a Community Dividend would create a new relationship with local government to strengthen and expand the role and responsibility of local people and local governments.
- **Adopt House Bill 461** which gives municipalities a tool to adopt or raise a local telephone user fee to pay for e-911 and emergency dispatch. We also urge you to support a statewide bond issue for roads to improve community transportation systems.

Sincerely


Lisa Cooper, President

cc. Municipalities
Alaska Legislature

Revenue Sharing Impact Facts

- Per State DCED, the following 34 cities, relied on revenue sharing for 25% to 94% of all operating revenues with average total municipal operating budgets of \$112,000 per city. Manokotak, Bettles, Atkasuk, White Mountain, Kupreanof, Port Heiden, Napakiak, Napaskiak, Cheformak, Ekwok, Kasaan, Chuathbaluk, Selawik, Newhalen, Kivalina, Tenakee Springs, Teller, Anderson, Aniak, Koyukuk, Grayling, Buckland, Hughes, Point Hope, Fort Yukon, Eagle, Akhiok, Holy Cross, Allakaket, Upper Kalskag, Quinhagak, Noorvik, Anaktuvuk Pass, Huslia.
- 40-45 municipalities rely on their revenue sharing to buy fuel in bulk before barge transportation ceases for the winter, (According to Yukon Fuel). If a community cannot afford to purchase its winter fuel early, it costs \$1 to \$2 more per barrel to have it flown in. Communities are already facing over 25% higher fuel prices due to the high price of oil. Yukon Fuel directly serves: Akiak, Anvik, Chevak, Chuathbaluk, Eek, Ekwok, Grayling, Holy Cross, Kaltag, Kotlik, Koyuk, Koyukuk, Mekoryuk, New Stuyahok, Shageluk, Shaktoolik, Shishmaref, Stebbins, Toksook Bay, Wales.
- Loss of municipal insurance is a sign of a community in distress. (From the AML Joint Insurance Association -Kevin Smith, Executive Director):
 - This fiscal year, 71 of 140 municipal members are on payment contracts. (While several years ago payment contracts were unusual.)
 - Last year, 31 municipalities nearly had to be canceled for failure to pay their workers' compensation and liability contributions prior to the Governor's allocation of \$40,000 of federal funds for each community. Still, 9 municipalities lost their insurance or are pending cancellation.
- Without revenue sharing the following municipalities reported that they do not have "the financial resources necessary to provide minimum public services/continue as a city or borough." (3/04 Municipal Fiscal Conditions survey): Anaktuvuk Pass, Cordova, Deering, Elim, Gambell, Golovin, Hoonah, Hughes, Huslia, Larsen Bay, Little Diomedea, Mountain Village, McGrath, Napakiak, Nenana, Nondalton, Noorvik, Old Harbor, Ouzinkie, Savoonga, Selawik, St. Mary's, Togiak, White Mountain. About half of Alaska's municipalities responded so it is likely that the actual number of communities in distress are at least double the municipalities listed here.
- Loss of Public Safety and Maintenance: Per AML (Municipal Fiscal Survey, 10/03), many small municipalities have already been forced to eliminate or severely reduce basic services like public safety and road maintenance. Public safety cuts and/or road maintenance anticipated as of September-October 2003: Akiak (public safety), Atka (maintenance), Bettles (fire & maintenance), Buckland (maintenance); Chuathbaluk (maintenance), Chevak (public safety), Dillingham (maintenance); Egegik (maintenance), Elim (maintenance & public safety), Fort Yukon (maintenance), Golovin (maintenance & public safety), Hooper Bay (public safety), Huslia (maintenance), Kalskag (public safety), Kiana (public safety), Koyukuk (maintenance), Koyuk (maintenance), Manokotak (public safety & maintenance), Napakiak (public safety), Nenana (maintenance), North Pole (public safety), Northwest Arctic Borough for 5 cities (public safety and maintenance), Nuiqsut (maintenance), Ouzinkie (public safety), Pelican (public safety & maintenance), Savoonga (public safety), Selawick (public safety), Sand Point (maintenance), Tanana (public safety), Upper Kalskag (maintenance), Wrangel (public safety), White Mountain (maintenance), City and Borough Yakutat (public safety). Additionally, many more municipalities have already cut public safety, or never had it.

Public Employees' Retirement System (PERS) Municipalities & Hospitals Only

ESTIMATED FY 05 Change in Employer Contribution

* From Division of Retirement and Benefits

** Based on "2003 Alaska Taxable" DCED

Fund	Employer	<<<PERS>>> 5.0% (D)			**Value of 1 "Mill" of Property Tax	**FY 05 Local Prop Tax Mill Rate Needed for PERS Increase!
		FY 05 Estimated Municipal Payroll	FY 05 Rate Incr	* FY 05 PERS Increase Dollars		
PERS	PETERSBURG, CITY& MEDICAL CTR.	\$6,702,627	5.0%	\$335,131	\$191,012	1.75
PERS	CORDOVA, CITY & MEDICAL CENTER	\$4,427,511	5.0%	\$221,400	\$111,769	1.98
PERS	SAXMAN, CITY OF	\$415,247	5.0%	\$20,762	\$12,100	1.72
PERS	UNALASKA, CITY OF	\$9,508,993	5.0%	\$475,450	\$342,385	1.39
PERS	NENANA, CITY OF	\$373,857	5.0%	\$18,693	\$14,705	1.27
PERS	CRAIG, CITY OF	\$1,821,035	5.0%	\$91,052	\$72,297	1.26
PERS	SITKA, CITY/BOROUGH, & HOSPITAL	\$11,507,548	5.0%	\$732,470	\$639,629	1.24
PERS	WRANGELL, CITY OF	\$2,426,833	5.0%	\$121,342	\$100,285	1.21
PERS	WHITTIER, CITY OF	\$944,422	5.0%	\$47,221	\$39,389	1.20
PERS	NOME. CITY & UTILITIES	\$2,496,407	5.0%	\$173,791	\$173,516	1.00
PERS	SEWARD, CITY OF	\$3,720,505	5.0%	\$186,025	\$200,255	0.93
PERS	DILLINGHAM. CITY OF	\$2,355,455	5.0%	\$117,773	\$130,552	0.90
PERS	JUNEAU, CITY AND BOROUGH OF	\$43,232,840	5.0%	\$2,161,642	\$2,640,000	0.82
PERS	KETCHIKAN, CITY OF	\$8,020,487	5.0%	\$401,024	\$547,376	0.73
PERS	PELICAN, CITY OF	\$126,474	5.0%	\$6,324	\$8,632	0.73
PERS	KENAI, CITY OF	\$5,369,573	5.0%	\$268,479	\$366,726	0.73
PERS	KODIAK, CITY OF	\$5,663,400	5.0%	\$283,170	\$388,182	0.73
PERS	HOMER, CITY OF	\$4,738,657	5.0%	\$236,933	\$332,626	0.71
PERS	PALMER, CITY OF	\$2,563,992	5.0%	\$128,200	\$189,946	0.67
PERS	HAINES BOROUGH	\$2,037,530	5.0%	\$101,877	\$175,187	0.58
PERS	BRISTOL BAY BOROUGH	\$1,368,016	5.0%	\$68,401	\$141,500	0.48
PERS	SOLDOTNA, CITY OF	\$2,689,459	5.0%	\$134,473	\$298,700	0.45
PERS	NORTH POLE, CITY OF	\$2,073,587	5.0%	\$103,679	\$259,625	0.40
PERS	WASILLA, CITY OF	\$3,347,381	5.0%	\$167,369	\$437,138	0.38
PERS	SKAGWAY, CITY OF	\$1,398,477	5.0%	\$69,924	\$205,046	0.34
PERS	ANCHORAGE, MUNICIPALITY OF	\$127,572,934	5.0%	\$6,378,647	\$19,126,104	0.33
PERS	SELDOVIA, CITY OF	\$96,359	5.0%	\$4,818	\$19,007	0.25
PERS	VALDEZ, CITY OF	\$4,929,091	5.0%	\$246,455	\$1,049,202	0.23
PERS	FAIRBANKS, CITY OF	\$5,896,416	5.0%	\$294,821	\$1,321,750	0.22
PERS	NORTH SLOPE BOROUGH	\$47,405,369	5.0%	\$2,370,268	\$10,714,796	0.22
PERS	KETCHIKAN GATEWAY BOROUGH	\$3,978,212	5.0%	\$198,911	\$935,122	0.21
PERS	FAIRBANKS NORTH STAR BOROUGH	\$16,735,548	5.0%	\$836,777	\$4,452,200	0.19
PERS	SAXMAN SEAPORT	\$38,479	5.0%	\$1,924	\$12,100	0.16
PERS	KODIAK ISLAND BOROUGH	\$2,191,832	5.0%	\$109,592	\$770,982	0.14
PERS	KENAI PENINSULA BOROUGH	\$12,062,817	5.0%	\$603,141	\$4,277,332	0.14
PERS	MATANUSKA-SUSITNA BOROUGH	\$9,566,280	5.0%	\$478,314	\$3,612,276	0.13
PERS	KACHEMAK, CITY OF	\$59,167	5.0%	\$2,958	\$28,614	0.10
PERS	ALLAKAKET, CITY OF	\$49,434	5.0%	\$2,472	none	
PERS	BARRON, CITY OF	\$1,036,873	5.0%	\$51,844	none	

Fund	Employer	FY 05 Estimated Municipal Payroll	FY 05 Rate Incr	* FY 05 PERS Increase Dollars	** Value of 1 "Mill" Property Tax	**Local Prop Tax Mill Rate Needed for PERS Increase!
PERS	DELTA JUNCTION, CITY OF	\$65,919	5.0%	\$3,296	none	
PERS	HUSLIA, CITY OF	\$92,276	5.0%	\$4,614	none	
PERS	KALTAG, CITY OF	\$28,529	5.0%	\$1,426	none	
PERS	NORTHWEST ARCTIC BOROUGH	\$700,747	5.0%	\$35,037	none	
PERS	RUBY, CITY OF	\$118,657	5.0%	\$5,933	none	
PERS	SAINT GEORGE, CITY OF	\$366,136	5.0%	\$18,307	none	
PERS	AKUTAN, CITY OF	\$287,937	5.0%	\$14,397	sales tax only	
PERS	ALEUTIANS EAST BOROUGH	\$974,507	5.0%	\$48,725	sales tax only	
PERS	ANDERSON, CITY OF	\$38,730	5.0%	\$1,936	sales tax only	
PERS	ANGOON, CITY OF	\$307,662	5.0%	\$15,383	sales tax only	
PERS	ATKA, CITY OF	\$71,502	5.0%	\$3,575	sales tax only	
PERS	BETHEL, CITY OF	\$4,537,734	5.0%	\$226,887	sales tax only	
PERS	DENALI BOROUGH	\$568,543	5.0%	\$28,427	sales tax only	
PERS	EGEGIK, CITY OF	\$97,862	5.0%	\$4,893	sales tax only	
PERS	ELIM, CITY OF	\$175,041	5.0%	\$8,752	sales tax only	
PERS	FORT YUKON, CITY OF	\$295,768	5.0%	\$14,788	sales tax only	
PERS	GALENA, CITY OF	\$1,320,610	5.0%	\$66,031	sales tax only	
PERS	HOONAH, CITY OF	\$638,162	5.0%	\$31,908	sales tax only	
PERS	HOOPER BAY, CITY OF	\$592,669	5.0%	\$29,633	sales tax only	
PERS	KAKE, CITY OF	\$291,898	5.0%	\$14,595	sales tax only	
PERS	KING COVE, CITY OF	\$1,035,132	5.0%	\$51,757	sales tax only	
PERS	KLAWOCK, CITY OF	\$820,343	5.0%	\$41,017	sales tax only	
PERS	KOTZEBUE, CITY OF	\$3,138,622	5.0%	\$156,931	sales tax only	
PERS	KOYUK, CITY OF	\$21,463	5.0%	\$1,073	sales tax only	
PERS	LAKE AND PENINSULA BOROUGH	\$632,700	5.0%	\$31,635	sales tax only	
PERS	NOORVIK, CITY OF	\$351,910	5.0%	\$17,595	sales tax only	
PERS	QUINHAGAK, CITY OF	\$29,932	5.0%	\$1,497	sales tax only	
PERS	SAINT MARY'S, CITY OF	\$306,495	5.0%	\$15,325	sales tax only	
PERS	SAINT PAUL, CITY OF	\$1,366,801	5.0%	\$68,340	sales tax only	
PERS	SAND POINT, CITY OF	\$758,056	5.0%	\$37,903	sales tax only	
PERS	SELAWICK, CITY OF	\$77,442	5.0%	\$3,872	sales tax only	
PERS	TANANA, CITY OF	\$217,611	5.0%	\$10,881	sales tax only	
PERS	THORNE BAY, CITY OF	\$279,855	5.0%	\$13,993	sales tax only	
PERS	TOKSOOK BAY, CITY OF	\$16,994	5.0%	\$850	sales tax only	
PERS	UNALAKLEET, CITY OF	\$264,140	5.0%	\$13,207	sales tax only	
PERS	YAKUTAT, CITY AND BOROUGH OF	\$439,129	5.0%	\$21,956	sales tax only	
PERS	ANCHORAGE PARKING AUTHORITY	\$1,020,063	5.0%	\$51,003	see Anch	
TOTAL				\$19,430,923		

STATE BOARD OF
EDUCATION
& EARLY DEVELOPMENT

**Resolution
of the
State Board of Education & Early Development**

*Requesting the Legislature to Adopt a Long-Term Fiscal
Plan*

Resolution 01-2004

WHEREAS, the Alaska Legislature has committed itself to developing a quality state education system that holds the state schools accountable for results; and

WHEREAS, the public schools are attempting to meet higher expectations so that all students meet essential skills in reading, writing, mathematics and science by 2013; and

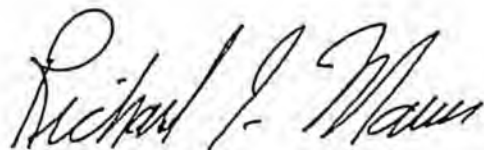
WHEREAS, public schools through no fault of their own are faced with burgeoning costs to the teacher and public employee retirement systems; and

WHEREAS, the Legislature has further demonstrated its commitment to education by increasing the public school foundation program by \$82 million for Fiscal Year 2005; and

WHEREAS, Governor Murkowski has called the Legislature into special session to address Alaska's long term fiscal problems aimed at assuring adequate funding of basic state services, such as education; and

WHEREAS, the Legislature will not be able meet its commitments to a quality system of public schools available to every child in Alaska without a long-term, stable source of state revenues; so

THEREFORE, the State Board of Education & Early Development requests the Alaska Legislature to adopt a long-term fiscal plan aimed at protecting essential state services, including education.



Chair, State Board of Education & Early Development

June 11, 2004

ALASKA COUNCIL



OF SCHOOL ADMINISTRATORS

326 Fourth Street, Suite 404 • Juneau, Alaska 99801
Phone: (907) 586-9702 • Fax: 586-5879
web site: www.alaskaacsa.org

Alaska Council of School Administrators

June 17, 2004

State Senate
House of Representatives
State Capitol Building
Juneau, AK 99801-1182

RECEIVED
JUN 17 2004
Alaska Department of Education
& Early Development

Dear Senators and Representatives:

As you recall, last October and again in March, ACSA signed a letter to encourage you to act on a fiscal plan this year. Despite recent high oil price projections, massive projected fiscal problems next year and beyond underscore the need for action this year.

Our organization is firmly supportive of the implementation of a 5% Percent of Market Value management of the Permanent Fund, and the use of Fund earnings to provide PFDs and a balanced state budget with adequate levels of public services.

Please take action to implement a fiscal plan during the special legislative session next week.

Respectfully,

Mary A. Francis, Ph.D.
Executive Director

MF:klc

cc: ACSA Board of Directors
bcc: Commissioner Roger Sampson

GREATER * FAIRBANKS CHAMBER OF COMMERCE

800 Cushman St, Suite 114, Fairbanks, AK 99701
phone: (907) 452-1105, fax: (907) 456-6968

e-mail: staff@fairbankschamber.org
website: www.fairbankschamber.org

April 20, 2004

Governor Frank Murkowski
Alaska State Capitol
FAX: (907) 465-3532

Dear Governor Murkowski,

The Greater Fairbanks Chamber of Commerce recognizes and applauds the efforts of the Governor and the Legislature to work towards a balanced state budget, while minimizing further withdrawals from the Constitutional Budget Reserve.

To that end, we have reviewed the discussion advanced by HJR 17 and by Sen. Gene Theriault in his presentation to the Senate Finance Committee on March 19.

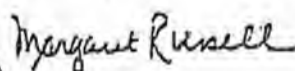
The GFCC has been in strong support of the POMV methodology as an investment discipline. We recognize that the POMV system would insulate the Fund's annual distribution from market and political volatility, ensure inflation proofing and provide a relatively uniform and predictable annual distribution. Therefore, it is included in the top 5 of our 2004 Legislative priorities.

Additionally, we have encouraged the Legislature to consider use of the Permanent Funds earnings reserves to help support state services, while inflation proofing the principal of the fund (rather than the market value), and continuing to pay a reasonable annual dividend. Although POMV is ultimately the key to a long term, stable annual distribution, the Legislature currently has the authority to, and should, use Permanent Fund earnings reserves under the current system as necessary.

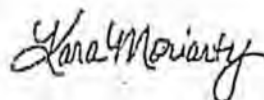
If further state revenues were needed after continued budget discipline and some use of the Permanent Fund's earnings reserves, the Legislature, only then, should consider implementation of a broad based, statewide tax.

With these positions in mind, we would urge the Legislature to reach a consensus on current and future use of the Permanent Fund earnings reserves, including POMV by the end of session. If a POMV measure is adopted this Legislative session, we are committed in using all of our resources to gain voter approval in November.

Sincerely,



Margaret Russell
Board Chair



Kara Moriarty
President/CEO

Benefactors

AGC Media, LLC
Alaska Acoustic
Alaska Airlines
Alaska Communications Systems
Alaska Railroad
Alaska USA Federal Credit Union
Alvord Pipeline Service Company
A&E Faircom
BP Exploration, Inc.
Cellular One
ConocoPhillips Alaska, Inc.
Denali State Bank
Design Alaska
Exxon Mobil
Fairbanks Building & Construction Trades Council of the Unions
Fairbanks Gold Mining, Inc.
Fairbanks Memorial Hospital
Fairbanks Natural Gas, LLC
First National Bank Alaska
Flowline Alaska
GCI
Golden Heart Billie
Kippen Valley Electric Association
Key Bank of Alaska
MAC Federal Credit Union
Mt. McKinley Bank
Northern Bank
Phone Directories Company
Safeway
Safeway Scruit Services
Santana Flowers & Gifts
Seeley Ford Lincoln Mercury
Tanana Valley Clinic
Tribal Security Technologies, Inc.
Totem Oceanic Express
University of Alaska Fairbanks
Usibell Coal Mine
Wells Fargo
Wendy's
Westmark Fairbanks Hotel & Conference Center
Williams Alaska Petroleum



everychild. one voice.

Immediate Enactment of a Long Term Fiscal Plan for Alaska

Whereas: Alaska state government currently spends more money than it receives as revenue each year; and

Whereas: The Constitutional Budget Reserve is being depleted and will soon be unavailable to continue to make up the difference between spending and revenue, and

Whereas: This fiscal gap threatens the stability of current and future educational funding; and

Whereas: The fiscal gap also threatens the state's ability to fund other programs and services essential to the wellbeing of Alaska's children; and

Whereas: The longer a solution to the fiscal gap is delayed the harder it will be to solve the problem; **therefore be it**

Resolved: That the Alaska PTA supports the enactment of a long term fiscal plan for Alaska during this legislative session.

The TRUST

The Alaska Mental Health Trust Authority

April 16, 2004

RECEIVED

APR 21 2004

Governor Frank Murkowski
Office of the Governor
P.O. Box 110001
Juneau AK 99811

GOVERNOR'S OFFICE

Dear Governor Murkowski :

As health and human service funders, we are writing to urge you to maintain essential state funding for health and human service programs and to develop a comprehensive, long-range fiscal plan for Alaska.

Providing health and human services to Alaskans in need is shared among government, the nonprofit sector, and private support. Each plays a critical and interconnected role. In particular, there has been a long and productive relationship between the state and nonprofit service providers. The state relies on nonprofits to provide services at less cost than government could do. Nonprofits rely upon the state for a core level of funding to keep the infrastructure viable. Nonprofits then leverage additional funds through other public and private donations that further reduce costs the state.

The system has been working well in Alaska. In fact, according to a November 2003 report prepared by the Nelson A. Rockefeller Institute of Government, Alaska is one of only four states that saw a decreased reliance upon government funding among health and human service nonprofit agencies. All other states reported that nonprofits needed more government funding over the study's 10-year review period. Alaska also had the most significant decrease in government funding of those four states that were relying less on government funds.

The Department of Health and Social Services proposed FY04 and FY05 funding cuts, and its plans for Medicaid refinancing undermine the stability of a system that serves our most vulnerable population. We understand that Medicaid is a serious financial drain and that creative refinancing approaches are important. However, it is shortsighted to drain other service programs to offset Medicaid costs. Increased reliance on Medicaid has led to immediate savings in state funds, but with looming federal deficits, it also increases the likelihood that those funds will not be available in the future. We urge you to move with caution in taking funding actions that are too optimistic about the level and pace of refinancing that can occur. Putting all of our eggs in that one basket is precipitously dangerous and jeopardizes the stability of the health and human services infrastructure.

We appreciate providing services requires money. We understand that the issues around creating a long-range fiscal plan are contentious and politically charged. Yet, the risks to Alaskans increase every year that we do not get our state finances in order.

In order to address Alaska's fiscal situation, we support an honest and full public debate over the proposed budget and its impacts, ongoing budget discipline, and the need for new revenues.



In order to have a vibrant future, we must all work together to ensure a capable and ready workforce, healthy citizens, and opportunities for our children. As you deliberate about a long-range fiscal plan and the level of health and human services you will provide, we ask you to carefully consider the consequences of budget cuts to programs that serve those less fortunate.

We must protect the health and welfare of Alaskans in need while creating a stable fiscal environment for everyone. You have the opportunity to create long-term stability for Alaskans, and a health and human services delivery system that improves the productivity of our citizens. We stand ready to work with you as you take the steps necessary to make this a reality.

Sincerely,

Alaska Mental Health Trust Authority
United Way of Anchorage
United Way of Matanuska-Susitna
United Way of Valdez