

ALASKA LEGISLATURE

2472

HOUSE and SENATE FINANCE COMMITTEE FILES, 2003-2004

Cooper Landing	(Borough)	2% (Borough)	None
Copper Center	N/A	No taxing authority	N/A
Copperville	N/A	No taxing authority	N/A
Cordova	12.5 to 13.5 mills	6%	6% Accommodations Tax; 6% Car Rental Tax
Council	N/A	No taxing authority	N/A
Covenant Life	6.56 mills (Borough)	1.5% (Borough)	4% Bed Tax (Borough)
Craig	6.0 mills	5%	6% Liquor Tax
Crooked Creek	N/A	No taxing authority	N/A
Crown Point	6.5 mills (Borough)	2% (Borough)	None
Cube Cove	N/A	No taxing authority	N/A
Prudhoe Bay	18.5 mills (Borough)	None	None
Deering	None	3%	None
Delta Junction	None	None	None
Deltana	N/A	No taxing authority	N/A
Denali Borough	None	None	7% Accommodations Tax; Severance Tax \$.05/Yard
Diamond Ridge	6.5 mills (Borough)	2% (Borough)	None
Dillingham	11.0 mills	6%	10% Liquor Tax; 6% Gaming Tax; 10% Accommodations Tax
Diomedes	None	3%	None
Dot Lake	N/A	No taxing authority	N/A
Dot Lake Village	N/A	No taxing authority	N/A
Douglas	11.47 mills (Borough)	5%	7% Accommodations Tax; 3% Liquor Tax; 6% Tobacco Tax (all Borough)
Dry Creek	N/A	No taxing authority	N/A
Unalaska	11.78 mills	3%	5% Accommodations Tax; 2% Raw Fish Tax
Eagle	None	None	None
Eagle River-Chugiak	17.17 mills (Borough)	None	8% Bed; 8% Rental Car; 15% Tobacco (all Borough)
Eagle Village	N/A	No taxing authority	N/A
Edna Bay	N/A	No taxing authority	N/A

Eek	None	2%	None
Egegik	None	None	2% Raw Fish Tax (City); 2% Raw Fish Tax (Borough); 6% Accommodations Tax (Borough)
Eielson AFB	15.403 mills (Borough)	None	8% Accommodations Tax (Borough); 5% Liquor Tax (Borough)
Eklutna	17.17 mills (Borough)	None	8% Bed; 8% Rental Car; 15% Tobacco (all Borough)
Ekuk	N/A	No taxing authority	N/A
Ekwok	None	None	None
Elfin Cove	N/A	No taxing authority	N/A
Elim	None	2%	None
Emmonak	None	3%	Raw Fish Tax
Ester	15.403 mills (Borough)	None	8% Accommodations Tax (Borough); 5% Liquor Tax (Borough)
Evansville	N/A	No taxing authority	N/A
Excursion Inlet	6.56 mills (Borough)	1.5% (Borough)	None
Eyak	13.25 mills (Cordova)	None (Cordova)	None (Cordova)
Fairbanks	6.511 mills (City); 15.403 mills (Borough)	None	10% Liquor (5% City/5% Borough); 8% Tobacco (City); 8% Accommodations (Borough)
Fairbanks North Star Borough	15.403 mills (not including 122 service areas)	None	8% Accommodations Tax; 5% Liquor Tax
False Pass	None	2%	2% Raw Fish Tax (City); 2% Raw Fish Tax (Borough)
Farm Loop	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Ferry	None	None	7% Accommodations Tax; Severance Tax \$.05/Yard (all Borough)
Fishhook	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Flat	N/A	No taxing authority	N/A
Fort Greely	N/A	No taxing authority	N/A
Fort Yukon	None	3%	None
Four Mile Road	N/A	No taxing authority	N/A
Fox	15.403 mills	None	8% Accommodations Tax (Borough); 5% Liquor Tax

	(Borough)		(Borough)
Fox River	6.5 mills (Borough)	2% (Borough)	None
Fritz Creek	6.5 mills (Borough)	2% (Borough)	None
Funny River	6.5 mills (Borough)	2% (Borough)	None
Gakona	N/A	No taxing authority	N/A
Galena	None	3%	None
Gambell	None	3%	None
Game Creek	N/A	No taxing authority	N/A
Gateway	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Georgetown	N/A	No taxing authority	N/A
Girdwood	17.17 mills (Borough)	None	8% Bed; 8% Rental Car; 15% Tobacco (all Borough)
Glacier View	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Glennallen	N/A	No taxing authority	N/A
Golovin	None	None	None
Goodnews Bay	None	None	None
Grayling	None	None	None
Gulkana	N/A	No taxing authority	N/A
Gustavus	N/A	No taxing authority	N/A
Haines	12.08 mills (Borough)	5.5% (Borough)	4% Bed Tax (Borough)
Haines Borough	6.56 mills (12.08 mills in Haines)	1.5% (5.5% in Haines)	4% Bed Tax
Halibut Cove	6.5 mills (Borough)	2% (Borough)	None
Hamilton	N/A	No taxing authority	N/A
Happy Valley	6.5 mills (Borough)	2% (Borough)	None
Harding-Birch Lakes	15.403 mills (Borough)	None	8% Accommodations Tax (Borough); 5% Liquor Tax (Borough)
Healy	None	None	7% Accommodations Tax; Severance Tax \$.05/Yard (all Borough)
Healy Lake	N/A	No taxing authority	N/A
Hobart Bay	N/A	No taxing authority	N/A

Hollis	N/A	No taxing authority	N/A
Holy Cross	None	None	None
Homer	5.0 mills (City); 6.5 mills (Borough)	3.5% (City); 2% (Borough)	None
Hoonah	None	5%	None
Hooper Bay	None	4%	None
Hope	6.5 mills (Borough)	2% (Borough)	None
Houston	2.557 mills (City); 11.483 mills (Borough)	2%	5% Accommodations Tax (Borough)
Hughes	None	None	None
Huslia	None	None	None
Hydaburg	None	4%	None
Hyder	N/A	No taxing authority	N/A
Igiugig	None	None	2% Raw Fish Tax; 6% Accommodations Tax (all Borough)
Iliamna	None	None	2% Raw Fish Tax; 6% Accommodations Tax (all Borough)
Ivanof Bay	None	None	2% Raw Fish Tax; 6% Accommodations Tax (all Borough)
Jakolof Bay	6.5 mills (Borough)	2% (Borough)	None
Juneau	11.47 mills (3 service areas)	5%	7% Bed; 3% Liquor; 6% Tobacco; \$5/Marine Passenger
Kachemak	1.0 mill (City); 6.5 mills (Borough)	2% (Borough)	None
Kaguyak	9.25 mills (Borough)	None	5% Accommodations Tax (Borough); 0.925% Severance Tax (Borough)
Kake	None	5%	None
Kaktovik	18.5 mills (Borough)	None	None
Kalifornsky	6.5 mills (Borough)	2% (Borough)	None
Kaltag	None	None	None
Kanatak	9.25 mills (Borough)	None	5% Accommodations Tax (Borough); 0.925% Severance Tax (Borough)
Karluk	9.25 mills (Borough)	None	5% Accommodations Tax (Borough); 0.925% Severance Tax (Borough)
Kasaan	None	None	None

Kasigluk	N/A	No taxing authority	N/A
Kasilof	6.5 mills (Borough)	2% (Borough)	None
Kenai	5.0 mills (City); 7.5 mills (Borough)	3% (City); 2% (Borough)	None
Kenai Peninsula Borough	6.5 mills (15 service areas)	2%	None
Kenny Lake	N/A	No taxing authority	N/A
Ketchikan	5.35 mills (City); 8.0 mills (Borough)	3.5% (City); 2% (Borough)	6% Accommodations Tax (City/Borough)
Ketchikan Gateway Borough	8.0 mills (10 service areas)	2%	4% Accommodations Tax
Kiana	None	2%	None
King Cove	None	3%	2% Raw Fish Tax (City); 2% Raw Fish Tax (Borough)
King Island	N/A	No taxing authority	N/A
King Salmon	13.0 mills (Borough)	None	3% Raw Fish Tax; 10% Accommodations Tax May-Oct. (all Borough)
Kipnuk	N/A	No taxing authority	N/A
Kivalina	None	2%	None
Klawock	None	5.5%	None
Klukwan	N/A	No taxing authority	N/A
Knik-Fairview	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Knik River	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Kobuk	None	None	None
Kodiak	2.0 mills (City); 9.25 mills (Borough)	6% (max. \$30 per transaction)	5% Accommodations Tax (City/Borough)
Kodiak Island Borough	9.25 mills (8 service areas)	None	5% Accommodations Tax; 0.925% Severance Tax
Kodiak Station	9.25 mills (Borough)	None	5% Accommodations Tax (Borough); 0.925% Severance Tax (Borough)
Kokhanok	None	None	2% Raw Fish Tax; 6% Accommodations Tax (all Borough)
Koliganek	N/A	No taxing authority	N/A
Kongiganak	N/A	No taxing authority	N/A

Kotlik	None	3%	None
Kotzebue	None	6%	6% Accommodations Tax; 6% Liquor Tax
Koyuk	None	2%	None
Koyukuk	None	None	None
Kupreanof	None	None	None
Kwethluk	None	5%	None
Kwigillingok	N/A	No taxing authority	N/A
Lake & Peninsula Borough	None	None	2% Raw Fish Tax; 6% Accommodations Tax
Lake Louise	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Lake Minchumina	N/A	No taxing authority	N/A
Lakes	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Larsen Bay	9.25 mills (Borough)	3%	5% Accommodations Tax (Borough); 0.925% Severance Tax (Borough)
Lazy Mountain	11.483 mills (Borough)	None	5% Accommodation Tax (Borough)
Levelock	None	None	2% Raw Fish Tax; 6% Accommodations Tax (all Borough)
Lime Village	N/A	No taxing authority	N/A
Livengood	N/A	No taxing authority	N/A
Lowell Point	6.5 mills (Borough)	2% (Borough)	None
Lower Kalskag	None	None	None
Lutak	6.56 mills (Borough)	1.5% (Borough)	4% Bed Tax (Borough)
Manley Hot Springs	N/A	No taxing authority	N/A
Manokotak	None	2%	None
Marshall	None	4%	None
Mary's Igloo	N/A	No taxing authority	N/A
Matanuska-Susitna Borough	11.483 mills (27 service areas)	None	5% Accommodations Tax
McCarthy	N/A	No taxing authority	N/A
McGrath	None	None	10% Accommodations Tax
McKinley Park	None	None	7% Accommodations Tax; Severance Tax \$.05/Yard (all Borough)

Meadow Lakes	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Mekoryuk	None	2%	None
Mendeltna	N/A	No taxing authority	N/A
Mentasta Lake	N/A	No taxing authority	N/A
Metlakatla	N/A	No taxing authority	N/A
Meyers Chuck	N/A	No taxing authority	N/A
Miller Landing	6.5 mills (Borough)	2% (Borough)	None
Minto	N/A	No taxing authority	N/A
Moose Creek	15.403 mills (Borough)	None	8% Accommodations Tax (Borough); 5% Liquor Tax (Borough)
Moose Pass	6.5 mills (Borough)	2% (Borough)	None
Mosquito Lake	6.56 mills (Borough)	1.5% (Borough)	4% Bed Tax (Borough)
Mountain Village	None	3%	None
Mud Bay	6.56 mills (Borough)	1.5% (Borough)	4% Bed Tax (Borough)
Naknek	13.0 mills (Borough)	None	3% Raw Fish Tax; 10% Accommodations Tax May- Oct. (all Borough)
Nanwalek	6.5 mills (Borough)	2% (Borough)	None
Napaimute	N/A	No taxing authority	N/A
Napakiaik	None	3%	None
Napaskiak	None	None	None
Naukati Bay	N/A	No taxing authority	N/A
Nelchina	N/A	No taxing authority	N/A
Nelson Lagoon	None	None	2% Raw Fish Tax (Borough)
Nenana	12.0 mills	4%	None
New Allakaket	N/A	No taxing authority	N/A
New Stuyahok	None	None	None
Newhalen	None	2%	2% Raw Fish Tax; 6% Accommodations Tax (all Borough)
Newtok	N/A	No taxing authority	N/A
Nightmute	None	2%	None

Nikiski	6.5 mills (Borough)	2% (Borough)	None
Nikolaevsk	6.5 mills (Borough)	2% (Borough)	None
Nikolai	None	None	None
Nikolski	N/A	No taxing authority	N/A
Ninilchik	6.5 mills (Borough)	2% (Borough)	None
Noatak	None	None	None
Nome	13.0 mills	5%	4% Accommodations Tax
Nondalton	None	3%	2% Raw Fish Tax; 6% Accommodations Tax (all Borough)
Noorvik	None	3%	None
North Pole	3.0 mills (City); 15.403 mills (Borough)	3%	8% Accommodations Tax (Borough); 5% Liquor Tax (Borough)
North Slope Borough	18.5 mills (areawide)	None	None
Northway	N/A	No taxing authority	N/A
Northway Junction	N/A	No taxing authority	N/A
Northway Village	N/A	No taxing authority	N/A
Northwest Arctic Borough	None	None	None
Nuiqsut	18.5 mills (Borough)	None	None
Nulato	None	None	None
Nunam Iqua	None	2%	None
Nunapitchuk	None	3%	None
Ohogamiut	N/A	No taxing authority	N/A
Old Harbor	9.25 mills (Borough)	3%	5% Accommodations Tax (Borough); 0.925% Severance Tax (Borough)
Oscarville	N/A	No taxing authority	N/A
Ouzinkie	9.25 mills (Borough)	3%	5% Accommodations Tax (Borough); 0.925% Severance Tax (Borough)
Paimiut	N/A	No taxing authority	N/A
Palmer	2.557 mills (City); 11.483 mills (Borough)	3%	5% Accommodations Tax (Borough)
Pauloff Harbor	None	None	2% Raw Fish Tax (Borough)
		No taxing	

Paxson	N/A	authority	N/A
Pedro Bay	None	None	2% Raw Fish Tax; 6% Accommodations Tax (all Borough)
Pelican	6.0 mills	4%	10% Accommodations Tax
Perryville	None	None	2% Raw Fish Tax; 6% Accommodations Tax (all Borough)
Petersburg	10.17 mills	6%	4% Accommodations Tax
Petersville	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Pilot Point	None	None	3% Raw Fish Tax (City); 2% Raw Fish Tax (Borough); 6% Accommodations Tax (Borough)
Pilot Station	None	4%	None
Pitka's Point	N/A	No taxing authority	N/A
Platinum	None	None	None
Pleasant Valley	15.403 mills (Borough)	None	8% Accommodations Tax (Borough); 5% Liquor Tax (Borough)
Point Baker	N/A	No taxing authority	N/A
Point Hope	10.5 mills (Borough)	None	None
Poir-t Lay	18.5 mills (Borough)	None	None
Point MacKenzie	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Pope-Vannoy Landing	None	None	None
Port Alexander	None	4%	6% Accommodations Tax
Port Alsworth	None	None	2% Raw Fish Tax; 6% Accommodations Tax (all Borough)
Port Clarence	N/A	No taxing authority	N/A
Port Graham	6.5 mills (Borough)	2% (Borough)	None
Port Heiden	None	None	2% Raw Fish Tax; 6% Accommodations Tax (all Borough)
Port Lions	9.25 mills (Borough)	None	5% Accommodations Tax (Borough); 0.925% Severance Tax (Borough)
Port Protection	N/A	No taxing authority	N/A
Port William	9.25 mills (Borough)	None	5% Accommodations Tax (Borough); 0.925% Severance Tax (Borough)

Portage Creek	N/A	No taxing authority	N/A
Primrose	6.5 mills (Borough)	2% (Borough)	None
Prudhoe Bay	18.5 mills (Borough)	None	None
Quinhagak	None	3%	None
Rampart	N/A	No taxing authority	N/A
Red Devil	N/A	No taxing authority	N/A
Red Dog Mine	None	None	None
Ridgeway	6.5 mills (Borough)	2% (Borough)	None
Ruby	None	None	None
Russian Mission	None	None	None
Saint George	None	None	3% Fish & Marine Products Tax; \$.03/gallon Fuel Transfer Tax
Saint Mary's	None	3%	None
Saint Michael	None	4%	None
Saint Paul	None	3%	None
Salamatof	6.5 mills (Borough)	2% (Borough)	None
Salcha	15.403 mills (Borough)	None	8% Accommodations Tax (Borough); 5% Liquor Tax (Borough)
Sand Point	None	3%	2% Raw Fish Tax (City); 2% Raw Fish Tax (Borough)
Savoonga	None	3%	None
Saxman	6.8 mills (Borough)	3.5% (City); 2% (Borough)	4% Accommodations Tax (Borough)
Scammon Bay	None	2%	None
Selawik	None	3%	None
Seldovia	7.35 mills (City); 6.5 mills (Borough)	2%-4.5% (City); 2% (Borough)	None
Seldovia Village	6.25 mills (Borough)	2% (Borough)	None
Seward	3.22 mills (City); 6.5 mills (Borough)	4% (City); 2% (Borough)	4% Accommodations Tax
Shageluk	None	None	None
Shaktolik	None	2%	None
Nunam Iqua	None	2%	None
Shemya Station	N/A	No taxing authority	N/A
Shishmaref	None	2%	None

Shungnak	None	2%	None
Silver Springs	N/A	No taxing authority	N/A
Sitka	6.0 mills	5% Oct-March; 6% Apr-Sept	6% Accommodations Tax; 2 cents/gal. Fuel Tax
Skagway	8.27 mills	4%	8% Accommodations Tax
Skwentna	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Slana	N/A	No taxing authority	N/A
Sleetmute	N/A	No taxing authority	N/A
Soldotna	4.75 mills (City); 6.5 mills (Borough)	3% (City); 2% (Borough)	None
Solomon	N/A	No taxing authority	N/A
South Naknek	13.0 mills (Borough)	None	3% Raw Fish Tax; 10% Accommodations Tax May-Oct. (all Borough)
Stebbins	None	3%	None
Sterling	6.5 mills (Borough)	2% (Borough)	None
Stevens Village	N/A	No taxing authority	N/A
Stony River	N/A	No taxing authority	N/A
Sunrise	6.5 mills (Borough)	2% (Borough)	None
Susitna	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Sutton-Alpine	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Takotna	N/A	No taxing authority	N/A
Talkeetna	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Tanacross	N/A	No taxing authority	N/A
Tanaina	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Tanana	None	2%	None
Tatitlek	N/A	No taxing authority	N/A
Tazlina	N/A	No taxing authority	N/A
Telida	N/A	No taxing authority	N/A
Teller	None	3%	None
Tenakee Springs	None	1%	6% Accommodations Tax

Tetlin	N/A	No taxing authority	N/A
Thom's Place	N/A	No taxing authority	N/A
Thorne Bay	None	5%	None
Togiak	None	2%	2% Raw Fish Tax
Tok	N/A	No taxing authority	N/A
Toksook Bay	None	2%	None
Tolsona	N/A	No taxing authority	N/A
Tonsina	N/A	No taxing authority	N/A
Trapper Creek	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Tuluksak	N/A	No taxing authority	N/A
Tuntutuliak	N/A	No taxing authority	N/A
Tununak	N/A	No taxing authority	N/A
Twin Hills	N/A	No taxing authority	N/A
Two Rivers	15.403 mills (Borough)	None	8% Accommodations Tax (Borough); 5% Liquor Tax (Borough)
Tyonek	6.5 mills (Borough)	2% (Borough)	None
Uganik			
Ugashik	None	None	2% Raw Fish Tax; 6% Accommodations Tax (all Borough)
Umkumiute	N/A	No taxing authority	N/A
Unalakleet	None	5%	5% Accommodations Tax; Alcohol Tax
Unalaska	11.78 mills	3%	5% Accommodations Tax; 2% Raw Fish Tax
Unga	None	None	2% Raw Fish Tax (Borough)
Upper Kalskag	None	None	None
Valdez	20.0 mills	None	6% Accommodations Tax
Venetie	N/A	No taxing authority	N/A
Wainwright	18.5 mills (Borough)	3%	None
Wales	None	2%	None
Wasilla	0.5 mills (City); 11.483 mills (Borough)	2.5%	5% Accommodations Tax (Borough)

Whale Pass	N/A	No taxing authority	N/A
White Mountain	None	1%	None
Whitestone Logging Camp	N/A	No taxing authority	N/A
Whittier	5.0 mills	3% April - Sept.	None
Willow	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Willow Creek	N/A	No taxing authority	N/A
Wiseman	N/A	No taxing authority	N/A
Woody Island	9.25 mills (Borough)	None	5% Accommodations Tax (Borough); 0.925% Severance Tax (Borough)
Womens Bay	9.25 mills (Borough)	None	5% Accommodations Tax (Borough); 0.925% Severance Tax (Borough)
Wrangell	12.0 mills	7%	\$4/Night Accommodations Tax
Y	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Yakutat	9.0 mills	4%	1% Salmon; 8% Bed; 8% Car Rental

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PUBLIC
TESTIMONY

Mr. Cremo's
Presentation
3/17/04

Presentation to Senate Finance Committee on CSSJR 18

~~(3/15/04)~~
(3/17/04)

You're considering the POMV method of takeout for the Permanent Fund. Before you decide whether it's any good, take a hard look at the constitutional provision you would be putting it into. And, by the way, I prefer the POMV method to the one we've got now.

Unlike a statute, which is relatively transitory, a constitutional provision can be on the books forever. It should be near perfect – a product of sound analysis, wise decision and excellent drafting. But the track record of our constitutional amendments, in the fiscal area, isn't very good.

Besides Section 15, there have been two amendments of Article 9 since it was written in 1955. Section 16, which limits appropriations, ignored the first rule of organization – that authority must be commensurate with duty. Your duty is to do that which in your judgment will promote the welfare of the people of this state. The amendment to Section 16 limits your ability to discharge that duty. Fortunately, the provision is otherwise so flawed that it has never come into play.

The other amendment, Section 17, established the Budget Reserve Fund, which has facilitated, if not promoted, deficit spending in most of the years since 1990. And, its voting requirements have resulted in end-of-session arrangements that, over the years, have added hundreds of millions of dollars to that deficit spending.

That leaves Section 15, which established an endowment – the Alaska Permanent Fund. Typical of documents that create endowments, the section has three components. One determines what money goes into the fund. Another deals with the investment of the money. And the third determines how much money is to be taken out for spending.

Twenty-five percent of royalties is supposed to go into the fund. But Section 15 doesn't nail down that requirement. It can be circumvented by agreeing to the reduction of royalties while increasing the production tax. That can, over a period, divert billions of dollars to the General Fund. Of

course, such a tactic wouldn't even be considered unless fiscal pressures were compelling.

The only thing that Section 15 requires with respect to investment is that the fund's principal "can be used only for those income-producing investments specifically designated by law as eligible for permanent fund investments". That means stocks that regularly pay dividends and, of course, bonds. But the Alaska Permanent Fund Corporation probably has invested billions in stocks that don't regularly pay dividends.

This is not to say that the Permanent Fund Corporation doesn't do a good job investing. It has ably managed the state's capital. But it has been forced to liberally construe an inadequate constitutional provision.

Incidentally, the 'income-producing' requirement expressly applies to principal. Section 15 is silent with respect to the investment of accumulated income.

Another thing. Section 15 lacks a prohibition against investment in the obligations, properties and enterprises of the state. How could the Permanent Fund Corporation resist a request from a fiscally strapped legislature and governor that the fund buy and lease back a government building or buy state bonds that brought no bids from investment bankers?

The greatest fault, however, of Section 15 is that it doesn't require that all of the oil money go into the Permanent Fund.

Endowments have two main purposes. One is to perpetuate the flow of money to an operating entity, such as a university, a foundation or a government. The other is to stabilize the flow of money to the operating entity.

The Alaska Permanent Fund provides a good example of an endowment with the first-mentioned purpose – perpetuation. Revenue from the fund's investments continues to flow after the natural resource is exhausted.

A university's endowment provides an example of an endowment with the other purpose – stabilization of income. Wealthy alumni die and leave large amounts of money to the university. The flow of that money to the university is irregular. It could be more than a million dollars a year for a

period of several years. Then, for another period, it could fall off to much less than that. If that money were treated as income, the fluctuations wouldn't be easy to manage.

In the case of the state, the oil revenue is extremely volatile. Yet the state isn't using its endowment to stabilize that revenue. Only 15-20% of the oil money goes to the Permanent Fund. With the rest going into the General Fund, the state has been fiscally unstable for many years.

But the state can stabilize the flow of that oil money by routing it through the Permanent Fund. Income produced by investment would be much more sustainable than the oil money itself.

There is a proposed constitutional amendment, not on your plate, that would put all of the oil money into the Permanent Fund and cure the other defects of Section 15 as well. It would provide you with a new and simple system for funding the government.

The revenue from the fund, supplemented with revenue from conventional sources in whatever amount you consider adequate, would go into the General Fund. It would fund government in an orderly fashion.

The constitutional provision wouldn't dictate to you how the revenue is to be spent. You would allocate it to all governmental services, including the one we call dividends, according to the priority you assign to them.

At the start of a ten-year transition the rate of withdrawal for the Permanent Fund, which would use the POVM method, would be high enough to provide revenue that, when combined with conventional revenue, would fund spending at the current level. During the transition the rate would decrease gradually. At the end of transition it would be at a sustainable level.

There is also a proposed constitutional amendment, not on your plate, of Section 17 of Article 9. That section created the Budget Reserve Fund. It would transfer the bulk of the assets of that fund to the Permanent Fund. The amount retained would be used for funding actual deficits and, incidentally, meeting natural disasters. Thus, it could not be used to bridge projected fiscal gaps. And it would not be used for inter-fund 'borrowing'. Revenue anticipation financing would be available for that.

I've told you what I think is wrong with Section 15 of Article 9 of our constitution. And I've told you what I think should be done about it. But I'm not naïve enough to suggest that you do it now.

I am suggesting, however, that you refrain from making any changes in Section 15 until the time comes that it can be done right.

The people aren't in the mood to touch Section 15 except with respect to dividends. But that mood could change if you mount a massive campaign to tell them the unspun FACTS about the state's fiscal condition.

Roger Cremo

CONSTITUTION OF THE STATE OF ALASKA
(proposed amendment)

ARTICLE IX, SECTION 17 – BUDGET RESERVE FUND

- (a) The money deposited into it in accordance with (c) constitutes the Budget Reserve Fund.
- (b) Money in the fund shall be invested and reinvested, for income, in accordance with restrictions, prescribed by law, that emphasize the liquidity and preservation of the fund's assets. No investment shall be made in obligations, properties and enterprises of the state.
- (c) The amount by which money actually available for appropriation in a fiscal year exceeds, or is less than, the amount appropriated for that year shall, correspondingly, be deposited into or withdrawn from the fund.
- (d) Money in any amount may be appropriated directly from the fund for meeting natural disasters.

ARTICLE XV, SECTION 31 – BUDGET RESERVE FUND (TRANSITION)

- (a) The assets and liabilities of the Budget Reserve Fund (Article IX, Section 17) that are in excess of three hundred million dollars in value, if any, shall be transferred to the Alaska Permanent Fund (Article IX, Section 15) on the effective date of this section.
- (b) The assets of the Budget Reserve Fund prior to the effective date of the amendment of Article IX, Section 17, in 2004, except those assets transferred to the Alaska Permanent Fund in accordance with (a), are assets of the fund after the amendment.
- (c) This section shall be effective July 1, 2005.

provided by Roger Cremo

CONSTITUTION OF THE STATE OF ALASKA
(proposed amendment)

ARTICLE IX, SECTION 15 - ALASKA PERMANENT FUND

(a) The money derived by the state (A) from the disposition of minerals and land by the state or the United States and (B) from taxation of (1) production, transportation and reservation of minerals, (2) property used in exploring for, producing and transporting minerals and (3) income from production and transportation of minerals shall constitute the Alaska Permanent Fund.

(b) Money in the fund shall be invested and reinvested, for income and capital gains, in accordance with restrictions, prescribed by law, that emphasize preservation of the fund's assets. No investment shall be made in the obligations, properties and enterprises of the state.

(c) No money, or other asset, shall be removed from the fund except, in order to provide the state with revenue, a noncumulative amount of money that in a fiscal year does not exceed 4.30 percent of the average market value of the fund's net assets at the end of each of the six full calendar years immediately preceding that fiscal year. The revenue shall not be dedicated to any special purpose.

ARTICLE XV, SECTION 30 - ALASKA PERMANENT FUND (TRANSITION)

(a) The percentage prescribed in Article IX, Section 15, amended in 2004, for determining the amount of money that can be removed from the Alaska Permanent Fund, shall not apply until fiscal year 2016. The applicable percentage shall be 9.36 in fiscal year 2006 and, in each intermediate fiscal year, 0.9257 times the percentage in the immediately preceding fiscal year.

(b) The assets of the Alaska Permanent Fund prior to the effective date of the amendment of Article IX, Section 15, in 2004, are assets of the fund after the amendment.

(c) The amendment of Article IX, Section 15 in 2004 and this section shall be effective July 1, 2005.

provided by Roger Cremo

Mr. Cuddy's
Remarks
3/18/04
AM

Paying the Cost of Alaska State Government

Thank you for allowing me to come before you today.

The State of Alaska is not presently facing a fiscal crisis. Resources are presently available to pay the cost of State Government. Thanks to the higher price for oil, state royalty income is much higher than expected; and, thanks to the wisdom of the legislature in making judicious use of the Constitutional Budget Reserve, there are ample reserves in addition to royalties to pay the current expense of State Government. Add to that the income of the Permanent Fund and the State of Alaska has more than ample resources to pay for any proposed version of the next State Budget. However, that doesn't solve the current problem, which is **UNCERTAINTY**.

UNCERTAINTY NOW is surely contributing to what will become far more than a "Fiscal Gap" in the future; what will become a true crisis of major proportions, if the legislature does not do something to avoid it now. There is uncertainty now in financial markets about Alaska's future. There is uncertainty now among oil producers who contribute the bulk of State Revenue in the form of royalties. The same can be said of other resource extraction enterprises. And there's uncertainty among your constituents about the economic future of Alaska, in light of the potential for seemingly unlimited government spending.

At present the bond rating of the State of Alaska remains relatively stable. The financial markets look to the Constitutional Budget Reserve and the Permanent Fund as security for payment of the cost of State Government, including bonded indebtedness. The decision of the markets about Alaska's credit worthiness will change quickly, and for the worse, if the Budget Reserve is further depleted, or you show reluctance to resort to income from the Permanent Fund to pay part of the anticipated cost of State Government – worse yet if the State of Alaska does something permanently to make Permanent Fund income unavailable to pay part of the cost of State Government when its needed.

Deterioration of the State's bond rating will of course increase the expense of bonded indebtedness – the cost of funding State Government. What makes matters worse is that that rating will be deteriorating at the same time that interest rates generally are increasing. I can't tell you specifically how much interest rates will increase in the next few years, or precisely when they will start to go up. But everyone with any knowledge about current national economic circumstances will confirm to you that interest rates will be on the rise (they can't go any lower) and soon. If not at the conclusion of national elections, then certainly as the national trade deficit increases and the value of the dollar declines against all major currencies. The impact on the cost of funding state government will be doubly bad unless you act to bring certainty to Alaska's fiscal situation now. That includes both the source of State income for appropriation, and the cost of State Government.

Talk now of a change in the State tax laws affecting oil and gas producers in the State is causing them to rethink their strategy in Alaska. I assure you that changes in current tax laws affecting oil producers will cause them to spend their resources for oil and gas production elsewhere. All at a time when Alaska can least afford any further decline in oil and gas revenue. Drive a harder bargain in connection with future oil and gas development, if you think it prudent. That will allow the producers to plan development. Changing what is, in effect, a bargain that already exists will cause them to abandon development in Alaska. The same can be said for miners. Whether it be oil and gas or other mineral extraction, development and return on investment, involves a long-term process. One that will not go forward unless variables are reduced to a minimum. If producers cannot count on a stable tax structure for the life of an oil field, or a mine, they won't begin to develop it in the first place. By changing Alaska's current bargain with the producers, you will jeopardize prospects of further development and jeopardize revenue that will be critical to the State of Alaska in the future.

There is just as much uncertainty among your constituents. As long as there is no stated strategy for funding State government and no plan for limiting State government expenditures, there will be no potential for economic development in the State if Alaska. And as long as there is a common perception that there is no potential for economic development in the State of Alaska, the State will encounter the same cycle of booms and busts, and the same transient population that has been the constant in Alaska throughout the history of the State. There will be no economic development

or growth of business in Alaska able to sustain the anticipated increased cost of State Government as long as there is the threat of broad based taxes in an unspecified amount. And there will be an immediate demand by your constituents for distribution of all of the income of the Permanent Fund as long as there is no articulated strategy for funding State Government, and even more so, as long as there is no potential check on State Government spending.

I'm sure it occurs to you. There is no recorded success of any government fostering economic development by instituting or increasing an income tax or sales tax. And further economic development is what this state needs to establish a stable source of income to pay the cost of State Government.

out { There is no reason for temporary residents of the State of Alaska to abide a use of some of the earnings of the Permanent Fund to pay the cost of State government now, if there is no potential limit on the cost of State Government in the future. }

Just putting an end to uncertainty now about the extent and means of paying for State Government will be a valuable contribution to the State of Alaska. I warrant to you that it will reduce the cost of borrowing to pay for State government, and foster economic development in the State – certainly in connection with resource extraction. It will also create a more favorable climate for small business. And that will attract and keep industrious people in the State and encourage our children and their children to live and work here as well.

But like everyone else, I think you can do better than just bring about certainty. I have my own suggestions for a strategy. A lot of it is based on history, and thankfully I have a lot of history in this State. I know because I was here. The Permanent Fund was created so that there would be a source of revenue to pay a portion of the cost of State government, when revenues from oil production declined. No not the principal portion of the fund, the income from the fund. Likewise, I know, because I was here, that the dividend program was instituted when there was seemingly no effort whatsoever to limit government spending. Since folks thought that the only thing that could limit State government spending was a limit on available revenue for appropriation, the idea to pay a portion of the income of the Permanent Fund directly to Alaska residents was born. By that means at least, some limit on government spending could be imposed.

You can still achieve all of those objectives. By judiciously avoiding appropriation of Permanent Fund earnings and inflation proofing the Fund, you have provided a stable source of income to pay a portion of the cost of State government and pay a dividend to citizens of Alaska as well.

The Trustees and staff of the Permanent Fund have done their job as well. By judiciously investing the principal and a portion of the annual income of the fund there is now a source of State Revenue and dividends as well.

The Percent of Market Value approach to management of Permanent Fund earnings should be adopted. It has been the successful means of managing many other endowments, and there is every reason to believe that it will be an equally successful means of managing the Permanent Fund. What's even more important is that it increases the certainty of revenue available to pay a portion of the cost of State Government and a Permanent Fund dividend. We have seen the potential dramatic effect on available revenue of the current approach to management of the fund. Distributions based on realized earnings are always a function of the vagaries of the market and the notions of current investment managers. The POMV approach evens out those variables over a rolling ten-year period that lends predictability to available revenue and the degree of certainty that financial markets demand, if there is to be stability in the cost of funding state government.

How that income is divided between State Government and residents should be left to the legislature to decide. The State 's legislature should have the opportunity to determine the use of all available State income as well as state spending. The legislature can maintain that control if it adopts a plan for division of the earnings of the permanent fund and limiting State spending. An articulated plan to limit budget increases according to identifiable indexes will go a long way to quell uncertainty among dividend recipients. Assuming a POMV approach to management of the Permanent Fund, and a plan for limiting budget increases according to an index, permanent fund recipients will have some degree of certainty not only that a dividend will be paid, but also the amount of the dividend payment they can expect from time to time.

One additional benefit of bringing about a greater degree of certainty now in respect of fiscal matters is that it will give the legislature time to deal with a far greater problem that will appear in the future. That problem is the

unfunded liability for pension and welfare benefits that will be owed to State and Municipal employees in the next ten years.

In my view there is a deficit now in available resources to pay those obligations. My prediction is the liability will grow worse if the matter is left untreated. I expect there will soon be more retired government employees entitled to benefits than working government employees.

Once again I thank you for the opportunity to express my views at this time.



Official Business

Alaska State Senate

Senate Finance Committee

Mail Stop 3100
State Capitol
Juneau, Alaska 99801-1182

AGENDA

Thursday, March 18, 2004

9:00 – 11:00 AM

Presentation by
Mr. Neal Fried
Department of Labor

Senate Finance Committee Discussion/Action

Bills Previously Heard or Scheduled

1:30 – 4:00 PM

Continuation of Senate Finance Committee Discussion/Action,
If necessary

Bills Previously Heard or Scheduled

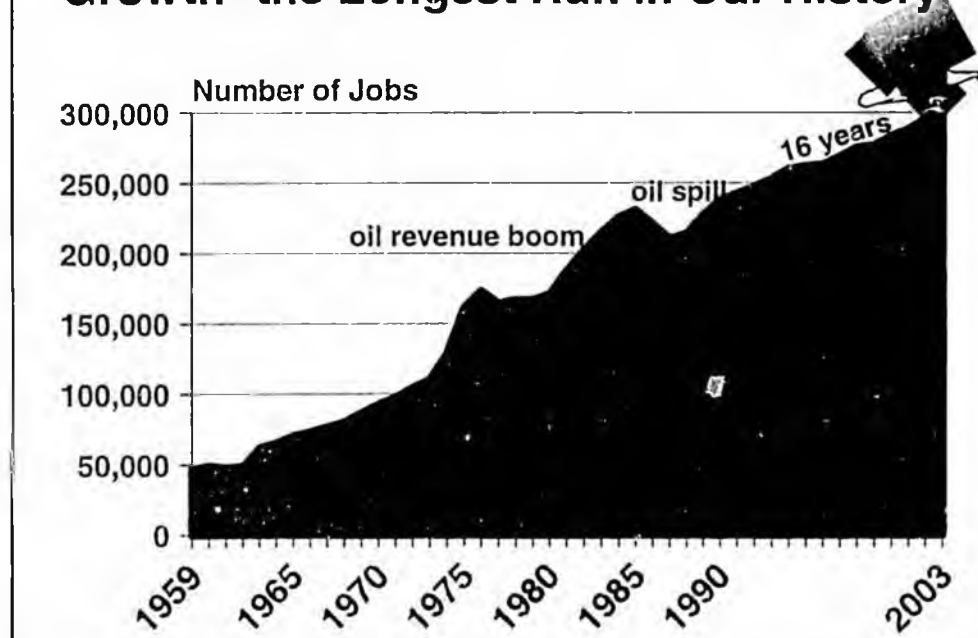
Alaskas Economy— The 1980s And Now

Senate Finance

March 18, 2004

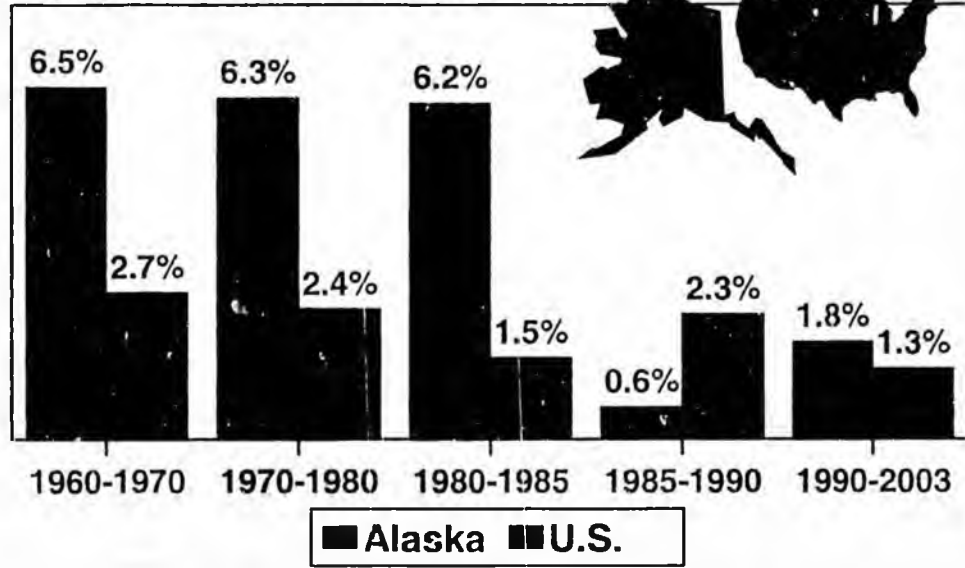
Alaska Department of Labor and Workforce Development

**Alaska is in its 16th Year of Uninterrupted
Growth--the Longest Run in Our History**



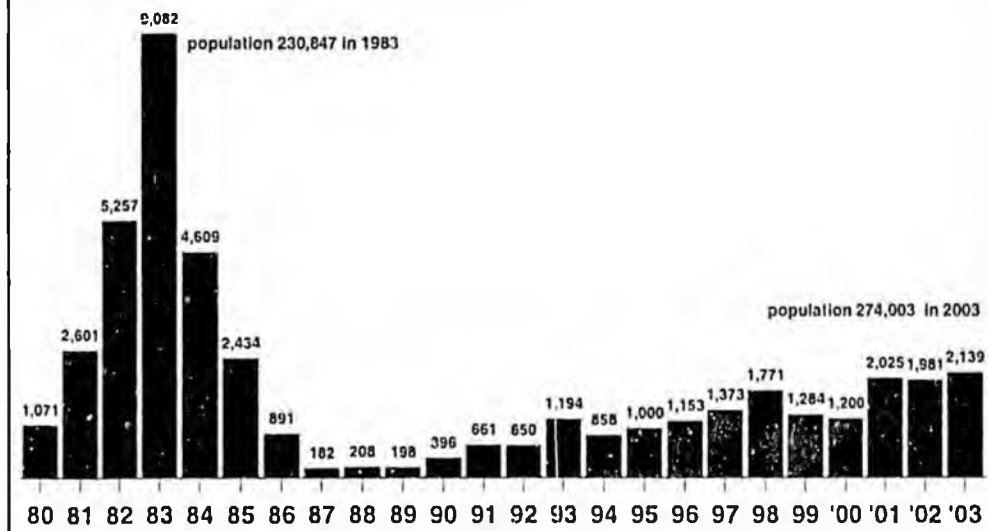
Since 1985 Alaska's Rate of Growth Has Slowed

Employment-Average Annual Growth



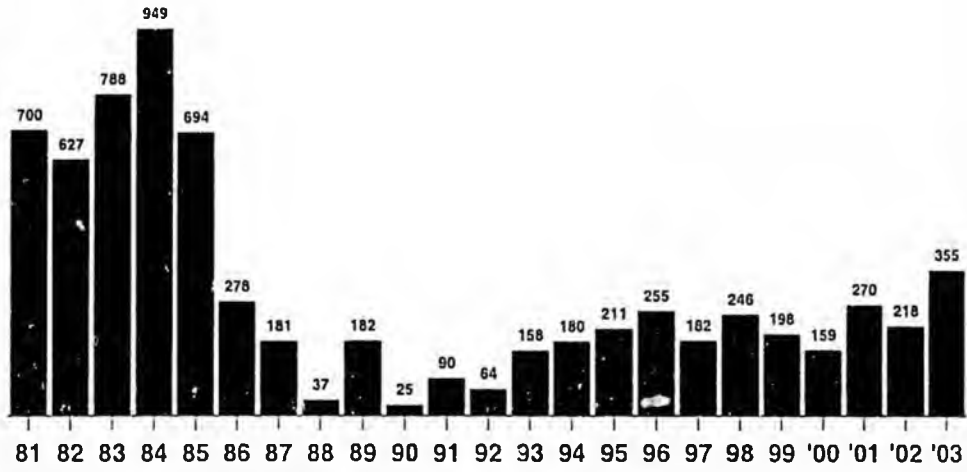
Residential Housing Activity in Anchorage

New Residential Building Permits issued

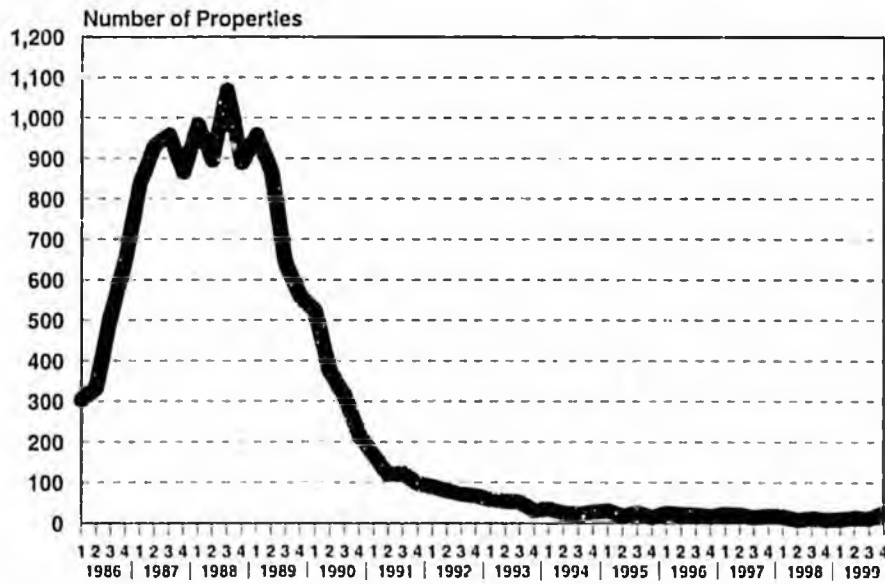


Fairbanks Does Not Look Much Different

New Residential Building Permits Issued

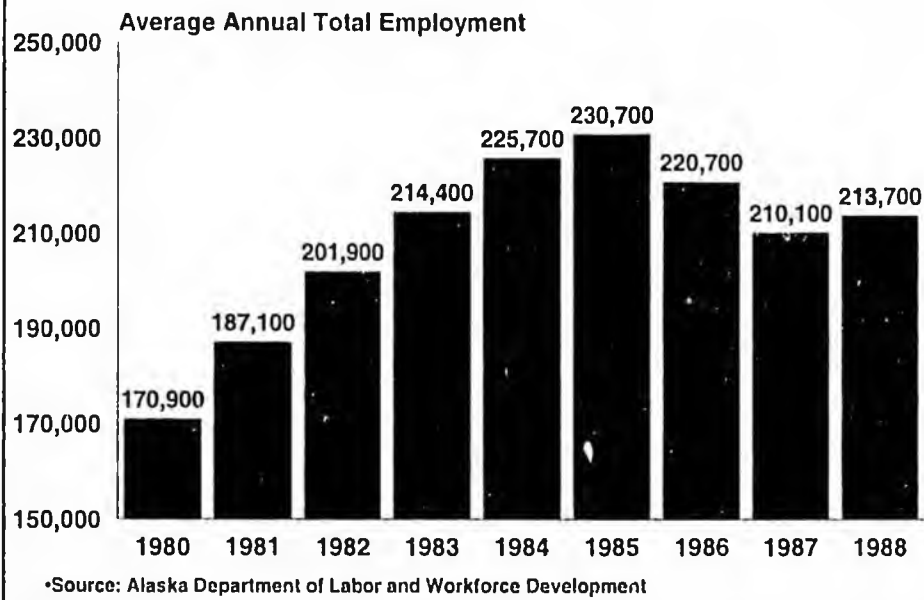


AHFC Foreclosures Statewide

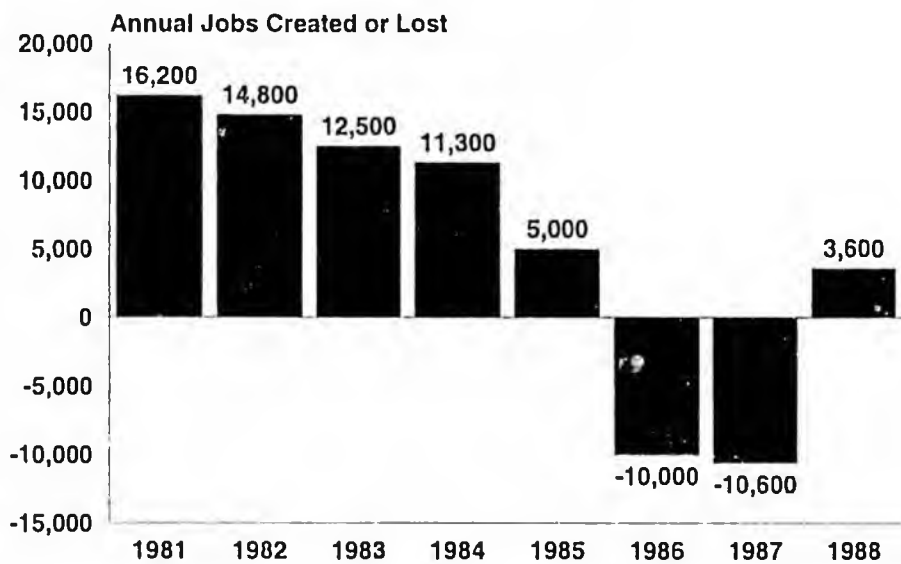


Source: Alaska Housing Finance Corp.

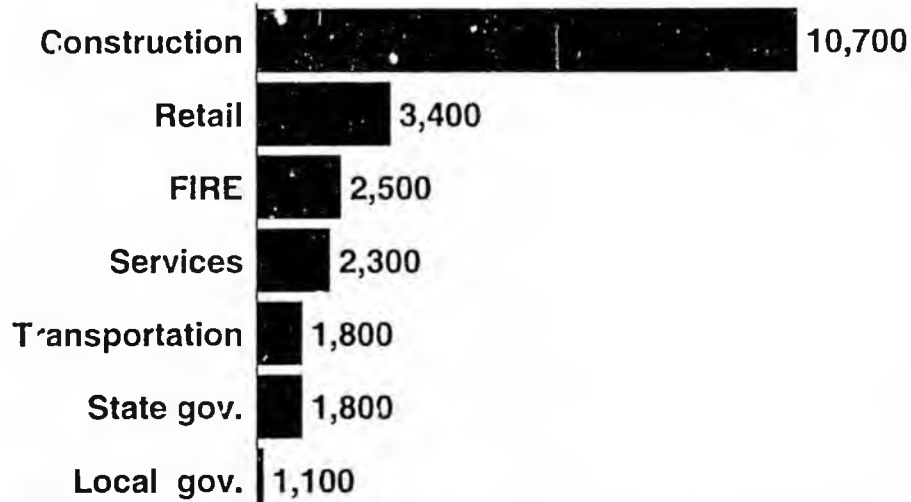
The Boom and Bust Years



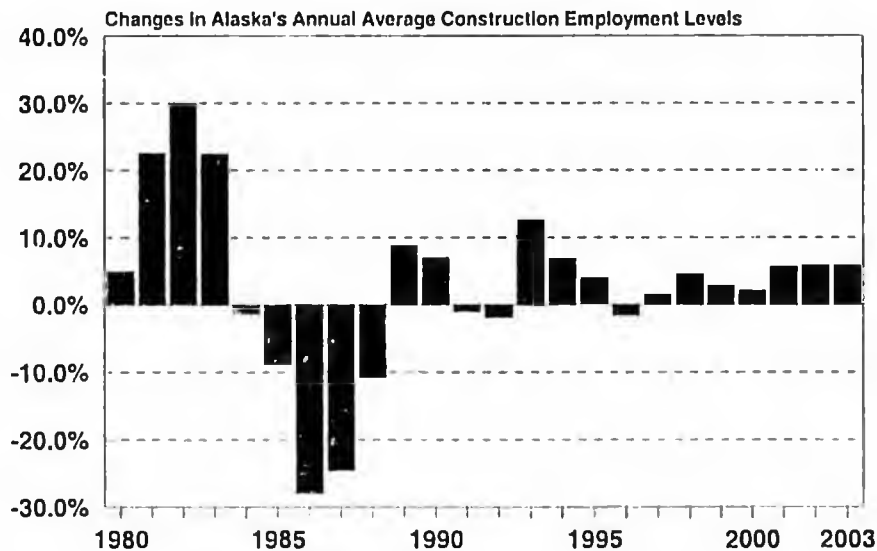
Job Gains and Losses



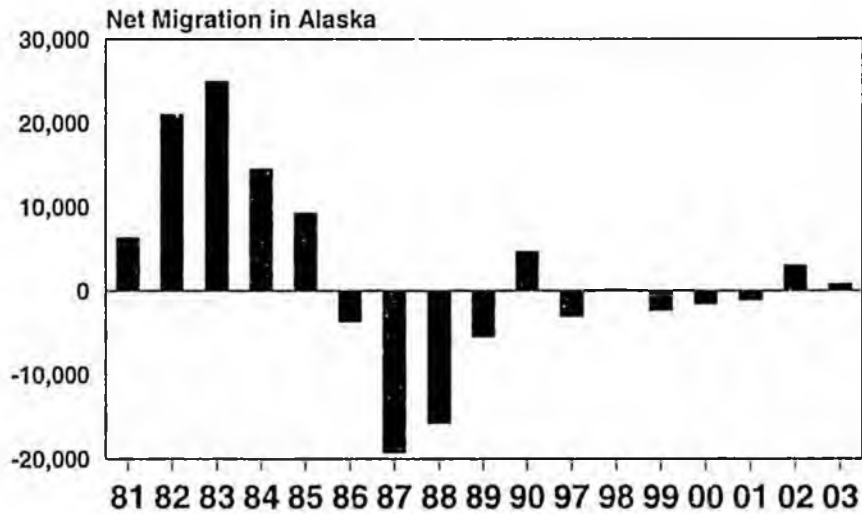
Where the Jobs Were Lost in the 1980s Crash



Constructions Growth has been Very Different During the Past Decade

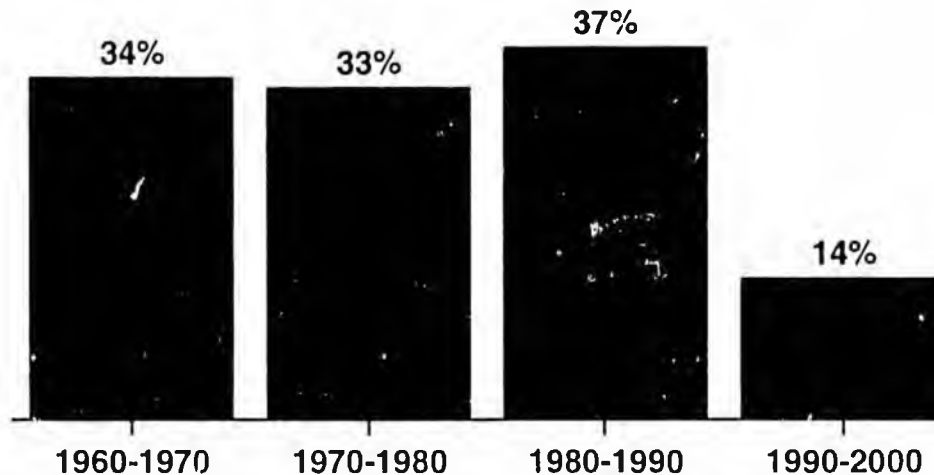


Lots of Migration In The 1980's, Much Less Over The Past Decade

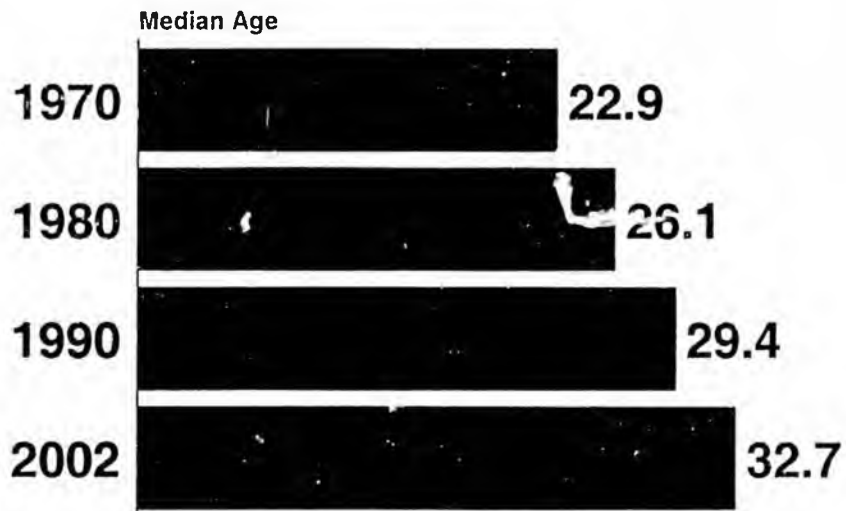


Population Growth During The Past Decade Slowed Considerably

alaska's population growth during each decennial census

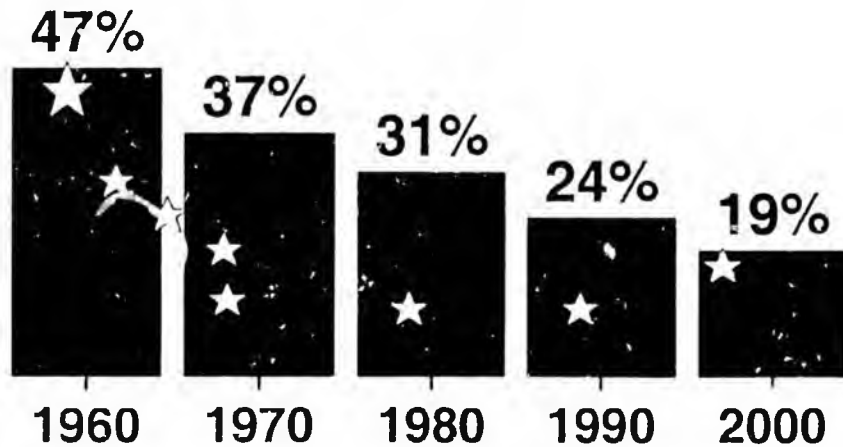


Alaskans are Getting Older



Alaska's Population has Become Much Less Footloose

Percent Cheechakoo



Discussions on the
Permanent Fund
and CBR

Public Comments

Subject: Testimony for all Finance Committee Members

Date: Thu, 18 Mar 2004 08:31:20 -0900

From: Shirley & Chuck Coulson <coulsons@gci.net>

To: Mindy_Rowland@legis.state.ak.us

Dear All,

My name is Lindsey Coulson and I am a sixth grader at Bear Valley Elementary. Please give my school district the money it needs for next year. I am concerned that when I go to Goldenview Middle School I won't have the opportunities to try new things like my brother and sister had. By taking away one elective it is like taking away a chance to learn something new and it seems by doing that the school district doesn't care about us learning new things before high school. I would be very angry if this is what will happen. I have listened to my older brother and sister talk about the really great teachers at Goldenview and I don't want them laid off from their jobs. Please take my opinion into consideration because I know this is how some of my other fellow classmates feel.

From,

Lindsey Coulson

3/17/04

To: Senate Finance Committee, of Alaska Legislature

Re: 2005 FY budget should enact revenues **first** rather than program budget slashes destructive to Alaska's senior and education communities.

From: James E. Fisher, 171 Farnsworth, Soldotna 99669
Phone: 262-9601 - fax: 262-9641

I urge enactment of revenue enhancing measures **before** cuts to vital programs such as the various senior programs¹ as currently proposed by the various committees or branches of the state's governmental structure.

Funding by broad based revenues, to solve the fiscal gap could avoid proposed cuts, and might ease discussion of critical use of permanent fund earnings. Revenue measures **other than first use** of permanent fund earning reserves should be planned and possibly executed, before any finalization of budget allocations.

Since 1995, we have heard Alaska can not grow, or cut, its way out of a fiscal gap. Yet in 2004 (for FY2005) we hear you considering: 1) slashing seniors' programs other than drug help; 2) consigning children to less health maintenance; and so on.

An unnamed theologian said "the self righteous will lead us to hell"; Alaska's analogy is that the proposed deterioration of **Alaska's financial image** as well as senior and education programs could throw us into a recession or some other kind of social hell.

(Sen-Fin.31704 testimony)

¹ For partial analysis see attached documents

Confirmation of testimony
on 3/17/04 - Thank you JEF

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2004

**Reductions to Medicaid Waivers or Grants
Affecting seniors and adults with physical disabilities**

\$6,818.0	Reductions to plans of care (OA/APD)
\$ 790.4	Cost of living/ SB 105/ all waivers
\$7,235.0	Cost study/ reimbursement rate reductions
\$7,950.0	Reduce respite/ use adult day
\$2,900.0	Limit Administrative and General rate to 18%
\$4,905.7	Quality assurance/ Medicaid fraud
\$1,500.0	Monitoring Title III grants
\$1,000.0	Eliminate PCA and respite in assisted living
\$6,566.9	Reduce PCA
\$4,000.0	Nursing Home/ preadmission counseling
\$4,435.5	Reduce environmental modifications
\$ 200.0	Increase Title III grantees match

202-9041

Planning for longer term
DHSS

**Proposed FY05 budget
Division of Senior and Disability Services
Suggested impacts**

Note: all references in this document refer to the page numbers in the Department of Health and Social Services, FY05 Budget Overview.

Preface: one of the largest challenges facing today's health care system is managing chronic care. People with multiple chronic conditions have substantially more physician contacts and are more likely to be hospitalized each year. As the elderly age, they face an increased risk of having multiple chronic conditions. A Robert Wood Johnson study determined that, nationwide, almost all Medicare dollars and about 80 percent of Medicaid resources are spent on people with chronic conditions. Page 91 of the DHSS FY05, Budget Overview, contains a chart of Medicaid expenditures. This chart indicates that the largest Medicaid expenditures are hospital services, physician services, pharmacy, and nursing home care.

The RWJ study suggests that an effective chronic care model is organized around individuals' needs and preferences to coordinate services with the goal of maintaining health status and slowing disease progression. This model includes supportive services that are leveraged to enhance the effectiveness of medical care and to improve the quality of life for people with chronic conditions.

Many studies have shown that an effective coordinated community based service delivery system (supportive services) reduces costs across the continuum of care. In Alaska, Medicaid waivers and minimal grant funding provide the basic foundation for community care. This foundation helps to delay or prevent unnecessary nursing home placement, assists seniors in negotiating the bewildering health care system, reduces the number of contacts to physicians' offices, and can reduce hospital visits.

- An average cost for a senior under the Older Alaskan's waiver (home and community based care) is \$18,911; compared to the average nursing home cost of \$150,000 per patient per year.
- Unfortunately, the existing home and community based system for seniors is seriously under funded.
- This infrastructure will see damaging erosion if the FY05 proposed budget reductions are implemented, resulting in higher costs in the end.

The following information is a list of suggested impacts to the proposed budget reductions.

Page 160: Cost Savings from Older Alaskans/Adults with Physical Disabilities (\$2,727.2) GF match and (\$4,090.8) Fed.

- This reduction assumes that plans of care will be reduced through contracted care coordination assessment.
- This significant reduction is difficult to quantify since the Department has given no specific information about where the care plans will be reduced.

- A reduction of \$6,818 in waiver services will have a significant impact on those needing services, especially when taken in tandem with other proposed reductions.

Page 160: Second year cost-of-living adjustments for Nursing Homes and Home and Community based waivers. (\$252.9) GF match and (\$37.5) Fed.

- This savings is based on SB105 passed by the legislature last year. That bill effectively reduces the number of eligible recipients for Medicaid.
- DHSS does not indicate how many people might lose their eligibility.
- We have already experienced difficulty in qualifying people for the waiver even the need was clear and the eligibility criteria seemed applicable

Page 160: Cost Study Savings for Medicaid Waivers. (\$2,894) GF match and (\$4,341) Fed.

- This standardizes reimbursement rates for services across the four waivers.
- There is little specific information in this item; this is a projected assumption of savings based on a study that has not yet been conducted.
- We know that delivering services in rural areas cost more and that waivers are often the essential key to keeping elders in their home communities.

Page 162: Reduce Respite Utilization. (\$3,180) GF match and (\$4,770) Fed

- This reduces respite costs by using the more cost effective adult day service.
- This is an exceptionally effective cost containment strategy that also results in improved outcomes for seniors.
- This strategy, of course, only works in communities where there is an adult day program. Currently there are 12 adult day programs in 11 communities.
- Respite care under the waiver is reimbursed at \$22 an hour. If you divide the proposed \$7,950.0 reduction, that equals a reduction of 361,363 hours of respite

Page 162: Limit Administrative and General cost to 18%. (\$1,160) GFM and (\$1,740) Fed.

- We are willing to do our part to contain costs, and will try to find a way to live within the 18% cap.
- Administrative burdens continue to increase with the state looking for more accountability financially, and in the area of outcomes that require more data collection and analysis
- We would be concerned if this represents a downward trend that might continue over time.

Page 162: Eliminate respite and personal care attendant services in Assisted Living Homes. (\$400.0) GF match and (\$600.0) Fed.

- The state currently reimburses assisted living homes for services but not for room and board.
- It is very difficult for the homes to make ends meet with the current rates.

- Home operators often are the only people staffing the homes 24 hours a day. Allowing respite and PCA services in the homes gives these providers a break.

Page 162: Increase Quality Assurance Audit and Review Activities. (\$1,962.3) GF match and (\$2,943.4) Fed. This is an assumed projection of savings due to Medicaid fraud.

Page 162: Monitoring of Title III grants. (\$600.0) GF match and (\$900.0) Fed

- This reduction specifically impacts seniors who receive congregate meals, meals on wheels, transportation and other supportive services.
- DHSS is assuming that grantees are double dipping with state funds and Medicaid Waiver, but they don't know for sure or to what extent.
- Since DHSS is also reducing Medicaid Waiver expenses, this may result in higher losses to services.
- It is unclear if this is a reduction of grant money or Medicaid Waiver

Page 163: Contract for Personal Care Attendant services. (\$2,615.9) GF match and (\$3,951.0) Fed.

- When the Consumer Directed PCA program was implemented, the costs for the program surged. The state appeared to have been unable to effectively monitor the PCA plans.
- This appears to be a necessary cost containment strategy, *as long as services are based on client needs, and clients are able to get the level of service needed to remain in their homes.*

Page 163: Nursing Homes-utilize Preadmission Care Plan Counseling. (\$1,540.9) GF match and (\$2,459.1) Fed.

- This is an effective nursing home diversion strategy that is currently only available in Anchorage.

Page 169: Change match for Nutrition, Transportation, and Supportive Services grants. (\$200.0) GF.

- This effectively reduces the amount available to serve seniors by \$200.0.
- Add this reduction to the \$1,500.0 reduction for monitoring Title III grants and there will be a significant impact on foundational supports for seniors.

Subject: Testimony for Finance Committee

Date: Sat, 13 Mar 2004 16:27:46 -0800 (PST)

From: Jim r <papa42dudes@yahoo.com>

To: Mindy_Rowland@legis.state.ak.us

CC: Senator_Con_Bunde@Legis.state.ak.us

Mindy, Pls provide a copy of this msg to all members of the Senate Finance Committee.

Implement Spending Limit: OF COURSE!

Constitutional Guarantee Of Dividend: If it goes in the constitution it should state that proceeds from the Permanent Fund should first go to running the state, second to dividends, AND any year that dividends are paid the state shall not collect an income tax. If there is enough money for a dividend, then there is no need for income tax to be collected.

Allow For Some Limited Use Of Surplus Earnings Of The Fund: OF COURSE - as long as there is a tax cap/spending limit in the constitution.

Switch to POMV: YES

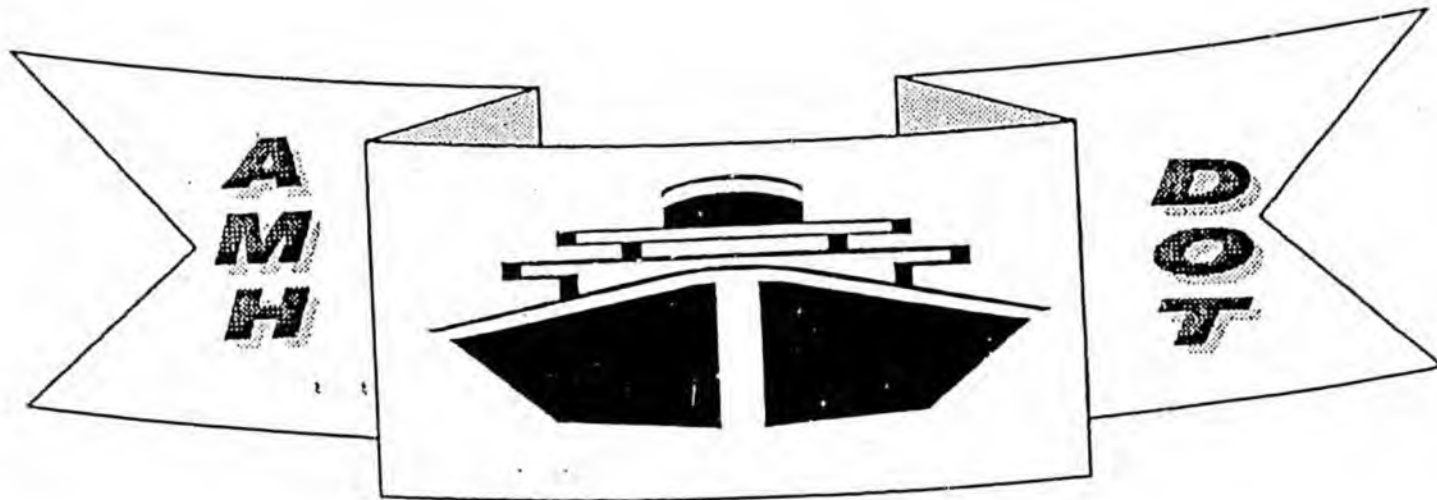
Jim Ricks, Eagle River, AK

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<http://mail.yahoo.com>

Provided by Al Judson
31.7104

Stop the Move



Provided by Al Judson
3/17/04

Department won't disclose savings gained from relocation

3/5/04

By TIMOTHY INKLEBARGER
JUNEAU EMPIRE

Alaska Marine Highway System employees in Juneau worry they'll have to look for new jobs or move to Ketchikan as early as this summer, though no one has said just why it makes sense to relocate the ferry system's administration.

The Alaska Department of Transportation, which has conducted an internal review of moving the AMHS administrative offices since last fall, refuses to release any information on the proposal to shift some 40 employees to Ketchikan. Potential savings have not been disclosed.

Transportation Commissioner Mike Barton refused to talk to reporters after a Thursday morning meeting with marine highway employees on the proposed move.

On Monday, the Ketchikan Gateway Borough sent a proposal to DOT to move the AMHS administrators to the largely vacant Ketchikan Pulp Co. administration

building near Ward Cove.

DOT has given ferry system employees little information as to why or when the move would take place, and on Thursday Gov. Frank Murkowski said in a press conference that he supports the move.

"I think it's a substantial savings, and I think that's in the interest of the ferry system and in the interest of the state," Murkowski said.

The statement came just a few hours after Commissioner Barton told AMHS employees that the proposal was still just a proposal.

"There's no decisions made yet," Barton told a conference room full of AMHS employees. "We are still gathering information, looking at information, verifying information and assembling it. ... That's it. There's no hocus pocus going on. There's no hiding the ball. I know this is traumatic."

Talk of moving the ferry system began last September, but

Thursday was the first time Barton addressed employees' concerns.

Earlier this week a DOT spokesperson said AMHS Director Tom Briggs made a recommendation to Murkowski and Barton, but neither official will release the information.

One employee at the meeting asked Barton if the recommendation was a public document on paper.

"I don't know," Barton said. "I think so. I don't remember. ... It's an internal working document."

The administration and DOT also have refused to give employees or the media cost estimates of the proposed move.

Murkowski, however, said the state would save in administrative costs in the end.

He said his administration's support for a new capitol in Juneau should garner Juneau's support for moving AMHS

Please see MOVE, Page A10



BRIAN WALLACE / JUNEAU EMPIRE

Pondering the future: Alaska Marine Highway System marketing manager, Sharon Gaipman, listens to transportation Commissioner Mike Barton answer questions about the possible move of the ferry system office to Ketchikan

Move: Murkowski backs AMHS relocation to Ketchikan

Continued from Page A1

employees to Ketchikan.

"We support a new capitol building, so we hope Juneau will support the recognition that we can operate the ferry system better by having the operational activity centered in Ketchikan where we have the availability of the old pulp mill and all of the facilities associated with it," he said.

But officials still have given no financial justification for the move.

Murkowski also stated that other development projects such as the Juneau Access road project and the proposed Kensington mine at Berners Bay would create new jobs in Juneau.

"I think oftentimes Juneau

takes for granted the contribution of resource development because we've had such a dependence on government," Murkowski said.

He said he did not believe that the move constituted "capital creep," a euphemism for state jobs leaving the capital city for other areas of the state.

Win Gruening, chairman of the Alaska Committee, a Juneau-based organization committed to keeping the capital and state jobs in Juneau, said he would favor any plan that would save the state money.

"We're generally in favor of making government more efficient," he said, but he noted that the administration has not proven that the plan would do that.

He said the group, which met

last Wednesday, has not formally discussed the issue.

Meanwhile, AMHS employees are operating on rumors and media accounts of the proposal.

"I'm hearing all kinds of rumors," said AMHS General Manager Capt. George Capacci.

Capacci, who also has not been informed of the status of the proposal, said he is working to establish a Web site where employees can post questions about the move.

Marine Transportation Services Manager Jack Meyers asked how many employees have been asked for their input in the proposal at the Thursday meeting. About 20 employees lining the walls of the conference room sat quietly.

"My concern is for my staff and their families," Meyers said. "We

haven't had any input into this decision process. It's frustrating to read in the press if it's true or not true that Ketchikan is preparing for us to come and we're being told that no decision had been made. It's just fear, anxiety, doubt, all of those sort of things, that bother people who work for me."

Meyers noted that support staff outside AMHS also are located in Juneau.

Before hearing the afternoon Murkowski press conference, Meyers, like many other AMHS employees, said he takes Barton at his word: "A lot of what we heard today is what a lot of us would have liked to have heard several weeks ago or at least before the newspaper articles and the radio interviews were heard."

Provided by Al Judson
3/17/04

Here's the money to fund our schools

The bad news: Virtually all our school districts are facing multi-million dollar shortfalls. Here's the tally from just the largest districts:

- \$26.2 million in Anchorage
- \$ 8.5 million in Fairbanks
- \$ 8 million in Mat-Su
- \$ 5 million on the Kenai
- \$ 2.8 million in Juneau
- \$ 2.1 million in Kodiak

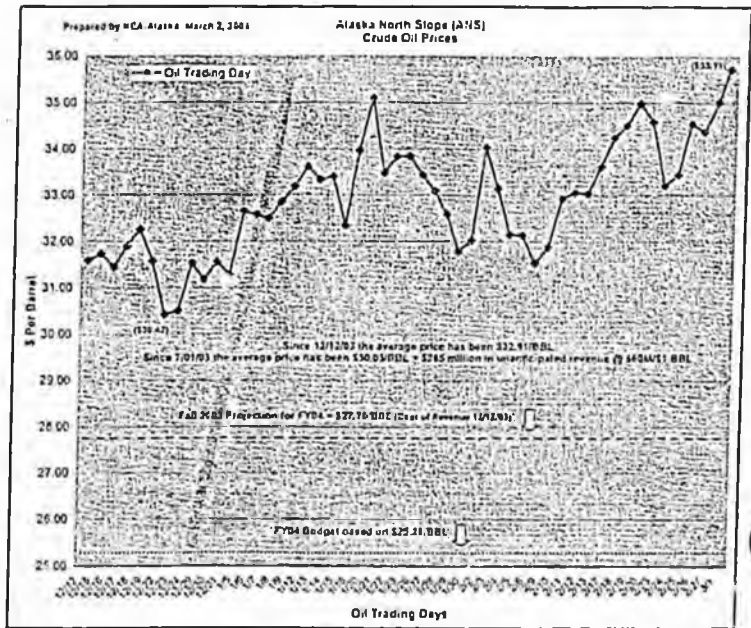
Similar news, and worse, is coming from smaller school districts. What will be the impacts of these cuts?

- Teachers, teacher aides, librarians, school nurses laid off
- Larger class sizes
- Academic programs cut
- Targeted programs for at-risk students cut
- Classroom supplies & equipment budgets slashed
- Extracurricular activities scaled back or eliminated altogether
- Large hikes in student activity fees—pricing many students out of after-school activities altogether

The good news: None of these cuts has to happen.

Because of unexpectedly high oil prices, there will be more than \$250 million in additional revenues available to lawmakers. More than enough for a *\$140 million supplemental appropriation from this year's budget.* * Lawmakers can make this appropriation right now, if they so choose. It will provide a short-term fix for our schools—and head off the losses and disruptions for our children. It will also buy time to decide on the appropriate mix of revenue measures to adequately fund education and other essential government services.

Supplemental funding will not require any changes to the Permanent Fund, or any new taxes. So no more excuses or delays.



Isn't it time that our elected leaders live up to their Constitutional mandate—and their campaign promises? Contact your legislators. ** Tell them to act now on a \$140 million supplemental appropriation for our schools.

Because our children get only one chance at a quality education.

* \$70 million to increase Base Student Allocation from \$4,169 to \$4,500; \$70 million as one-time payments over two years to TRS/PERS employee retirement systems to allow time for those systems to stabilize.

** Visit www.neaalaska.org to e-mail your legislators.



NEA - ALASKA

Affiliated with the National Education Association

4100 Spensard Road, Anchorage, AK 99517
Rich Kronberg, President
(907) 274-0536

ANAL D. NEWS

2004 3 17 10 40 AM

Subject: Fw: Fiscal Gap

Date: Fri, 12 Mar 2004 13:18:11 -0900

From: Jerry and Janet George <jgeorge@ak.net>

To: Mindy_Rowland@legis.state.ak.us

Here is the message I sent my Senator. It should go to every legislator on your committee.

YOU SHOULD NOT COME HOME UNTIL YOU SOLVE THE FISCAL GAP PROBLEM

NO to guarantee the dividend in the constitution

YES to % of market value

YES to using a % of permanent fund for state government

YES to an income tax that considers the effect on seniors and not tax their retirement after taking away longevity bonus

YES to a lump sum school tax taken from everyone's first paycheck

YES to raising the fuel tax by 23-30 cents a gallon for highways

YES to tobacco tax increase

YES to alcohol tax increase

Jerry & Janet George

3640 Dora Ave.

Anchorage, AK 99516

(907) 345-1841 (Home)

(907) 223-5656 (Cell)

jgeorge@ak.net

----- Original Message -----

From: Jerry and Janet George

To: Con Bunde

Sent: Friday, March 12, 2004 1:10 PM

Subject: Fiscal Gap

I have several friends that served on the committee of 55 in Fairbanks. I followed that conference on radio and debriefed with a couple folks who were there. I have also watched the legislature fumble for the last few years and it looks like they are about to fail again to come up with a solution. **YOU SHOULD NOT COME HOME UNTIL YOU HAVE RESOLVED THIS MATTER IN SOME FASHION.** To delay another session would be nonfeasance of office and dereliction of duty.

Here is my VOTE

- Do not guarantee the permanent fund dividend in the constitution. That is forever. A thousand years? We have to look at what happened in 1964 when we had the earthquake or in 1967 when we had the flood in the interior. We need to be able to react to emergencies no matter what.
- I agree with the percent of market value approach.
- A spending limit is an admission of failure by the legislature to do their job. If little Janie needs an operation to save her life, do you say sorry it is not in the budget? Or do you cancel the family vacation and get her the operation? It is your job every year to create a budget and you should have the flexibility to continue to do that each year as times and needs change.
- The permanent fund should be used sparingly to meet the needs of Alaskans. But it should be used.
- I would favor a "school tax" like we use to have in the good old days before oil money. I understand the constitutional prohibition against dedicated funds, but we have to believe that the legislature will always appropriate more for education than the tax brings in. There are ways to make it work. The International Airport Revenue Fund works because you reappropriate the fund each year. The school tax should be \$100 or greater and come out the first paycheck of the year. It worked for years in territorial days - it can work again.
- Raise the fuel tax to fund the highways. It is a fair user tax. Alaska has the lowest fuel tax in the nation. A 25

or 30 cent per gallon increase is warranted.

- Consider the elders in any income tax program. I retired and am getting too old to go back to work to make up for what you take away. For example, no more longevity bonus. What if we loose the permanent fund dividend, the property tax break for seniors, and then you start taxing our retirement check? Add to that when you do impose an income tax, every union is going to ask for raises and the cost of goods and services will rise to cover the cost. It comes right back out of our pockets again. I retired based on certain rules in effect at the time. Keep taking more away and you will have to increase welfare to take care of those of us who could have made it if you hadn't taxed us into the poor farm. I agree with an income tax, but consider its effect on seniors who are already retired. Like exempt retirement income.

But I am afraid that if you do not figure this out we will have another 1986. My house will lose value and it represents a large amount of our net worth. We need the value to stay up so it will pay for our years in a retirement home. We are thinking we should sell now and get out before the bottom drops out. I have lived here almost my entire life and I do not want to leave Alaska but I have no faith that the legislature can keep the bottom from dropping out of our economy.

DO SOMETHING. But do not delay this another year. Give those of us who have few options the opportunity to sell out and leave while we still can. Or give us the peace of mind that you have a solution. **JUST DO IT.**

Jerry & Janet George
3640 Dora Ave.
Anchorage, AK 99516
(907) 345-1841 (Home)
(907) 223-5650 (Cell)
jgeorge@ak.net

Subject: Testimony regarding Conference of Alaskans

Date: Fri, 12 Mar 2004 13:14:17 -0900

From: "Carman, John" <JCarman@homestatemtg.com>

To: "'Mindy_Rowland@legis.state.ak.us'" <Mindy_Rowland@legis.state.ak.us>

I would like to make this email a part of the public testimony that is scheduled for March 17th.

I was married in Anchorage in August 1970 - I finished my last year of College that year and moved permanently to Alaska in 1971. Other than 5 years to go to Graduate school I have lived in Alaska ever since. I remember quite well all of the discussion and the reasons I voted for the Permanent fund. In my mind the reasons were quite clear.

The state had too much money we wanted to limit the amount we were spending each year

The Oil was a depleting resource and we wanted to transform that wealth into a fund that WOULD BE ABLE TO FUND NECESSARY STATE SERVICES WHEN THE OIL RAN OUT.

it is a little crazy to now say that this fund, that was created for this purpose, will not be used for it's intended purpose because it is "the peoples money". I have heard everyone's definition of "fair". And the bottom line always seems to be that it is fair if we take more of the money from you and not fair if you take it from me. How can anyone say that it is more "fair" to take the money from an Alaskan that has worked here for 30 years - but not take it from a 2 year old whose parents moved here last year. The Hammond plan reminds me of those that complained that they didn't get anything from an income tax reduction because they didn't pay any taxes to begin with. It is crazy to want a reduction to below -0-.

This is state money derived from the sale of state assets - it should be used first and foremost to pay for state government. If there is any left over distribute it. If there is not enough tax us. But don't take from one group and give to another. Your job should be to make sure that money is spent wisely - not to redistribute income among Alaskan's.

A percent of market value is a good plan if it doesn't tie up the plan and memorialize the PFD any more than it already is. If Hammond wants everyone to "feel the pain" to somehow limit state government then have the PFD state each year

- 1) This is 5% of earnings
- 2) This amount went to fund state government
- 3) This is what is left to distribute to you

Thank you for your patience.

John Carman

Homestate Mortgage

"The information contained in this email (including any attachments) is confidential and may be privileged. If you are not the intended recipient of this email, do not read, retain, copy, distribute, or disclose the content of this email. If you have received this email in error, please advise us by return email. Thank you."

JUNEAU

afternoon

SENATE FINANCE COMMITTEE
PUBLIC TESTIMONY
SIGN-IN

State Senate Conference of Alaskans Resolutions

✓ NAME: Rich Kronhoy Subject/Bill No: Fiscal plan
Co./Dept./Title: NEA-Alaska Phone: 274-0536
Address: 4100 Spenard Rd - Anchorage Zip: 99517
Do you wish to testify? Yes No Respond To Questions

✓ NAME: Roger Clemo Subject/Bill No: SVR 18
Co./Dept./Title: _____ Phone: Bokanof
Address: PO Box 210347 Anchorage AK Zip: 99521
Do you wish to testify? Yes No Respond To Questions

✓ NAME: Sandy Shoulders Subject/Bill No: Fiscal Plan
Co./Dept./Title: _____ Phone: 733-3050
Address: P.O. Box 236 Talkeetna Zip: 99676
Do you wish to testify? Yes No Respond To Questions

✓ NAME: Mary Hakala Subject/Bill No: Fiscal Plan
Co./Dept./Title: Alaska Kids Count + self Phone: 780-4640
Address: 1606 Lawie Lane Juneau Zip: _____
Do you wish to testify? Yes No Respond To Questions

SENATE FINANCE COMMITTEE
PUBLIC TESTIMONY
SIGN-IN

afternoon

wants to be heard later in meeting

State Senate Conference of Alaskans Resolutions

NAME: AI Judson Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____

"Stop the M...
& Ed. Funding"

Address: 2225 Meadow Lane, Anchorage, AK Zip: 99801

Do you wish to testify? Yes No Respond To Questions

✓ NAME: Claudia Criss Subject/Bill No: _____

Co./Dept./Title: _____ Phone: _____

Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

Claudia
Criss

✓ NAME: _____ Subject/Bill No: _____

Co./Dept./Title: _____ Phone: _____

Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____

Co./Dept./Title: _____ Phone: _____

Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

Provided by Al Judson 3/17/04

Governor is quick to subsidize, careful not to offend big business

Gov. Frank Murkowski is completely captured by big oil and big business. Not only is he afraid to offend them, he's quick to subsidize them. As soon as taxing them is suggested, as in House Bill 441, he leaps to their defense and says we need to give them more incentives. (Like last year's \$50 million tax break for oil companies, which is a little more than he took from the longevity bonus).

Who's in charge?

— Ron Hammett
Anchorage

Sunday, February 8, 2004

Anchorage Daily News

SITE: Kenai

COMMITTEE: Senate Finance

DATE: 3-17-04

AGENDA :

Discussion on Use of the Permanent Fund & CBR

UPDATE #:

afternoon

**DO YOU WANT
TO TESTIFY?**

PRINT YOUR NAME

COMMUNITY

REPRESENTING / AFFILIATION

Y or N

PRINT YOUR NAME	COMMUNITY	REPRESENTING / AFFILIATION	DO YOU WANT TO TESTIFY? Y or N
Mike Navarre	Kenai	Self	Y

SITE: ANCHORAGE

COMMITTEE: SFIN

DATE: 3-17-04

SUBJECT OF MEETING or BILL #

PF and CBR

UPDATE #: 3

afternoon

PRINT YOUR NAME

COMMUNITY

REPRESENTING/AFFILIATION

DO YOU WANT
TESTIFY
Y or N

✓ Carl Evertsbusch	Anchorage	Key Coalition	Y
✓ Kathy Fitzgerald	Anchorage	Self	Y
✓ Jerry McCutcheon	Anchorage	Self	Y
✓ Eric Wohlforth	Anchorage	Self	Y
✓ Arliss Sturgulewski	Anchorage	Self	Y
✓ Eddie Burke	Anchorage	Alaskan's Just Say No	Y
✓ Marie Lavigne	Anchorage	Self	Y
✓ Ron Cowan	Anchorage	LTC Ombudsman	Y
✓ Soren Wuerth	Anchorage	Alaskan's Just Say No	Y
✓ Roselynn Cacy	Anchorage	Self	Y
✓ Todd Brown	Anchorage	Self	Y

✓ NAME: Brad Fluetzsch Subject/Bill No: _____
Co./Dept./Title: _____ Phone: 321-4596
Address: 5700 N. Douglas Hwy Zip: Jensenville 99801
Do you wish to testify? Yes No Respond To Questions

3/12/04 Voluntary

NAME: _____ Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions

NAME: CLAUDIA CRISS Subject/Bill No: blind services

Co./Dept./Title: ADA Services Phone: 789-5904

Address: 8491 Thunder ANT Road Juneau Zip: 99801

Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____

Co./Dept./Title: _____ Phone: _____

Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____

Co./Dept./Title: _____ Phone: _____

Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____

Co./Dept./Title: _____ Phone: _____

Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____

Co./Dept./Title: _____ Phone: _____

Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

Subject: Finance Comm Meeting 3/17

Date: Sat, 13 Mar 2004 18:34:50 -0900

From: William Hutmacher <chena2@ak.net>

To: Mindy_Rowland@legis.state.ak.us

We will not be able to attend the 3/17 Finance committee meeting, however we would like to offer the following comments:

We are definitely in favor of the Percent of Market Value approach for the Permanent Fund.

We believe that some of the earnings of the Permanent Fund should be used to fund dividends AND government services such as education, public safety, transportation. Dividends should also be capped at a specific amount such as \$1,500.

We also believe that a limited income tax should be reinstated as part of the long term fiscal plan. We were here prior to 1980 when it was in effect. This ensures that residents and non-residents contribute to the funding of essential state services.

We believe we must have a long term fiscal plan by the end of this session. DON'T put it off because oil prices happen to be at a high level.

Thank you,

Bill & Ruth Hutmacher
16130 Bridgewood Circle
Anchorage
344-1014

