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Alaska State Senate

SENATOR STEVE RIEGER
District I

Senate Finance Committee
Chair, Senate Transportation Committee

Legislative Budget and Audit Committee
Administrative Regulation Review Committee
Legislative Council

During Session:
State Capitol, Room 516
Juneau, Alaska 99801
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Anchorage, Alaska 99501
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MINORITY REPORT

The Long Range Financial Planning Commission has identified a series of measures which would balance revenues and expenditures over the next ten or more years. However, the final Commission Report goes beyond that task, and recommends additional taxes beyond those which are part of closing the fiscal gap, and which instead serve to place additional money into the corpus of the Permanent Fund. These additional measures are excessive.

The major reason for concern about the fiscal gap was the prospect that, if action was not taken, there would be a crisis reached which would trigger a sudden drop in state spending and threaten the economy and people's jobs, or a major (in the nine figures) new tax such as an income tax or a statewide sales tax, or both. These outcomes are avoided in the Minority Report's plan. However, a major new tax is included in the Commission report.

There are some similarities. The Minority Report agrees with a number of points in the Commission's recommendations. The most notable among them include the following:

1. A baseline forecast of revenues and expenditures shows an ever-widening divergence, or "fiscal gap." With no alteration of course all reserves would be depleted within a few years. Therefore some sort of action is clearly necessary.

2. Cutting spending is a necessary component of closing the fiscal gap.

3. A series of smaller revenue-raising measures, including excise taxes, fees to support specific programs, and motor fuel taxes contribute, in the aggregate, a significant amount toward closing the fiscal gap.

4. Inflation-proofing should become a top priority or even automatic for the Alaska Permanent Fund. In addition, a portion of the remaining earnings after inflation-proofing should be used for general fund purposes, even though it will have an effect on the size of the dividend.

The fiscal measures described above are surprisingly powerful in themselves. They can close the fiscal gap for a decade, and actually build up significant cash reserves at the same time. Under a "Composite Scenario" developed during the Commission's

deliberations, (and using the Commission's assumptions), by the year 2010 these measures would result in a Permanent Fund balance of almost $30 billion and additional cash reserves of over $5 billion. In today's dollars these numbers would be over $19 billion and $3 billion respectively.

The Composite Scenario was put together largely out of the work of the Commission. There were a number of individual assumptions or points which differ from what the Minority Report would prefer to see. However, these were not sufficient in themselves to necessitate a dissenting Minority Report. The Composite Scenario represents a reasonable course for Alaska.

Discussion Of Differences. Where the Commission Report and the Minority Report part company most dramatically is the extent to which they pursue the goal of making the Permanent Fund an "endowment" for future government spending. To pursue this thought, the Commission Report recommends diverting an additional $250 million of today's royalties away from the general fund and into the Permanent Fund, thereby cutting the present state revenue stream by approximately $250 million per year and actually *increasing* the fiscal gap; by dumping most present or forecast cash reserves into the Permanent Fund; reducing the dividend payout more than in the "Composite Scenario" referred to above; imposing an additional $40 million to $50 million per year in small taxes over those used in the Composite Scenario; and by imposing a major new personal income tax generating $385 million per year by the year 2010. These measures, plus calling for smaller reserves of $1.5 billion, compared to $5 billion in the Composite Scenario, result in a Permanent Fund which is a little over $40 billion in the year 2010, or the equivalent of $26 billion in today's dollars.

In the Minority Report's view, these additional measures are not worth the sole accomplishment of a Permanent Fund which is 1/3 larger in size. They do not succeed in creating an endowment for state spending, and impose taxes when they are not needed. The Permanent Fund can be a very substantial source of stability and cash for the future. However, in neither the plan advanced by the Commission nor in the Composite Scenario does it come even close to being the sole source of funding for state government.

The fiscal gap can be closed satisfactorily for the next decade with a much more modest set of measures. These measures would be similar to those shown in the Composite Scenario referred to above. While they are actually sufficient to cover forecast cash needs through the year 2010 with room to spare, the Minority Report recommends that the fiscal outlook be revisited in approximately the year 2005, when the state begins to be faced once again with drawing down cash reserves rather than building up cash reserves. At that time the state will probably have to choose between making further cuts in spending, or making a yet greater draw on after-inflation Permanent Fund Earnings (resulting in a reduced dividend payout), or imposing additional taxes. It is possible that at that time the state will be seeing new revenues under the existing fiscal structure, because of ANWR activity, gas line activity, or other new developments, but the Minority Report would not recommend relying on those developments at this time. They will be part of the information available at the revisit ten years from now.

An argument raised for the Endowment approach is an assertion that the Composite Scenario does not do enough beyond the year 2005, when the gap starts widening again. A close look at the Endowment Plan shows that the gap is not closed because of the larger Permanent Fund. Both plans show a deficit in the year 2010 absent additional measures. The spreadsheet for the Endowment Plan shows a deficit $503 million smaller than the Composite scenario; however, the Endowment Plan has $371 million higher taxes than the Composite Plan in that year, and $276 million lower transfers to the Permanent Fund Dividend program. In other words, higher taxes and lower dividends account for more than 100% of the net fiscal difference between the two plans, even in the year 2010. At the same time, much of the larger Permanent Fund earnings under the Endowment Plan by the year 2010 primarily serve to offset the higher royalty contribution rate to the fund.

Summary. The fiscal gap is a real problem which demands immediate action. However, the action required is quite manageable and--while it will be felt--it will not place dramatic strains on the Alaskan economy or individual Alaskans. In contrast, the action recommended in the Commission Report attempts not only to close the fiscal gap but also attempts, unsuccessfully, to create an endowment for state government. In doing so the Commission Report recommends a more disruptive course than is necessary, with greater effects on the economy and on individuals, especially because of the personal income tax. The Minority Report recommends taking only those actions which are required to close the fiscal gap. While the details may be the subject of debate, the Composite Scenario shown in the attached spreadsheet is representative of the action needed.

Appendix

The attached spreadsheet was presented to the Long Range Financial Planning Commission on September 29-30, when the Commission was developing its final recommendations. It uses assumptions which had been developed by the LRFPC at that time.

RIEGER COMPOSITE SCENARIO PROJECTION — SEPTEMBER 30

PERMANENT FUND EARNINGS AT 7.94% (AVG) (Nominal Dollars)

	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY07	FY08	FY09	FY10
AVAILABLE REVENUES ($ Millions):															
Existing General Fund sources	1,952	1,919	1,997	2,038	2,062	2,083	2,059	2,058	2,052	2,038	1,985	1,936	1,950	1,910	1,870
Lift ANS Export Ban		20	20	20	20	20	20	20	20	20	20	20	20	20	20
New oil production										25	100	100	100	100	100
Permanent Fund Net Earnings	1,213	1,391	1,450	1,514	1,581	1,651	1,722	1,796	1,872	1,951	2,031	2,114	2,200	2,288	2,379
Permanent Fund Inflation-Proofing	-429	-494	-541	-566	-592	-619	-647	-676	-706	-737	-768	-800	-834	-868	-904
Transfer to Permanent Fund Earnings Reserve	-219	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Highway Motor Fuel Tax @ $.219/gal., indexed)		39	41	43	45	47	50	52	55	57	60	63	66	69	73
Marine Motor Fuel Tax ($.08/gal., per HB 122, indexed)		5	5	5	6	6	6	7	7	7	8	8	8	9	9
Tobacco Tax ($1/pkg cigs; 75%/chewing; +25¢ triennially)		43	44	44	56	57	58	71	72	73	87	88	102	104	106
Motor vehicle license fees (double)			29	29	30	30	31	31	32	32	33	33	34	35	35
User fee increases		3	6	9	12	15	15	15	15	15	15	15	15	15	15
Alcohol taxes (increase similar to HB 96)			20	21	21	21	22	22	22	23	23	23	24	24	24
TOTAL REVENUES	**2,517**	**2,926**	**3,072**	**3,159**	**3,241**	**3,312**	**3,336**	**3,396**	**3,441**	**3,505**	**3,594**	**3,600**	**3,686**	**3,706**	**3,728**
Note: PF earnings used for GF programs		350	394	469	509	617	647	683	713	740	766	792	728	756	785
Note: Cumulative Spending Cuts total		40	70	100											
EXPENDITURES ($ Millions):															
Total GF spending on current programs	2,476	2,436	2,406	2,376	2,471	2,570	2,673	2,780	2,891	3,007	3,127	3,252	3,382	3,517	3,658
Permanent Fund Dividends	565	575	550	525	525	473	502	520	542	565	589	613	638	664	691
TOTAL EXPENDITURES	**3,041**	**3,011**	**2,956**	**2,901**	**2,996**	**3,043**	**3,174**	**3,300**	**3,433**	**3,572**	**3,716**	**3,865**	**4,020**	**4,181**	**4,348**
PROJECTED ANNUAL FISCAL GAP	**-524**	**-85**	**116**	**258**	**245**	**269**	**161**	**96**	**8**	**-67**	**-122**	**-265**	**-334**	**-475**	**-621**
DRAW FROM CBR	524	85	-116	-258	-245	-269	-161	-96	-8	67	122	265	334	475	621
Constitutional Budget Reserve beginning balance	**2,006**	**1,107**	**1,592**	**1,957**	**2,487**	**2,888**	**3,337**	**3,707**	**4,035**	**4,294**	**4,496**	**4,655**	**4,681**	**4,639**	**4,454**
Interest	125	69	99	122	155	180	209	232	252	268	281	291	293	290	278
Settlements	500	500	150	150											
Drawn for GF spending	524	85	-116	-258	-245	-269	-161	-96	-8	67	122	265	334	475	621
CBR Transfer to Permanent Fund Principal	1000														
Constitutional Budget Reserve ending balance	**1,107**	**1,592**	**1,957**	**2,487**	**2,888**	**3,337**	**3,707**	**4,035**	**4,294**	**4,496**	**4,655**	**4,681**	**4,639**	**4,454**	**4,112**
PF Earnings Reserve beginning balance	**703**	**904**	**904**	**904**	**904**	**904**	**904**	**904**	**904**	**904**	**904**	**904**	**904**	**904**	**904**
Net from PF Earnings not used for GF	219	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PF Earnings reserve transfer to PF Principal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
PF Earnings Reserve ending balance	**904**	**904**	**904**	**904**	**904**	**904**	**904**	**904**	**904**	**904**	**904**	**904**	**904**	**904**	**904**
Alaska Permanent Fund beginning balance	**14,139**	**16,285**	**17,006**	**17,790**	**18,615**	**19,470**	**20,353**	**21,262**	**22,197**	**23,161**	**24,153**	**25,170**	**26,214**	**27,300**	**28,414**
Dedicated state revenues - DOR Spring mid-case	217	227	244	259	263	264	261	259	258	256	249	243	253	246	239
FY end principal balance before inflation-proofing & deposits	14,356	16,512	17,250	18,049	18,878	19,734	20,614	21,521	22,455	23,417	24,402	25,413	26,467	27,546	28,653
Deposits to Principal from CBR	1,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deposits to Principal PFER	500	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Inflation-Proofing	429	494	541	566	592	619	647	676	706	737	768	800	834	868	904
FY ending balance Inflation Proofed	16,285	17,006	17,790	18,615	19,470	20,353	21,262	22,197	23,161	24,153	25,170	26,214	27,300	28,414	29,557
Escrow Accounts and Settlements	142	153	165	178	192	208	224	242	261	282	305	329	355	384	414
Net income (Calculated)	1,190	1,391	1,450	1,514	1,581	1,651	1,722	1,796	1,872	1,951	2,031	2,114	2,200	2,288	2,379
Real Return	761	897	909	949	990	1,032	1,075	1,120	1,166	1,214	1,263	1,314	1,366	1,420	1,476
Permanent Fund Dividends	582	575	550	525	525	473	502	520	542	565	589	613	638	664	691
Income transferred to (from) General Fund	-40	350	394	469	509	617	647	683	713	740	766	792	728	756	785
Alaska Permanent Fund ending balance	**16,285**	**17,006**	**17,790**	**18,615**	**19,470**	**20,353**	**21,262**	**22,197**	**23,161**	**24,153**	**25,170**	**26,214**	**27,300**	**28,414**	**29,557**

Office of Management and Budget
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Fiscal Year	96	97	98	99	0	1	2	3	4	5	6	7	8	9	10
SB 51 EARNINGS		1,391	1,450	1,514	1,581	1,651	1,722	1,796	1,872	1,951	2,031	2,114	2,200	2,288	2,379
MID CASE DOR INFLATION	1.0299	1.0299	1.0318	1.0318	1.0318	1.0318	1.0318	1.0318	1.0318	1.0318	1.0318	1.0318	1.0318	1.0318	1.0318
PER CAPITA CALCULATION		1.0463784	1.0483088	1.0483088	1.0483088	1.0483088	1.0483088	1.0483088	1.0483088	1.0483088	1.0483088	1.0483088	1.0483088	1.0483088	1.0483088
AVERAGE POPULATION GROWTH – DOL	1.016	1.016	1.016	1.016	1.016	1.016	1.016	1.016	1.016	1.016	1.016	1.016	1.016	1.016	1.016
INFLATION*1/2 POPULATION	1.038	1.038	1.040	1.040	1.040	1.040	1.040	1.040	1.040	1.040	1.040	1.040	1.040	1.040	1.040
	FY 96	**FY 97**	**FY 98**	**FY 99**	**FY 00**	**FY 01**	**FY 02**	**FY 03**	**FY 04**	**FY 05**	**FY 06**	**FY07**	**FY08**	**FY09**	**FY10**
PER CAPITA DIVIDENDS (NOMINAL $)															
POPULATION OF APPLICANTS (THOUSANDS)	525	533	542	551	559	568	577	587	596	606	615	625	635	645	656
ADMIN COST	31	32	33	34	35	36	37	38	40	41	42	43	45	46	47
STATUS QUO PROJECTION															
DISTRIBUTION AMOUNT (MILLIONS)	565	608	624	663	721	767	815	863	913	965	1019	1075	1133	1194	1257
PER CAPITA PROJECTION	$1,017	$1,080	$1,091	$1,142	$1,226	$1,286	$1,347	$1,406	$1,465	$1,526	$1,588	$1,651	$1,713	$1,779	$1,846
COMPOSITE SCENARIO PROJECTION															
DISTRIBUTION AMOUNT (MILLIONS)	565	575	550	525	525	473	502	520	542	565	589	613	638	664	691
PER CAPITA PROJECTION	$1,017	$1,018	$954	$892	$876	$769	$805	$822	$843	$866	$889	$912	$934	$958	$982
ANNUAL DOLLAR CUT IN PER CAPITA DIVIDEND FROM STATUS QUO	$0	$62	$137	$251	$350	$517	$543	$584	$622	$660	$699	$739	$779	$821	$864
% CUT	0%	6%	13%	22%	29%	40%	40%	42%	42%	43%	44%	45%	45%	46%	47%
PER CAPITA SPENDING (NOMINAL $)															
POPULATION	615.9	625.8	635.8	645.9	656.3	666.8	677.4	688.3	699.3	710.5	721.9	733.4	745.1	757.1	769.2
PER CAPITA GF SPENDING	$4,020	$3,893	$3,785	$3,679	$3,765	$3,854	$3,945	$4,039	$4,134	$4,232	$4,332	$4,434	$4,539	$4,646	$4,756
PER CAPITA GF + PFDS	$4,938	$4,812	$4,650	$4,491	$4,565	$4,564	$4,686	$4,794	$4,910	$5,027	$5,147	$5,270	$5,395	$5,523	$5,653

*FY 96 = $110.1 Rev. Adj. + $70 AHFC + $17 AIDEA. FY 97 – 2005 assumes $40 revenue adjustments + $50 AHFC dividend each year.
**FY 97-2005 agency operations projected to increase with inflation and 1/2 population growth. Formula programs growth is at overall trend rate.
Education projected to grow at historical 2.5% rate of enrollment increase plus inflation.
***Includes $51.1 for estimated annual unmet M&O needs and $22.1/yr. for a 15 yr. program to address an estimated $331 deferred maintenance backlog
****FY 96 & 97 include $350/yr. BP settlement; FY 97 – 2000 assumes an additional $150/yr. in settlements

REAL RATE OF RETURN AVERAGE

	Nominal R	Inflation	Real
FY 96-97	7.78%	2.99%	4.79%
FY98-10	7.97%	3.18%	4.79%

RIEGER COMPOSITE SCENARIO PROJECTION — SEPTEMBER 30

PERMANENT FUND EARNINGS AT 4.79% (real) (FY 96 Dollars)

	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10
AVAILABLE REVENUES ($ Millions):															
Existing General Fund sources	1,952	1,863	1,880	1,859	1,822	1,784	1,709	1,656	1,600	1,540	1,454	1,374	1,342	1,274	1,209
Lift ANS Export Ban		19	19	18	18	17	17	16	16	15	15	14	14	13	13
New oil production										19	73	71	69	67	65
Permanent Fund Net Earnings	1,213	1,351	1,365	1,381	1,398	1,414	1,430	1,445	1,460	1,474	1,488	1,501	1,514	1,526	1,538
Permanent Fund Inflation-Proofing	-429	-479	-509	-516	-523	-530	-537	-544	-550	-557	-563	-568	-574	-579	-584
Transfer to Permanent Fund Earnings Reserve	-219	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Highway Motor Fuel Tax @ $.219/gal., indexed)		38	39	39	40	41	41	42	43	43	44	45	45	46	47
Marine Motor Fuel Tax ($.08/gal., per HB 122, indexed)		5	5	5	5	5	5	5	5	6	6	6	6	6	6
Tobacco Tax ($1/pkg cigs; 75%/chewing; +25¢ triennially)		42	41	42	51	51	50	59	58	57	66	65	73	72	70
Motor vehicle license fees (double)			28	28	27	27	26	26	26	25	25	25	24	24	23
User fee increases		3	6	8	11	13	12	12	12	11	11	11	10	10	10
Alcohol taxes (increase similar to HB 96)			19	19	18	18	18	18	17	17	17	17	16	16	16
TOTAL REVENUES	**2,517**	**2,841**	**2,892**	**2,883**	**2,868**	**2,840**	**2,772**	**2,735**	**2,686**	**2,652**	**2,636**	**2,559**	**2,539**	**2,475**	**2,412**
Note: PF earnings used for GF programs	0	340	371	428	450	529	537	550	556	559	561	562	501	504	507
Note: Cumulative Spending Cuts total		39	66	91	0	0	0								
EXPENDITURES ($ Millions):															
Total GF spending on current programs	2,476	2,365	2,264	2,167	2,184	2,202	2,219	2,237	2,255	2,273	2,291	2,309	2,327	2,346	2,364
Permanent Fund Dividends	565	558	518	479	464	405	416	419	423	427	431	435	439	443	446
TOTAL EXPENDITURES	**3,041**	**2,924**	**2,782**	**2,646**	**2,648**	**2,607**	**2,636**	**2,655**	**2,678**	**2,700**	**2,722**	**2,744**	**2,766**	**2,788**	**2,811**
PROJECTED ANNUAL FISCAL GAP	**-524**	**-82**	**110**	**237**	**219**	**233**	**136**	**80**	**8**	**-48**	**-86**	**-185**	**-227**	**-314**	**-398**
DRAW FROM CBR	524	82	-109	-235											
Constitutional Budget Reserve beginning balance	**2,006**	**1075**	**1498**	**1785**	**2199**	**2474**	**2771**	**2983**	**3147**	**3246**	**3293**	**3305**	**3221**	**3094**	**2879**
Interest	125	67	94	112	137	155	173	186	197	203	206	207	201	193	180
Settlements	500	485	141	137	0	0	0	0	0	0	0	0	0	0	0
Drawn for GF spending	524	82	-109	-235	-217	-230	-134	-77	-6	51	89	188	230	317	401
CBR Transfer to Permanent Fund Principal	1000	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Constitutional Budget Reserve ending balance	**1,107**	**1,545**	**1,842**	**2,269**	**2553**	**2859**	**3078**	**3247**	**3349**	**3398**	**3410**	**3323**	**3192**	**2971**	**2658**
PF Earnings Reserve beginning balance	**703**	**878**	**851**	**824**	**799**	**774**	**751**	**727**	**705**	**683**	**662**	**642**	**622**	**603**	**584**
Net from PF Earnings not used for GF	219	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PF Earnings reserve transfer to PF Principal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PF Earnings Reserve ending balance	**904**	**878**	**851**	**824**	**799**	**774**	**751**	**727**	**705**	**683**	**662**	**642**	**622**	**603**	**584**
Alaska Permanent Fund beginning balance	**14,139**	**15,812**	**16,003**	**16,226**	**16,455**	**16,680**	**16,899**	**17,109**	**17,311**	**17,506**	**17,694**	**17,870**	**18,038**	**18,206**	**18,365**
Dedicated state revenues - DOR Spring mid-case	217	220	230	236	232	226	217	208	201	193	182	173	174	164	154
FY end principal balance before inflation-proofing & deposits	14,356	16,033	16,233	16,462	16,687	16,906	17,116	17,318	17,512	17,700	17,876	18,043	18,212	18,370	18,520
Deposits to Principal from CBR	1,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deposits to Principal PFER	500	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Inflation-Proofing	429	479	509	516	523	530	537	544	550	557	563	568	574	579	584
FY ending balance Inflation Proofed	16,285	16,512	16,742	16,978	17,210	17,436	17,653	17,862	18,063	18,256	18,439	18,611	18,785	18,949	19,104
Escrow Accounts and Settlements	142	148	155	163	170	178	186	195	204	213	223	234	245	256	268
Net income (Calculated)	1,190	1,351	1,365	1,381	1,398	1,414	1,430	1,445	1,460	1,474	1,488	1,501	1,514	1,526	1,538
Real Return	761	871	856	865	875	884	893	901	910	918	925	933	940	947	954
Permanent Fund Dividends	582	558	518	479	464	405	416	419	423	427	431	435	439	443	446
Income transferred to (from) General Fund	-40	340	371	428	450	529	537	550	556	559	561	562	501	504	507
Alaska Permanent Fund ending balance	**16,285**	**16,512**	**16,742**	**16,978**	**17,210**	**17,436**	**17,653**	**17,862**	**18,063**	**18,256**	**18,439**	**18,611**	**18,785**	**18,949**	**19,104**

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Fiscal Year	96	97	98	99	0	1	2	3	4	5	6	7	8	9	10
INFLATION MID CASE DOR PROJECTION	1.0299	1.0299	1.0318	1.0318	1.0318	1.0318	1.0318	1.0318	1.0318	1.0318	1.0318	1.0318	1.0318	1.0318	1.0318
CONVERT NOMINAL TO FY 96 $	1.0000	1.0299	1.0626508	1.0964431	1.13131	1.1672857	1.2044053	1.2427054	1.2822235	1.3229982	1.3650695	1.4084787	1.4532684	1.4994823	1.5471658
	FY 96	**FY 97**	**FY 98**	**FY 99**	**FY 00**	**FY 01**	**FY 02**	**FY 03**	**FY 04**	**FY 05**	**FY 06**	**FY07**	**FY08**	**FY09**	**FY10**
PER CAPITA DIVIDENDS (REAL $)															
POPULATION OF APPLICANTS (THOUSANDS)	525	533	542	551	559	568	577	587	596	606	615	625	635	645	656
ADMIN COST	31	31	31	31	31	31	31	31	31	31	31	31	31	31	30
STATUS QUO PROJECTION															
DISTRIBUTION AMOUNT (MILLIONS)	565	590	587	605	637	657	677	694	712	729	746	763	780	796	812
PER CAPITA PROJECTION	$1,017	$1,049	$1,026	$1,042	$1,084	$1,102	$1,119	$1,132	$1,142	$1,153	$1,163	$1,172	$1,179	$1,186	$1,193
COMPOSITE SCENARIO PROJECTION															
DISTRIBUTION AMOUNT (MILLIONS)	565	558	518	479	464	405	416	419	423	427	431	435	439	443	446
PER CAPITA PROJECTION	$1,017	$988	$898	$813	$774	$659	$668	$661	$657	$654	$651	$647	$643	$639	$634
ANNUAL DOLLAR CUT IN PER CAPITA DIVIDEND FROM STATUS QUO	0	$60	$128	$229	$310	$443	$451	$470	$485	$499	$512	$525	$536	$548	$558
% CUT															
PER CAPITA SPENDING (REAL $)															
POPULATION	615.9	625.8	635.8	645.9	656.3	666.8	677.4	688.3	699.3	710.5	721.9	733.4	745.1	757.1	769.2
PER CAPITA GF SPENDING	$4,020	$3,780	$3,561	$3,355	$3,328	$3,302	$3,276	$3,250	$3,224	$3,199	$3,173	$3,148	$3,123	$3,098	$3,074
PER CAPITA GF + PFDS	$4,938	$4,672	$4,376	$4,096	$4,035	$3,910	$3,891	$3,858	$3,829	$3,800	$3,771	$3,742	$3,712	$3,683	$3,654

Correspondence Received to Date

1.) E-Mail message from Philip E Kettering
2.) Letter from Mary E. Schenker
3.) Letter from Ruth McHenry (Already sent to members)
4.) Packet from AML (Already sent to members)
5.) Letter from Marie Brooks
6.) Letter from City of Hoonah(Mayor Albert Dick)(Already sent to members)
7.) Response letter from Commissioner Joe Perkins (Already sent to members)
8.) Letter from Pat Marley
9.) Letter from Doug VanWingerden
10.) Letter from Gerald Lee Sharp (Already sent to members)
11.) Letter from John A. Lund (Already sent to members)
12.) Letter from Mark Ames (Response sent back to sender)
13.)Letter from City of Craig School District (response sent and has listened in on several meetings.)
14.) Letter from James Elson
15.) Letter from the State Council on the Arts
16.) Letter from Alaska Public Offices Commission
17.) Fax letter from the Law Offices of Donald M. Johnson,P.C.
18.) Letter from Senator Dave Donley
19.) Faxed comments from Kenneth J. Luckey
20.) Faxed Letter from Robert Pfisterer, President Anchorage Education Association.
21.) Letter from Mr. John Havelock, Alaska Common Ground
22.) Letter from the Executive Director A.P.O.C.

cc:Mail for: Melissa Fouse

Subject: LRP Preliminary Report

From: Kettering#m#_Phillip_E@msmail.aai.Arco.COM ("Kettering, Phillip E") at CC2M... 9/12/95 1:24 PM

To: LRFPC at LAA_ANC

To: Planning Commission

Bob,
I picked up both of your phone messages and appreciate you following up on the technical problems. The error message I received for the undelivered e-mail gave a code but no description. Again, thanks for letting me know things are cleared up.

I picked up a copy of your preliminary report yesterday and read it last night. I appreciate the chance to comment but would like to know if you can give me a little more information. Do you have, or know where I can get, a copy of our states financial statement in a format similar to the base case projection noted on page 7 of your report but documenting the last ten years?

I believe that controling cost is a must but recognize that there is no single budget item that can be cut which will solve our problems. I would supporta balance of various actions which may include capping the PFD checks but would emphasize the need for reducing some of the operating/capital costs. I don't believe that any further taxation is necessary (sales or income/personal or business) and hope these alternatives are noted and then dismissed.

I appreciate your assistance in getting me the information requested above. Should you need any clarification or have any questions of me please feel free to contact me via E-Mail at PKettering@aai.arco.com.

Thanks,
Phil Kettering

(1)

LRFPC Rec. 9/12/95
11:30 AM

701 Dogwood Street
Anchorage, Alaska 99501
September 11, 1995

Long Term Fiscal Planning Commission
c/o Legislative Information Office
716 4th Avenue
Anchorage, Alaska 99501

Since I will be unable to participate in the Anchorage teleconference September 13 regarding the fiscal gap in state finances, I am taking this avenue to correspond with you.

The magnitude of the problem is overwhelming and the consequences of not making considerable changes could be catastrophic. I am therefore offering my personal views on where some cuts could possibly be made, where cuts should not be made, and the options I personally would favor on raising revenue.

Cuts in the $31 million budget for the Legislature could be made in out-of-state travel. It should be severely curtailed and in-state travel should be limited to what is absolutely essential.

There are many areas of the budget that I know nothing about as far as how overblown it is. For example, what comprises the Health and Human Services budget. I doubt that the Corrections budget can be cut in view of escalating crime rates. It might be possible to effect some savings by privatization.

I am willing to give up my Longevity Bonus but believe it should be cut for everyone if anything is done. It is not fair for some to receive it and not others. This will create a hardship for many low income seniors but it should have been left at the original $50 and was raised only because we had money to burn in the 80's. It will be greatly missed by me, but my husband had to forego his when he moved to the Pioneer Home nursing wing and we are managing without it.

The entire welfare system needs to be drastically overhauled and cut. There is too much dependence on welfare checks such as teenagers knowing that when they have a baby or multiple babies out of wedlock the government will take care of them. I have even heard some of them make statements to that effect on TV. There is too much fraud in the areas of welfare and food stamps.

Senior tax relief should be eliminated although it will put a large hole in my budget. I have had the benefit of it for only two years and have appreciated it, but I managed to live without it before.

Tourism Marketing can probably stand some cutting as most people want to come to Alaska without being bombarded with ads. Although I watch Channel 7 almost exclusively, it may be possible to cut public television a bit more. To eliminate it entirely would be tragic, especially for children.

The one area that should not be cut is the nursing program of the Pioneer Homes. To eliminate this wonderful and desperately needed service to Alaskans will cause untold heartache among families of stroke victims, Parkinsonians, and those afflicted with Alzheimers as well as other health problems that require skilled nursing care around the clock. Privatizing or selling the Homes will result in placing an impossible financial burden on the families. It will result in danger and abbreviated lives for many patients. Families will be forced to try to care for loved ones at home where that care presents such physical and emotional stresses that often the caregiver goes before the patient. My husband has been in the nursing wing for over a year. He is a victim of Parkinson's Disease so I know whereof I speak. I implore you to maintain compassion for the patients and their families by continuing to fund fully the Pioneer Homes throughout the state. One recommendation I would make that could result in less expense would be to phase out the residential care. Many of these residents are able bodied and could well care for themselves at home. Entrance to the Homes should be based on a doctor's verification that the service is sorely needed.

I am also willing to forego my Permanent Fund Dividend but it should be one of the last things cut as it does provide a great stimulus to the economy as well as helping individual Alaskans. It should not be cut until all non-essentials and waste are eliminated.

I also believe a stringent energy saving policy (e.g., turn off the lights) should be instituted and enforced in all state offices and buildings. It should be patterned after the one President Carter put into effect during the oil shortage.

As for raising revenue, I personally am willing to pay a statewide personal income tax or a statewide sales tax although it would be a considerable burden. I prefer whichever would cost me the least although I favor the sales tax in principal so that the many who benefit from state services but don't live here year around could contribute. I doubt that a lottery would raise much money with our small population. I am willing to pay a higher motor fuel tax. Alcohol and tobacco taxes should be raised to the maxiumum possible.

I would appreciate your consideration and would implore you once more to urge the Legislature to save the Pioneer Homes' nursing program and continue to fund at the present level.

Yours truly,

Mary E. Schenker

c: Governor Tony Knowles

Received
9/11/95
LRFPC

HC60 Box 306T
Copper Center, AK 99573
September 7, 1995

State of Alaska
Long-Range Financial Planning Commission
716 West Fourth Avenue
Anchorage, AK 99501

Dear Commission Members:

Thank you for producing the "Fiscal Gap" report and encouraging public comment on it. Following are my comments:

CUTTING SPENDING:

--Don't cut rural and bush areas disproportionately. Please remember that most state revenues come from those areas.

--Corrections spending has increased alarmingly. I do not believe that more jails are the answer to crime; they're costly and aren't working. Because there seems to be a strong link between crime and the problems of divorce, single-parenting and poor parenting, the state should be innovating ways to reduce teen pregnancies, encourage higher education, encourage parents to stay home with their children, and encourage families to stay intact. (For instance, counselling might be required before a couple could file for divorce.)

--Also regarding Corrections, emphasis should be shifted from jail time to restitution. Permanent Fund Dividends should be routinely taken for restitution and fines, for as many years as is necessary to make adequate restitution. In the case of juvenile offenders, the parents' PFD's should also be taken. Drunk drivers should lose their vehicles upon a first offence.

--Don't make further cuts to Fish and Game and Natural Resources. As the graph on page 8 of your report shows, those departments have already taken more than their share of cuts. Since our state has a natural resource-based economy, our future depends upon knowing what natural resources we have and how they function. Thus, a greater share of funding should go to field work.

--Involve the University to a greater degree in solving problems and doing research for the state. Using degree candidates could be cost-effective.

--Cut travel budgets in all departments. Eliminate first class travel at state expense. Reduce travel allowances so that they are closer to actual costs. Encourage conference calls as an alternative to travel.

INCREASING REVENUES:

--Higher tobacco and alcoholic beverage taxes: Yes!

--Statewide sales tax or individual income tax: It's time for one of these. I slightly favor the sales tax because it would allow us to collect revenue from non-resident travellers as well as non-resident workers, and because individuals

wouldn't have to file returns. Its down side is that it is regressive. That could be partially remedied by exempting food, rent, and medical payments, while not exempting high-ticket items. To capture more tax from nonresidents, the tax rate should be higher in summer; also, summer is when many residents are better able to afford a tax. If the individual income tax is reinstated, it should be as simple as possible, but it should be progressive.

--Natural resource taxes and royalties: The revenue structure for all natural resources should be reviewed to be sure that they strike a balance between being fair to the resource extractor and providing a reasonable return to the owner (us), both now and in the future when demand might soar for, say, timber or minerals.

--Lottery: No. I suspect that lotteries are regressive--that the poorest and most poorly-educated people have the highest participation rate.

PERMANENT FUND:

--Retain the dividend, if only because it gives the people a vested interest in the fund.

--Cap the dividend.

--Invest all natural resource revenues in the fund (the Cremo Plan or a variation of it).

OTHER:

--It should be a state policy to avoid encouraging population growth. Because we are a resource-revenue state, a higher population just increases the fiscal gap. Both the public and private sectors should use all federally-permitted means to give preferential hire to Alaska residents. Whenever possible, we should alter state policies and programs that have the side-effect of encouraging people to move to the state. The state should work hard at lowering its high teen pregnancy rate, and it should help women of all ages avoid unwanted pregnancies.

Again, thank you for the work you are doing on the state's fiscal problems.

Sincerely,

Ruth McHenry

Ruth McHenry

SEPT. 13, 1995

Wasilla, AK
376-5802
659-4408

COMMENTS TO THE LONG RANGE FINANCIAL PLANNING COMMISSION C/O L.I.O WASILLA

No new taxes until State spending is in control!

How will we know when we have cut enough?

Here are three possible criteria:

1) When the total **per capita** spend of the State (excluding Federal Funding) is no more than it was in 1973 (adjusted for inflation).

2) When the total **per capita** spend of the State (excluding Federal Funding) is no more than that of other comparable States of large area and small population such as Idaho or Montana.

3) When total State spend does not exceed current revenues. Cut as necessary.

Revise the State spending policies to mandate elimination of political favoritism.

Since each individual owns an equal share of State revenues, **State funded programs should distribute their spending to each area of the state proportionate to the number of residents in each area.** This would **eliminate political favoritism** and competition between politicians to bring back the most pork for their districts. It would also help all to focus more clearly on the larger picture of total spending instead of the narrow interest in how much can we get. In this type of distribution the same percentage of cuts and downsizing would be felt in each area and the cuts would not be the subject of the political games we now suffer.

Thank you for your time,

Pat Marley

Pat Marley

TOTAL P.01

Long Range Financial Planning Commission
716 West 4th Ave.
Anchorage, Alaska 99501

Dear Members of the Commission,

As a long term resident of the State of Alaska I am very concerned with what our State is doing. Especially with regards to the budget and the growing fiscal gap. I would like to share my feeling about both the spending that the State does and also how it collects revenues.

First, I think the spending is way out of line. I realize there is a lot of pressure from a miriad of sources all with heart wrenching stories about what a wonderfull program they need funding for and how millions will suffer if the funding is cut back. I have lived in Alaska all but the first couple years of my life. I am 43 years old this year so I have seen the State go through a lot of changes in its growth. I have seen people come to Alaska for the taste of adventure and the beauty of the land. Since the 80's these numbers have grown tremendously. I saw when these people moved into Anchorage in the 50's and 60's. As they settled in to their life in the last frontier everything was new and quaint. A frontier town with many dirt roads, your own well and septic system, a small neighborhood school and etc. As time went on these people started wanting somebody to grade and water those dirt roads and plow the snow in the winter. They didn't want to have to worry about wells and backed up sewers in the winter. They wanted busses for their kids to ride to school in, big gyms, ball fields, sports programs, school lunch programs, natural gas, etc. They wanted someone to take care of them. Along comes some smooth talking politician who promises them the great society if he gets into office. Fourty years later we have Anchorage what it is today. Looks to me like a mini Seatle. Meanwhile someone has to pay for all this and it seem like the only solution is taxes and State grants.

Ten years later, these people who came looking for adventure and the beauty of the land are tired of the traffic, dirt, falling apart pavement, property taxes, crowded schools, teacher strikes, noisy garbage trucks early in the morning, all that road and snow removal equipment, etc. They start thinking about moving a little farther out of town where you can live on a rural road and have your own well and septic system, a small community school, a quieter lifestyle and the cycle repeats itself. Eventually these people keep moving or leave the State. The problem is all the people who have lived there since the begining end up having to pay for all the stuff they never wanted in the first place. I have lived in the Valley since the early 60's and this is what is happening here now.

My earliest years growing up were in a small village. My dad dug a well and we used an out house. Eventually my dad put in a septic system and we had a toilet. We used a hand pump to pump water into a tank in the attic so we could flush the toilet. We had a generator that we used occasionally when it was needed. The point is we provided for our own needs. We didn't depend on government to do everything for us. That is what is happening all over this State today. That is why the gap is so wide. Sure people need sanitary systems but

why does the State have to provide it? Electricity is something we all depend on anymore, but why does the State have to subsidise electricity bills for people in the bush? What people think are necessities maybe are only conviences.

My answer to all of this is if you want the conviences of electricity, gas, TV, etc. move to the city. If you want paved streets, fancy shopping centers, somebody to take care of everything for you, move the city, pay for what you use through taxes or whatever and don't expect the State to pay for it.

Secondly, we have a great many people who come to Alaska to work. They don't even live here. They have some of the best and highest paying jobs in the State and don't help the economy one bit. They come up and work for a week or more and take their fat paychecks home to the lower 48 with them. The most they spend in the state is maybe $1.00 at the airport for a cup of coffee. (I guess the airport is trying to make up for what they don't spend in this state.) There are also a lot of commercial fisherman who come up, make their boat load of money and leave the State.

I think that maybe we should have a State income tax with some kind of a dividend or some way to give it back to people who live in Alaska. Use the same criteria the Alaska Permanent Fund Dividend program does for residents. I hate to see another tax. I don't believe taxes are the answer to anything. It usually reflects poor management and lack of back bone to say no to what we can't afford. But I don't feel its right for people to be able to come to this State and reap its benefits and not have to share its expenses.

To summarize what I am trying to say is the State must do what I have to do. There maybe some really important things that I would like to do but I just don't have the money to do it. We have to say NO to everything except what is absolutely necessary. I think we should prioritize everything the State spends money on. Start with the most important and absolutely necessary to run the State and work down till everthing is listed. Then decide how much revenue we have to spend without getting ourselves into a bind later on. Also consider a safety margin into that amount. Then start funding according to the list, when the money is gone, thats it, period. That is what every contributing member to society has to do. The State must do it too. I also think people who share the gain from the State should share the pain. Maybe tax is a way to do that. Leave the PFD alone.

Sincerely,

Doug VanWingerden
P.O. Box 872785
Wasilla, Alaska 99687

JAMES A. ELSON
P.O. BOX 2788
KENAI, AK 99611
Telephone: (907) 283-5831 (Work)
283-7970 (Home)
283-2394 (Fax)

September 13, 1995

State of Alaska
Long Range Financial Planning Commission
716 West Fourth Avenue
Anchorage, Alaska 99501

Dear Commissioners:

Subject: Fiscal Gap Testimony

Last night, I testified during the teleconference conducted from the Kenai Legislative Information Office. Since I am not sure I was comprehendible. I am providing this written comment.

I have been on the board of directors of the Kenai Peninsula Borough Economic Development District since 1988 and chairman for the past four years. During that time I have attended and participated in several forums on the subject of the fiscal gap facing the state. In fact, the KPBEDD facilitated forums within our borough in partnership with the Governor's office and the University.

In response to the remarks made last night, regarding the low turnout for the teleconferences being held, I suspect the reason is that the decision makers in our communities have participated in the past, have not seen results, and have established higher priorities for their time.

It is my belief that all the tools identified by the commission will be needed in the long run. However, the question is where to begin. I have a concept that I would like you to consider regarding the area of taxation. The premise is the protection and creation of private sector jobs.

Most states derive their revenues from established commerce and industry. Because the State of Alaska derives nearly all its revenue from the sale of natural resources, it has a **unique opportunity.**

As taxes are imposed, particularly, royalties or severance taxes, the state will have the opportunity to provide rewards for performance that add value, protect the environment, provide worker safety, and create jobs.

Under our present system of worker and environmental protection, we have a punitive system to insure minimum compliance. Under my proposal this would not change, however, if a business excelled they could be rewarded through a credit on their tax or possibly additional availability of the resource.

The same theory could apply to companies interested in producing a value added product. Prior to start up, a plan would have to be agreed upon with the State which established certain bench marks they would have to reach before earning tax credits or resource availability. Certainly job creation would be one of those bench marks.

This concept is not an incentive, as there is no up front risk for the state. It is a reward for past performance.

An example of benefit to the State budget could be education. Presently, the state funds the majority of education costs. As value added production expands, the local tax base would grow, and the demand for state assistance could be decreased.

I believe the State of Alaska has the opportunity the make the state an attractive place to do business and offset some of the barriers we now face.

It has been a long established psychology, whether it's child or labor relations, you get more by rewarding than by threatening. Alaska has the opportunity to use that psychology in the market place and create jobs, diversify its economy and expand its markets, while maintaining a quality of life that is unique in its richness.

Thank you for your consideration.

Sincerely,

James A. Elson

cc: Senator Judy Salo
Senator John Torgeson
Representative Mike Navarre
Representative Gail Phillips
Representative Gary Davis

September 15, 1995

The State of Alaska Long-Range
Financial Planning Commission
716 W. Fourth Avenue, Suite 470
Anchorage, Alaska 99501

Dear Commission Members:

Thank you for the opportunity to submit written testimony regarding the Commission's preliminary report on Alaska's fiscal gap. I know each of you has spent many long hours studying the State's financial condition and proposing various scenarios for public and legislative consideration. On behalf of the Alaska State Council on the Arts and as an Alaskan resident, I want to say thank you for your hard work. It is a difficult task at best and one that may never receive the amount of appreciation it well deserves.

Certainly, one of the most difficult and controversial questions the Commission faces is what services should be funded, and which should not? As Chair of the State Arts Council, I noted in your report that several of the scenarios show privatization of the council. As you might anticipate, I have serious concerns about that option.

As indicated in the attached "testimony," continued state funding is necessary for two reasons: 1) it is unrealistic to believe the private sector can sustain the arts without public assistance; and 2) without state support, it is difficult to leverage funding from other sources.

Please know that the Council understands the seriousness of the gap and is itself examining other funding options. In fact, we are planning a Governor's Conference on the Arts on December 1 and 2 for the purpose of developing and setting a direction for the future of the arts in this state. I invite any and all of the Long-Range Planning Commission members to attend and participate in this conference.

If you have any questions regarding my testimony, please feel free to contact me at 561-4488. Again, thank you for your many long hours of service and your commitment to the state.

Sincerely,

Bonnie L. Bernholz
Chair, Alaska State Council on the Arts

Alaska State Council on the Arts
411 West 4th Avenue, Suite 1E, Anchorage, Alaska 99501-2343 (907) 269-6610 Fax: (907) 269-6601

Testimony from Bonnie Bernholz, Chair, Alaska State Council on the Arts
before the State of Alaska Long-Range Financial Planning Commission

September 13, 1995

Thank you, Commission members. Based on your report, I have divided my written testimony into four parts:

1). A brief background on the history and mission of the Alaska State Council on the Arts;

2). Potential Federal Budget Impact on the Council;

3). Principles for State Expenditures on the Arts; and,

4). Long Range Revenue Options for the Council.

Background

The Alaska State Council on the Arts (ASCA) was established in 1966 by Governor Bill Egan, long in advance of the first oil discovery in Prudhoe Bay. In the Council's first budget year, it received $18,835 in state appropriations and $35,943 in federal appropriations, for a total budget of $54,778.

Since that time, the Council has received a maximum state appropriation of $4,975,800 in FY83 with a federal match of $839,300. These state and federal funds continue to be used by the state to provide programs, services and grants to artists and arts organizations throught the state. Each federal dollar is matched by the state, and each granted state dollar is in turn matched by local government and/or private dollars.

ASCA's mission is to encourage all aspects of the arts statewide by securing and dispersing state and federal funds. We do this in a way that fosters excellence, respects diverse cultural artistic expression and enriches the human spirit. It is the purpose of the council to integrate the arts into the lives of all Alaskans by administering grants and providing arts education and technical assistance.

During the past several years, ASCA's budget has been drastically reduced. Its FY95 budget was cut 21 percent (compared to the State's overall operating budget, which was cut 4.5 percent). Its FY96 budget was cut another 32 percent.

Alaska State Council on the Arts
411 West 4th Avenue, Suite 1E, Anchorage, Alaska 99501-2343 (907) 269-6610 Fax: (907) 269-6601

Based on the most recent national comparisons compiled by the National Association of State Arts Agencies (NASAA), in FY94 ASCA received 0.0330 percent of the state's general fund. This compares to a national average of 0.0719 percent. In FY95, Alaska was one of 16 states to received decreased state funding with only the District of Columbia receiving a larger decrease. According to NASAA, updated 1995 appropriations figures for state arts agencies confirm a 5 percent increase over last year. This is the second consecutive year that aggregate appropriations to state arts agencies have increased. With the abovementioned 16 exceptions, states are demonstrating widespread support for the arts by maintaining their commitment through the tough economic times and slow recovery of recent years.

Potential Federal Budget Impact on the Council

As you aware, there has been a great deal of controversy surrounding the reauthorization of the National Endowment of the Arts (NEA) and its budget. While the long-term future of this agency is in grave danger, even its short-term future presents a significant difficulty for Alaska. Although a final budget number has not yet been reached through a House-Senate conference committee, it is expected that even if the Senate's budget number is adopted, the NEA still suffers a 30 percent budget cut. What does that mean to Alaska? For every $ 1 million cut from the NEA's budget, it means approximately $5,000 less to ASCA.

These budget cuts become even more critical in light of the state's contribution. Between FY89 and FY94, NEA grants through ASCA grew from $486,908 to $661,900 – an increase of 36 percent. During that same period, the Council's contribution from the state fell 38 percent.

Concurrent to the NEA's budget cuts, however, is increased Congressional focus on giving more financial authority to the individual state arts agencies. This means that while the total overall dollars allocated to the NEA may be less, a higher percentage of the funding will go directly to ASCA. Elimination of ASCA would result in this state's inability to receive these federal funds.

Principles for State Expenditures on the Arts

All too frequently, "the arts" are perceived as takers, but not necessarily givers. Yet, the arts represent a substantial industry within the state, and are rapidly becoming an area of continuing economic growth, especially with the advent of cultural tourism. According to the state's Division of Tourism, the number of visitors to Alaska between 1992 and 1994 who sought out a cultural experience increased by at least 27 percent. Without question, increased emphasis and marketing of cultural experiences and events in Alaska could increase visitors and, thus, revenue to the state.

It is imperative for this state to find ways to diversify the economy and to continue to support those industries with a proven economic track record. The following, based on a McDowell Group study, are some of the quantifiable economic impacts of the arts.

- Nonprofit arts directly and indirectly supports approximately 1,300 jobs in Alaska with a total payroll of $8.3 million.

- Nonprofit arts organizations receive $12.6 million in grants, revenue and donations. As a return on this investment, arts organizations held 3,000 events, generating more than $23.5 million of spending in Alaska.

- A conservative estimate shows that there were $1.5 million admissions to arts events in Alaska in FY94.

- The thousands of volunteers, who donate time and labor on behalf of nonprofit arts organizations, provide a measure of just how valued these institutions are in our communities.

One area not explored within the Commission's report that deserves further examination is that of intra-state agency partnerships. In many states facing similar budgetary restrictions, successful new programs have been forged within various agencies. For instance, the Kansas Arts Commission's Arts in Education Program serves an increasing number of identified groups of at-risk children. Some projects include a dance company that works with children of substance-abusing mothers in halfway house; classes given at the Wichita Center for the Arts for kids who have gotten in trouble for bringing weapons to school and a partnership with Social and Rehabilitation Services to support artists in residence at four Youth Centers, which are state juvenile detention facilities.

Another example is the Wind River Health Promotion Program, which has received funding from the Wyoming Arts Council, HUD, Fremont Counseling and the state Division of Behavioral Health for a multifaceted prevention program targeting young people under the age of 21 and their families. This program provides cultural activities using tribal elders as teachers, role models, and mentors.

As you might imagine, there are many, many more examples of interdepartmental programs that reduce spending without compromising or losing valuable programs.

Long-Range Options for the Arts in Alaska

As I indicated earlier, although I understand the Commission's suggestion to privatize the Council, I don't believe it is a realistic scenario.

TONY KNOWLES, GOVERNOR

REPLY TO:

☐ 2221 E. NORTHERN LIGHTS, ROOM 128
ANCHORAGE, ALASKA 99508-4149
PHONE: (907) 276-4176
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DEPARTMENT OF ADMINISTRATION

ALASKA PUBLIC OFFICES COMMISSION

Sept 13, 1995

Brian Rogers, Chairman
State of Alaska
Long Range
Financial Planning Commission
716 West Fourth Avenue
Anchorage, Ak 99501

Dear Mr. Rogers:

I have recently reviewed the preliminary report of The Long Range Financial Planning Commission, "Alaska's Growing Fiscal Gap." As the Executive Director of the Alaska Public Offices Commission (APOC), I have some concerns. As you probably know, the APOC administers four disclosure laws: AS 15.13, the Campaign Disclosure Law; AS 39.50, the Conflict of Interest Law; AS 24.60, The Legislative Financial Disclosure Law; and AS 24.45, the Lobbying Law. These laws require public officials, politically active groups, and lobbyists and their employers to disclose campaign contributions and expenditures, personal financial interests and funds expended to influence the administrative or legislative branches of state government. All of this "disclosed" information is available to the public.

I recognize that it is difficult in a short report to make all your assumptions clear. It is not clear to me with regard to the APOC what your Commission envisions. Scenarios one and two include the APOC in a category named "consolidate/eliminate". Since the APOC and the Alcohol Beverage Control (ABC) Board are the only two programs in that category with funds remaining after FY 2000, it would appear that these two programs would be consolidated. The ABC Board controls the manufacture, possession and sale of alcoholic beverages in the state, a very different function from APOC. It is unclear to me how the two programs could be functionally consolidated.

02-8930LH

With regard to the estimated savings column by FY 2000, the amount remaining represents a 75% reduction of APOC's budget including program receipt revenues. Over the last several years, the APOC has received significant cuts in its budget and as a result, is minimally funded at its current level. It is not possible to run a credible program that meets the expectations of the public and carries out the basic mandates of the four disclosure statutes with anything less. Further, Article II, Section 12 of the Alaska Constitution requires lobbying to be regulated.

As I understand from talking to Melissa Fouse, staff to your commission, part of the intention of scenarios one and two is to demonstrate the drastic cuts that would be necessary to reduce the general fund by $500 million dollars. These are only examples, not recommendations. Although, I appreciate this distinction, all too often ideas committed to paper have a life of their own and a validity that may not have been intended. A credible and effective Alaska Public Offices Commission can not be supported with the funds remaining after a 75% reduction.

Sincerely,

Karen Boorman

Karen Boorman
Executive Director
Alaska Public Offices Commission

cc: Alaska Public Offices Commission Members

LAW OFFICES OF DONALD M. JOHNSON, P.C.
1400 West Benson Boulevard, Suite 110
Anchorage, Alaska 99503
(907) 276-2808

Testimony of Donald Johnson
before the Long-Range Financial Planning Commission
September 13, 1995

Mr. Chairman, my name is Donald Johnson, and I appreciate the chance to share my views on the interim report of the Long-Range Financial Planning Commission.

I am an attorney in private practice here in Anchorage. Most of the people I represent don't own their own businesses, and aren't oil company executives. They're average Alaskans, doing their best to get by.

Many of them are long-time residents who have ridden out Alaska's boom-and-bust cycles, and stayed on. They have paid a high price, though. Cutbacks in the private sector have rippled through the economy. Instead of stable, high-paying work, they now work at jobs paying a third to a half of what they once made -- if they have jobs at all.

That's why it's hard for them to watch public employees work a 37-hour week, and get annual inflation-adjusted raises. That's why it's hard to see the state spend millions for non-essential services and programs when they have to cut back to bare necessities. The average Alaskan has taken his lumps and adjusted to new economic realities, and it is time for the state bureaucracy to take its lumps as well.

The state spends more than $3 billion dollars each year, and keeps spending more every year, while the North Slope is running out of oil. It is obvious that Alaska spends more than it takes in. And it's obvious that the solution is to spend less. There are lots of opportunities.

Alaskans will have to give up some of their special entitlements, like the Longevity Bonus, the rural power subsidies, and property tax rebates. We should zero-out the Alaska Seafood

Marketing Institute and Alaska Tourism Marketing Council budgets, and make these industries carry their own weight.

The Department of Corrections needs an overhauling. When it costs more than $90,000 per year to house an inmate, something is just plain wrong.

The Legislature needs to make a significant effort at welfare reform. We need to reduce the number of people getting benefits.

I think we should take a hard look at some form of an incentive-driven program. Our social conscience, expressed in governmental action should be that we can help you if you need it, but you must work for it. For a lot of people, our present system fosters a degrading lifestyle that leads them to decide that they would lose more in welfare benefits than they would earn in wages. You can't blame them for making the astute financial decision to stay on welfare.

There is a finite minimum amount of money, food, housing and clothing that a person or family needs to survive, while retaining some modicum of self-respect. Requiring recipients to help in achieving this through their own contributions should lessen the cost of our help, and build the recipient's self-esteem.

In short, our government leaders will have to get used to the idea that the state cannot -- and should not -- pay for everything, regardless of cost. And they must realize that they have no right to reimpose income taxes or limit Permanent Fund dividends until they demonstrate that they are using the revenue they presently have access to wisely and efficiently.

With all due respect, we've been hearing about the state's budget deficit for several years now. I'm glad this commission is finally working to find the solutions to this situation. It is long past the time for Alaska to restore some sanity to our fiscal planning process.

Good luck, and thank you for your time and attention.

SENATOR DAVE DONLEY

ALASKA STATE LEGISLATURE

August 30th, 1995

Mr. Brian Rogers, Chairman
Long Range Financial Planning Commission
P.O. Box 80690
Fairbanks, Alaska 00708

Dear Mr. Rogers,

I wanted to advise you, as well as other commission members of my response toward the preliminary report of the LRFPC, specifically, capping the Alaska Permanent Fund Dividend, and imposing either a sales or income tax. I understand the LRFPC is considering many options, including these, in order to address Alaska's declining revenue and to stabilize our economy in the future.

While I do not support any change in the Alaska Permanent Fund Dividend program as it is now, if it were to be modified, I do not believe that capping the amount of the dividend awarded to residents each year would be in the best interest of the Fund. Instead of capping the amount of dividends disbursed to each Alaskan, **a lower percentage of the annual income for distribution as dividends** would make much more sense. The same financial goals would be attained while preserving the Fund and politically insulating it against future raids. Unlike with 'capping' the dividend, Alaskans would retain their interest in increasing the value of the fund while the State of Alaska will have accessed additional operating revenue.

I do not support any new taxes. I will continue to oppose any new taxes until the state can decrease spending. A sales tax is regressive and places more of the tax burden on Alaskans and less of the tax burden on transient workers. I do not support the imposition of an income tax, although an income tax is more logical and credits can be given for local taxes paid. Income tax with such credits has advantages over sales tax in that it:

1. minimizes the burden on Alaskans,
2. is deductible from federal income tax paid,
3. encourages the formulation of local governments for the 20% of Alaska that currently has no local government, and
4. is a progressive, fair system of taxation.

The local boundary commission has determined that there is an adequate financial base

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MEMBER: Senate Finance Committee • Senate State Affairs Committee

Produced in House

in rural Alaska to support the formulation of local governments statewide and an income tax with credits for local taxes paid would encourage the formulation of local governments. Currently, the State of Alaska governs unorganized Alaska yet the residents do not contribute any local or state tax.

Once again, I do not support any change in the Alaska Permanent Fund Dividend program as it is now. If it were to be modified, I do not believe that capping the amount of dividends distributed to each Alaskan is in the best interest of the Fund. In addition, I do not support new taxes, although an income tax could be tailored to give credit for local taxes paid, whereas sales tax has no such option.

Sincerely,

Senator Dave Donley

DD/kb



TIW CORPORATION
A Pearce Industries Company

Testimony of Kenneth J. Luckey
to the Long-Range Financial Planning Commission
9/13/95

Thank you for the opportunity to comment on Alaska's state budget. My name is Kenneth J. Luckey, and I hope I can help give you a perspective you might not have heard yet.

I'm a businessman -- I work for a contracting company that depends on a healthy oil industry here in Alaska. Any businessman will tell you that you just can't spend more than you earn without going broke. It's that simple. So I'm glad to see the state is finally trying to balance its budget. But you won't balance it unless you make sure that the oil keeps flowing.

I have seen how the state has kept the oil industry off balance for years. They've changed tax laws retroactively, kept tax return audits in limbo for years, and constantly jack up the permitting requirements. They've generally made it so the oil industry doesn't know if it still makes sense to invest here or not.

This kind of uncertainty filters down to contractors like me. I never know if I should keep employees on my payroll, or buy new equipment, or not. It makes it very difficult to carry out a business plan any distance into the future.

I'm like many here in Alaska. I came here because Alaska is full of opportunities if you're willing to work hard and play by the rules. I know times are tough, but you can't keep changing the rules in the middle of the game and expect everyone to keep playing.

You'll do a lot better on your bottom line -- in terms of oil revenue, and in terms of keeping jobs and families and businesses in the state -- if you make it easier for the oil industry to explore new oil fields, especially the marginal fields. That way, you keep money coming in so you have time to cut the fat out of the state budget.

I personally believe Alaskans could get by with a lot less money going to Permanent Fund dividends, power cost equalization, welfare and mental health programs, property tax rebates -- a lot of things that people everywhere else pay for themselves.

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I raised my family here in Alaska, and I love it. It's my home, and I want to be able to stay here and watch my children have families and careers of their own. But an awful lot of people can't stay in Alaska if the state government tries to cut down on its feed bill by killing the goose that lays the golden egg.

Thanks for giving me the chance to testify.

Anchorage Education Association

Affiliated with The National Education Association
1840 South Bragaw Street, Suite 103, Anchorage, Alaska 99508
(907) 274-0536

To: Alaska Long -Range Financial Planning Commission
From: Rob Pfisterer, President Anchorage Education Association
Subject: Alaska's Growing Fiscal Gap
Date: September 14, 1995

For several years now many in Alaska have been concerned with the potential of a fiscal crisis when the oil revenues are depleted. It is very prudent of the state to be concerned about this possibility. When considering the alternatives available to our state it is important to remember that our state constitution mandates that our citizens must have adequate public safety and that our children must be educated.

I would like to give you a rationale as to why it is important to fully fund our public schools. Since prior to our nation's founding we have a history of communities and states funding public education. The reason for this was so that all children should have an education. Our founding fathers were concerned that if we did not have an excellent public education system then only those who could afford school would receive an education. If this were to occur we would have an elite group who would be educated and thus would be created a class system in America.

At this point in time we are faced with the very real possibility that by not funding public education at a level that will allow our schools to present a high quality program we will force wealthy and middle class parents to send their children to private schools. This exodus from the public system would damage the very heart of democracy in not only America but also Alaska.

It is all too easy to say that we are just adjusting to a potential fiscal problem. We often hear Chamber members decry the tax word or sales taxes. Many citizens don't have children in schools. But the fact remains that as a community we thrive when all our citizens are well educated. As a community we must think about the future of our society and how that society will be prepared for the 21st Century. Our very democracy and system depend upon an educated citizenry who are capable of not only functioning in the work place, but also being able to make the decisions of a democratic society.

Because of these philosophical reasons it is important that we fund our public schools not only at present levels, but by providing additional money to make

certain that our society's future is guaranteed. I would urge the Planning Commission to use this as a guide when recommending cuts to state agencies, and formulating our revenue raising methods.

The citizens of the State of Alaska must accept responsibility for their children's future. To do this we must re-establish a state income tax, create a state sales tax, and promote economic growth to ensure our economic future. All this may sound like "pie-in-the-sky", however, our children's future depends on it.

Thank you for taking the time to consider my suggestions.

JOHN HAVELOCK
608 W. Fourth Avenue
Anchorage, Alaska, 99501
907-276-1916

September 13, 1995

Brian Rogers, Chair
The State of Alaska Long-Range Financial Planning Commission
Legislative Building, Anchorage

Dear Mr. Rogers:

I would appreciate your bringing the enclosed paper to the Commissioners attention. This was prepared as a preliminary draft for the review of the Board of Alaska Common Ground. However, as I look at your time schedule and Common Grounds schedule of meetings, there will be little or no opportunity for you to consider any of these observations in your report if they are first run through the Common Ground board. Accordingly, I am submitting them for your use or interest without any representation that they represent any but my own views. I hope, of course, that the Commission may find some of this material of use. You may use what you will, without the need of attribution.

The monthly Board meeting of Alaska Common Ground will be on September 27. There is also an informal, public workshop session, sponsored by Common Ground to be held on September 23d which may produce informal views, like the ones expressed under this cover letter. I assume that you will be going to print about the 25th to meet your October 1 deadline.

What I do know is that Alaska Common Ground considers the work of your commission to be the first business of the state in these times and, as a non-partisan, non-profit educational, open membership organization, stands ready to implement whatever suggestions you may have, formal or informal for carrying forward your work after October 1.

I would like to make a few observations about your scenarios overall. You should not be using a school (and college) enrollment scenario that is inconsistent with overall population growth. Both the projections you use strike me as overstating growth. You do not appear to factor in the fact that all solutions to the Fiscal Gap, except tapping the Permanent Fund (which none of you seem to favor) will result in a major decline in the number of dollars circulating in the economy. With luck and adequate funding of the public side, this will result in a flattened economy and not a depressed one. But the plain implication of these cuts is that the state is not going to experience the kind of growth to which we are accustomed today. What we hope to achieve through a fiscal gap policy is an economy that does not so shift the balance between public and private sector activity as to cause dislocations that will push the general economic decline into depression.

Sincerely yours,

John Havelock
(vice-chair Alaska Common Ground)

cc: Esther Wunnicke (Chair)

THE FISCAL GAP

PART ONE

STATEMENT OF CAUSES AND WHAT MUST BE DONE

1.1. **Support Of The Commission**. The Long Range Financial Planning Commission has cast a long overdue searchlight on the predicament created for Alaska state government by funding operating costs out of one time only revenues.

1.2. **Growth Without Revenue**. This predicament has dramatically exposed a structural flaw in the state's public economy. The problem is that, in a nearly tax-free climate, growth in the private economy does not generate the revenue required to meet increased service costs that track population growth generated by economic growth.

1.3. **The Origin Of The Fiscal Gap**. Growth without growth in state revenue means that a gap has developed between what the state takes in and what it spends. This fiscal gap enlarges as revenue from the oil at Prudhoe Bay declines and as the need for state services expands with growth in population and as costs rise from inflation. Remaining taxes are not indexed for inflation and accordingly have steadily fallen.

1.4. **Size Of Fiscal Gap**. The fiscal gap, now over a half billion dollars a year, will more than double if the population of Alaska increases as we expect and if modest growth in the private economy occurs as we hope.

1.5. **Comparison With State Payroll**. Even the existing fiscal gap can not be met by cuts in government. To illustrate the size of the problem, the entire state payroll is a half billion dollars, the size of the current fiscal gap.

1.6. **Cuts And Taxes**. The fiscal gap requires that the state both increase revenue and reduce expenditures. But if addressed now, rather than waiting until the gap has doubled and must all be met in one year, the measures required are not drastic.

1.7 **Norms For American States.** The revenue measures required are well within the norms for levies elsewhere in the United States, and no

cuts are required that would do serious damage to the Alaska way of life or the quality of life for any of our citizens. But both revenue measures and cuts must be spread across the spectrum and will involve some sacrifice.

1.8. **Alaska's Costs**. The fiscal gap is there because Alaska has the lowest rate of non-oil taxation of any state of the United States, while Alaska's geography dictates the highest costs of delivery of public services of any state. The fiscal gap is telling us we can not finance all government services on oil revenue alone.

1.9. **Effect of Income Tax Repeal**. The structural problem was created by the repeal of the Alaska State Income tax. Repeal of the income tax means that population growth in Alaska does not generate revenue to cover the required expansion of public services.

1.10. **The Duty Of Leadership**. The governor and legislature can correct this structural flaw by adopting appropriate revenue measures to assure that funds to address expanding public need are generated by private economic growth.

1.11. **Public Hostility To Government**. To accomplish this task the state's political leadership must find the political will to do so in the face of an atmosphere of extraordinary and excessive hostility to both government and taxes. The required political will not be forthcoming without leadership in the community permitting the political leadership to do what is necessary.

1.12. **Past Gains**. This popular permission will not be forthcoming without an enhanced public appreciation that existing government operations have become more efficient and that program expenditures are neither frills nor fat.

1.13 **Program Pullbacks**. Public understanding and acceptance of revenue measures will require a broader appreciation of the cuts that have already occurred in state government over the last six years, a closer examination of programs adopted in a time of perceived great wealth, with some pullbacks, and a continuation of the belt tightening of the last six years.

1.14. **Goals For Alaskans**. The mandate of the Long Range Financial Planning Commission was to address the fiscal issues and set an array of fiscal responses. The report does not define any guiding principles or goals for Alaska. A solution to the fiscal problem requires first that such principles and goals be articulated so they may be respected in the formulas required to resolve the fiscal crisis.

1.15. **Alaska : A Unique Community**. We cherish and recommend to you the belief that Alaska is a unique place which has given birth to a unique community with common goals and aspirations, even while this sentiment seems to have shriveled in many other regions of the United States. We believe that state and local governments of Alaska are instruments of the people's common will and that democratic processes, presently flawed as they may seem, can assure that these governments reflect the common will.

1.16. **Alaska's Special Values.** Therefore, we do not see the job of cutting the government to require going to the "bare bones." This is like attending to the needs of the body while ignoring the face. Alaska has a face which it presents to the world and which we must look at every day in the mirror. There are unique aspects to Alaska's way of life that are supported through government. They are usually (though not always) little things in terms of cost. They include a special reverence for elders, an appreciation for performing and visual arts, an exceptional commitment to education, a helping hand for the unlucky, and a outsized respect for the privacy of the individual. These and similarly valued features make up the face of Alaska that gives us a right to be proud citizens of a proud state. We should not spite our face in the name of economy.

1.17. **The Common Vision Must Be Supported By Taxes**. Taxation is required so that private economic growth does not attenuate the services provided to the established population. The structural problem of a tax-free economy must be met. But the level of taxation will depend upon our collective vision of what is required of the public sector in this state.

1.18. **Wealth In Self-Respect Is Matched By Sources Of Revenue**. In meeting the fiscal gap, we do not believe that the state's public services must be impoverished. Alaskans are indeed fortunate that more than half of its public service bills can be met from oil revenue. Alaska

is still a state rich in resources, rich is self-respect, rich in its sense of community, rich in compassion for the unfortunate. A solution to the fiscal gap is well within the capacity of the people of this state and requires neither truly drastic revenue measures nor cruel or unmeasured program sacrifices.

1.19. **A Consensus Package.** To meet the fiscal gap, the political leadership of the state needs to adopt a consensus package in which most Alaskans make some sacrifice as present or future program beneficiaries and in which those with the means make some sacrifice by way of revenue contribution.

1.20. **Commission Scenarios.** The scenarios set out in the preliminary report of the Commission are extreme cases intended to dramatize the outer limits of various positions and are not intended to articulate Alaska's values and goals. The consensus solution will tend to draw on all of these scenarios to bring about a moderate solution which reflects the unique Alaska character.

1.21. **Selecting Foundation Principles**. The following set of principles are recommended as a guide to the development of a plan. Following the statement of principles, a scenario is set out involving legislative enactments and budgetary adjustments that respects these principles and implements a solution to the fiscal gap.

PART TWO

PRINCIPLES TO GUIDE A SOLUTION TO THE FISCAL GAP

2.1 **An Income Tax So Growth Pays Its Way**. Private economic growth must pay its way. Existing economic activity must pay a share. Therefore some kind of additional tax structure, including an income tax, must be an ingredient of the plan.

2.2 **Phase Out Non-Need-Based Programs**. The state should substantially reduce or eliminate all programs, unless self-funded, which are not based on need. However, "need" does not have to be defined at a "bare bones" level and phase outs can be arranged to avoid sudden impact hardship.

2.3 **Keep The Permanent Fund Dividend As A Measure Of Performance Of The Fund.** The exception to this second principle is the Permanent Fund Dividend program which has an overriding value in assuring that every citizen of the state has tangible evidence that the state is of direct benefit to that citizen, regardless of station in life or relation to other state programs. However, the Permanent Fund Dividend need not rise as fast as the growth of the capital of the fund.

2.4 **Use The Permanent Fund**. The Permanent Fund is not sacrosanct. No government should accrue funds without a firm concept of what those funds are to be used for. The original purpose of the Permanent Fund was to create a source of funding for state services, particularly for the "rainy days" when there was a significant reduction in oil revenue. This concept, if approved on consensus, should be incorporated in legislation and standards set to trigger use of capital as well as income on capital.

2.5 **Recreational Activities With Health Costs Should Pay Their Way**. Considering the high costs of providing health care and public safety services relating to alcohol and tobacco, and the failure of cents per unit rates of taxation to reflect inflation in prices, current rates of state taxation are unreasonably low.

2.6 **Use Phasing But Only To Avoid Special Hardships**. Where a tax increase is indicated by the application of these principles, and the tax is a major magnitude jump, consideration should be given to phasing the tax in so that those paying the tax have a chance to make financial adjustments and are not faced with market dislocation or substantial hardship. An adjustment phase is even more likely to be necessary if benefits are cut. On the other hand, solve the problem now while the political will is energized. Do not leave major elements to later debate. Phase ins and phase outs should trigger automatically.

2.7. **It Is O.K. To Use Reserve Funds**. The state has $3 Billion in existing reserves that can be used to cushion the shock of revenue renewal and to made adjustments as real world numbers develop. If the reserves are drawn down at a rate not to exceed $500 Million the first year and $50 Million less each successive year,then the draw down will cover a ten year phase in period and leave $350 Million for contingencies.

2.8 **Capitalize The Capital Budget**. Facilities that are to be enjoyed

in the future should expect a contribution from the future generations that benefit from the expenditure. Capital projects should return to funding through bonding, voted on by the people or supported by revenue generated by the activity.

2.9 **Avoid Minor Cuts With Controversial Content.** There are many areas in which revenues can be raised and cuts made. The focus should be on those that make a real difference. Many areas, such as revenue from mineral development and cuts in power equalization, involve constituencies that view their situation as desperate or where complex policy issues are involved. It is not worth the political bloodletting involved for the minimal effect that most of these changes would have on the fiscal gap. These changes can be considered by the legislature as a part of its regular agenda after and separate from implementation of a fiscal plan.

2.10 **Reinvent Government Rather Than Savaging Weak Constituencies.** Cuts should reflect an overall view of what Alaskans expect of their government. Piecemeal reductions, sometimes called "cutting until it hurts," test constituency political strength and do not necessarily reflect what is best for Alaska in the big picture. "Cutting until it hurts," rather than rational program evaluation, will also have the effect of alienating a larger and larger portion of Alaskans from their government. Alienation is already a problem that threatens the stability of government and the peace and prosperity of our people.

2.11 **Count On The Lifting Of The Oil Export Ban.** The lifting of the oil export ban is well within the realm of reality and its fiscal benefit should be counted as a resource to meet the fiscal gap. On the other hand, neither the development of ANWR nor the gas pipeline is capable of delivering resources to the state government in the next decade, even if soon authorized. Each is too problematic to be counted for some years in the fiscal planning process.

2.12 **Focus On The Immediate Gap Issue**. The longer the term chosen for planning, the less reliable the forecast in the furthest years. It is not clear, for example, whether the fiscal gap is a cliff (a drop in resource revenue never to be recovered) or a chasm (a valley to be bridged until new oil and gas revenue come on-stream ten to fifteen years hence). Thus we should not inflict drastic injury to present interests to protect interests

of uncertain definition that are more than a decade into the future. The focus of the current effort should be to avoid the disastrous drop in available revenue and crash in expenditures which will occur in four to five years if nothing is done. There is no uncertainty about the existence of this problem, only a lack of will to deal with it.

2.13 **Avoid Deceptive Comparisons**. It is deceptive to rely on comparisons with the average per capita expenditures of other states in assessing what Alaska spends on services. Alaska's small population spread over a large area and the State's responsibility for functions carried by local government in other states, means that Alaska state government costs will inevitably seem high in comparison. When the differences created by these impacts are assessed accurately, Alaska does not provide an extravagant or wasteful level of services to its people.

2.14 **Avoid Linkage To Other Issues- Health And Welfare**. A national debate with a state counterpart has raged on the issues of health care rights and the structure and impact of welfare. Each of these issues is too big to subsume under the rather simple issues involved in bridging the fiscal gap. Each debate should go forward on its own terms. It would be counterproductive to attempt to resolve these issues as a part of bridging the gap, though it can be expected that there will be a temptation to forge a linkage by those who hope to find some advantage in the health care or welfare debates. It is clear that the federal solutions will involve cuts in the amount of funds available that will result in mandated costs in health and welfare expenditures in this state. State cuts will only exacerbate the hardship caused by federal cuts. We should reexamine state policy only as the dust settles on the national debate.

2.15 **Stick To The Main Problem**. The next principle is similar. There are many things that arguably need to be changed in state government programs, government processes, and even constitutionally mandated procedures. The fiscal gap program should focus narrowly on the gap. Some will see the fiscal gap as an opportunity to address such changes but many of these issues carry heavy baggage that will bog down solutions to the fiscal gap. These issues require extensive debate and should be dealt with in the regular legislative process.

2.16 **Avoid Exaggerated And Excessive Reactions**. The solutions to the fiscal gap problem do not necessarily involve extreme measures. Alaska, with its fiscal gap, is still the richest and most fortunate of states. Alaska also has the most managelable of problems. Caution should be exercised in overstating the gap. For example, the solutions required as well as the consequences of failing to act to address the gap, will have a considerable effect in slowing overall growth. More than straight-line projections of population pressure based on percentage historical job growth or school enrollment (particularly when conflicting) are not justifiable. Revenue losses are conservatively stated and the benefit of lifting the oil export ban, which appears to have support of President and Congress, is not included. A middle course, not the most conservative projections, should be used in setting the base lines for decision.

2.17 **Accept The Reality** All but a small part of the fiscal gap was caused by repealing or reducing taxes leaving oil revenue to pay the way. By the same token, the solution is to bring our taxes back in line with the expenses of state government, expenses which are largely in line with the historic aspirations of the Alaska people.

PART THREE

A MODERATE SCENARIO FOR ADDRESSING THE FISCAL GAP CRISIS

3.1 **The Permanent Fund.** Introduce a formula for reducing the growth in the Permanent Fund Dividend but otherwise leave the Permanent Fund Dividend alone. Above $1,000, the Permanent Fund Dividend should rise at a rate one half as great as the present rate [1] and should cap at the rate of inflation above $1200. We do not want the PFD to become an incentive for immigration. Provide formulas for the release of permanent fund capital in the event of sharp economic downturns.

3.2 **Required Services Of Government**. Leave welfare, Medicaid, Medicare, education, and education loans alone. The damage done by federal cuts should not be duplicated and compounded at the state level.

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[1]The data in the fiscal gap report does not give enough data to calculate this number with confidence. A graduated cap could be set at a percentage to produce such a number.

3.3 **Programs For Seniors.** The longevity bonus and property tax exclusion should be restricted to families with an income of less than $50,000 per year after medical expenses. Pioneer Home fees of persons with incomes above $100,000 should be increased to $1,200 per month and annually adjusted upwards for inflation. Since this calls for a significant change in the previously expressed values of the state, each of these reductions should be put to a vote of the people with the alternative of paying an appropriately increased percentage on the income tax. This could be done on an advisory basis with legislative action to follow.

3.4 **Capital Budget.** The capital budget should be submitted to a vote of the people on the same basis.

3.5 **An Income Tax**. Establish a progressive state income tax as the best and fairest method of raising revenue. It is also the most economically reasonable in that it picks up the income earned in this state by out-of-state residents. Since this tax is deductible from federal income tax, on average, a fifth of an individual's state income tax is paid by the federal government. Care should be taken in establishing this tax not to incorporate special interest tax breaks that have been adopted by the Congress over the years without broad public understanding or support.

3.6 **Minimum Income Exclusion From Income Tax.** An income tax is a preferred method of raising revenue, but that does not mean that the rate needs to be as high as it was when repealed. Nor does the income tax need to tax low and moderate incomes, provided that other sources of revenue are also tapped. Nor does it have to reflect all of the exemptions and deductions of the federal income tax. For example[2], 69% of the revenue from the income tax, as structured at the time of its repeal, came from net taxable incomes over $50,000 (on average gross incomes of $65,000). That income is generated from under 2% of those filing a return. We recommend that the exclusion be at least at the $50,000 ($65,000 gross) level. A tax at 3%, half the level of the tax repealed in the oil boom, levied only on net incomes above $50,000 would net $154 Million, almost 1/3 of the amount necessary to meet the gap. Revenue from such a tax would rise with economic and population growth, as required by

---

[2]Numbers used in this draft are all taken from the Commission's report or extrapolated from those numbers.

principle 12.1.

3.7 **Alcohol And Tobacco.** The rate of taxation of alcohol and tobacco should be fixed no lower than the average of other states and better in the top quarter percentile. Alaska has very low taxes at present. The Commission has pointed out that a tobacco tax of $1 per pack would raise $57 Million. This tax shouldbe at least .50 per back for a revenue of $26 Million. The commission has stated that a tax on alcohol of 3-4 cents per drink would raise $19 Million. Even considered as a benign commodity, alcohol is a luxury purchase. While the structure of the tax requires technical attention, there is no reason why an additional $40 Million could not be raised from alcohol taxes.

3.8. **Motor Fuel Tax.** Alaskan consumption taxes on motor fuel have stayed abnormally low as a result of inflation and lack of revenue pressure. Alaska spent $130 Million of its own funds on highways and public facilities[3]. The current 8 cents per gallon. motor fuel tax raises only 33.5 Million. A raise of 8 cents per gal would still leave Alaska's tax level well below national rates. A raise in excess of 8 cents to the national median may impose too sharp a burden all at once on low income motorists. A further raise should be considered in three-five years.

3.9. **Marine Fuel Tax.** By the same token a raise of 3 cents per gallon on marine motor fuel would raise $5 Million.

3.10 **Fish Landing Tax.** The Commission's scenarios propose fish taxes that could raise $3.5 Million. These taxes should be imposed following two principles. First, each Alaska industry should at least pay for its own regulation. Secondly, natural resource extraction should bring some revenues to the State.

3.11. **Severance Tax On Oil.** In the event that the export ban is not lifted, increase severance taxes on oil by 10 cents per barrel. Hold advisory vote on this question too.

---

[3]The Commission report does not provide a breakdown between public facilities and highways. A good case can be made that the gas tax should fund highway maintenance and the state match of federal highway funds 100%.

TONY KNOWLES, GOVERNOR

REPLY TO:

☐ 2221 E. NORTHERN LIGHTS, ROOM 128
ANCHORAGE, ALASKA 99508-4149
PHONE: (907) 276-4176
FAX: (907) 276-7018

☐ P.O. BOX 110222
JUNEAU, ALASKA 99811-0222
PHONE: (907) 465-4864
FAX: (907) 465-4832

DEPARTMENT OF ADMINISTRATION

ALASKA PUBLIC OFFICES COMMISSION

Sept 13, 1995

Brian Rogers, Chairman
State of Alaska
Long Range
Financial Planning Commission
716 West Fourth Avenue
Anchorage, Ak 99501

Dear Mr. Rogers:

I have recently reviewed the preliminary report of The Long Range Financial Planning Commission, "Alaska's Growing Fiscal Gap." As the Executive Director of the Alaska Public Offices Commission (APOC), I have some concerns. As you probably know, the APOC administers four disclosure laws: AS 15.13, the Campaign Disclosure Law; AS 39.50, the Conflict of Interest Law; AS 24.60, The Legislative Financial Disclosure Law; and AS 24.45, the Lobbying Law. These laws require public officials, politically active groups, and lobbyists and their employers to disclose campaign contributions and expenditures, personal financial interests and funds expended to influence the administrative or legislative branches of state government. All of this "disclosed" information is available to the public.

I recognize that it is difficult in a short report to make all your assumptions clear. It is not clear to me with regard to the APOC what your Commission envisions. Scenarios one and two include the APOC in a category named "consolidate/eliminate". Since the APOC and the Alcohol Beverage Control (ABC) Board are the only two programs in that category with funds remaining after FY 2000, it would appear that these two programs would be consolidated. The ABC Board controls the manufacture, possession and sale of alcoholic beverages in the state, a very different function from APOC. It is unclear to me how the two programs could be functionally consolidated.

With regard to the estimated savings column by FY 2000, the amount remaining represents a 75% reduction of APOC's budget including program receipt revenues. Over the last several years, the APOC has received significant cuts in its budget and as a result, is minimally funded at its current level. It is not possible to run a credible program that meets the expectations of the public and carries out the basic mandates of the four disclosure statutes with anything less. Further, Article II, Section 12 of the Alaska Constitution requires lobbying to be regulated.

As I understand from talking to Melissa Fouse, staff to your commission, part of the intention of scenarios one and two is to demonstrate the drastic cuts that would be necessary to reduce the general fund by $500 million dollars. These are only examples, not recommendations. Although, I appreciate this distinction, all too often ideas committed to paper have a life of their own and a validity that may not have been intended. A credible and effective Alaska Public Offices Commission can not be supported with the funds remaining after a 75% reduction.

Sincerely,

Karen Boorman

Karen Boorman
Executive Director
Alaska Public Offices Commission

cc: Alaska Public Offices Commission Members

Eric E. Wohlforth
900 West 5th Avenue, Suite 600
Anchorage, Alaska 99501
Telephone: (907) 276-6401 · Facsimile: (907) 276-5093

September 6, 1995

Brian Rodgers, Chair
Long Range Financial Planning
Commission
716 W. 4th Avenue, Suite 470
Anchorage, AK 99501

Dear Brian:

I cannot attend your hearings and so offer the following instead on your interim report.

Despite its general excellence, the interim report contains the following deficiencies:

1. There is no mention of capital borrowing to reduce the projected base case general fund cash capital spending projection of $116 million per year. Other states borrow a major portion of their capital expenditures. Since the base case indicates deficits growing from $513 million in 1976 to $861 million in 2000, it would have made sense to have at least considered the possibility of borrowing a portion, if not all, of these capital expenditures.

2. The report contains no serious discussion of budget and management systems in effect in other states which could achieve substantial savings. Apparently the Commission was unable to seriously study the reforms in state government in other states and to present to the Alaska public some of the more efficient budget management systems. For example, surely it could be of value for the state to initiate a management and efficiency review since it has been some 19 years since the last effort was made in this regard.

3. The policy choices to close the fiscal gap in Appendix 1 indicates "economic development" as a potential policy choice. I would submit that this is not a serious choice and it ought to be relegated to a footnote rather than putting it on a par with other serious choices like the use of budget reserves and the like.

4. The parts item 6 - Other State Assets - lists the Alaska Housing Finance Corporation and states that the Commission has not been able to determine if the $50 million per year in the agreement between the AHFC Board and the Commissioner of Revenue (not the Governor's office as stated) is appropriate. An effort should be made to contact AHFC and to inform the committee as to what the real case is.

5. What is the import of page 22 statement that the Commission is examining management policies of the Permanent Fund Corporation with particular focus on the fund's asset allocation? This statement should be explained.

Sincerely yours,

Eric E. Wohlforth

AFF045DE

Please submit

To State of AK

Long Range

Financial Planning

Commission

From Yvette Turner

Perseverence Theater

PERSEVERANCE
T·H·E·A·T·R·E

September 14, 1995

To: The State of Alaska Long-Range
Financial Planning Commission

From: Lynette Turner
Producing Director
Perseverance Theatre

Dear Commission Members,

It has come to my attention that several scenarios in the Long Range Fiscal Planning Commission Report recommend zeroing out the Alaska State Council on the Arts. I am writing this letter to voice my opposition to this recommendation and to urge support for this important council.

Founded in 1966 the council has always played an important role in the state of Alaska. Professional and community arts organizations, diverse individual artists and schools statewide have greatly benefited from their existence. The council offers technical assistance to both rural and urban communities, serves as a resource center, and administers grants for a great many programs.

As Producing Director for Perseverance Theatre, the largest professional statewide theatre in Alaska, I know first hand how critical State Arts Council support has been. We have received some degree of operational support for several years. Operational funding is the most difficult to secure and absolutely necessary for survival. I have also found it to be true that foundations and corporations look more favorably upon supporting you when they see that you have support from your own state. In this manner State Arts Council money helps leverage other funds from out of state. We have received outside funding from such prestigious foundations as Ford, Rockefeller and Shubert and no doubt having the support of the state worked in our favor.

The council has also played a large role in bringing the arts to thousands of children through the artists in the schools program. For some youth this is their first introduction to the arts and may be their only hands on experience. I was an individual artists in the schools and have seen numerous times the positive effects. Children gain confidence in their artistic ability and this can then be seen in other areas of their education. They sharpen their analytical skills, increase their ability to work together collaboratively, and become better communicators.

As overall funding for the arts has declined from private and public sources we are seeing the devastating impacts: Arts organizations are closing their doors, and as a result activities for artists, community members and volunteers are gone; outreach and education programs are diminishing at an alarming rate and artists are losing their jobs. At Preservance Theatre, where we offer the only full time seasonal performance contracts and internship training

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programs (in acting, directing, playwrighting, arts administration and technical design) in the state, we have seen a steady and drastic decrease in the number of artists we are able to work with over the last five years. It is also important to note that the overall cultural health of Alaska is threatened by the severe cuts to the council. Groups from Nome to Ketchikan, large and small have already been dealt a severe blow. And although private funds have been of some assistance in the past I think it is unrealistic to assume that portion of the community can replace state support.

In addition, let us not forget the economic impact of the arts. The arts supports jobs and generate a great deal of outside income. We have a healthy tourist industry and we need to find a way to work with and encourage artists and arts organizations to work with industry. Our summer production of THE LADY LOU REVUE is seen by over 20,000 tourists each summer. This is just one example of outside dollars coming into the state.

The action of demolishing the council has severe repercussions. I ask that you weigh your actions because the after shocks will be with us for a long time to come. We need the Arts Council. We need the arts in our lives. And we need the people who are in the position to make the critical decisions as to what stays and what goes to place the arts higher on the priority list. I know I am not alone when I ask that the recommendation of the elimination of the council be reconsidered.

Thank you for your time and consideration.

Alaska State Legislature

Please enter into the record my testimony to the Long-Range Planning committee name committee on Alaska's Fiscal Gap bill/subject, dated 9/14/95.

see attached

Signed: Althea Buckingham
Testifier

Resident Council Sitka Pioneer Home
Representing (Optional)

120 Katlian St, Sitka AK 99835
Address

Phone No.

SUBJECT: Alaska's Growing Fiscal Gap

Respondee: Althea Buckingham
Private Citizen
Chair of Resident Council Sitka Pioneer Home

1. The larges increases in spending seem to be in corrections and education which you state are largely funded elsewhere by counties(which we do not have) and municipalities. Isn't it possible to have private enterprise manage correction institutions.
2. Look more carefully at spending on non-essential programs such as art and entertainment.
3. Within the last 17 yr. period you decided to increase the number of pioneer homes and during the same period discouraged private nursing home development by lack of workable regulations.
4. Regulations have improved but private nursing homes have not increased enough to take many needing to go into the Pioneer Homes. There is a waiting list everywhere for long term care in this state.
5. Many using residential and assisted living in the Pioneer Homes at present could not afford to pay private rates if you privatize them as the rates would be so much higher.
6. If all assistance to our older citizens (which number is increasing every year as EVERYONE in the state ages) is cut or decreased radically it will necessitate their having to move South and that potential in income will be lost. Are we being governed by individuals who figure they aren't going to make Alaska their permanent home? Do they figure that when they become senior citizens they can go elsewhere to get services that they have closed down for those who want to remain here?
7. The repeal in 1980(due to oil money) of the individual income tax is something that cannot continue to exist due to the decrease in revenues. As you state, Alaskans are not as burdened at present with taxes as the other states and should therefore consider reinstating the personal income tax. This may be an unpopular political choice but one which MUST be considered. If citizens do not want that they should be willing to give up some of their permanent fund money.
8. Those persons who have moved here to get away from whatever, and "get back to nature" are very vocal about keeping progress down, taxes down, and have no desire to pay for services they don't use, seem to have a big voice. Those of us who have been here 60 years or so are willing to help any way we can but do not want our support system cut off.
9. When persons want to increase our State need for health services by persisting in using tobacco and alcohol, they should be expected to pay for them by increase in taxes on those items.

(over)

10. Are permanent fund dividends mainly used out-of-state for individuals and families to take vacations? That means the State does not recoup this money. If the Permanent Fund amount was cut in halfwould that money help raise revenue without really hurting anyone too much.
11. You ask WHAT ROLE SHOULD RESERVE FUNDS HAVE IN CREATING A STABLE FISCAL FUTURE?
I favor: minimizing the current use in order to maintain substantial reserves but only as insurance that we meet cash flow requirements. We do not need a sizable surplus.
12. It is also apparent that the University system grown too big with large campuses all over the state. Maybe we can't afford this at present.

Testimony Received in Writing that has been presented to the Commission during Public Hearings.

1.) Mr. Arnie Thomson, Alaska Crab Coalition
2.) Dr. Milton Bird, The Alaska Support Industry Alliance
3.) Mr. Tim Sullivan, Handout " Energy Efficiency and Job Creation" (46 pages, available for review in the Commission Office)
4.) Ms. Anne Marie Holen, Alaska Native Health Board
5.) Ms. Kim Swift, Common Sense for Alaska
6.) Mr. Richard Kornberg, General Testimony on Education
7.) Mr. Don Valesko, Public Employees Local 71
8.) Mr. Charles McGee, (Available for review in the Commission Offices.)
9.)

ALASKA CRAB COALITION

3901 Leary Way (Bldg.) N.W., Suite #6 • Seattle, WA 98107 • (206) 547-7560 • FAX (206) 547-0130

TELECOPIER COVER LETTER:

Please deliver the following pages:

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6 RFPC testimony.

Thanks for pledging get me there to the hearing.

Should you encounter any problems during this transmission, please contact the Alaska Crab Coalition at the above numbers for assistance. Thank you.

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OPERATOR: _____

(1)

TESTIMONY OF ARNI THOMSON, EXECUTIVE DIRECTOR OF
THE ALASKA CRAB COALITION BEFORE THE
STATE OF ALASKA
LONG RANGE FINANCIAL PLANNING COMMISSION
ANCHORAGE, ALASKA
SEPTEMBER 12, 1995

The Alaska Crab Coalition (A.C.C.), a fisheries trade association, is completing its tenth year representing the owners of 57 Bering Sea crab vessels, 11 of the the major crab processing companies and 60 service and supply companies from Washington, Alaska and Oregon. The focus of the association is to encourage sound conservation and research based management policies and practices that will generate sustainable harvests of king and tanner crabs in the Bering Sea and Aleutian Islands.

Through its membership in the Alaska State Chamber of Commerce, the ACC has been following closely the work of the Long Range Financial Planning Commission. ACC supports the goals of the ASCC and the Commission, to close out the fiscal gap created by non sustainable tax revenues and declining oil production.

In seeking to achieve these difficult goals by the year 2005, the ACC recommends, in regards to fisheries resource management, that Alaskans carefully focus the tools of budget reduction and taxation, focus on the long term and use this opportunity to develop a realistic framework for sustainable revenue production.

The ACC's two major areas of concern tonight are:

1. The need for maintenance of an adequate Fish and Game applied research and management budget for Bering Sea crab fisheries. This is the engine that will drive rebuilding and sustainability of the king and tanner crab resources.

2. Royalty fees of 4% to 12% of gross revenues are being considered for limited entry fisheries as part of the solution for closing the one half billion dollar fiscal gap (estimated annual revenue $19 to $60 million per year).

ACC boat owners, characteristic of the fleet as a whole, are primarily composed of small family held businesses, partnerships and small corporations. There are approximately 250 full time crab vessels in the Bering Sea fleet and 100 additional part time vessels that depend on other fisheries for the major portion of their livelihoods. Aproximately 35% of the fleet, or 120 vessels are registered to Alaskans and the balance of the fleet are registered to non residents.

Bering Sea crab fisheries occur in the 3-200 mile federal

waters, the Exclusive Economic Zone. However, under a special delegation of authority, spearheaded by the ACC in 1989, a joint management plan with the federal government delegated management jurisdiction to ADF&G and the Board of Fisheries. Although an offshore fishery, 90% of the crab is landed and processed by shorebased plants, or floaters anchored inside the three mile zone of State waters. The same companies that process and market Alaska salmon and herring are involved in the Bering Sea crab fisheries. With the bulk of the product being landed and processed ashore or in State waters, the fishery is subject to the normal State and borough raw fish taxes and licensing fees.

In 1994 the landed value of Bering Sea crab fisheries was $266 million and the first wholesale value exceeded $500 million. Over 90% of the State of Alaska shellfish production is derived from the Bering Sea and Aleutian Islands. Based on the landed value of the catch, the fleet and the processing sector of the industry contributed 8-9% of the gross revenue, an estimated $22 million to the State of Alaska General Fund. Actual Fish and Game research and management costs do not exceed $1.5 million for the Bering Sea crab fisheries.

Additonal taxes are forthcoming in 1997 as a result of NPFMC action taken in June of this year. The NPFMC approved a limited entry program for not only Bering Sea crab fisheries, but all Gulf of Alaska and Bering Sea groundfish fisheries. The new program is modelled after the rather successful Alaska salmon and herring limited entry program and it too is a permit style program. The ACC supports the new program as an interim step towards rationalization of the crab fisheries.

When the new program goes into effect in 1997, taxation of the fleet effectively doubles with the onset of a CDQ program which transfers 7.5% of the quotas (and revenues) from the fleet to non participants in the coastal villages of Western Alaska. Based on 1994 revenues in the crab fisheries, this equates to $20 million of lost income to the fleet (both Alaskans and non residents) that is to be allocated to Alaskan residents around the Bering Sea. Thus, by 1997, the Bering Sea crab fisheries will be contributing a projected $40 million to the General Fund and the Bering Sea communities, an amount that is equal to the entire Commercial Fisheries Management and Development Division of Fish and Game. Notably, this summary of taxes is taken off the top of vessel owners and processors income before IRS payments.

Additional taxation in the form of the proposed royalty fees for all limited entry fisheries, one of the alternative solutions being suggested by the Commission--could well become the straw that breaks the camel's back of the Bering Sea crab industry. Imposing royalty fees in a permit style

limited entry program for Bering Sea crab fisheries will be counterproductive, possibly ruinous to the industry and detrimental to the long term sustainability of the fisheries sector of the Alaska State economy. The business management of Bering Sea crab vessels is high risk and high cost, presently exacerbated by dramatic overcapitalization pressures and declining quotas and revenues.

However, the ACC will support a royalty fee of up to 2% within the context of a market based individual vessel quota program--for Bering Sea crab fisheries. A well designed program adds market value to a vessel owner's business, reduces the loss of vessels and most of all, reduces the loss of lives because it slows down the race for fish. The hazards and the mortality rates involved in the race for the Bering Sea crab quotas have become notorious in international fishing circles. The permit system is not the final solution for Bering Sea crab fisheries in the sense that it has been for the less hazardous Alaska inshore salmon and herring fisheries. The race for fish intensifies under a permit style program. All available capital is reinvested in technology to continuously improve a vessel's competitive position and boats and lives are lost in the pursuit. The pace of the fishery has become almost unbelievable.

Although fishing vessel quota programs are controversial amongst some Alaskan small boat owners, the limited entry permit program is widely accepted. These permits add considerable equity to a vessel owner's business and in some of the more lucrative fisheries, the permit values equal the value of the fishing vessels. The permits are fully transferrable in the market place and differ only in a matter of degrees from transferrable vessel quotas. Vessel quotas have the distinct advantage of providing a built-in industry buyback of excess fishing capacity that avoids costly government funded buyback programs.

In published testimony before the U.S. Senate Subcommittee on Oceans and Fisheries in March of 1995 in Anchorage, the ACC publicly supported a royalty fee of up to 2% of gross revenues of Bering Sea crab landings, to be dedicated to conservation and management and for economic adjustment assistance, within the context of a fishing vessel quota program. In 1994 this would have generated over $5 million-three times the program costs for conservation and management of Bering Sea crab fisheries. In essence, a fishing vessel quota program can form the basis for a quasi privatized fisheries management program for the crab fisheries.

This concludes ACC's recommendations for sustainable revenue production for two renewable resources, Bering Sea and Aleutian Islands king and tanner crabs.

ALASKA CRAB COALITION

OVERCAPITALIZATION IN BERING SEA CRAB FISHERIES

	12/31/89 BOATS 1989	12/31/93 BOATS 1993	INCREASE SINCE 1/1/90	% INCREASE
BAIRDI	109	289	180	165%
OPILIO	168	246	78	46%
B BAY RKC	211	302	91	43%

AVERAGE NUMBER OF BOATS FOR THE BAIRDI, OPILIO & KING CRAB FISHERIES

1989	1993	INCREASE	INCREASE
162	279	117	72%

FISHING DAYS

	1989	1993	DECREASE	DECREASE
BAIRDI	110	50	60	
OPILIO	112	60	52	
B BAY RKC	12	9	3	
AVERAGE	234	119	115	49%

Reference: ADF&G, Westward Region reports

Prepared: 5/12/94

BOXSCORE

Entry Permit Prices
(as of 4-1-95)

Area	Salmon/ Herring	Gear	Market Range*	State Value*	Offers*
Southeast	H	Seine (SN)	200+	173.8	180+
P.W.Sound	H	SN	65+	80.2	63.5+
Cook Inlet	H	SN	70	61.2-	69.5+
Kodiak	H	SN	90	75+	85
Southeast	H	Gillnet (GN)	31-	33.4-	29-
P.W.Sound	H	GN	55	74.8-	50
Kodiak	H	GN	29	23.3	26
Norton Sound	H	GN	12-	13.2-	12
P.W.Sound	H	Pound (PN)	20+	27.2	16+
Southeast	S	SN	75+	75	72+
P.W.Sound	S	SN	67.5	47.1+	67+
Cook Inlet	S	SN	45	134.5	N/A
Kodiak	S	SN	52+	38.1	50+
Chignik	S	SN	210	238.3	200
False Pass	S	SN	180	193.4	N/A
Puget Sound	S	SN	ARO	N/A	N/A
Southeast	S	GN	72+	64.4+	70+
P.W.Sound	S	GN	68+	59.7+	65+
Cook Inlet	S	GN	115+	67.6+	100+
False Pass	S	GN	320+	329.8	310+
B.Bay	S	GN	225+	180.9+	215+
Puget Sound	S	GN	ARO	N/A	N/A
Yakutat	S	Set Net (SGN)	50	42.5	40
P.W.Sound	S	SGN	65	75	55
Cook Inlet	S	SGN	32+	24-	29+
Kodiak	S	SGN	105	90	100+
False Pass	S	SGN	110+	107.9	105+
B. Bay	S	SGN	47.5+	36.4-	45+
Norton Sound	S	SGN	ARO	7.8	N/A
Southeast	S	Hand Troll	8.5	7.4+	8
Southeast	S	Power Troll	28-	27.4+	27.5
Chatham	B-Cod	Lg-Ln	N/A	175.5+	180+
Clarence	B-Cod	Lg-Ln	N/A	120	140+
Southeast	Crab	King/Tanner(ESM)	165+	106.3	135+
Southeast	Crab	King/Tanner(ESM)	190+	153.1	170+
Puget Sound	Crab	Pots	8	N/A	7

Prices may vary in accordance with market conditions. * *in thousands*
+ denotes an increase from last month. N/A denotes No Activity.
- denotes a decrease from last month. ARO denotes Any Reasonable Offer.

■ Buyers trying to purchase primary salmon cards are stymied as they now face the possibility of missing this year's fishing season. Secondary salmon fisheries have turned into shark feeds as buyers scramble in last-ditch efforts to engage in *any* fishery this summer.

■ A number of sellers have decided to take their permits off the market and go fishing this summer, with ex-vessel prices continuing to look encouraging.

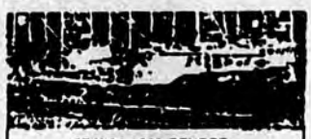
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P901M - 56' X 20' X 6' 1990 FG SEINER, $375K
P903M - 58' X 19' X 9' DELTA, ASKING $525K
P904M - 1991 58' X 19' X 9' DELTA, $CALL
P913M - 38' FG LEDFORD SEINER, CAT $70K
P839M - 58' WD/TH SEINER, $90K, TERMS
P926M - 105' STL MID HOUSE LL, $185K

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P932M - 1990 40' LINDELL, 440 LUGGER, $180K
P928M - 1989 42' LINDELL, 440 LUGGER, $189K

CALL FOR A COMPLETE LIST OF VESSELS

Bruce Mathinson • Dan Frank • Mike Painter • Mary Mathinson

** TOTAL PAGE.006 **

nationwide average of education transfers versus all other transfers to local government is 62.1%, according to the 1994 ACIR Report, while Alaska is close to the national average at 59.7%

The AML supports efforts to increase the efficiency and effectiveness of education programs for our children, such as the changes proposed by the Alaska Association of School Boards, and other efforts to increase local flexibility in providing cost efficient and cost effective education.

The AML supports the effort to restructure the school foundation program to more equitably and effectively distribute the state resources for education. The AML does not support a 50 to 100% increase in mandatory local taxpayer support for schools.

The AML supports application of the priority-based school construction and maintenance grant programs established by AS 14.11.007-019 equitably to all districts. The AML supports the addition of an incentive to encourage communities to achieve higher maintenance standards and reward those that properly maintain their facilities. The AML urges the legislature to consider statewide bonding for ongoing school construction and maintenance needs. (AML Policy Statement p. 23)

State Unfunded Mandates on Local Governments

An unfunded mandate is a responsibility mandated by a higher level of government to a lower level of government, without providing funding to carry out the mandate. In 1994 the federal government passed a bill to protect the states against unfunded federal mandates. Many states have enacted similar bills, or constitutional amendments, protecting their municipalities against unfunded state mandates. Such a bill for Alaska will be a means to ensure a long term stable relationship between the state and its political subdivisions.

The AML/ACoM supports the enactment of a municipal "unfunded mandates bill" to provide protection from unilateral decisions on the part of the state that have the effect of forcing municipalities to raise local taxes or cut services.

Senior Citizens Property Tax Exemption

The AML/ ACoM supports the enactment of the Senior Citizen/ Disabled Veteran Property Tax Exemption as a local option or with a reasonable cap on the growth of the program at a level similar to other states. This program began with full state funding. Over the past several years, the state has almost eliminated state funding for the program yet requires local governments to grant the exemption without regard for the financial need of the individual recipient, or other reasonable criteria. The current cost to municipalities is about $17 million per year.

Other State Programs That Ensure a Basic Level of Services to Alaskans

Many areas of the state, especially rural areas, have a very small local tax base. Over the years, state programs have been developed to target specific basic services to these areas. Such programs include: Power Cost Equalization; Village Safe Water Program; Public Safety Officer Program.

state and municipal transportation system needs, i.e. roads, harbors, airports, marine highway.

5. Property Taxes - Property Tax is the primary source of revenue for many municipal municipalities. This revenue source is carefully balanced to provide for local service needs while not overburdening the local citizens. This revenue source is highly utilized by municipalities. The AML/ACoM strongly recommend that the state reserve this revenue for municipalities.

Excess Tax Capacity

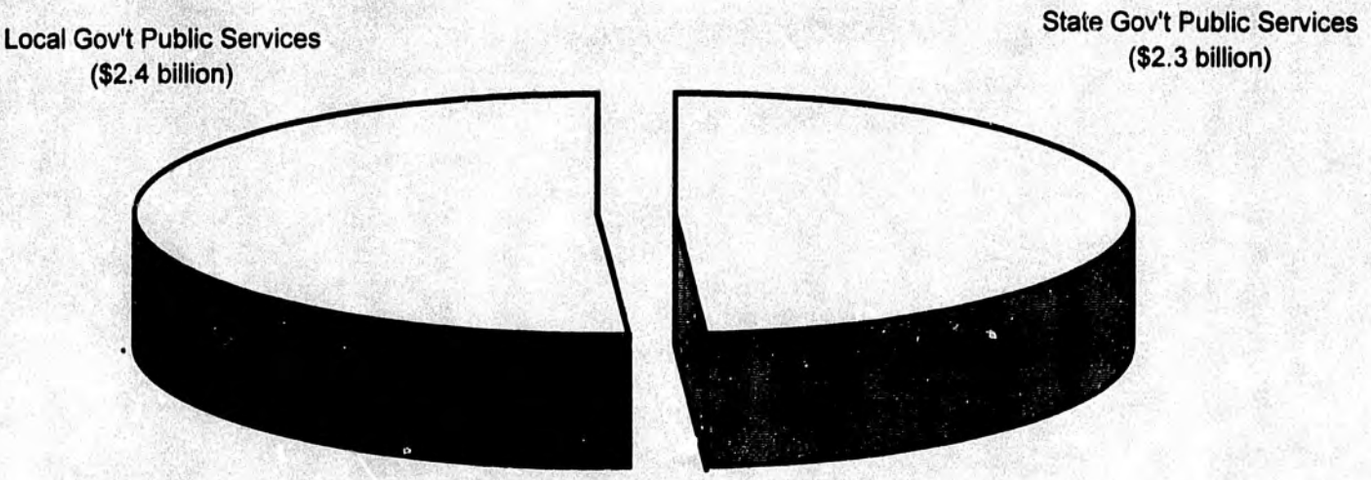
The Commission has asked the AML/ACoM to comment on the state use of "excess tax capacity" in Alaska. The Commission shows that, considering the Permanent Fund Dividend and all state and local taxes, the average Alaskan has a net revenue gain while other residents of other states pay significant net state and local taxes.

In Alaska, local sales and property taxes are near maximum in many communities. The state has used 0% of its tax capacity since the state has essentially no individual taxes. The AML/ACoM recommends that the state first consider its excess tax capacity in tax areas not currently utilized by municipalities.

Cuts in Municipal Programs

The Commission Chair asked the AML/ACoM what cuts to municipal programs it would recommend if the Commission decided to recommend $10 million in directs cuts. As stated in an earlier section, the AML/ACoM supports well planned structural changes in state or municipal programs that result in savings. The AML/ACoM has offered several structural changes above and has offered to continue to work to plan and implement these and other changes. The AML/ACoM strongly opposes additional across the board cuts that simply pass problems along to local government and/or have greater long term costs to the state; (e.g. cuts in Municipal Assistance/ Revenue Sharing have the long term impact of giving small communities an incentive to dissolve and pass education and other service costs back to the state.)

Comparison of Alaska's Public Services by State Government vs. Local Governments



Source: Dept. of Community & Regional Affairs FY 93 Municipal Fiscal Database; OMB Long Range Fiscal Planning Commission "base case" budget analysis; Department of Education.

A Position Paper
(Mercifully Short)
from
The Alaska Support Industry Alliance
on
The Preliminary Report
of the
Alaska Long- Range Financial Planning Commission

We of the Alliance commend you of the Commission on your energy. Unfortunately, we cannot say as much for your Preliminary Report. It's not a report. It has no sense of direction. It has no focus. It is a grab-bag of everything. Its only contribution is a credible case on the realness of the fiscal gap.

But we of the Alliance have known of that phenomenon for almost a dozen years, since, that is, January 1984 when at our first Meet Alaska Conference Harold Heinz, then President of Arco Alaska, laid out a prognosis of the gap rapidly coming our way. The tragedy is that little, if anything, of consequence has been done about it by our Alaskan legislative leaders or governors. And the greater tragedy is that now, twelve years too late, your Commission cannot find the key to the solution.

Your report almost comes to grips with the solution but lets it slip away. On page 4, you ask the question, "What can be done to close the fiscal gap?" Your unhappy answer comes in thirty words in six sub-sections. Two of those words advise: *cut spending*; the remaining twenty-eight advise: *raise revenue*. You've got it all wrong. You need to reverse that to twenty-eight to two to cut spending.

That great bonanza of sudden wealth that came into the Alaska state government treasury was used to build a megagovernment, for some time and still much larger than we need or than we can sustain. But your report seeks to do just that, raise lots of revenue from the private sector to hold on to the excess that we unwisely created when the cash was flowing in.

You seem intent upon granting Alaska's political leaders license to tax away private earnings needed for investment to create a robust private economy. Don't. To the contrary, you need to advise them to trim the Alaska state government back to a reasonable and sustainable size without adding more burden to the private economy by taxing away its limited resources. Alaska needs basic government, providing public safety, a judicial system, infra-structure, and public education. Those need to be delivered effectively and economically. Young punks who commit crimes need to be jailed and high school graduates need to read at the twelfth grade level. However, throwing more money at these challenges has proven ineffectual. Wise management is needed. Finally, we need a modest level of environmental and business regulation that is simple, effective, and relatively non-intrusive. If our leaders can deliver these things, we the people will yield some of our sovereignty to our government. You will recall that Machiavelli, a renowned political consultant, advised the Prince to avoid violating his subjects' wealth or their women. We expect no less from the Alaska state government.

To achieve this kind of economical and effective government, our leaders need to move quickly to substantial downsizing of Alaska's government. They need to reduce the number of departments, consolidating functions. They need to eliminate the hundreds of special programs, and combine the remaining ones into a much smaller number of entities. And of what remains they need to reduce most budgets by twenty to thirty percent annually for the next four or five years. Only by such bold action will they reduce our government expenditures by the better part of a billion dollars.

Get real, Commissioners. For 615,900 residents, Alaska's government is rich. Alaska does not have a revenue problem; it has a spending problem. Unless you address that head-on, the economic future for the people of Alaska will be grim. But if our government officials will go boldly where few have gone before and reduce spending sharply without picking clean the pockets of Alaskans, the new century can know a great Alaskan prosperity.

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Good evening. My name is Anne Marie Holen and I am project manager for a statewide tobacco control program at the Alaska Native Health Board. I am here to express my strong support, and the support of the Alaska Native Health Board, for a significant increase in state tobacco tax rates. I want to mention that ANHB also supports an increase in alcohol taxes, but I will confine my testimony tonight to tobacco taxation.

I know you have already heard how tobacco taxes in the United States are lower than in almost any other developed country, and how current taxes in Alaska are below than the national average—even though we have one of the highest rates of tobacco use in the country. You have also received information on both the revenue benefits and public health benefits of tobacco tax increases. I realize this commission is not looking at public health issues per se, but given the amount of state dollars spent on health care in Alaska, it certainly would make sense to try to reduce preventable causes of disease. Tobacco use is the leading cause of preventable death and disease in the nation. And in case anyone is thinking, "smokers die younger and therefore save the state money," it's not true. Even though smokers die younger—an average of 15 years younger—than non-smokers, their lifetime medical expenditures are still significantly higher than those of non-smokers.

There are just two additional points I want to make. One is that dramatic price increases will produce the most revenue, obviously, and also the most dramatic reductions in tobacco use. I know the Commission has looked at the benefits of a tax increase of $1 per pack, which would be fantastic. Even better would be an increase of $2 per pack. Keep in mind that even at that rate, cigarettes in Alaska would still be less expensive than in the Yukon Territory or British Columbia. Alaska is in an enviable position in that the potential for cross-border smuggling simply isn't an issue.

The second recommendation I want to make is not to forget other forms of tobacco besides cigarettes. Loose tobacco, chew, and snuff are very appealing to youngsters, thanks to the efforts of the tobacco companies, and taxes on those products should be comparable to taxes on cigarettes. Obviously this will lead to even more revenue for the state while also discouraging behavior that leads to drug addiction and high health care costs.

In closing I want to point out that tobacco taxation enjoys strong bipartisan support around the country. (I know the Commission is trying to keep politics out of your discussions, and I commend you for that, but in case anyone was wondering—) A survey done in Anchorage last spring, prior to the public vote on a 12-cent increase in tobacco tax there, found that 68% of Republicans and 72% of Democrats supported the tax increase. The fact is that a tobacco tax increase is one of the few measures the Legislature can enact that will have strong public support. It's a win-win solution.

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Testimony of Kym Swift - Executive Director for Common Sense for Alaska
On Alaska's Growing Fiscal Gap
Before the Long-Range Financial Planning Commission
September 13, 1995

Hello, my name is Kym Swift. I am the Executive Director for Common Sense for Alaska, and on behalf of its more than 500 members want to thank the Committee for the opportunity to provide comments on the Committee's preliminary report on Alaska's Growing Fiscal Gap.

Common Sense for Alaska was formed in 1976 as a nonpartisan, non profit organization. Our mission is to inform and educate the public on state fiscal matters. We believe in the need for prudent state spending and that private sector growth can be achieved best when investment capital is left in the hands of Alaska's private sector, not when it is recycled through state government.

Common Sense applauds the Committee's efforts to address the state's fiscal problems. We recognize that your preliminary report is the product of many hours of hard work and that its creation was not an easy task. However, we at Common Sense feel the report does not focus enough on the state's basic problem - over spending.

Closing the ever widening fiscal gap should be the primary concern of the Committee and of every Alaskan. Yet the majority of the Committee's report focuses on the need for the state to increase revenues. The State of Alaska does not have a revenue problem - it has a spending problem. The focus of the Committee should be on closing the fiscal gap, not merely trying to fill it.

History shows that the spending habits of the State of Alaska have no apparent correlation to Alaska's population growth. From fiscal year 1976 to fiscal year 1996, Alaska's operating budget, unadjusted for inflation, has increased by 322 percent while the population of the state has only increased by approximately 50 percent.

Each aspect of the state's budget and in particular the way it is administered should be scrutinized as the fiscal gap grows. For example, the state has spent over $400 million building new schools in rural Alaska, even when in some cases the number of pupils which would use a new school would be less than ten. The state must stop spending its dwindling resources on items which are more elaborate than are necessary.

In addition, community, business, and individual subsidies are other examples of state spending that should be considered excessive in light of Alaska's fiscal woes. Many of the subsidies, including the longevity bonus, are administered on the basis of entitlement and not need.

In other states, increases in state government costs are required by the expansion of the private sector. Yet the Alaska state government spending policy seems to be rooted in the notion that an expansion of state government will induce the growth of the private sector. Alaska's government not only feeds on itself, but has created private sector addiction as well.

As with any addiction, the artificial stimulant needs to be removed so that a healthy long-term solution can be found. The increase of taxes or user fees, the creation of dedicated funding, or the spending of Alaska's reserves will only serve to feed spending without accountability.

We at Common Sense urge the Committee to focus its attention on the state's fiscal problem - over spending - and not merely on its symptoms. The Committee was created by Governor Knowles. We suggest you adhere to his words, "Until we put our house in order, I will not introduce new taxes."

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Education and the Economy

Foreword

This study, prepared for the National Education Association by the Corporation for Enterprise Development, examines the linkage between state education spending and economic development. What follows is an exploration--using economic development "lenses." It examines new research frontiers, which we as an Association may not have touched upon and which may, in some cases, run counter to our traditional way of thinking.

In examining the linkage between education spending and economic development, the research may also link education finance and education performance. Consider for a moment what is taking place in this area:

-->State legislatures are mandating education performance.

-->The public approves of required standards of education performance.

-->Experts see improved education performance as a way to increase education funding.

-->Private companies are guaranteeing education performance for a fee.

-->Goals 2000 sets standards for student learning and evaluation.

The purpose of this research report is to stimulate thinking and explore new ways to enhance education funding and the work of our members.

Ron Henderson
Director, NEA Research

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Introduction

What Is Economic Development?

Is Education Important to Economic Development?

Does Education Spending Affect Economic Development?

Questions About the Impact of Education Spending on Student Achievement

What Are the Consequences of Underspending on Education?

How Can States Best Use Education Investments to Promote Economic Development

Conclusion

INTRODUCTION

Legislators have long struggled with the allocation of limited resources. The classic formulation of this dilemma is the "guns vs. butter" trade-off. In our era, the challenge of resolving these trade-offs persists and is made all the more complicated by tight budgets and a growing anti-tax sentiment that was, in part, responsible for the Republican Party's stunning victory in the 1994 mid-term elections. Yet, what happens when, faced with these pressures, states

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Yet, the connection between the two is not a direct one, but rather one which involves a series of complex interrelationships. Therefore, this issue brief explores the link between education spending and economic development from a number of different angles. We begin with a discussion of economic development--what it is and what some of the principles of successful economic development are. Then we examine in what way education (described in terms of human capital) is important to economic development and how we know this. We examine the link between education spending and economic development and describe how education spending has been shown to have a positive impact on a variety of economic development outcomes, including jobs and earnings. Following this, we explore the important relationship between education spending and student achievement by looking at both sides of the debate over whether "money matters." Then we return to the relationship between education spending and economic development and examine the economic development consequences of acting as if money does not matter. Finally, we present our conclusion that increased spending on education can have a significant impact on a city's, region's or state's economy, if done properly, and suggest ways that communities can make education investments to achieve this impact.

cut taxes and curtail spending on essential services, such as education, human services, and infrastructure? California provides a good example:

California is at a crossroads. Over the past 20 to 30 years, there has been a profound state disinvestment in such areas such as education and infrastructure, where sufficient public investment is a necessary underpinning for a strong private sector. California has slid from its post World War II position as a leader among the states in human resource and infrastructure investment to its current status as a state whose public investments are distinctly sub-par. . . . The average amount California spends to educate each student fell from 21 percent above the average in all other states in the school year 1959-60 to three percent points below the average in 1989-90. The recent fiscal crisis accelerated this trend, lowering per-pupil spending in California in 1992-93 to 14 percent below the average spent in other states. . . . By 1990, the average California class was the second largest in the nation and nearly one-third larger than the national average. . . . Indicators of the quality of education in California raise concerns. The state has the ninth lowest high school graduation rate in the country, and California students in the fourth and eight grades rank below the national average on math achievement tests.(1)

Yet, resource shortfalls such as these come at a time when our knowledge-based economy demands a different and higher set of skills than those traditionally provided by public education and when increasing numbers of our public school students are minorities or new immigrants. While simple justice has always demanded that race or family background not serve as a predictor of educational achievement--that each student attain what his or her individual potential permits--the demand for skilled workers in a successful America of the coming decade now makes this objective an economic necessity. Unless more economically disadvantaged youngsters enter the work force with skills in proportion to their more affluent peers, we will not be able to achieve the level of work force skills required to be a high-wage, Information Age economy.

The purpose of this paper is to examine more closely the connection between education spending and economic development. In doing this, we will explore the issue from a variety of angles and draw some conclusions that will be helpful to an audience not necessarily versed in the intricacies of economic development. In other words, this is an "issue brief" that provides educators, policy makers, legislators, and citizens with a better understanding of the relationship between education spending and economic development. In the end, we hope to show that a state's or region's economic health is best served by a common sense view that seeks out a "middle way" between two extremes--one a simplistic interpretation that money does not matter, the other a naive conclusion that money is everything.

The Corporation for Enterprise Development's (CFED) interest in education stems from education's standing as one of the primary building blocks of economic health. The analytical framework of our annual Development Report Card for the States, one of the most widely used benchmarking tools for measuring state economic performance, is based on the assumption that investment for the long term in technology, physical infrastructure, appropriate financial resources, and education are the building blocks for sustained economic health. Thus, what follows is an exploration--using economic development "lenses"--of the connection between education spending and economic development.

WHAT IS ECONOMIC DEVELOPMENT?

At its most basic, economic development is the process by which wealth is created--or how a society increases its level of material and social well-being over time. In a developing economy, employment increases, incomes rise, innovation occurs, and the rate of economic growth rises.

Yet economic development is more than just growth; it also implies changes in technology and in the institutions controlling production. This includes a rise in entrepreneurship, the development of skilled labor, the building of roads and transportation facilities, the creation of financial institutions, and the channeling and accumulation of savings. Together, these advances allow an economy to increase its productivity, thereby enabling the production of more outputs with fewer inputs over the long haul.

Moreover, in today's new economy, the real agenda for development is to achieve a widely shared and sustainable quality of life. "Shared growth" means that there is broad distribution of opportunities for meaningful participation in the economy and enjoyment of the benefits of an increased standard of living. This also ensures that no one group in our society will act as a drag on growth. "Sustainable growth" means that the above goals are achieved in a manner that does not detract from--but rather enhances--the economy's ability to accomplish the same goals in the future.

By looking at the challenge in this way, there is no inherent conflict between business, social, and environmental goals. After all, standard of living comprises a number of dimensions--both material and nonmaterial, quantitative as well qualitative. Thus, economic development has to do with the flow of money and goods to individuals over time. But it also includes improvements in the quantity and quality of public goods, that is, in our ability to obtain goods that cannot be purchased directly, but are necessary to most people's sense of well-being. These "goods" include clean air and water, freedom from fear of crime, and a sense of community.

Unfortunately, much of what goes on in the name of development is not driven by such a framework. Faced with economic dislocation caused by continued corporate downsizing, stubbornly high unemployment, and fear of job security even on the part of those in the work force, many political leaders have taken unwise actions that equate economic development solely with lowering taxes and rolling back government. This traditional approach to economic development often ends up being "penny wise and pound foolish." A more effective economic development approach is guided by the following principles:

>Strong economies compete on the basis of high value, not low cost.

While at one time developing countries based their development on low wage rates, quality and other non-cost factors are the new turf for business competition. According to author Peter Drucker, "the main competition for American manufacturing industry--for instance, in automobiles, in steel and in machine tools--has come from countries such as Japan and Germany, where wage costs have long been equal to, if not higher than, those in the United States. The comparative advantage that now counts is in the application of knowledge.(2)

This is not to say that business costs--such as wages, taxes, energy rates, and social insurance premiums--do not matter at all to investors

>Investments in development "capacity" (human, technological, financial, and infrastructure resources) provide the basis for future economic health.

Every year, CFED's Development Report Card for the States compares the economies of the 50 states and examines to what extent each state provides its citizens with economic benefits and opportunities. One of the key findings from CFED's 1994 Development Report Card for the States was that a state's economic performance is highly correlated to its past investments in "development capacity" (investments in human, financial, technological, and infrastructure resources). Of the eleven states with the highest grades in development capacity (6) from the 1990 report card, all but three (73%) received an A or B in economic performance (7) in the 1994 report card and none received a D or F. The reverse is true for the ten states that received the worst grades in development capacity in the 1990 report card--all but three states received a D or F on economic performance in the 1994 report card and none attained either an A or B.(8)

In addition to the evidence from CFED's Development Report Card, more scholarly research on the economic impact of investments in public services and infrastructure has come to similar conclusions. For example, a recent study by researcher Alicia Munnell of the Federal Reserve Bank of Boston found that states that have invested more in public infrastructure (including education) tend to have greater output, more private investment, and more employment growth. Specifically, Munnell's research finds that "$1000 more of public infrastructure per capita in the initial period contributes roughly 0.2 percent to the average annual rate of employment growth."(9)

Moreover, in a review of 30 business location studies conducted since 1979 that include some measure of investment in public services, researcher Timothy Bartik found that 60 percent of the studies had at least one public service variable that demonstrated a positive and statistically significant effect on business growth.(10) What's more, while most studies of public services and economic development provide little information to indicate what would happen if taxes were increased to pay for an expansion in public services, Bartik addresses this question as well. He notes that three particular studies (including Munnell's study cited above) provide evidence that "state and local business tax increases, if used for particular public services, will encourage more business activity."(11)

human capacities. Increasing society's knowledge relies on research, teaching, and thinking by scientists. It is both a process of accumulation and a conceptual breakthrough based on human intelligence, skills, and creativity. Moreover, applying knowledge to particular economic purposes, i.e., technology, is also a human activity in which the training, skills, intelligence, and creativity of a larger segment of the work force, including engineers, professionals, and skilled workers, is the driving force. Knowledge may differ from skills in that it is not embodied in a person. However, since the production, dissemination, and application of knowledge is largely through investments in human capital, it is appropriate to consider the contribution of knowledge and technology to economic development as an extension of human resources.

>Entrepreneurial talent. A significant part of the human resources that enhance a state's capacity for economic development is the presence of people to initiate, organize, and manage businesses. Entrepreneurs are a particularly important subset of human capital because they are a major driving force behind innovation and new business formation. Entrepreneurs do this by uncovering and creating new sources of wealth and new economic activities that add to the productivity and income-generating capacity of a region. Since entrepreneurs must also manage the enterprises they undertake, their human capital contribution includes bringing management skills to ventures.

>Agglomeration of human resources. Labor force skills, knowledge and technology, and entrepreneurial talent are not only essential human resources for economic development, but concentrations of such human capital in a state or region can attract or stimulate a high level of economic development. The effects of such agglomeration include the following:

--Attracting firms that seek access to the resources and the lower costs that improved access will bring
--Attracting immigration of workers who add to the human capital base (and preventing out-migration)
--Stimulating development through new business creation, productivity increases, and applications of new technologies

With the advent of the Information Age, two additional aspects of human capital have become critically important to a state's or region's economic success. First, an educated work force is now more vital than ever. In the America of the 1950s, for example, many jobs required few or no skills. In fact, 73 percent of all manufacturing jobs in 1950 were classified as unskilled. Skill requirements in the workplace are rising, however, and by the year 2000, the percentage of unskilled jobs is expected to drop to as low as 15 percent.(14) Thus, in order to attain a high wage/high skill economy, more young people will have to enter the work force with skills than ever before.

Second, the kind of knowledge required by the Information Age will be different from what has been required in the past. A recently completed study by New York State of the skills needed for entry level employment revealed significant shifts in the kind of learning required.(15) For example, in the area of mathematics, employers reported much greater needs for skills in logic, probability, measurement, and statistics than for the traditional training in algebra, geometry, and trigonometry. Similarly, the study found greater demand for the ability to read for information and for critical analysis and evaluation than was provided by the current New York

that "the traditional economic factors of location [labor, markets, transportation] are becoming, as a group, quantitatively less significant. For example, unlike studies written in the 1940s and 1950s, most of the recent location studies we reviewed found noneconomic factors to have at least some influence on location. Education, unionization, personal reasons, business climate, energy, and familiarity with local conditions have been added to the `must-and-want' list."(22)

Yet, evidence of the overall importance of human capital in business location decisions should not mask the fact that different industries may place differing values on the importance of education. For example, a recent study by the U.S. Department of Agriculture of the factors associated with the growth of local and regional economies found "limited, and sometimes contradictory, evidence for the effects of educational attainment on economic growth."(23) These findings likely reflect that, while many industries seek to locate in areas of high educational attainment, certain industries may still be attracted to areas with lower education levels. Among such firms and sectors are the following:

--The most likely to relocate to lower cost sites abroad

--As currently structured, those incapable of providing better employment opportunities for their workers

--Those likely to continue to operate in the United States by demanding wage and benefit concessions from their employees, speeding up production lines, and moving to less affluent areas.

Nonetheless, most companies value a more highly trained work force. Indeed, recent research indicates that, more than just on the must-and-want list, an educated work force has become one of the primary location factors for growing companies. A 1994 survey of the nation's leading corporate real estate professionals by the accounting firm of Ernst & Young found that an educated labor force was the second highest ranking selection factor, behind only low lease rates.(24) In one of the more recent studies, Entrepreneurial Hot Spots: The Best Places in American to Start and Grow a Company, economist David Birch et al. conclude that the most attractive locations for entrepreneurs are not those that offer cheap wages and low taxes, but rather those that offer world-class universities, good roads, and access to airports.(25) Further, economist Bennett Harrison argues that, although multinational corporations are demonstrating less and less loyalty to particular countries or communities as a result of the "global economy," newer thinking indicates that a "home base of mutually supportive institutions" is now more important than ever to a company's competitiveness. These mutually supportive institutions include those that insure access to capital and trained workers, as well as those that insure the provision of appropriate infrastructure.(26)

In addition to the general industrial location literature, one recent study by Ronald Swager of the University of Southern Mississippi examines the particular relationship between education and business location. Based on a survey of location consultants and real estate executives, Swager found that, for half of all respondents, education was judged to have been very important or critical in site selection decisions over the past ten years. What's more, almost 75 percent predicted that education would be a very important or critical location factor in the next ten years.(27)

Popular Literature

DOES EDUCATION SPENDING AFFECT ECONOMIC DEVELOPMENT?

The case is clear--human capital is critically important to economic development. Moreover, with the advent of the Information Age, the role of human capital will continue to increase in importance for our economy. This implies that if, as many predict, acquiring and applying knowledge will become the key competitive factor in the future economy, the primary strategy for enhancing economic growth will be through increases in human capital that increase labor productivity.

Thus, investments in education should have a beneficial effect on long-term economic health. Indeed, several studies confirm this relationship. What follows is a review of some of the more convincing studies. The first takes a microeconomic perspective and examines the relationship between education spending and future earnings. The second two are studies of the factors that influence aggregate economic growth and are notable in that each includes an education spending variable. In addition, a review of additional statistical work conducted by CFED examines the relationship between education spending and performance on CFED's annual Development Report Card for the States.

Microeconomic Literature

Given their preference for tangible, market-based outcomes measures, as well as the limitations of measuring human capital on the basis of standardized achievement tests, several economists have examined the value of schooling inputs by studying the relationship between school quality (measured on the basis of expenditures per student or the pupil-teacher ratio) and student outcomes (measured in terms of future earnings). This approach assumes that, since workers with higher skills tend to earn more, school quality can increase future earning potential (holding parental education, race, and IQ constant) either by helping students to learn more per year of schooling or by increasing the number of years students stay in school.

In a review of this literature on school quality and earnings, David Card and Alan Krueger of Princeton University summarize the findings from 13 different studies based on eight different data sets on earnings. Based on their review, Card and Krueger find "a high degree of consistency across studies regarding the effect of school quality on students' subsequent earnings. The studies typically find that a 10 percent increase in school expenditures is associated with a 1 to 2 percent increase in annual earnings for the students later in life."(30) In most cases, these studies control for level of education, meaning that the estimated income increase represents an increase for a given level of schooling. In addition, Card and Krueger also find that increases in school resources are positively associated with significantly higher education attainment. As noted above, both of these avenues (staying in school longer and learning more in a given year of schooling) increase students' skills and, thus, tend to increase future earning potential.

MACROECONOMIC LITERATURE

Public Services and Economic Development

In a forthcoming Economic Policy Institute report,(31) Timothy Bartik of the W.E. Upjohn Institute for Employment Research concludes that spending on state and local public services, including primary,

While not guaranteeing improved grades, this finding indicates that a spending increase of this level slightly improves a state's chances of receiving an honor grade.

The results with a ten-year difference between spending and economic performance grades indicate that, at the spending mean ($3827 in 1990-91 dollars), states can increase the probability of receiving an A or B grade by 1.3 percent with an additional $100 in spending per pupil (2.6% increase in per pupil spending). Again, these results, while not large, show a statistically significant positive relationship between education spending and economic performance grades on CFED's Development Report Card.

We also found that, for those states below the spending mean, the same $100 per pupil spending increase leads to a slightly larger increase in the probability of receiving an honor grade. This increased probability levels off at a per pupil spending level of between $4,000 and $5,000. In other words, a state spending below the national average is likely to experience increasing returns to scale, on average, for additional per pupil spending; a state spending above the national average is likely to experience quickly decreasing returns to scale, on average, for additional per pupil spending.

In addition, CFED sought to evaluate the relationship between education spending and the three subindexes of the Economic Performance Index. Two subindexes demonstrated a statistically significant relationship:

--The Earnings and Job Quality Subindex, which measures pay and benefits. This subindex had a positive and statistically significant relationship to education spending -- increasing per capita spending on education by $100 at the mean increases the probability of a state's receiving an A or B on this subindex by 1.4 percent.

--The Equity Subindex, which measures the poverty rate and income distribution. This subindex also had a positive and statistically significant relationship to education spending--increasing per capita spending on education by $100 at the mean increases the probability of a state's receiving an A or B on this subindex by 1.8 percent.

These results confirm what one might expect, given the earlier discussion about the importance of education for economic development. First, due to high and increasing returns to education, education's greatest economic impact is in decreasing poverty and in generating a more equitable distribution of income. Second, due to these same factors, education also has a positive impact on earnings. Third, because educated workers are a critical factor in high-skill, high-performance companies, but not necessarily in all companies, it is understandable that we did not find a statistically significant relationship between education spending and the Employment Subindex (the third subindex of the Economic Performance Index). In other words, the impact of education on employment tends to vary from state to state, depending in part on each state's mix of employers.

It should also be noted that, given our earlier discussion about the nature of economic development and how it encompasses more than just jobs and wages, these findings concerning the relationship between education spending and grades on the Development Report Card for the States may understate the overall impact of education spending on economic development. In the following section, we will explore further the relationship between education spending and other non-market measures of economic development.

Hanushek's work has been cited widely, not only in educational circles, but in the political arena, as well. In fact, in order to support the Reagan administration's position that the problems of America's schools were not the result of insufficient funds, former Secretary of Education William Bennett made frequent reference to Hanushek's conclusions.

Since many have attempted to politicize Hanushek's conclusions and to assert simply that "money doesn't matter," it is important to clarify Hanushek's position. In a more recent article, Hanushek writes: "most economists, including myself, would readily accept that differences in spending would be directly related to the education provided if schools were operating efficiently. The previously presented evidence [Hanushek's review of past education production function studies] indicates clearly, however, that assuming efficiency in spending is entirely inappropriate. . . . In other words, equity and efficiency are inextricably linked. It is not possible to ignore efficiency issues under the guise of being concerned solely with equity."(40)

Thus, Hanushek is not claiming that more money does not ever matter, rather that money is not everything. Moreover, more money spent wisely could make a difference.

The Response--New Thinking and Research

Partly in response to Hanushek's findings and partly as a result of improvements in education production function research (including new statistical techniques that can account for some of the problems with the data used by Hanushek), a number of different studies have been undertaken in recent years that challenge Hanushek's conclusions. In certain cases, these studies question Hanushek's finding of no relationship between education spending and student performance. In other cases, the studies seem to demonstrate that spending does have an effect on student achievement. Yet, in none of these studies do the findings suggest more education spending across the board. Some of the more interesting of these studies are discussed below.

Research Using "Meta Analysis"

In a re-analysis of the data used by Hanushek, researchers Larry Hedges, Richard Laine, and Rob Greenwald suggest that the data from these previous education production function studies do not support Hanushek's conclusions.(41) To start with, Hedges et al. question Hanushek's use of "vote counting"(42) as a procedure for analyzing the results of past studies. Because it may fail to detect statistically significant relationships, vote counting lacks statistical power. Moreover, vote counting is unable to give an indication of the magnitude of relationships that may exist.

To overcome these problems, Hedges et al. undertook a re-analysis of the data used by Hanushek, using a more sophisticated synthesis method known as "meta-analysis."(43) Using meta-analysis and starting with the 187 education production function equations used by Hanushek in his work, Hedges et al. produced the following conclusions:

--With the exception of teacher/pupil ratio and facilities, there are "at least some positive relations between each of the types of educational resource inputs studied and student outcome."(44) Those

instead targeted class size reductions combined with other proven instructional techniques for improving student achievement.

Research on Teacher "Characteristics"

Using a comprehensive education database from Texas, Ron Ferguson of Harvard's Kennedy School of Government has provided new insights into the relationship between skilled teaching and student achievement.

Ferguson's research makes use of a database from Texas that includes not only achievement test scores for all students in odd-numbered grades (Texas Educational Assessment of Minimum Skills--TEAMS), but also literacy skills scores for all teachers and administrators (Texas Examination of Current Administrators and Teachers--TECAT). This large and unique data set enables Ferguson to overcome some of the methodological deficiencies in previous education production function studies.

Based on his research, (51) Ferguson finds the following:

--Better literacy skills (i.e., higher TECAT scores) among teachers, fewer large classes, and more teachers with five or more years of experience all predict better TEAMS scores.

--Teachers' test scores are by far the most powerful of the school quality measures--TECAT scores explain roughly 25 percent of the variation among Texas school districts in students' average TEAMS scores for reading and math.

--Higher salaries attract better teachers.

In addition, Ferguson finds that, for districts in Texas, a threshold exists at a districtwide ratio of 18 students per teacher. Adding teachers to achieve a teacher/pupil ratio below this level does not typically raise test scores; adding teachers to achieve a ratio closer to the threshold typically does raise test scores.

Ferguson concludes that "since more and better teachers can help to improve students' test scores and higher salaries attract more and better teachers, money matters for raising test scores."(52) However, recognizing that increasing salaries across-the-board while holding teaching methods constant is unlikely to increase teacher performance in the short run, Ferguson notes: "To insure that salary enhancements foster improvements in teaching, salary increases need to be supplemented by efforts to assist existing teachers in upgrading their skills; measures to persuade talented and experienced teachers to stay in the profession; and campaigns to attract academically stronger candidates of all races into primary and secondary school teaching."(53)

The results of this newer research into the relation between education spending and student performance can best be summarized in the words of Johns Hopkins education researcher Robert Slavin: "It is clear (and obvious) that increased dollars do not magically transform themselves into greater learning. But it is just as clear (and just as obvious) that money can make a difference if spent on specific programs or other investments known to be effective."(54)

Legal Arguments

a high level of academic achievement."(57)

This would seem to indicate that the converse of the education spending-economic development link is also true. Namely, that a lack of adequate spending in inner cities on education (through the relationship between school quality and earnings--see Card and Krueger) leads to lower overall economic growth.(62)

Moreover, as noted above, economic development is more than just income or employment growth. In addition to these measures, successful economic development includes measures of overall quality of life, such as the health of the natural environment, the availability of quality living environments, personal health, and personal security. Thus, another way to look at the issue of the impact on economic development of lack of investment in human capital is to examine what happens to the quality of life in communities that underinvest in human capital. According to the Committee for Economic Development:

--About 82 percent of all Americans in prison are high school dropouts, and it costs an average of $20,000 annually to maintain each prisoner.

--Investing $4,800 per child in preschool education can reduce teenage arrests by 40 percent.

In addition, according to researchers Gordon Berlin and Andrew Sum,(63) there is a strong relationship between low basic skills and welfare dependency--60 percent of out-of-wedlock births among women 19 to 23 years old are to those who score in the lowest 20 percent in basic skills tests. Further, as compared with young people with above average basic skills, those with low basic skills are nine times more likely to drop out of school, eight times more likely to become mothers out of wedlock, and four times more likely to become welfare dependent. Berlin and Sum estimate that raising the mean of the basic skills tests of 19- to 23-year-olds by the equivalent of one grade would increase lifetime earnings by 3.6 percent, reduce the likelihood of births out of wedlock by 6.5 percent, welfare dependency by 5.3 percent, and arrests by 6.2 percent.

Thus, one obvious strategy for achieving significant economic impact with increased education investments would be to invest in proven techniques as well as promising reform approaches that will help to improve the performance of low achievers. These might include the following:(66)

--Preschool and other early childhood development programs

--Targeted class-size reductions, particularly for children in the early grades and children from low-income families

--School-based reform approaches (such as Accelerated Schools, the Comer School Development Program, and the "Success for All" model) that combine consistently high expectations for at-risk children with school-wide support systems to help students meet these expectations

--Experienced teachers assigned to teach subjects in which they have been well-trained

--Investments in staff development to help teachers (a) learn the most up-to-date information on curriculum and instruction and (b) incorporate these learnings into their daily lessons.

Accountability: Increased investments in education should be made based on the extent to which they can help solve the problem they were created to address.

In return for more resources, schools must be held accountable for improving student performance. Long a rallying cry of those critical of the performance of America's schools, this notion is gaining increasing acceptance within the education establishment. For example, in calling for a fundamental change in the federal Chapter 1 program,(67) an independent Commission on Chapter 1 made up of a diverse group of educators, child advocates, researchers, and concerned citizens concluded that, among other things, "rather than accounting for dollars, schools should be held accountable for results."(68)

One promising model for increasing accountability is the series of initiatives unleashed by the Kentucky Education Reform Act of 1990 (KERA). KERA was initiated after Kentucky's whole educational system and financing mechanisms were found unconstitutional. Thus, KERA addresses both gross spending inequities and restructuring.

Specifically, along with a 20 percent increase in the overall funding base for schools and a plan to have every school under school-based decision-making by 1996, KERA includes a variety of measures to enhance the accountability of individual schools, such as the following:

--An Office of Education Accountability, which verifies school performance, exercises sanctions against officials guilty of misconduct, and specifies school funding recommendations.

--Impact Evaluations--beginning in 1992, students in grades 4, 8, and 12 are tested every two years under a new performance-based assessment system that is keyed to 75 performance outcomes. These and other performance measures are used to determine whether individual schools are successfully making progress toward achieving a set of six overarching goals.

While it is still early to assess fully such a massive restructuring effort, it appears that the KERA effort, which involves increased funding, combined with reform and greater accountability, is on track. For instance, the Kentucky Institute for Education Research conducted three statewide surveys that polled the opinions of 954 school administrators and teachers and 535 parents and the general public regarding Kentucky's four-year-old reform initiative. Polling results

Yet, in our increasingly anti-tax and anti-government America, additional resources will not likely be forthcoming unless they are tied to performance in improving the quality of education. This is another aspect of accountability and involves clarifying what children should learn, designing assessments that accurately measure how well students are learning, improving information sharing about what works and does not, providing adequate resources so that teachers are able to help students meet expectations, and developing appropriate rewards and sanctions for schools for their performance.

Of course, determining how to measure performance is a difficult issue. Schools help students develop many different skills, and not all of them are easily measured. In order to insure the development of performance standards that are appropriate and that do not encourage teachers simply to help students "beat the test," school districts should consider developing performance measures in collaboration with teachers and school administrators.(70)

One example of developing this kind of collaborative, performance-based management system can be found in the San Diego City Schools. Based on the recommendations of a Student Achievement Accountability Committee, the San Diego City Schools began implementing an accountability system in early 1993. This system consists of four primary elements: establishing standards, assessing performance, recognizing superior performance/intervening in the case of poor performance, and creating a public reporting process. As part of the standard-setting procedure, each school (including teachers, administrators, and other stakeholders) is involved in a process of identifying the particular standards against which it will be assessed. In return for high achievement, current plans call for outstanding schools to be "recognized" with an in-kind bonus of up to 30 days of staff development time.(71)

TESTIMONY OF

DON VALESKO, BUSINESS MANAGER

PUBLIC EMPLOYEES LOCAL 71

BEFORE THE STATE OF ALASKA'S

LONG-RANGE FISCAL PLANNING COMMISSION

WEDNESDAY, SEPT. 13, 1995

GOOD EVENING.

FOR THE COMMISSION'S RECORD, MY NAME IS DON VALESKO, AND I AM THE BUSINESS MANAGER FOR PUBLIC EMPLOYEES LOCAL 71. WE REPRESENT APPROXIMATELY 2,300 PUBLIC EMPLOYEES THROUGHOUT ALASKA, INCLUDING MORE THAN 1,600 EMPLOYEES OF THE STATE OF ALASKA.

BEFORE I BEGIN MY TESTIMONY, I WANT TO THANK THE COMMISSION MEMBERS FOR HOLDING PUBLIC HEARINGS ON THE STATE'S FISCAL SITUATION, AND FOR PROVIDING LOCAL 71 THE OPPORTUNITY TO TESTIFY ON AN ISSUE THAT WILL IMPACT, ONE WAY OR ANOTHER, EVERY RESIDENT OF ALASKA.

I ALSO WANT TO MAKE IT CLEAR FROM THE OUTSET THAT OUR MEMBERSHIP IS ENTIRELY MADE UP OF ALASKAN RESIDENTS--RESIDENTS WHO WORK HERE, LIVE HERE, SPEND THEIR INCOMES HERE, PAY LOCAL TAXES HERE AND, FOR THE MOST PART, RETIRE HERE. AS SUCH, THE HARD WORKING MEN AND WOMEN OF LOCAL 71 CONTRIBUTE TO THE STATE AND LOCAL ECONOMIES OF ALASKA. A STUDY A FEW YEARS AGO DETERMINED THAT THE EACH DOLLAR SPENT BY STATE EMPLOYEES CHANGES HANDS SEVEN TIMES WITHIN ALASKA'S VARIOUS ECONOMIES.

WE HAVE BEEN FOLLOWING THE COMMISSION'S WORK, AND HAVE READ THE REPORT YOU ISSUED ON AUGUST 12TH THIS YEAR. WHILE WE AGREE WITH SOME OF THE COMMISSION'S PRELIMINARY RECOMMENDATIONS, WE DISAGREE WITH OTHERS. I WILL BEGIN WITH SOME GENERAL COMMENTS, THEN GET INTO THE AREAS WHERE WE APPEAR TO DISAGREE WITH SOME OF THE COMMISSION'S PRELIMINARY RECOMMENDATIONS.

WE AGREE, FOR EXAMPLE, THAT PAYOUTS BY THE STATE TO INDIVIDUALS, SUCH AS PROPERTY TAX EXEMPTIONS OR LONGEVITY BONUSES, SHOULD BE BASED ON ECONOMIC NEED. TO PUT THIS ANOTHER WAY, WE DON'T BELIEVE THE STATE SHOULD BE GIVING MONEY TO WEALTHY ALASKANS WHO ARE FULLY CAPABLE OF HANDLING THEIR NEEDS WITHOUT STATE ASSISTANCE.

WE AGREE THAT STATE SPENDING IS ONE OF THE MOST SIGNIFICANT FACTORS IN ALASKA'S ECONOMY. BECAUSE OF THIS, WE MUST SPEND OUR STATE DOLLARS WISELY LEST OUR ACTIONS SEND THE STATE ECONOMY INTO A RECESSION.

INCREASED COSTS OR, WORSE, HAVE RESULTED IN OUTRIGHT RIP-OFFS OF PUBLIC DOLLARS.

ONE EXAMPLE IS THE STATE'S CONTRACTING OUT OF CUSTODIAL SERVICES AT ANCHORAGE INTERNATIONAL AIRPORT A FEW YEARS AGO. THE STATE ENDED UP TAKING THE CONTRACTOR TO COURT WHEN IT DISCOVERED THE CONTRACTOR WAS LISTING "GHOST EMPLOYEES" ON ITS PAYROLL VOUCHERS WHEN THE EMPLOYEES DID NOT, IN FACT, EXIST. USING THIS METHOD TO CUT COSTS AND INCREASE PROFITS, THE CONTRACTOR BILKED THE STATE OUT OF MORE THAN $300,000--NOT COUNTING COURT AND LEGAL COSTS--AND THE WORK WAS LESS THAN SATISFACTORY BECAUSE THERE WERE NOT ENOUGH PEOPLE ON PAYROLL TO GET THE JOB DONE PROPERLY.

IN MANY INSTANCES WHERE PRIVATIZATION APPEARED TO SAVE THE STATE MONEY THE QUALITY OF WORK WAS LESS THAN DESIRED, LEADING THE STATE TO USE ITS WORKERS TO CORRECT THE JOB. MORE OFTEN THAN NOT, THE WORK DONE BY STATE EMPLOYEES IN CORRECTING A PRIVATE CONTRACTOR'S MISTAKES IS NOT ADDED TO THE COST OF CONTRACT, BUT IT OUGHT TO BE FOR THIS WORK WOULD NOT HAVE BEEN REQUIRED HAD THE JOB BEEN DONE RIGHT IN THE FIRST PLACE. THIS IS SOMETHING THAT HAPPENS TIME AND AGAIN WITH OUR MEMBERS AND IT IS STILL GOING ON.

THE CURRENT STATE CONTRACT FOR MAINTAINING LAND PROPERTY RECORDS HAS COST THE DEPARTMENT OF NATURAL RESOURCES MUCH MORE THAN IT USED TO COST TO DO THE WORK IN-HOUSE. IN ADDITION, THERE HAVE BEEN A NUMBER OF COMPLAINTS OF INACCURATE RECORDS ON THIS CONTRACT.

THERE ARE MANY INSTANCES OF CONTRACTORS "LOW BALLING" THEIR INITIAL BIDS TO GET ON THE STATE PAYROLL, THEN INCREASING THE COST TO THE STATE THROUGH CHANGE ORDERS OR AS THE CONTRACT COMES UP FOR RENEWAL. IN THESE INSTANCES THE INITIAL COST TO THE STATE IS REDUCED, BUT THE LONG-TERM COST IS INCREASED. AN ANALYSIS OF THE STATE OPERATING BUDGET SHOWS THAT THE DOLLAR AMOUNT SPENT FOR CONTRACTUAL SERVICES IS INCREASING AT AN ALARMING RATE, WHILE THE AMOUNT SPENT FOR PERSONAL SERVICES IS NEARLY STATIC.

TWO OTHER POINTS WORTH CONSIDERATION IN THINKING ABOUT PRIVATIZATION ARE:

WHEN WORK IS CONTRACTED OUT, THE STATE HAS LESS OVERSIGHT AND MANAGEMENT ON HOW THE WORK IS DONE. THIS MEANS THE STATE IS LESS ABLE TO ACCOUNT FOR HOW THE PUBLIC'S MONEY IS BEING SPENT. IT IS DOUBTFUL THE STATE WOULD HAVE CAUGHT THE CONTRACTOR ON AIRPORT CUSTODIAL SERVICES MENTIONED ABOVE IF ONE OF THE CONTRACTOR'S OWN EMPLOYEES HAD NOT NOTIFIED THE STATE OF THE FALSIFICATION OF PAYROLL RECORDS.

THE SECOND POINT IS THAT CONTRACTING OUT SHIFTS PUBLIC MONEY FROM THE PUBLIC SECTOR TO THE PRIVATE SECTOR, BUT IT DOES NOT NECESSARILY SAVE MONEY, NOR DOES IT NECESSARILY HELP THE ECONOMY. MANY VENDORS AND CONTRACTORS ARE AFFILIATED WITH LARGE, NON-ALASKAN FIRMS. THESE FIRMS, IN TURN, SIPHON OFF A HEFTY PERCENTAGE OF ANY

CLEARLY, HOWEVER, LITTLE OR NO SIGNIFICANT DEVELOPMENT WILL TAKE PLACE UNTIL WE CAN PLACE MORE LAND IN PRIVATE HANDS. THE FORMER SOVIET UNION, UNDER COMMUNISM, HAD 1 1/2 PERCENT OF ITS LAND IN PRIVATE OWNERSHIP. AT THE SAME TIME, THE STATE OF ALASKA HAD ONLY ONE-HALF OF ONE PERCENT OF STATE LAND IN PRIVATE OWNERSHIP.

OWNERSHIP IS THE KEY TO DEVELOPMENT AND DEVELOPMENT IS NECESSARY FOR ECONOMIC GROWTH.

THANK YOU AGAIN FOR THE OPPORTUNITY TO SHARE OUR VIEWS WITH THE COMMISSION.

(END LOCAL 71 TESTIMONY)

Opinion
Senator Georgianna Lincoln

While I believe the Long Range Financial Planning Commission did an admirable job identifying the options for closing Alaska's ever-widening fiscal gap, I have concerns that lead to this opinion. I did vote to advance the final document to the Governor and the Legislature, as did the majority of the Long Range Financial Planning Commission. However, I do not believe any commission member considered this to be an endorsement of **everything** within the report. It must be pointed out the commission was given a huge task to accomplish within a very short time and with an extremely small budget.

I applaud the commission for giving the public the opportunity to participate in its work, with serious attention paid to the comments throughout our deliberations. One subject which received, in my opinion, strong public support has not been incorporated into the commission's recommendations and that is reinstitution of the state income tax **now**. During my years in the legislature, I have wrestled with the wisdom of such an action. Since 1990, Alaska has grown by approximately 100,000 residents with as much as 25 percent of our work force being non-resident; non-residents contribute little to our economy but take much from it. The current plan recommends immediate introduction of a number of smaller taxes based on use with the state income tax implemented *after the year 2000*. I believe a state income tax, which taxes everyone (**resident and non-resident**) equitably, would result in a reduction to the state's fiscal gap, but would not result in such a huge, immediate reduction in state government programs as proposed by the commission. Recommended cuts to these programs would devastate those who can least afford them -- our youth, our elders, and the disadvantaged. *Again*, it was my sense in listening and talking to citizens across the state that folks are willing to reinstate the state income tax **now** and not later as the commission report recommends.

We **do not know** specifically what Washington D. C. will do within the next year in terms of revisions and/or reductions to programs such as welfare reform, Medicaid, and the transfer of federal responsibility for services such as transportation and education to the State. We **do know** many of these decisions will have a major negative fiscal impact on our Alaska citizens.

Further, I believe economic opportunity is another key to closing the fiscal gap. Jobs, jobs, jobs!!! This plan does not go far enough in providing incentives for entrepreneurship or enhancing economic opportunity throughout our state. In failing to do so, the plan does not propose solutions to diversify the economy, create jobs, and end the vicious cycle of welfare. We must analyze, in the proper perspective, the impacts of closing the fiscal gap in a rational manner. Without question, the state must cut spending to close the fiscal gap. Although I support many of the commission's current recommendations, I caution those responsible for implementing a final plan to ensure cuts are spread equitably and economic and job development reaches the smallest of communities throughout our great state.

Response to the Questions of the Long Range Financial Planning Commission and the "Alaska's Growing Fiscal Gap" Report

From the
Alaska Municipal League
and the
Alaska Conference of Mayors

Taken from the AML Policy Statement
and testimony of the
Alaska Conference of Mayors and the Alaska Municipal League Board of Directors
Barrow, Alaska
August 25-26, 1995

RESOLUTION
of the
Alaska Conference of Mayors
and
Alaska Municipal League Board of Directors

WHEREAS, the Long Range Financial Planning Commission (LRFPC) has prepared a preliminary report on addressing the state fiscal gap and submitted it for comment;

WHEREAS, after a very brief review of the preliminary draft, the Alaska Municipal League Board of Directors and the Alaska Conference of Mayors wish to present several points regarding the draft;

NOW, THEREFORE BE IT RESOLVED THAT:

1. Appreciation is expressed for the Commission's efforts to date in addressing the issue.

2. The Alaska Municipal League (AML) and Alaska Conference of Mayors (ACoM) recognize that a gap exists between the state's current expenditures and expected revenues.

3. Some of the options presented for revenue sources appear viable, but care must be taken that using some identified alternatives not disrupt the sources of municipal tax established under existing statutes that are critical to the continuation of municipal government.

4. AML and ACoM express a willingness to work toward a reasonable balance in spending including programs that share state funds with local governments; however, the gap should not be filled by disproportionately shifting burdens to municipalities for services such as education, roads, and public safety.

5. There must be a recognition that priorities in spending do exist, but we are unable to determine from the draft what priorities have been used in determining future expenditure requirements. These priorities should recognize the state's obligation to fully provide for education, public safety, and corrections, as set forth in the Alaska Constitution, as well as programs providing basic survival assistance, such as power cost equalization.

6. We are unable to determine if other options of closing the gap have been addressed. These include cooperative transfer of administration of programs and funding, or consolidation to reduce expenditures. Elimination of further programs has not been identified as an option. These options should continue to be explored during the process of closing the gap.

7. The LRFPC should analyze the impact on local governments of the various recommended options as provided in the resolution establishing the Commission. Without this analysis, we find it difficult to adequately respond to the draft report and we are willing to work with the Commission to perform that analysis as the Commission prepares its recommendations to the Legislature.

UNANIMOUSLY APPROVED BY THE MEMBERS OF THE ALASKA MUNICIPAL LEAGUE BOARD OF DIRECTORS AND ALASKA CONFERENCE OF MAYORS ON AUGUST 26, 1995 IN BARROW, ALASKA.

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Alaska's Need for a Long Range Financial Plan

The Alaska Municipal League and the Alaska Conference of Mayors wholeheartedly support the efforts of the state in developing a Long Range Financial Plan for Alaska. The development of a Long Range Financial Plan, with supporting policies and implementation schedule, is absolutely critical to ensuring the best future for Alaska, its municipalities, and its people.

The Relationship Between the State and Its Political Subdivisions

Municipal governments currently provide approximately half of all public services in Alaska. (Total government service expenditures in Alaska are about $4.7 billion, of which $2.4 billion are provided by municipalities, and $2.3 billion by state government).

Because both the state and local governments provide public services to the same people, and because both the state and local governments have taxing powers over the same people, it is not possible to create an effective Long Range Financial Plan for Alaska without the active involvement of both local and state governments.

Alaska Needs a Comprehensive Solution to its Fiscal Gap

Since 1986, almost every municipality in the state has developed and implemented a long range financial plan. The experience of Alaska's political subdivisions over the past ten years indicates that a Long Range Financial Plan should not depend on one solution alone, but a comprehensive array of solutions including all of the fiscal tools available including: spending cuts; consolidation; privatization; transfers of responsibility; wise use of reserves and savings; increased fees to direct users of state services and enterprise operations; user taxes to meet needs created by users (e.g. increase fuel taxes to maintain and improve roads, harbors, airports); new general taxes that increase revenue as population increases; and economic development.

Observations that may help the Long Range Financial Planning Commission follow:

- To avoid severe economic downturns, budget balancing actions must be taken early and gradually.
- There are currently strong budget and policy disincentives to state departments to act entrepreneurially to set market rate fees to direct users of state services. Municipalities found that user fees both help balance the budget and increase accountability to the public. in fact, direct services to should not be provided by government free or at below market cost in most cases. Many municipalities were able to generate 5% to 15% more of their budget through user fees. A 5% increase for the state would be over $100 million per year.
- Budget cuts that are taken without long term structural changes in services and service delivery systems are likely to have severe long term negative economic and social impacts on the state.
- Citizens more easily accept tax increases when the proceeds of the tax increase provide a specific related service they desire (e.g. fuel taxes to maintain transportation systems).

An example of a comprehensive strategy for a state Long Range Financial Plan follows:

Long term structural budget/service changes: consolidation privatization transfer of services/revenue to Local Gov't statutory changes budget and policy changes	$100 million+
Increase user fees to market rates for state services	$100 million+
Raise motor fuel tax to maintain roads	$ 60 million
Raise marine fuel tax to maintain harbors	$ 30 million
Aviation fuel tax to maintain airports	$ 10 million
Tobacco and alcohol tax to pay direct costs in Public Safety, Corrections, Health and Social Services	$100 million
New statewide tax (e.g. personal income tax)	$150 million+
Economic Development	$ 20 million+

The rough example above is not a recommendation, nor do all the revenues completely offset current costs (for example, the state is essentially not maintaining its harbors now), but it is an indication of how a comprehensive long range financial plan for the state may rely on a number of components.

Local Government Partnership Council

The Alaska Municipal League and the Alaska Conference of Mayors have set the development of a state long range financial plan as their highest priority. The AML/ACoM offer the service of municipalities to the state in the development of the state's long range financial plan.

The AML/ACoM recommend the creation of a **Local Government Partnership Council**. The Local Government Partnership Council would consist of municipal representatives appointed by the AML/ACoM and members appointed by the state. The most important role of the Council would be to achieve consensus on services that could best and most efficiently be administered on a local level and ensure that adequate stable resources are available to maintain the service on a long term basis.

The Local Government Partnership Council would also help coordinate education of the public and support for the implementation of a state long range financial plan as well as make suggestions for the development of the plan.

Transfer of Current State Responsibilities to Municipalities

A municipality's power to provide services and to raise revenues is derived from the state. Alaska's constitution calls for "maximum local self government" and provides that "agreements, including those for cooperative or joint administration of any function or powers, may be made by any local government with any other local government, with the state, or the United States...".

Some services currently provided by the state may be more efficiently, or effectively provided under the administration of local governments, and under the policy direction of local residents.

The AML supports the negotiation of service responsibility transfers from the state to municipalities provided the state actively enters into good faith negotiations with municipalities to identify stable adequate revenues to undertake the transferred services.

Specifically, the AML supports entering into negotiations with the state to transfer the responsibility for operation, maintenance, and improvement of harbors, some classes of local roads, and some classes of air transportation facilities with the long term commitment of the state to share fuel taxes, and other revenues, with municipalities to supplement direct user fees. Other services may include some health and social services, public safety services, direct support services to local government, education services, etc.

Specifics of the transfer negotiations should be proposed by the **Local Government Partnership Council** discussed above.

Fair Distribution of the Resources that belong to All Alaskans (Municipal Revenue Sharing Programs)

All states provide some form of revenue sharing to their political subdivisions because states are the only taxing authority that can fairly allocate a state's resources to ensure that all citizens receive a basic level of public services. According to the 1994 federal ACIR Report, the **average nationwide state contribution of state revenues to local governments is 34.2%** of local government budgets.

Without state revenue sharing, some areas of a state would not receive a basic level of health and safety services while other areas would pay disproportionately higher local taxes for those services. Over the past ten years, cuts to MA/SRS, and other state programs that provide funds to local governments, have been so severe that they have destabilized some communities, forced some dissolutions of municipal governments, and effectively increased local taxes as much as the equivalent of ten mills of property tax. **When municipal governments dissolve, the long term cost to the state is much higher than the cost of Municipal Assistance/ Revenue Sharing.**

Currently, Alaska has two main general revenue sharing programs for municipal service operations: Municipal Assistance (MA) and State Revenue Sharing (SRS).

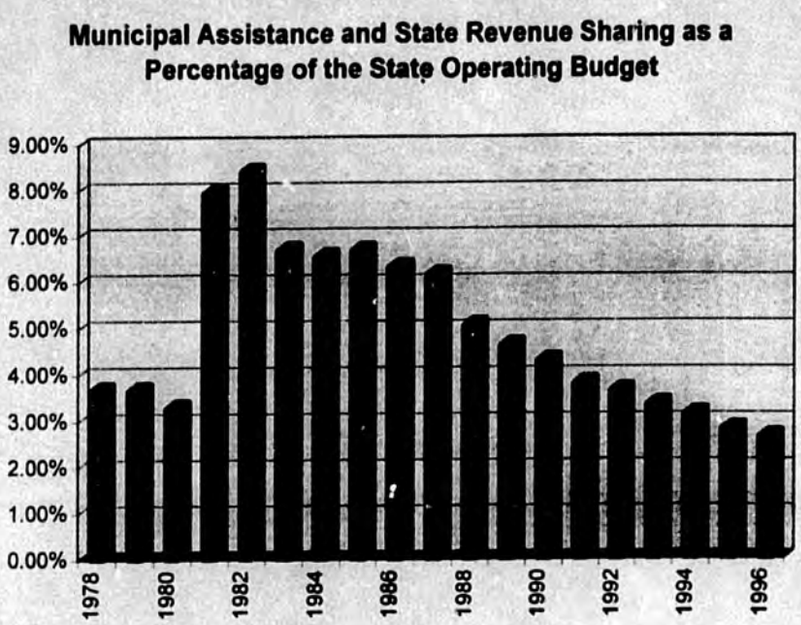
The AML supports a consolidation of the Municipal Assistance and Revenue Sharing programs into one that allocates funds considering the level of basic municipal services provided by each community (public safety, health, local share of education, road maintenance, water/sewer), population, and the financial resources of the community.

Most important, the AML supports a **stable revenue relationship** with the state to promote local fiscal planning and to promote local economic and community development.

Municipal Assistance/Revenue Sharing (MA/RS) in FY96 was 2.66% of the state operating budget. It has declined from approximately 8.00% of the state operating budget in 1982 and was 3.68% of the state operating budget in 1979.

The AML and Conference of Mayors supports a stable funding of MA/RS at the level of 3.00% of the state operating budget so that the funding of municipalities is consistent with the resources of the state. The AML and ACoM support a freeze of funding for MA/RS at the 1996 level of funding until the state budget adjusts or decreases to the point where the 3.00% relationship with MA/RS is achieved. The standard of setting MA/RS at a percentage of the state operating budget is used in other states (see appendix).

1978	3.69%
1979	3.68%
1980	3.30%
1981	7.95%
1982	8.42%
1983	6.70%
1984	6.56%
1985	6.69%
1986	6.33%
1987	6.17%
1988	5.07%
1989	4.64%
1990	4.30%
1991	3.82%
1992	3.66%
1993	3.36%
1994	3.15%
1995	2.83%
1996	2.66%



c:\jk\percent

Capital Project Matching Grant Program

Alaska has also implemented a capital project revenue sharing program, the **Capital Matching Grant Program,** to fairly provide a basic level of support to municipalities to construct basic public facilities as determined necessary be the local community.

The AML supports the continuation and stable funding of the Capital Matching Grant Program because it is an effective revenue sharing method that provides for a basic level of community capital public facilities and promotes local self determination.

Education

The Alaska Constitution states, "The Legislature shall by general law establish a system of public schools open to all children of the State...". Open access to a quality education is a primary right guaranteed by the Constitution. All states provide support for education. The

nationwide average of education transfers versus all other transfers to local government is 62.1%, according to the 1994 ACIR Report, while Alaska is close to the national average at 59.7%

The AML supports efforts to increase the efficiency and effectiveness of education programs for our children, such as the changes proposed by the Alaska Association of School Boards, and other efforts to increase local flexibility in providing cost efficient and cost effective education.

The AML supports the effort to restructure the school foundation program to more equitably and effectively distribute the state resources for education. The AML does not support a 50 to 100% increase in mandatory local taxpayer support for schools.

The AML supports application of the priority-based school construction and maintenance grant programs established by AS 14.11.007-019 equitably to all districts. The AML supports the addition of an incentive to encourage communities to achieve higher maintenance standards and reward those that properly maintain their facilities. The AML urges the legislature to consider statewide bonding for ongoing school construction and maintenance needs. (AML Policy Statement p. 23)

State Unfunded Mandates on Local Governments

An unfunded mandate is a responsibility mandated by a higher level of government to a lower level of government, without providing funding to carry out the mandate. In 1994 the federal government passed a bill to protect the states against unfunded federal mandates. Many states have enacted similar bills, or constitutional amendments, protecting their municipalities against unfunded state mandates. Such a bill for Alaska will be a means to ensure a long term stable relationship between the state and its political subdivisions.

The AML/ACoM supports the enactment of a municipal "unfunded mandates bill" to provide protection from unilateral decisions on the part of the state that have the effect of forcing municipalities to raise local taxes or cut services.

Senior Citizens Property Tax Exemption

The AML/ ACoM supports the enactment of the Senior Citizen/ Disabled Veteran Property Tax Exemption as a local option or with a reasonable cap on the growth of the program at a level similar to other states. This program began with full state funding. Over the past several years, the state has almost eliminated state funding for the program yet requires local governments to grant the exemption without regard for the financial need of the individual recipient, or other reasonable criteria. The current cost to municipalities is about $17 million per year.

Other State Programs That Ensure a Basic Level of Services to Alaskans

Many areas of the state, especially rural areas, have a very small local tax base. Over the years, state programs have been developed to target specific basic services to these areas. Such programs include: Power Cost Equalization; Village Safe Water Program; Public Safety Officer Program.

The AML supports the inclusion of these programs into the long range financial plan as part of the comprehensive strategy to provide basic services to all communities in the state.

Local Self Determination and Tax Equity for all Citizens of Alaska

The AML supports the formation of new local governments to promote local self determination and to provide a mechanism for all citizens to participate in paying for services they consume according to their ability to pay.

The AML supports the equitable financial participation of all communities and all residents in the funding and support of basic government services including education, public health and safety, and other basic services.

New Tax Revenues for the State

The State Long Range Financial Planning Commission has asked the AML/ACoM what major new revenue sources it supports if new revenues are enacted.

As part of a long range financial plan for the state and municipalities, the AML recognizes that action must be taken to incrementally introduce new revenue sources for the State well in advance of a financial crises. The 1995 AML Policy Statement urges consideration of the following revenue options if new revenues are a part of the long range financial plan:

1. Personal Income Tax- (AML Policy Statement p. 16) The AML supports legislation to reinstate the state income tax, with a tax credit for local participation in sales, personal, and real property tax, to allow for maximum capture of revenue from non-resident employees working within Alaska.
2. Use of Permanent Fund earnings for Municipal Support - (AML Policy Statement p.3) The AML supports the use of Permanent Fund undesignated earnings for revenue sharing, municipal assistance, education foundation formula, school debt reimbursement, and school construction and maintenance projects on the Department of Education priority lists established under the provisions of AS 14.11.
3. Sales Taxes - Sales taxes are a primary source of municipal tax revenue. Ninety five municipalities currently have sales taxes ranging from 1.5% to 7% plus a variety of special taxes. The AML Policy Statement does not support a statewide sales tax because of the potential for negative impacts on the diverse sales tax programs in Alaska's municipalities. While it is possible to levy a statewide sales tax, it is critical that municipalities retain reasonable flexibility in the use of this revenue source and that any exemptions be carefully considered to avoid diminishing this revenue source. Municipalities must be guaranteed the long term receipt of 4 or 5% of the tax proceeds and have a significant voice in setting exemptions from the sales tax and the levy of special taxes, such as bed taxes that largely affect visitors
4. Fuel Taxes to support municipal and state transportation systems - Currently, the state tax on motor fuel is $.08 per gallon and on marine fuel is $.05 per gallon. The national average motor fuel tax is $.18 per gallon. The AML (AML Policy Statement p.44) supports increased fuel taxes, and other transportation related fees, sufficient to support

state and municipal transportation system needs, i.e. roads, harbors, airports, marine highway.

5. Property Taxes - Property Tax is the primary source of revenue for many municipal municipalities. This revenue source is carefully balanced to provide for local service needs while not overburdening the local citizens. This revenue source is highly utilized by municipalities. The AML/ACoM strongly recommend that the state reserve this revenue for municipalities.

Excess Tax Capacity

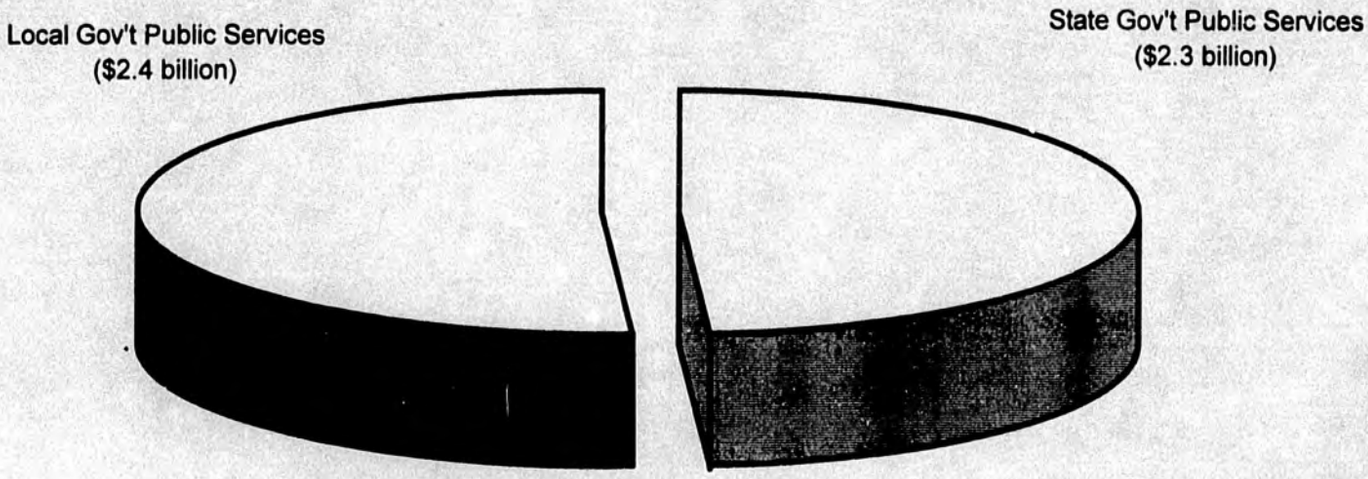
The Commission has asked the AML/ACoM to comment on the state use of "excess tax capacity" in Alaska. The Commission shows that, considering the Permanent Fund Dividend and all state and local taxes, the average Alaskan has a net revenue gain while other residents of other states pay significant net state and local taxes.

In Alaska, local sales and property taxes are near maximum in many communities. The state has used 0% of its tax capacity since the state has essentially no individual taxes. The AML/ACoM recommends that the state first consider its excess tax capacity in tax areas not currently utilized by municipalities.

Cuts in Municipal Programs

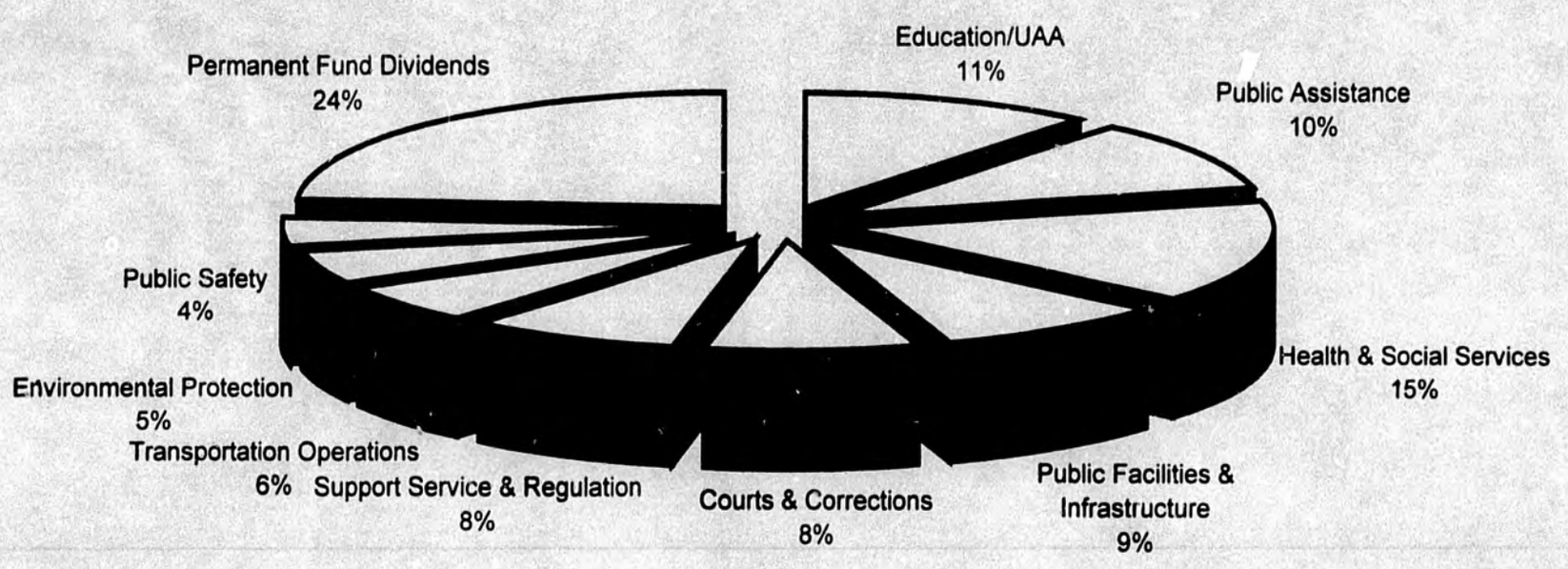
The Commission Chair asked the AML/ACoM what cuts to municipal programs it would recommend if the Commission decided to recommend $10 million in directs cuts. As stated in an earlier section, the AML/ACoM supports well planned structural changes in state or municipal programs that result in savings. The AML/ACoM has offered several structural changes above and has offered to continue to work to plan and implement these and other changes. The AML/ACoM strongly opposes additional across the board cuts that simply pass problems along to local government and/or have greater long term costs to the state; (e.g. cuts in Municipal Assistance/ Revenue Sharing have the long term impact of giving small communities an incentive to dissolve and pass education and other service costs back to the state.)

Comparison of Alaska's Public Services
by State Government vs. Local Governments

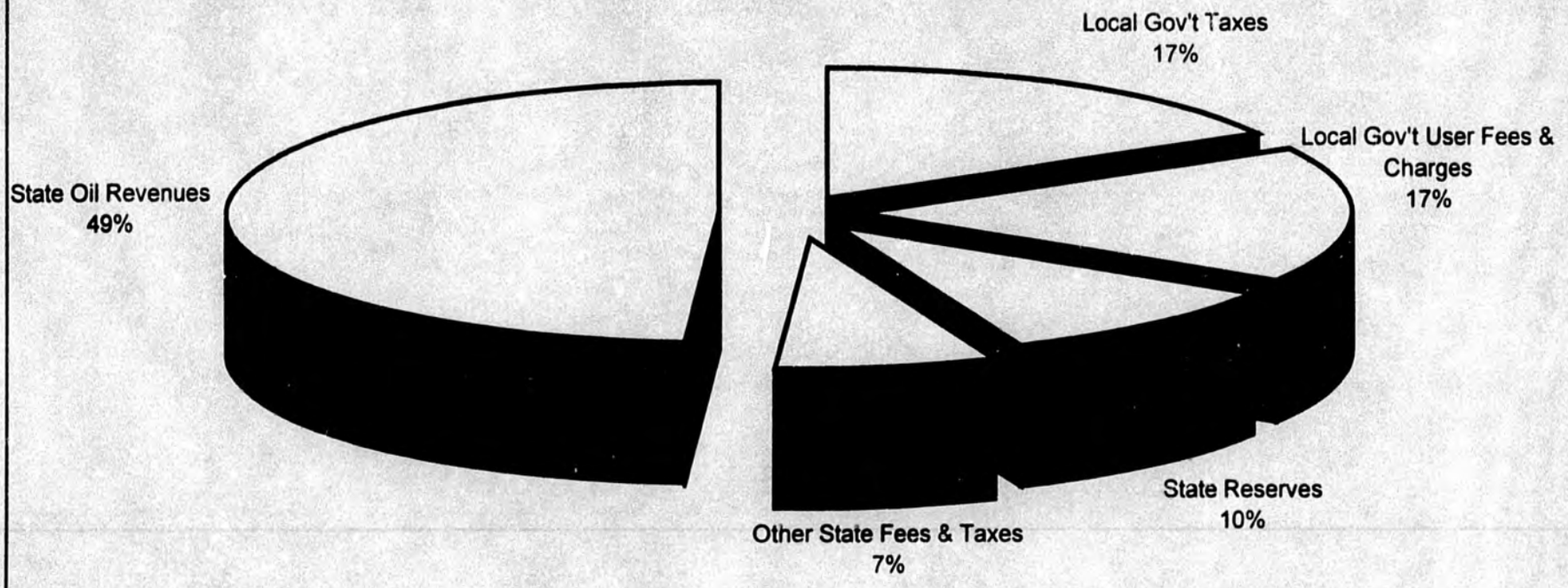


Source: Dept. of Community & Regional Affairs FY 93 Municipal Fiscal Database; OMB Long Range Fiscal Planning Commission "base case" budget analysis; Department of Education.

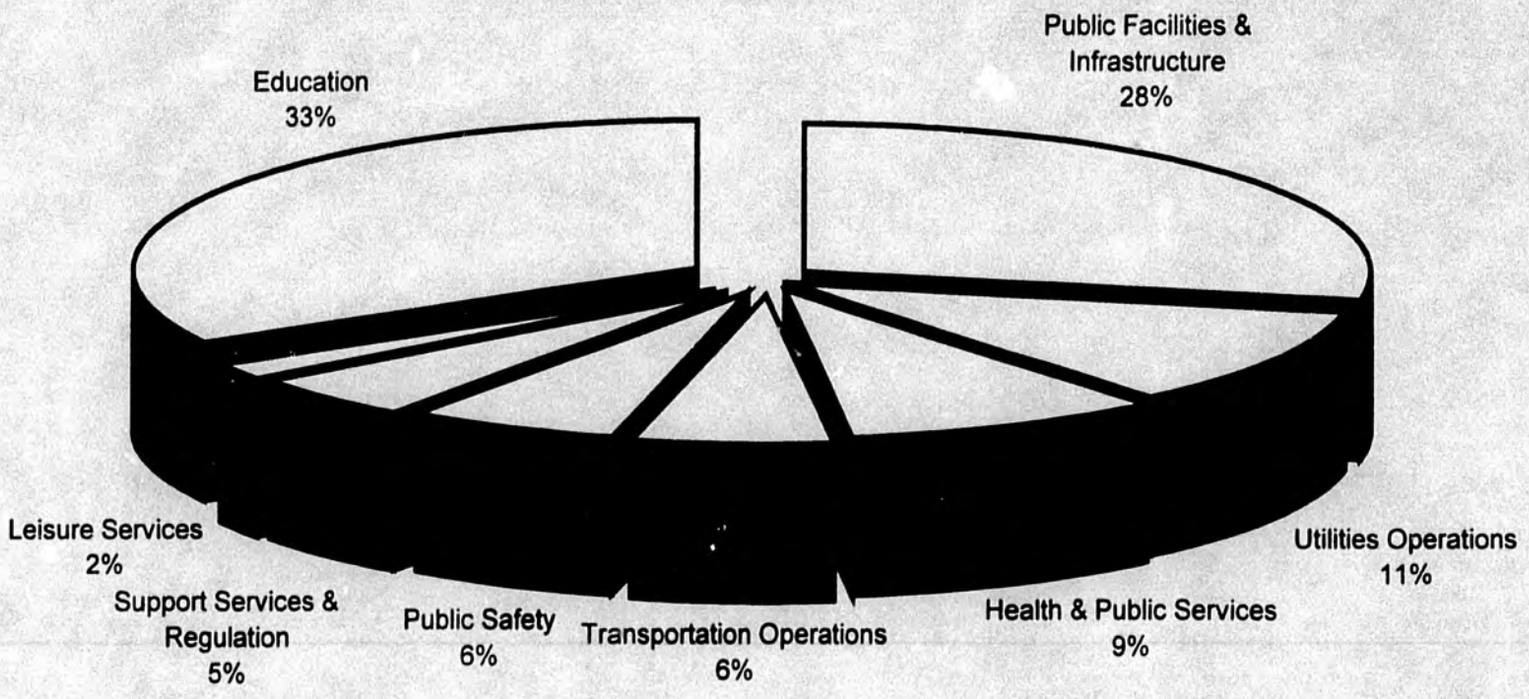
Services Provided by State Government in Alaska
(total $2.3 billion)



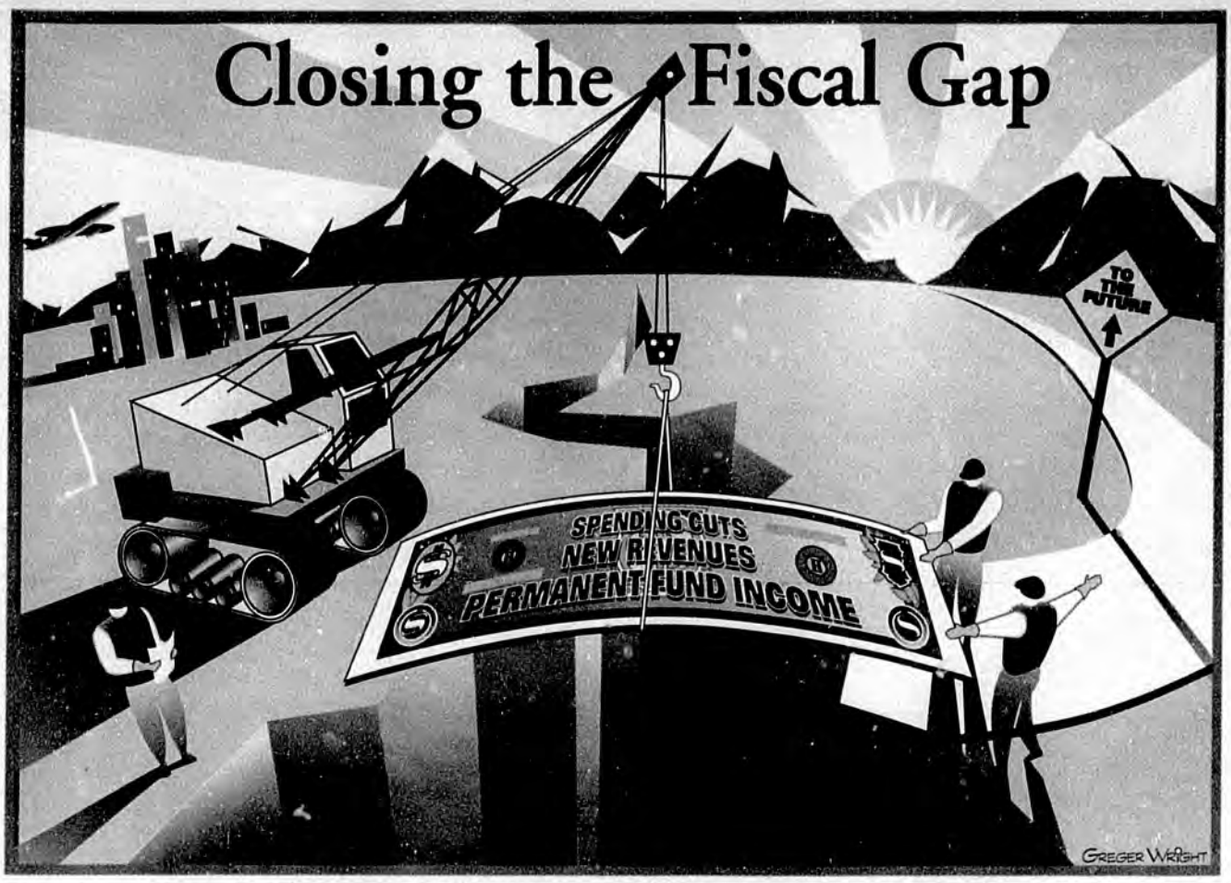
Funding of Public Services in Alaska (excluding Federal)



Services Provided by Municipal Governments in Alaska
(total $2.4 billion)



Closing the Fiscal Gap



According to the State of Alaska Long-Range Financial Planning Commission, the fiscal gap is real and growing. For six of the past nine years, Alaska spent more than it took in — this year about $523 million more. This is the fiscal gap, and it could reach $1.3 billion by the year 2000 unless the state takes corrective action.

Why is there a fiscal gap?

There are two primary reasons for the fiscal gap. First, we count on reserves to fund a budget larger than we can afford in the long term. Second, there is a rapid decline in Prudhoe Bay oil production. Fiscal instability complicates the fiscal gap. This is the roller-coaster ride caused by unpredictable oil prices (from a low of $8 per barrel to a high of $32 in the past 15 years). At today's oil production rates, each $1 per barrel change in oil prices causes a $120 million shift in state revenues.

How has state spending changed?

The Commission examined the major growth areas of the state budget. It used FY 79 as a starting point, the first full year of North Slope oil production and the last budget prepared before state oil revenues tripled. While the overall budget has grown, inflation-adjusted spending per person is the same as in 1979 (population has grown 52%). Even so, cost-cutting efforts to date have not been enough to offset the decline in oil revenues. Since 1979, state agency spending grew 93%, compared to 150% for the budget as a whole. Major increases were grants to individuals (443% not including dividends), and various grants to groups (334%), schools (175%) and local governments (165%).

How do Alaska's taxes compare with other states'?

By 1980, Alaska was receiving so much oil money that the state repealed most of its more traditional revenue methods, including the income tax. Alaskans now pay approximately one-third of the state and local taxes paid by the average American. Alaska Permanent Fund dividends more than offset the combined state and local tax burden for most families.

It is time to act!

The Commission has considered a number of fiscal "tools" to use in combination to fill the fiscal gap: cut spending; use reserves and other state assets; raise taxes and user fees; raise revenue through economic development; use Permanent Fund income; increase oil production. Any of these will have some adverse impacts on Alaska's economy. However, failure to make hard fiscal choices now will have an even worse impact. The Commission has published its plan for closing the fiscal gap. To get a copy immediately, please contact any Legislative Information Office, the Commission's office in Anchorage at 258-8165, or by electronic mail at LRFPC%legis@state.ak.us. Otherwise, check the box on the back of this brochure and a copy will be mailed to you.

We'd like your thoughts...

1 *When established in 1976, one of the stated purposes of the Permanent Fund was to create a source of revenues to help pay the costs of needed government services when oil revenues declined. Do you support using a portion of Permanent Fund income to meet this objective?* ○ Agree ○ Disagree ○ Undecided

2 *What are your ideas about the fiscal gap and about whether, when and how to use Permanent Fund income to close it?*

_____

_____

_____

_____

Alaska Permanent Fund 1995 Performance

A Public Trust Investing For Alaska's Future

SAVINGS

How much was added to Fund principal in the past year?

$ 500,000,000	1995 Special Appropriation from Earning Reserves to Principal
318,085,000	1995 Dedicated Oil Revenues
347,614,000	1995 Inflation-Proofing
+ 6,145,000	Settlement Earnings
$1,171,844,000	**Total Saved in 1995**

How much have Alaskans saved since creating the Permanent Fund 19 years ago?

$14,144,742,000	Principal
+ 702,607,000	Earnings Reserve Account
$14,847,349,000	**Total Saved 1976-1995**

EARNINGS

How much did the Fund earn in the past year?

$1,037,122,000	Investment Income
- 24,164,000	Investment Expenses
$1,012,958,000	**Net Income in 1995**

How much has the Fund earned since inception?

$12,284,958,000	**Net Income 1976-1995**

SPENDING

How much Fund income did the legislature spend this year?

$565,257,000	Dividend Fund (Payment of dividends and administrative and associated costs)
+ 7,460,000	Department of Law (Fund's share of legal expenses relating to state oil revenues)
$572,717,000	**Total Spent in 1995**

BOARD OF TRUSTEES

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Byron I. Mallott, Executive Director

Dear Fellow Alaskans,



As a resident of Alaska, you share in the ownership of one of the most unique savings accounts in the world, the Permanent Fund. Several publications are available to keep you up to date with the Fund, and we will gladly send them to you. We would also like you to keep us current with your feelings about the use of the Fund. Please complete this voluntary questionnaire, fold it, tape it and drop it in the mail. We will share the results with your elected representatives. Thank you for your participation.

Grace Berg Schaible
Board of Trustees

Learn more about your Fund and the fiscal gap

Yes, **I want the Free item(s) (*please check*)**

- ☐ 1995 Permanent Fund Annual Report (*print version*)
- ☐ An Alaskan's Guide to the Permanent Fund (*print version*)
- ☐ CD-ROM Multimedia Guide to the Alaska Permanent Fund (*works on both Macintosh and PC platforms*)
- ☐ Final Report of the State of Alaska Long-Range Financial Planning Commission

To receive the requested item(s), please fill in your name and address, then fold this pre-paid reply form, tape it closed and mail. The item(s) will be sent to you free of charge.

Name_____

Address_____

City_____ State_____ Zip_____

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Alaska State Legislature

Representative Carl E. Moses

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DEPT. OF PUBLIC SAFETY

SESSION:
CAPITAL BUILDING, ROOM 204
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PHONE: (907) 465-4451
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INTERIM
716 W. 4TH AVE. #630
ANCHORAGE, AK 99501-2133
PHONE: (907) 258-8167
FAX: (907) 258-8468

August 3, 1995

Mary Nordale, Chair
Revenue Sources Subcommittee
Long Range Financial Planning Commission
716 W. 4th Avenue
Anchorage, AK 99501

Dear Ms. Nordale,

As you continue your work to identify and enhance state revenues, I have several suggestions to make that I believe would benefit the State of Alaska.

I suggest that the Marine Fuel tax be raised and enclose a copy of the final version of HB 122 which passed the legislature last session and was vetoed by the Governor.

A similar measure could be also be introduced which would raise the Highway Motor Fuel Tax. The average tax nationally is 18 cents while Alaska's rate is currently set at 8 cents. The state could substantially increase the tax and return a portion of these revenues to local governments for local road maintenance. There are many roads which are not part of the main interstate system which the state currently maintains that I believe should be transferred to local government entities. An increase to the Highway Motor Fuel Tax could provide local entities the revenue source for maintenance and for improvements.

Finally, the Division of Motor Vehicles reduces or exempts registration fees to a number of groups. The total revenue loss is currently approximately $868,000. I believe the state should capture these fees and should look at raising the motor vehicle registration fees. I am enclosing a printout of current exemptions for your use.

I appreciate the opportunity to make suggestions.

Sincerely,

Carl E. Moses

Representative Carl E. Moses

BILL: HB 122 SHORT TITLE: MARINE MOTOR FUEL TAX
BILL VERSION: SCS CSHB 122(FIN) AM S
SPONSOR(S): REPRESENTATIVE(S) MOSES,Grussendorf,Mackie

CURRENT STATUS: VETOED BY GOVERNOR STATUS DATE: 6/30/95

TITLE: "An Act imposing a reporting requirement on certain sales, transfers, and consumption or uses of motor fuel, increasing the motor fuel tax on motor fuel used in and on watercraft, and authorizing payment of a portion of that tax as refunds to municipalities; and providing for an effective date."

Current Status: VETOED BY GOVERNOR

	Jrn-Date	Jrn-Page		Action
1	01/25/95	132	(H)	READ THE FIRST TIME - REFERRAL(S)
2	01/25/95	132	(H)	STATE AFFAIRS, FINANCE
3	03/20/95	804	(H)	STA RPT CS(STA) NEW TITLE 4DP 1NR
4	03/20/95	805	(H)	DP: JAMES, IVAN, GREEN, ROBINSON
5	03/20/95	805	(H)	NR: PORTER
6	03/20/95	805	(H)	FISCAL NOTE (REV)
7	04/28/95	1615	(H)	FIN RPT CS(FIN) NT 2DP 2DNP 5NR 1AM
8	04/28/95	1615	(H)	DP: FOSTER, GRUSSENDORF
9	04/28/95	1615	(H)	DNP: MULDER, NAVARRE
10	04/28/95	1615	(H)	NR: HANLEY, PARNELL, KOHRING, THERRIAULT
11	04/28/95	1615	(H)	NR: KELLY
12	04/28/95	1615	(H)	AM: BROWN
13	04/28/95	1615	(H)	FISCAL NOTE (REV)
14	05/01/95	1696	(H)	RULES TO CALENDAR 5/01/95
15	05/01/95	1696	(H)	READ THE SECOND TIME
16	05/01/95	1696	(H)	FIN CS ADOPTED UNAN CONSENT
17	05/01/95	1696	(H)	ADVANCED TO THIRD READING UNAN CONSENT
18	05/01/95	1696	(H)	READ THE THIRD TIME CSHB 122(FIN)

	Jrn-Date	Jrn-Page		Action
1	05/01/95	1696	(H)	PASSED Y29 N11
2	05/01/95	1696	(H)	NAVARRE NOTICE OF RECONSIDERATION
3	05/02/95	1800	(H)	RECONSIDERATION NOT TAKEN UP
4	05/02/95	1800	(H)	TRANSMITTED TO (S)
5	05/03/95	1470	(S)	READ THE FIRST TIME - REFERRAL(S)
6	05/03/95	1470	(S)	STATE AFFAIRS, FINANCE
7	05/07/95	1600	(S)	WAIVE FROM STATE AFFAIRS Y12 N7 E1
8	05/13/95	1799	(S)	FIN RPT SCS 2DP 1DNP 4NR SAME TITLE
9	05/13/95	1800	(S)	FISCAL NOTE (REV)
10	05/16/95	1898	(S)	RULES TO CALENDAR 5/16/95
11	05/16/95	1900	(S)	READ THE SECOND TIME
12	05/16/95	1900	(S)	FIN SCS ADOPTED Y14 N6
13	05/16/95	1900	(S)	AM NO 1 ADOPTED Y18 N2
14	05/16/95	1901	(S)	AM NO 2 ADOPTED Y18 N2
15	05/16/95	1903	(S)	ADVANCED TO THIRD READING UNAN CONSENT
16	05/16/95	1903	(S)	READ THE 3RD TIME SCS CSHB 122(FIN) AM S
17	05/16/95	1904	(S)	PASSED Y13 N7
18	05/16/95	1904	(S)	EFFECTIVE DATE(S) PASSED Y20 N-

1	05/16/95	1928	(S)	TRANSMITTED TO (H) AS AMENDED
2	05/16/95	2237	(H)	HELD UNDER UNFINISHED BUSINESS
3	05/16/95	2242	(H)	CONCUR AM OF (S) Y25 N15
4	05/16/95	2243	(H)	EFFECTIVE DATE PASSED Y32 N7 A1
5	06/27/95	2288	(H)	10:10 AM 6/13/95 TRANSMITTED TO GOVERNOR
6	07/05/95		(H)	VETOED BY GOVERNOR 6/30/95

Alaska State Legislature

Representative Carl E. Moses

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FAX: (907) 258-8468

SPONSOR STATEMENT

House Bill 122

An Act authorizing payment of a portion of the motor fuel tax on boats and watercraft as refunds to municipalities.

House Bill 122 would provide a mechanism for distributing back to municipalities a portion of the marine fuel taxes sold within the various municipalities for expenditures on water and harbor facilities. Fifty percent of the collected tax revenue will be distributed.

In many coastal communities the dependence on harbor facilities is the economic engine driving the economy. With dwindling general funds, the maintenance and development of public facilities is unheeded. The private sector seafood industry has developed many port facilities and has invested millions of dollars in coastal communities' infrastructure. HB 122 would provide some assistance to local governments for additional development of docks and harbors and for the maintenance and development of exisiting public facilities.

5-1-95

REGISTRATION CATEGORIES
WITH REDUCED FEES

1994 REGISTRATIONS REDUCED RATES			REDUCED	NORMAL	REVENUE
CLASS	DESCRIPTION	COUNT	FEE	FEE	LOSS
STATE AND LOCAL GOVERNMENT VEHICLES					
1G	GOVT EX - PASS	674	$5.00	$35.00	$20,220.00
1H	STATE - PASS	178	$0.00	$35.00	$6,230.00
1M	GOVT PERS - PASS	6	$5.00	$35.00	$180.00
2G	GOVT EX - MC	7	$5.00	$20.00	$105.00
4G	GOVT EX - PICKUP	1952	$5.00	$40.00	$68,320.00
4H	STATE PICKUP	77	$0.00	$40.00	$3,080.00
5G	GOVT EX - BUS	58	$5.00	$155.00	$8,700.00
5H	STATE - BUS	0	$0.00	$155.00	$0.00
				SUB TOTAL	$106,835.00
ALL OTHERS					
81	PRIS OF WAR - PASS	24	$0.00	$35.00	$840.00
82	PRIS OF WAR - PICKUP	13	$0.00	$40.00	$520.00
83	PEARL HARBOR - PASS	28	$0.00	$35.00	$980.00
84	PEARL HARBOR- PICKUP	6	$0.00	$40.00	$240.00
DD	DISABLED VET	344	$0.00	$35.00	$12,040.00
HH	HANDICAPPED	3916	$0.00	$35.00	$137,060.00
1F	CALL LETTER - PASS	254	$0.00	$35.00	$8,890.00
1P	CHAR EXEMPT - PASS	1172	$5.00	$35.00	$35,160.00
4F	CALL LETTER - PICKUP	156	$0.00	$40.00	$6,240.00
4P	CHAR EXEMPT - PICKUP	1215	$5.00	$40.00	$42,525.00
5P	CHAR EX - BUS	179	$5.00	$155.00	$26,850.00
	SENIOR CITIZEN	14000	$0.00	$35.00	$490,000.00
				SUB TOTAL	$761,345.00
			GRAND TOTAL		$868,180.00

ALASKA MUNICIPAL LEAGUE
217 Second Street, Suite 200 • Juneau, Alaska 99801 • Tel (907) 586-1325, Fax (907) 463-5480

To: Brian Rogers, Chair
Long Range Financial Planning Commission

From: Kevin Ritchie, Executive Director

Date: September 19, 1995

Re: Your request for draft legislation making the senior/disabled veteran property tax exemption an option for municipalities

Attached are two pieces of draft legislation:

- First, one not introduced this session, but previously adopted in a similar form by one house, that makes the exemption entirely optional for each municipality. The draft bill basically moves the exemption from the mandatory to the municipal option section of the statute on property tax.
- Second, legislation introduced last session that reduces the mandatory exemption from $150,000 to $75,000. This is not a huge savings to municipalities since the average exemption is about $90,000 under the program, but it provides a more realistic cap. This bill would relate to Commission discussion about a cap equal to the highest or average senior exemption nationwide.

I also attached an example of a Local Government Partnership Council from North Carolina. I believe that it is well within the role of the Commission to recommend reasonable implementation strategies to work out the details of the Commission's principles and plan. For example, the Commission's general concept of governmental roles in the provision of police services must be discussed and planned in detail before implementation.

Post-It™ brand fax transmittal memo 7671 | # of pages ▸ 9

To Brian Rogers	From Kevin Ritchie
Co.	Co.
Dept.	Phone #
Fax #	Fax #

cc. AML Board of Directors

9-LS0615\A
Cook
2/9/95

HOUSE BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - FIRST SESSION

BY REPRESENTATIVE IVAN

Introduced:
Referred:

A BILL

FOR AN ACT ENTITLED

"An Act relating to municipal property tax exemptions for certain residences; and providing for an effective date."

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

* Section 1. AS 29.45.030(h) is amended to read:

(h) Nothing [EXCEPT AS PROVIDED IN (g) OF THIS SECTION, NOTHING] in (i) [(e) - (j)] of this section affects similar exemptions from property taxes granted by a municipality on September 10, 1972, or prevents a municipality from granting similar exemptions by ordinance as provided in AS 29.45.050.

* Sec. 2. AS 29.45.030(k) is amended to read:

(k) The department shall adopt regulations to implement the provisions of [(g) AND] (j) of this section.

* Sec. 3. AS 29.45 is amended by adding a new section to read:

Sec. 29.45.052. OPTIONAL EXEMPTION FOR CERTAIN PRIMARY RESIDENCES. (a) The real property owned and occupied as the primary residence

and permanent place of abode by a resident of the state who is (1) 65 years of age or older, (2) a disabled veteran, or (3) at least 60 years old and who is the widow or widower of a person who qualified for an exemption under (1) or (2) of this subsection, may by ordinance be exempted from taxation on all or part of the assessed value of the real property. The ordinance may base the exemption on hardship. Only one exemption may be granted for the same property. If two or more persons are eligible for an exemption for the same property, the exemption may not be granted unless the parties decide between or among themselves who is to receive the benefit of the exemption. Real property may not be exempted under this subsection if the local assessor determines, after notice and hearing to the parties, that the property was conveyed to the applicant primarily for the purpose of obtaining the exemption. The determination of the assessor may be appealed to the superior court under procedures set out in AS 44.62.560 - 44.62.570.

(b) In this section,

(1) "disabled veteran" means a disabled person

(A) separated from the military service of the United States under a condition that is not dishonorable who is a resident of the state, whose disability was incurred or aggravated in the line of duty in the military service of the United States, and whose disability has been rated as 50 percent or more by the branch of service in which that person served or by the Veterans' Administration; or

(B) who served in the Alaska Territorial Guard, who is a resident of the state, whose disability was incurred or aggravated in the line of duty while serving in the Alaska Territorial Guard, and whose disability has been rated as 50 percent or more;

(2) "real property" includes mobile homes, whether classified as real or personal property for municipal tax purposes.

* Sec. 4. AS 29.45.030(a)(6), 29.45.030(e), 29.45.030(f), 29.45.030(g), 29.45.030(i), and 29.45.050(i) are repealed.

* Sec. 5. This Act takes effect January 1, 1996.

9-LS0685\G
Cook
3/16/95

CS FOR HOUSE BILL NO. 185( )

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVE IVAN

A BILL

FOR AN ACT ENTITLED

"An Act relating to exemptions from municipal property taxes for certain principal residences; relating to the determination of full and true value of taxable property in a municipality; and providing for an effective date."

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

* Section 1. AS 14.17.140(a) is amended to read:

(a) To determine the amount of local effort under AS 14.17.025 and to aid the department and the legislature in planning, the Department of Community and Regional Affairs, in consultation with the assessor for each district, shall determine the full value of the taxable real and personal property in each city or borough district. If there is no local assessor or current local assessment for a district, then the Department of Community and Regional Affairs shall make the determination of full value from information available. In making the determination, the Department of Community and Regional Affairs shall be guided by AS 29.45.110. <u>However, the value of property exempted under AS 29.45.050(i) up to $150,000 may not be</u>

included in the determination. The determination of full value shall be made by October 1 and sent by certified mail, return receipt requested, on or before that date to the president of the school board in each district. Duplicate copies shall be sent to the commissioner. The governing body of a borough or city that is a school district may obtain judicial review of the determination. The superior court may modify the determination of the Department of Community and Regional Affairs only upon a finding of abuse of discretion or upon a finding that there is no substantial evidence to support the determination.

* Sec. 2. AS 29.45.030(e) is amended to read:

(e) The real property owned and occupied as the primary residence and permanent place of abode by a (1) resident 65 years of age or older; (2) disabled veteran; [OR] (3) resident at least 60 years old who is the widow or widower of a person who qualified for an exemption under (1) [OR (2)] of this subsection; or (4) resident at least 60 years old who is the widow or widower of a person who qualified for an exemption under (2) of this subsection, is exempt from taxation. The exemption for an individual who qualifies under (1) or (3) of this subsection is limited to the first $75,000 of the assessed value of the real property. The exemption for an individual who qualifies under (2) or (4) of this subsection is limited to [ON] the first $150,000 of the assessed value of the real property. A municipality may, in case of hardship and in accordance with regulations of the department, provide for exemption [BEYOND THE FIRST $150,000] of assessed value beyond the limits set in this subsection [IN ACCORDANCE WITH REGULATIONS OF THE DEPARTMENT]. Only one exemption may be granted for the same property and, if two or more persons are eligible for an exemption for the same property, the parties shall decide between or among themselves who is to receive the benefit of the exemption. Real property may not be exempted under this subsection if the assessor determines, after notice and hearing to the parties, that the property was conveyed to the applicant primarily for the purpose of obtaining the exemption. The determination of the assessor may be appealed under AS 44.62.560 - 44.62.570.

* Sec. 3. AS 29.45.050(i) is amended to read:

(i) A municipality may by ordinance [APPROVED BY THE VOTERS] exempt from taxation the assessed value of real property that exceeds the limits set under AS 29.45.030(e) if the [$150,000 OF REAL] property is owned by an individual who qualifies for an exemption under AS 29.45.030(e) [AND OCCUPIED AS A PERMANENT PLACE OF ABODE BY A RESIDENT WHO IS

(1) 65 YEARS OF AGE OR OLDER;

(2) A DISABLED VETERAN, INCLUDING A PERSON WHO WAS DISABLED IN THE LINE OF DUTY WHILE SERVING IN THE ALASKA TERRITORIAL GUARD; OR

(3) AT LEAST 60 YEARS OLD AND A WIDOW OR WIDOWER OF A PERSON WHO QUALIFIED FOR AN EXEMPTION UNDER (1) OR (2) OF THIS SUBSECTION].

* Sec. 4. This Act takes effect January 1, 1996.

State of North Carolina



JAMES B. HUNT, JR.
GOVERNOR

EXECUTIVE ORDER 21
LOCAL GOVERNMENT PARTNERSHIP COUNCIL

WHEREAS, units of local government are political subdivisions of the State of North Carolina and the State is obligated to provide support to these units; and

WHEREAS, the Governor recognizes the need to improve and strengthen the relationship between state, county, and municipal governments; and

WHEREAS, the Governor desires to identify and implement strategies that will enable the administration, the General Assembly and local governments to work together for the benefit of the entire State; and

WHEREAS, the Governor recognizes the current problems facing local governments and pledges to work in cooperation with local officials to find appropriate solutions; and

WHEREAS, the Governor appreciates the vital role that local governments can and should play in the future growth and development of the entire state; and

WHEREAS, the Governor encourages local officials to join hands with state government officials and the state legislature to provide a brighter future for all North Carolinians;

NOW, THEREFORE, by the power vested in me as Governor by the laws and Constitution of the State of North Carolina, IT IS ORDERED:

Section 1. Establishment and Members.

There is hereby established the North Carolina Local Government Partnership Council ("Council") consisting of eighteen members. The Council shall be composed as follows:

(a) three members representing county governments selected by the Governor from a listing of qualified persons submitted by the North Carolina Association of County Commissioners;

(b) three members representing municipal governments selected by the Governor from a listing of qualified persons submitted by the North Carolina League of Municipalities;
(c) four at-large members appointed by the Governor;
(d) two members of the North Carolina Senate appointed by the President Pro Tempore of the Senate;
(e) two members of the North Carolina House of Representatives appointed by the Speaker of the House;
(f) the Secretary of the Department of Environment, Health and Natural Resources or his designee;
(g) the Secretary of the Department of Transportation or his designee;
(h) the Secretary of the Department of Human Resources or his designee; and
(i) the Lieutenant Governor, or his designee.

The Executive Director of the North Carolina Association of County Commissioners and the Executive Director of the North Carolina League of Municipalities are invited to serve and the Governor's Director of Intergovernmental Relations shall serve as ex-officio members of the Council.

Section 2. Chair and Terms.

The Lieutenant Governor shall serve as Chair of the Council. The Vice Chair of the Council shall be a municipal or county official selected by the Governor. Annually, after the first Vice-Chair is selected, the office shall rotate between officials representing municipalities and counties. Appointees shall serve two-year terms, with no appointed members serving more than two complete, consecutive terms on the Council. Members designated by their office shall serve terms for the duration of that office.

The Council shall meet at least three times per year and may hold special meetings at the call of the Chair or of the Governor.

Section 3. Purpose.

The purpose of the Council shall be to advise the Governor, his Cabinet, other state agencies, local governments, and the general public about programs, policies, and practices affecting local governments in North Carolina. To accomplish this purpose, the Council may:

(a) identify opportunities for state-local cooperation;
(b) review proposed programs and policies;
(c) offer recommendations;
(d) advocate on behalf of local governments;
(e) assist the Governor's Office of Intergovernmental Relations in matters related to state-local relations;
(f) undertake any studies or actions requested of the Council by the Governor;
(g) recommend to the Governor actions affecting state-local relations which will benefit local governments throughout the state;

(h) meet with the Advisory Budget Commission during that Commission's examination of state budget needs; and

(i) advise the Advisory Budget Commission of local government concerns related to the state budget.

Section 4. Administration.

The Council shall be located in the office of the Governor. Administrative support and staff for the Council shall be provided by the Governor's Office of Intergovernmental Relations. It is the responsibility of each cabinet department head to advise the Council of their proposed policies and plans. The elected heads of the Council of State departments may, and are hereby invited to, join in the effort represented by this Order. All services of the Council available to the Governor under this Order shall be available to each of the heads of the aforesaid departments so electing to participate.

The members of the Council shall receive reasonable travel and subsistence expenses in accordance with state law.

This order shall be effective immediately.

Done in Raleigh, North Carolina, this 12th day of August, 1993.

James B. Hunt, Jr.
Governor

ATTEST:

Rufus L. Edmisten
Secretary of State

INTERNATIONAL ASSOCIATION OF RESIDENTIAL AND COMMUNITY ALTERNATIVES
Alaska Chapter
5597 Aisek Street
Juneau, Alaska 99801

September 29, 1995

Brian Rogers, Chair
State of Alaska Long Range
Financial Planning Commission

Dear Mr. Rogers:

I read with great interest the Commission's Preliminary Report and appreciate your invitation to participate in the process.

Like most Alaskans, I could offer opinions about many of the Commission's findings, conclusions, and strategy considerations. However, I have restricted the comments to the corner of Alaska's economy in which I work: Corrections.

In General Fund dollars, our state penal system is the second largest consumer of agency operating funds and administers the fastest growing budget in state government. While this situation is not unique to Alaska, it is fair to say that we can do far more to curb corrections' drain on state revenue.

I offer the Commission a few thoughts concerning cost containment and revenue enhancement strategies that could provide significant fiscal relief. These opinions are those of IARCA - Alaska and do not necessarily represent the position of the national organization.

Sincerely,

IARCA - ALASKA

Greg Pease
President

COST CONTAINMENT OPPORTUNITY IN THE STATE OF ALASKA PENAL SYSTEM

A reply to the
Preliminary Report
of the
State of Alaska Long-Range
Financial Planning Commission

International Association of Residential
and Community Alternatives

Alaska Chapter

September 30, 1995

INTRODUCTION

One year ago the Superior Court found the State of Alaska in "contempt of court" for exceeding court ordered institutional capacities. The state was ordered to pay $1,000 per day for every day the system, as a whole, is over capacity and $500 per day for every day each individual facility remains over capacity. To provide immediate relief, the Hickel administration negotiated a contract with a private corrections agency to house 200 Alaska prisoners in Arizona, at roughly one half the cost of confinement in Alaska.

In his December 1994 transition documents, Governor Hickel cautioned that the 200 beds would hold the system in compliance with the law for only nine months. Two weeks ago, the department again reached emergency capacity, with five out of fifteen facilities operating out of compliance; the situation will grow worse with each successive month.

Alaska is in desperate need of additional correctional services; the more crowded the system, the greater the threat to public safety. But with a budget six times greater than 1980, annual growth averaging close to ten percent, operating costs reaching $120 per prisoner per day and construction costs of $175,000 per bed, the state cannot afford to fund a "business as usual" delivery of correctional services.

Corrections cost containment strategies demand a prominent place in any plan that realistically seeks to close the fiscal gap. Otherwise, we will soon be counted among the states which spend more confining prisoners than educating children.

I. CORRECTIONS FACTS

Alaska has the third highest incarceration rate in the United States. (Source 1994 Corrections Yearbook)

From 1984 the Alaska inmate population grew by more than 8.2% a year and over 11.6% in 1994.

There are over 200 more prisoners in the system today than there were a year ago.

Between FY81 and FY96 the state corrections budget has increased six fold from $21.6 million to over $130 million.

After sentencing it costs nearly $120 a day ($43,800 a year) to house an inmate in Alaska compared with less than $52.38 a day, on average, for the rest of the country.

It costs up to $175,000 to construct one maximum security prison cell in Alaska. When the cost of construction is amortized over 30 years as an operating cost it raises the per day cost to keep an offender in prison to nearly $170 per day.

Privately operated misdemeanant, felony furlough and revocation beds average $45.00 per day in Alaska.

The average cost for a State of Alaska correctional officer is $66,000 a year, nearly two and a half times the national average.

II. REVENUE ENHANCEMENT

To the extent able, Alaska would be well served by a public policy which ensures that offenders pay for the cost of their care, supervision and treatment.

With that policy in mind:

- Non-indigent Probationers and parolees should pay a fee, or a percentage of their income, to offset part of the cost of their supervision. A $10.00 per day fee collected from 50% of offenders on probation or parole would generate nearly $7 million a year.

- All non-indigent probationers and parolees should forfeit the PFD while under state supervision. The estimated Permanent Fund Dividend savings would approach $2,000,000 if only 50% of offenders were non-indigent.

- Non-indigent misdemeanants should pay for the cost of jail or halfway house time by, among other things, forfeiting the PFD until their incarceration debt is paid off. In Anchorage alone, roughly 3,500 misdemeanants serve an average of 20 days each year. If the cost of their care were collected from only half it would generate $1.4 million per year. That figure would nearly double if the policy were applied to the entire state.

- The fine system should be overhauled to establish fine minimums with a surcharge based upon an offenders income. Estimated increase in revenue could reach tens of millions.

- The Alaska Legislature should commission a comprehensive review of the strategies other states have used to pass the cost of crime to the criminal.

*Note: Privatizing the fine and fee collection function would not only reduce the cost associated with government employees performing these duties but would significantly increase the percentage of collected fines or fees in general.

III. COST REDUCTIONS AND CONTAINMENT

The State of Alaska should foster an environment that attracts free enterprise. The Department of Corrections should recognize the structural changes occurring in its industry and forge state/private partnerships in the delivery of correctional services. Private correctional agencies operate over 50,000 jail, prison and treatment beds in the United States, Canada and Puerto Rico. The number of beds under private contract continues to grow each year because providers have established that private companies can offer comparable, or superior, service at substantially less cost.

- Contract the operation of Anchorage's Sixth Avenue Jail:

  The Anchorage Sixth Avenue Jail is a misdemeanant booking facility. The majority of inmates housed in the facility are offenders who are pending release by a magistrate, awaiting trial, or transfer to a local halfway house to serve time. Privatizing the facility could result in a savings of at least one million a year.

- Contract the operation of Minimum Security State Prisons

  Minimum custody prisoners by definition require the lowest level supervision in the state system. Most are either preparing for release to a halfway house or are ineligible for furlough and marking time awaiting release. Minimum security offenders are held in a security environment equivalent to halfway houses, which operate at half the cost of state operated facilities.

  Example: Transferring the operation of the Palmer Minimum Security Facility and the Point McKenzie Rehabilitation Program to private contractors could reduce the combined operating cost of those facilities by as much as $2.5 million.

- Future construction and operation of prisons should be open to competitive bid.

  Alaska already contracts for the confinement of 206 high custody prisoners with a private vendor outside of the state at half the cost of state operated beds (one-third if Alaska facility costs are factored into the daily cost). Contractors should be encouraged to build and operate secure facilities in Alaska to bolster the Alaskan economy rather than that of another state.

- Develop return-to-custody facilities to defer construction of hard prison beds.

  Roughly 20% of prison beds are occupied by offenders who have been returned to custody (prison) for violating conditicns of release or furlough.

  Many of these offenders do not require the level of security and cost associated with occupying beds in high security, state operated facilities. It is likely that

at least 200 such offenders could be placed in semi-secure, privately operated, setting at half the cost of keeping them in a state operated prison. The estimated savings could approach $4,400,000.

- Privately contracted medical care.

  There are many national prison health care companies providing blanket coverage to correctional systems. This is a service ripe for competitive bid, and likely to save at least $1.5 million.

- Shift state correctional officers to regular state hours.

  State correctional officers work 12 hour shifts for 7 consecutive days. This shift pattern is unique to Alaska and results in excessive overtime not associated with an 8 hour work day. Efficiency would also increase.

- Create "on-call" relief pool.

  The 1991 Pete Marwick analysis of DOC cited annual overtime use at over 130,000 hours, with per staff averages of 157 hours at many facilities. This equates to over 65 full-time equivalent positions.

  A private company could develop a Police Standards certified pool of academy trained correctional officers who could be called in to fill vacancies rather than filling those vacancies with state officers at premium pay. Estimated savings - $1 million.

- Private contract jails.

  A master contract to operate, or build and operate, the rural jails could reduce the cost associated with this problem area by $1 million.

- Adjust inmate to staff ratio.

  Alaska employs one correctional officer for every 3.4 inmates. The national average is one to 5.5. Increasing the Alaska ratio to just four could result in a savings of around $8 million with no compromise to public safety.

- Eliminate perimeter patrols.

  Several state correctional facilities designate staff to continually drive around the outside of the facility. In the history of Alaska corrections no escapes have been detected or deterred by a perimeter patrol. Likewise, perimeter patrols do not protect against the introduction of contraband onto prison grounds. Modern advances in detection technology make the perimeter patrol an expensive, obsolete, and ineffective security measure. Savings $1 million.

Revenue Enhancement

Charge probation, parole, supervision fee	$7,000,000
Withhold Permanent Fund Dividend from non-indigent probationers, parolees	2,000,000
Privatize fine collection and base fine on income	substantial
Non-indigent misdemeanants pay cost of jail (statewide)	3,000,000
	Revenue Total - $14,250,000 plus

Cost Containment

Contract Sixth Avenue Jail	$1,000,000
Contract Palmer Minimum/Pt. McKenzie	2,500,000
Return to custody facility	4,400,000
Contract medical	1,500,000
Shift Correctional Officers to an 8 hr. work day	substantial
Create private relief pool	1,000,000
Adjust inmate to staff ratio	8,000,000
Eliminate perimeter patrols	1,000,000
Privatize contract jails	1,000,000
	Savings Total - $20,400,000

ALASKA CRAB COALITION

3901 Leary Way (Bldg.) N.W., Suite #6 • Seattle, WA 98107 • (206) 547-7560 • FAX (206) 547-0130

TELECOPIER COVER LETTER:

Please deliver the following pages:

TO: Bob Waldt

FROM: Annie Thomson

DATE: 9/14/95

TOTAL NUMBER OF PAGES (including cover page): 6

MESSAGE/COMMENTS:

GRFPC testimony.

Thanks for pledging get me these to the hearing.

Should you encounter any problems during this transmission, please contact the Alaska Crab Coalition at the above numbers for assistance. Thank you.

OUR TELECOPIER DIRECT LINE IS: (206) 547 0130

OPERATOR: _____

(1)

TESTIMONY OF ARNI THOMSON, EXECUTIVE DIRECTOR OF
THE ALASKA CRAB COALITION BEFORE THE
STATE OF ALASKA
LONG RANGE FINANCIAL PLANNING COMMISSION
ANCHORAGE, ALASKA
SEPTEMBER 12, 1995

The Alaska Crab Coalition (A.C.C.), a fisheries trade association, is completing its tenth year representing the owners of 57 Bering Sea crab vessels, 11 of the the major crab processing companies and 60 service and supply companies from Washington, Alaska and Oregon. The focus of the association is to encourage sound conservation and research based management policies and practices that will generate sustainable harvests of king and tanner crabs in the Bering Sea and Aleutian Islands.

Through its membership in the Alaska State Chamber of Commerce, the ACC has been following closely the work of the Long Range Financial Planning Commission. ACC supports the goals of the ASCC and the Commission, to close out the fiscal gap created by non sustainable tax revenues and declining oil production.

In seeking to achieve these difficult goals by the year 2005, the ACC recommends, in regards to fisheries resource management, that Alaskans carefully focus the tools of budget reduction and taxation, focus on the long term and use this opportunity to develop a realistic framework for sustainable revenue production.

The ACC's two major areas of concern tonight are:

1. The need for maintenance of an adequate Fish and Game applied research and management budget for Bering Sea crab fisheries. This is the engine that will drive rebuilding and sustainability of the king and tanner crab resources.

2. Royalty fees of 4% to 12% of gross revenues are being considered for limited entry fisheries as part of the solution for closing the one half billion dollar fiscal gap (estimated annual revenue $19 to $60 million per year).

ACC boat owners, characteristic of the fleet as a whole, are primarily composed of small family held businesses, partnerships and small corporations. There are approximately 250 full time crab vessels in the Bering Sea fleet and 100 additional part time vessels that depend on other fisheries for the major portion of their livelihoods. Aproximately 35% of the fleet, or 120 vessels are registered to Alaskans and the balance of the fleet are registered to non residents.

Bering Sea crab fisheries occur in the 3-200 mile federal

waters, the Exclusive Economic Zone. However, under a special delegation of authority, spearheaded by the ACC in 1989, a joint management plan with the federal government delegated management jurisdiction to ADF&G and the Board of Fisheries. Although an offshore fishery, 90% of the crab is landed and processed by shorebased plants, or floaters anchored inside the three mile zone of State waters. The same companies that process and market Alaska salmon and herring are involved in the Bering Sea crab fisheries. With the bulk of the product being landed and processed ashore or in State waters, the fishery is subject to the normal State and borough raw fish taxes and licensing fees.

In 1994 the landed value of Bering Sea crab fisheries was $266 million and the first wholesale value exceeded $500 million. Over 90% of the State of Alaska shellfish production is derived from the Bering Sea and Aleutian Islands. Based on the landed value of the catch, the fleet and the processing sector of the industry contributed 8-9% of the gross revenue, an estimated $22 million to the State of Alaska General Fund. Actual Fish and Game research and management costs do not exceed $1.5 million for the Bering Sea crab fisheries.

Additonal taxes are forthcoming in 1997 as a result of NPFMC action taken in June of this year. The NPFMC approved a limited entry program for not only Bering Sea crab fisheries, but all Gulf of Alaska and Bering Sea groundfish fisheries. The new program is modelled after the rather successful Alaska salmon and herring limited entry program and it too is a permit style program. The ACC supports the new program as an interim step towards rationalization of the crab fisheries.

When the new program goes into effect in 1997, taxation of the fleet effectively doubles with the onset of a CDQ program which transfers 7.5% of the quotas (and revenues) from the fleet to non participants in the coastal villages of Western Alaska. Based on 1994 revenues in the crab fisheries, this equates to $20 million of lost income to the fleet (both Alaskans and non residents) that is to be allocated to Alaskan residents around the Bering Sea. Thus, by 1997, the Bering Sea crab fisheries will be contributing a projected $40 million to the General Fund and the Bering Sea communities, an amount that is equal to the entire Commercial Fisheries Management and Development Division of Fish and Game. Notably, this summary of taxes is taken off the top of vessel owners and processors income before IRS payments.

Additional taxation in the form of the proposed royalty fees for all limited entry fisheries, one of the alternative solutions being suggested by the Commission--could well become the straw that breaks the camel's back of the Bering Sea crab industry. Imposing royalty fees in a permit style

limited entry program for Bering Sea crab fisheries will be counterproductive, possibly ruinous to the industry and detrimental to the long term sustainability of the fisheries sector of the Alaska State economy. The business management of Bering Sea crab vessels is high risk and high cost, presently exacerbated by dramatic overcapitalization pressures and declining quotas and revenues.

However, the ACC will support a royalty fee of up to 2% within the context of a market based individual vessel quota program--for Bering Sea crab fisheries. A well designed program adds market value to a vessel owner's business, reduces the loss of vessels and most of all, reduces the loss of lives because it slows down the race for fish. The hazards and the mortality rates involved in the race for the Bering Sea crab quotas have become notorious in international fishing circles. The permit system is not the final solution for Bering Sea crab fisheries in the sense that it has been for the less hazardous Alaska inshore salmon and herring fisheries. The race for fish intensifies under a permit style program. All available capital is reinvested in technology to continuously improve a vessel's competitive position and boats and lives are lost in the pursuit. The pace of the fishery has become almost unbelievable.

Although fishing vessel quota programs are controversial amongst some Alaskan small boat owners, the limited entry permit program is widely accepted. These permits add considerable equity to a vessel owner's business and in some of the more lucrative fisheries, the permit values equal the value of the fishing vessels. The permits are fully transferrable in the market place and differ only in a matter of degrees from transferrable vessel quotas. Vessel quotas have the distinct advantage of providing a built-in industry buyback of excess fishing capacity that avoids costly government funded buyback programs.

In published testimony before the U.S. Senate Subcommittee on Oceans and Fisheries in March of 1995 in Anchorage, the ACC publicly supported a royalty fee of up to 2% of gross revenues of Bering Sea crab landings, to be dedicated to conservation and management and for economic adjustment assistance, within the context of a fishing vessel quota program. In 1994 this would have generated over $5 million-three times the program costs for conservation and management of Bering Sea crab fisheries. In essence, a fishing vessel quota program can form the basis for a quasi privatized fisheries management program for the crab fisheries.

This concludes ACC's recommendations for sustainable revenue production for two renewable resources, Bering Sea and Aleutian Islands king and tanner crabs.

ALASKA CRAB COALITION

OVERCAPITALIZATION IN BERING SEA CRAB FISHERIES

	12/31/89 BOATS 1989	12/31/93 BOATS 1993	INCREASE SINCE 1/1/90	% INCREASE
BAIRDI	109	289	180	165%
OPILIO	168	246	78	46%
B BAY RKC	211	302	91	43%

AVERAGE NUMBER OF BOATS FOR THE BAIRDI, OPILIO & KING CRAB FISHERIES

1989	1993	INCREASE	INCREASE
162	279	117	72%

FISHING DAYS

	1989	1993	DECREASE	DECREASE
BAIRDI	110	50	60	
OPILIO	112	60	52	
B BAY RKC	12	9	3	
AVERAGE	234	119	115	49%

Reference: ADF&G, Westward Region reports

Prepared: 5/12/94

BOXSCORE

Entry Permit Prices
(as of 4-1-95)

Area	Salmon/ Herring	Gear	Market Range*	State Value*	Offers*
Southeast	H	Seine (SN)	200+	173.8	180+
P.W.Sound	H	SN	65+	80.2	63.5+
Cook Inlet	H	SN	70	61.2-	69.5+
Kodiak	H	SN	90	75+	85
Southeast	H	Gillnet (GN)	31-	33.4-	29-
P.W.Sound	H	GN	55	74.8-	50
Kodiak	H	GN	29	23.3	26
Norton Sound	H	GN	12-	13.2-	12
P.W.Sound	H	Pound (PN)	20+	27.2	16+
Southeast	S	SN	75+	75	72+
P.W.Sound	S	SN	67.5	47.1+	67+
Cook Inlet	S	SN	45	134.5	N/A
Kodiak	S	SN	52+	38.1	50+
Chignik	S	SN	210	238.3	200
False Pass	S	SN	180	193.4	N/A
Puget Sound	S	SN	ARO	N/A	N/A
Southeast	S	GN	72+	64.4+	70+
P.W.Sound	S	GN	68+	59.7+	65+
Cook Inlet	S	GN	115+	67.6+	100+
False Pass	S	GN	320+	329.8	310+
B.Bay	S	GN	225+	180.9+	215+
Puget Sound	S	GN	ARO	N/A	N/A
Yakutat	S	Set Net (SGN)	50	42.5	40
P.W.Sound	S	SGN	65	75	55
Cook Inlet	S	SGN	32+	24-	29+
Kodiak	S	SGN	105	90	100+
False Pass	S	SGN	110+	107.9	105+
B. Bay	S	SGN	47.5+	36.4-	45+
Norton Sound	S	SGN	ARO	7.8	N/A
Southeast	S	Hand Troll	8.5	7.4+	8
Southeast	S	Power Troll	28-	27.4+	27.5
Chatham	B-Cod	Lg-Ln	N/A	175.5+	180+
Clarence	B-Cod	Lg-Ln	N/A	120	140+
Southeast	Crab	King/Tanner(ESA)	165+	106.3	135+
Southeast	Crab	King/Tanner(ESA)	190+	153.1	170+
Puget Sound	Crab	Pots	8	N/A	7

Prices may vary in accordance with market conditions. * in thousands
+ denotes an increase from last month. N/A denotes No Activity.
- denotes a decrease from last month. ARO denotes Any Reasonable Offer.

■ Buyers trying to purchase primary salmon cards are stymied as they now face the possibility of missing this year's fishing season. Secondary salmon fisheries have turned into shark feeds as buyers scramble in last-ditch efforts to engage in *any* fishery this summer.

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By John F. Mitchell with GRAVES & SCHNEIDER, INC.

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TESTIMONY OF

DON VALESKO, BUSINESS MANAGER

PUBLIC EMPLOYEES LOCAL 71

BEFORE THE STATE OF ALASKA'S

LONG-RANGE FISCAL PLANNING COMMISSION

WEDNESDAY, SEPT. 13, 1995

GOOD EVENING.

FOR THE COMMISSION'S RECORD, MY NAME IS DON VALESKO, AND I AM THE BUSINESS MANAGER FOR PUBLIC EMPLOYEES LOCAL 71. WE REPRESENT APPROXIMATELY 2,300 PUBLIC EMPLOYEES THROUGHOUT ALASKA, INCLUDING MORE THAN 1,600 EMPLOYEES OF THE STATE OF ALASKA.

BEFORE I BEGIN MY TESTIMONY, I WANT TO THANK THE COMMISSION MEMBERS FOR HOLDING PUBLIC HEARINGS ON THE STATE'S FISCAL SITUATION, AND FOR PROVIDING LOCAL 71 THE OPPORTUNITY TO TESTIFY ON AN ISSUE THAT WILL IMPACT, ONE WAY OR ANOTHER, EVERY RESIDENT OF ALASKA.

I ALSO WANT TO MAKE IT CLEAR FROM THE OUTSET THAT OUR MEMBERSHIP IS ENTIRELY MADE UP OF ALASKAN RESIDENTS--RESIDENTS WHO WORK HERE, LIVE HERE, SPEND THEIR INCOMES HERE, PAY LOCAL TAXES HERE AND, FOR THE MOST PART, RETIRE HERE. AS SUCH, THE HARD WORKING MEN AND WOMEN OF LOCAL 71 CONTRIBUTE TO THE STATE AND LOCAL ECONOMIES OF ALASKA. A STUDY A FEW YEARS AGO DETERMINED THAT THE EACH DOLLAR SPENT BY STATE EMPLOYEES CHANGES HANDS SEVEN TIMES WITHIN ALASKA'S VARIOUS ECONOMIES.

WE HAVE BEEN FOLLOWING THE COMMISSION'S WORK, AND HAVE READ THE REPORT YOU ISSUED ON AUGUST 12TH THIS YEAR. WHILE WE AGREE WITH SOME OF THE COMMISSION'S PRELIMINARY RECOMMENDATIONS, WE DISAGREE WITH OTHERS. I WILL BEGIN WITH SOME GENERAL COMMENTS, THEN GET INTO THE AREAS WHERE WE APPEAR TO DISAGREE WITH SOME OF THE COMMISSION'S PRELIMINARY RECOMMENDATIONS.

WE AGREE, FOR EXAMPLE, THAT PAYOUTS BY THE STATE TO INDIVIDUALS, SUCH AS PROPERTY TAX EXEMPTIONS OR LONGEVITY BONUSES, SHOULD BE BASED ON ECONOMIC NEED. TO PUT THIS ANOTHER WAY, WE DON'T BELIEVE THE STATE SHOULD BE GIVING MONEY TO WEALTHY ALASKANS WHO ARE FULLY CAPABLE OF HANDLING THEIR NEEDS WITHOUT STATE ASSISTANCE.

WE AGREE THAT STATE SPENDING IS ONE OF THE MOST SIGNIFICANT FACTORS IN ALASKA'S ECONOMY. BECAUSE OF THIS, WE MUST SPEND OUR STATE DOLLARS WISELY LEST OUR ACTIONS SEND THE STATE ECONOMY INTO A RECESSION.

THE UNIVERSITY OF ALASKA'S INSTITUTE FOR SOCIAL AND ECONOMIC RESEARCH, OR ISER, WARNED IN 1989 AND 1990 THAT CUTTING STATE GOVERNMENT TOO MUCH WILL CAUSE A RECESSION. THESE FISCAL STUDIES WERE FUNDED BY ATLANTIC RICHFIELD CO., OR ARCO.

ACCORDING TO THIS COMMISSION'S AUGUST 12TH REPORT AND FIGURES FROM THE STATE DEPARTMENT OF ADMINISTRATION AND THE OFFICE OF MANAGEMENT AND BUDGET, THE NUMBER OF STATE EMPLOYEES PER CAPITA IS AT A 15-YEAR LOW, AND THE NUMBER OF STATE EMPLOYEES HAS DECLINED BY MORE THAN 2,100 SINCE 1990. THE LATTER IS A CONSERVATIVE FIGURE, BUT IT MEANS, AT A MINIMUM, THERE ARE 2,100 FEWER ALASKANS SPENDING MONEY AND CONTRIBUTING TO THE LOCAL AND STATE ECONOMIES. ANOTHER WAY OF PUTTING THIS IS THAT THERE ARE 2,100 FEWER CUSTOMERS FOR ALASKA'S BUSINESSES, AND THIS FIGURE DOES NOT INCLUDE SPOUSES OR DEPENDENTS.

I REALIZE THAT THE AUTHORIZED FULL-TIME POSITIONS FOR THE STATE HAVE INCREASED SINCE 1990, BUT "AUTHORIZED" DOES NOT MEAN "FILLED" POSITIONS. A MORE RELIABLE INDICATOR IS THE NUMBER OF W-2 FORMS ON FILE. SINCE 1990, THE NUMBER OF W-2'S FILED WITH THE I.R.S. BY THE STATE HAVE DROPPED BY 2,100.

ALSO SINCE 1990, STATE OPERATING COSTS, OR PAYROLL COSTS, HAVE DECLINED 25 PERCENT ON AN INFLATION-ADJUSTED BASIS. FRANKLY, WE ARE VERY CONCERNED THAT DEEPER PERSONNEL CUTS COULD WELL MAKE A PROPHET OF ISER AND LEAD TO A RECESSION. ACCORDINGLY, WE URGE EXTREME CAUTION TO THE COMMISSION AS IT PREPARES ITS FINAL RECOMMENDATIONS IN THIS AREA.

AN AREA WHERE WE DISAGREE IS THE COMMISSION'S PRELIMINARY RECOMMENDATION OR SUGGESTION THAT STATE EMPLOYEE BENEFITS BE REDUCED. WE HAVE FOUGHT HARD OVER THE YEARS AND HAVE NEGOTIATED IN GOOD FAITH TO ACHIEVE THESE BENEFITS WHICH DIRECTLY RELATE TO QUALITY OF LIFE IN ALASKA. NOT ONLY WOULD SUCH A REDUCTION BE UNFAIR, IT WOULD NEGATIVELY IMPACT THE ECONOMY.

IF ANYTHING, WE WOULD FIGHT HARD TO SEE THAT ALL ALASKAN WORKERS, INCLUDING THE PRIVATE SECTOR, RECEIVE BENEFITS AT OR ABOVE THOSE NOW RECEIVED BY STATE EMPLOYEES. RATHER THAN DRAG DOWN STATE EMPLOYEES BY REDUCING THEIR BENEFITS, WE SHOULD BE SEEKING WAYS TO INCREASE BENEFITS TO THOSE ALASKAN WORKERS WHO DO NOT HAVE THEM. TO PUT THAT ANOTHER WAY, WE SHOULD NOT BE STRIVING TO MAKE PAUPERS OF ALASKA'S WORKERS, WE SHOULD BE STRIVING TO MAKE IT WORTHWHILE FOR OUR RESIDENTS TO WORK AND LIVE HERE.

IT IS FOR THIS SAME REASON--LESS DOLLARS SPENT IN THE LOCAL AND STATE ECONOMIES--THAT WE ALSO OPPOSE A WHOLESALE EFFORT TO CONTRACT OUT, OR PRIVATIZE, MANY STATE PROGRAMS AND SERVICES. FIRST, THERE

IS NO GUARANTEE THAT THE PROJECTED SAVINGS WOULD ACTUALLY MATERIALIZE.

SEVERAL OF ALASKA'S PAST EFFORTS TO CONTRACT OUT HAVE ACTUALLY

INCREASED COSTS OR, WORSE, HAVE RESULTED IN OUTRIGHT RIP-OFFS OF PUBLIC DOLLARS.

ONE EXAMPLE IS THE STATE'S CONTRACTING OUT OF CUSTODIAL SERVICES AT ANCHORAGE INTERNATIONAL AIRPORT A FEW YEARS AGO. THE STATE ENDED UP TAKING THE CONTRACTOR TO COURT WHEN IT DISCOVERED THE CONTRACTOR WAS LISTING "GHOST EMPLOYEES" ON ITS PAYROLL VOUCHERS WHEN THE EMPLOYEES DID NOT, IN FACT, EXIST. USING THIS METHOD TO CUT COSTS AND INCREASE PROFITS, THE CONTRACTOR BILKED THE STATE OUT OF MORE THAN $300,000--NOT COUNTING COURT AND LEGAL COSTS--AND THE WORK WAS LESS THAN SATISFACTORY BECAUSE THERE WERE NOT ENOUGH PEOPLE ON PAYROLL TO GET THE JOB DONE PROPERLY.

IN MANY INSTANCES WHERE PRIVATIZATION APPEARED TO SAVE THE STATE MONEY THE QUALITY OF WORK WAS LESS THAN DESIRED, LEADING THE STATE TO USE ITS WORKERS TO CORRECT THE JOB. MORE OFTEN THAN NOT, THE WORK DONE BY STATE EMPLOYEES IN CORRECTING A PRIVATE CONTRACTOR'S MISTAKES IS NOT ADDED TO THE COST OF CONTRACT, BUT IT OUGHT TO BE FOR THIS WORK WOULD NOT HAVE BEEN REQUIRED HAD THE JOB BEEN DONE RIGHT IN THE FIRST PLACE. THIS IS SOMETHING THAT HAPPENS TIME AND AGAIN WITH OUR MEMBERS AND IT IS STILL GOING ON.

THE CURRENT STATE CONTRACT FOR MAINTAINING LAND PROPERTY RECORDS HAS COST THE DEPARTMENT OF NATURAL RESOURCES MUCH MORE THAN IT USED TO COST TO DO THE WORK IN-HOUSE. IN ADDITION, THERE HAVE BEEN A NUMBER OF COMPLAINTS OF INACCURATE RECORDS ON THIS CONTRACT.

THERE ARE MANY INSTANCES OF CONTRACTORS "LOW BALLING" THEIR INITIAL BIDS TO GET ON THE STATE PAYROLL, THEN INCREASING THE COST TO THE STATE THROUGH CHANGE ORDERS OR AS THE CONTRACT COMES UP FOR RENEWAL. IN THESE INSTANCES THE INITIAL COST TO THE STATE IS REDUCED, BUT THE LONG-TERM COST IS INCREASED. AN ANALYSIS OF THE STATE OPERATING BUDGET SHOWS THAT THE DOLLAR AMOUNT SPENT FOR CONTRACTUAL SERVICES IS INCREASING AT AN ALARMING RATE, WHILE THE AMOUNT SPENT FOR PERSONAL SERVICES IS NEARLY STATIC.

TWO OTHER POINTS WORTH CONSIDERATION IN THINKING ABOUT PRIVATIZATION ARE:

WHEN WORK IS CONTRACTED OUT, THE STATE HAS LESS OVERSIGHT AND MANAGEMENT ON HOW THE WORK IS DONE. THIS MEANS THE STATE IS LESS ABLE TO ACCOUNT FOR HOW THE PUBLIC'S MONEY IS BEING SPENT. IT IS DOUBTFUL THE STATE WOULD HAVE CAUGHT THE CONTRACTOR ON AIRPORT CUSTODIAL SERVICES MENTIONED ABOVE IF ONE OF THE CONTRACTOR'S OWN EMPLOYEES HAD NOT NOTIFIED THE STATE OF THE FALSIFICATION OF PAYROLL RECORDS.

THE SECOND POINT IS THAT CONTRACTING OUT SHIFTS PUBLIC MONEY FROM THE PUBLIC SECTOR TO THE PRIVATE SECTOR, BUT IT DOES NOT NECESSARILY SAVE MONEY, NOR DOES IT NECESSARILY HELP THE ECONOMY. MANY VENDORS AND CONTRACTORS ARE AFFILIATED WITH LARGE, NON-ALASKAN FIRMS. THESE FIRMS, IN TURN, SIPHON OFF A HEFTY PERCENTAGE OF ANY

PROFITS MADE ON THE CONTRACT. WHEN THIS OCCURS, THOSE ALASKA DOLLARS ARE CONTRIBUTING TO THE ECONOMIES OF OTHER STATES, BUT NOT TO ALASKA'S ECONOMY. BY USING STATE EMPLOYEES WE HELP KEEP MORE STATE DOLLARS AT WORK HERE IN ALASKA.

WE SUPPORT REINSTATEMENT OF THE STATE INCOME TAX AS A FAIR METHOD TO INCREASE STATE REVENUES. THERE ARE MANY NON-ALASKANS WHO COME UP TO WORK ON DEVELOPMENT AND OTHER PROJECTS, AND THEN LEAVE WITH THEIR ALASKA PAY CHECKS. THESE WORKERS USE OUR ROADS AND, WHILE HERE, EXPECT THE SAME LEVEL OF CONSITUTIONALLY MANDATED STATE SERVICES--SUCH AS POLICE AND FIRE PROTECTION, EMERGENCY MEDICAL ASSISTANCE, EDUCATION, AND ROAD AND AIRPORT MAINTENANCE--THAT OUR YEAR-ROUND RESIDENTS EXPECT.

YET WITHOUT A STATE INCOME TAX, THESE NON-ALASKAN WORKERS DO NOT CONTRIBUTE TO COVERING THE COSTS OF THESE SERVICES. IF WE CONTINUE TO ENCOURAGE DEVELOPMENT WITHOUT ALSO DEVISING SOME METHOD OF REVENUE COLLECTION, THE STATE'S FISCAL GAP WILL INCREASE.

I KNOW THERE ARE OTHERS WAITING TO TESTIFY, SO I WILL END MY TESTIMONY WITH THREE COMMENTS:

ONE, DESPITE ERRORS, FAILURES AND OUTRIGHT ILLEGALITIES ON SOME CONTRACTS, I DO NOT MEAN TO IMPLY THAT EVERY CONTRACTOR OR VENDOR WITH THE STATE IS INCOMPETENT, CORRUPT OR LAZY. MANY ARE HONEST, HARD WORKING CITIZENS JUST LIKE OUR MEMBERS.

TWO, WHILE LOCAL 71 OPPOSES SOME OF THE PRELIMINARY RECOMMENDATIONS PUT FORTH BY THIS COMMISSION, WE RECOGNIZE THE DECLINE IN STATE REVENUES IS REAL AND ARE WILLING TO WORK WITH BOTH THE COMMISSION AND THE STATE TO EFFECT TRUE COST SAVINGS WHILE MINIMIZING NEGATIVE IMPACTS ON THE ECONOMY AND THE DELIVERY OF STATE PROGRAMS AND SERVICES. TO THIS END, WE HAVE WORKED WITH THE STATE TO ESTABLISH LABOR-MANAGEMENT COMMITTEES THAT ARE NOW EXAMINING SOME OF THE SAME ISSUES THIS COMMISSION IS ADDRESSING.

FINALLY, WE APPRECIATE THE MAGNITUDE AND DIFFICULTY OF THE COMMISSION'S TASK. HOWEVER, IN TRYING TO STIMULATE ALASKA'S PRIVATE SECTOR ECONOMY, WE BELIEVE A MORE PERMANENT REMEDY IS FOR THE STATE TO WORK WITH THE PRIVATE SECTOR IN DEVELOPING A STABLE TAX AND ROYALTY CLIMATE IN WHICH BUSINESS CAN OPERATE, AND IN STREAMLINING--THROUGH CONSOLIDATION--THE REGULATORY PROCESS NECESSARY TO PROMOTE NEW DEVELOPMENT. THE TAXES AND/OR ROYALTIES A BUSINESS ENTERPRISE PAYS IN ALASKA SHOULD NOT CHANGE EVERY TIME A DIFFERENT POLTICAL PARTY BECOMES THE MAJORITY OR EVERY TIME WE ELECT A NEW GOVERNOR.

WE ALSO BELIEVE THERE SHOULD BE SHORT-TERM TAX INCENTIVES TO ASSIST THE START-UP NEW DEVELOPMENT THAT CREATES JOBS, BUT SUCH INCENTIVES--TO BE FAIR TO OTHER EXISTING BUSINESSES--SHOULD NOT LAST FOREVER.

CLEARLY, HOWEVER, LITTLE OR NO SIGNIFICANT DEVELOPMENT WILL TAKE PLACE UNTIL WE CAN PLACE MORE LAND IN PRIVATE HANDS. THE FORMER SOVIET UNION, UNDER COMMUNISM, HAD 1 1/2 PERCENT OF ITS LAND IN PRIVATE OWNERSHIP. AT THE SAME TIME, THE STATE OF ALASKA HAD ONLY ONE-HALF OF ONE PERCENT OF STATE LAND IN PRIVATE OWNERSHIP.

OWNERSHIP IS THE KEY TO DEVELOPMENT AND DEVELOPMENT IS NECESSARY FOR ECONOMIC GROWTH.

THANK YOU AGAIN FOR THE OPPORTUNITY TO SHARE OUR VIEWS WITH THE COMMISSION.

(END LOCAL 71 TESTIMONY)

TONY KNOWLES, GOVERNOR

DEPARTMENT OF COMM
REGIO

MUNICIPAL & REGIONAL ASSIS

333 W. 4TH AVENUE, SUITE 220
ANCHORAGE, ALASKA 99501-2341
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FAX: (907) 269-4539

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To Bob Walsh | From Steve VanSickle

Co./Dept. | Co.

Phone # | Phone #

Fax # 258-9869 | Fax #

July 17, 1995

The Honorable Representative Mike Navarre
Legislative Long Range Planning Committee
Room 521, State Capitol
Juneau, AK 99801-1182

Dear Representative Navarre:

You have asked my office to address the issue of the possibility of the State levying a statewide ad valorem property tax. In particular, you have asked for estimates of revenue which might be generated and any problems that may be involved from administering this undertaking.

The Office of the State Assessor currently calculates a Full Value Determination (FVD) annually for 16 boroughs and 27 cities located in the unorganized borough. This could not be accomplished without the cooperation of the assessors around the state assisting with those municipalities which levy a property tax. At the present time, there are 11 boroughs and 13 cities located in the unorganized borough which levy a property tax and those values are provided to me making the calculation of the FVD relatively easy for those municipalities. The values in the remaining 4 boroughs and 14 cities located in the unorganized borough are calculated by this office. As of January 1, 1994 the total Full Value Determination for those 16 boroughs and 27 cities was $43,829,908,630. This figure includes a value of $15,934,252,630 for all oil and gas property which is assessed by the Dept. of Revenue. This results in a value of $27,895,656,000 for those 43 municipalities, excluding oil and gas properties.

There is no doubt that the majority of the municipalities in the rural area of the state would contain little value which would be taxable under our property tax laws. This is mainly due to mandatory exemptions, i.e., ANCSA and native allotment property, and the local economics of a region. The majority of the value would most likely rest along the road systems, Parks, Glenn and Richardson Highways, and in the areas of the state which have a good commercial fishing industry.

21-P&LH

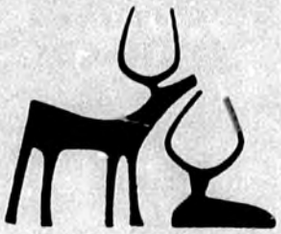
The other areas of the state may have taxable value, but certainly not to the extent of these areas. Regardless of this fact, however, the data would have to collected, analyzed, property record cards would have to be created and assessment rolls would have to be finalized and the appeal process would have to be in place. This entire process would be extremely expensive to set up and maintain. The initial set up process could take up to three or four years to complete, depending on the amount of revenue allocated and the total number of personnel hired or contracted for the project.

Based upon the values currently in the Full Value Determination process, the state would realize about $28 million annually for each mill of tax levy. This amount excludes the oil and gas property, as the state already has a 20 mill levy against that property. If the state were to complete assessments on all other property which might be subject to a property tax, in my opinion, the state would probably receive no more than a total of $30 million annually for each 1 mill of tax levy.

I hope this information is of help to you and your committee. If further information is needed, please feel free to call upon me and I will do what I can to gather it for you.

Sincerely,

Steve Van Sant
State Assessor



September 15, 1995

The State of Alaska Long-Range
Financial Planning Commission
716 W. Fourth Avenue, Suite 470
Anchorage, Alaska 99501

Dear Commission Members:

Thank you for the opportunity to submit written testimony regarding the Commission's preliminary report on Alaska's fiscal gap. I know each of you has spent many long hours studying the State's financial condition and proposing various scenarios for public and legislative consideration. On behalf of the Alaska State Council on the Arts and as an Alaskan resident, I want to say thank you for your hard work. It is a difficult task at best and one that may never receive the amount of appreciation it well deserves.

Certainly, one of the most difficult and controversial questions the Commission faces is what services should be funded, and which should not? As Chair of the State Arts Council, I noted in your report that several of the scenarios show privatization of the council. As you might anticipate, I have serious concerns about that option.

As indicated in the attached "testimony," continued state funding is necessary for two reasons: 1) it is unrealistic to believe the private sector can sustain the arts without public assistance; and 2) without state support, it is difficult to leverage funding from other sources.

Please know that the Council understands the seriousness of the gap and is itself examining other funding options. In fact, we are planning a Governor's Conference on the Arts on December 1 and 2 for the purpose of developing and setting a direction for the future of the arts in this state. I invite any and all of the Long-Range Planning Commission members to attend and participate in this conference.

If you have any questions regarding my testimony, please feel free to contact me at 561-4488. Again, thank you for your many long hours of service and your commitment to the state.

Sincerely,

Bonnie L. Bernholz
Chair, Alaska State Council on the Arts

Alaska State Council on the Arts
411 West 4th Avenue, Suite 1E, Anchorage, Alaska 99501-2343 (907) 269-6610 Fax: (907) 269-6601

Testimony from Bonnie Bernholz, Chair, Alaska State Council on the Arts
before the State of Alaska Long-Range Financial Planning Commission

September 13, 1995

Thank you, Commission members. Based on your report, I have divided my written testimony into four parts:

1). A brief background on the history and mission of the Alaska State Council on the Arts;

2). Potential Federal Budget Impact on the Council;

3). Principles for State Expenditures on the Arts; and,

4). Long Range Revenue Options for the Council.

Background

The Alaska State Council on the Arts (ASCA) was established in 1966 by Governor Bill Egan, long in advance of the first oil discovery in Prudhoe Bay. In the Council's first budget year, it received $18,835 in state appropriations and $35,943 in federal appropriations, for a total budget of $54,778.

Since that time, the Council has received a maximum state appropriation of $4,975,800 in FY83 with a federal match of $839,300. These state and federal funds continue to be used by the state to provide programs, services and grants to artists and arts organizations throught the state. Each federal dollar is matched by the state, and each granted state dollar is in turn matched by local government and/or private dollars.

ASCA's mission is to encourage all aspects of the arts statewide by securing and dispersing state and federal funds. We do this in a way that fosters excellence, respects diverse cultural artistic expression and enriches the human spirit. It is the purpose of the council to integrate the arts into the lives of all Alaskans by administering grants and providing arts education and technical assistance.

During the past several years, ASCA's budget has been drastically reduced. Its FY95 budget was cut 21 percent (compared to the State's overall operating budget, which was cut 4.5 percent). Its FY96 budget was cut another 32 percent.

Alaska State Council on the Arts
411 West 4th Avenue, Suite 1E, Anchorage, Alaska 99501-2343 (907) 269-6610 Fax: (907) 269-6601

Based on the most recent national comparisons compiled by the National Association of State Arts Agencies (NASAA), in FY94 ASCA received 0.0330 percent of the state's general fund. This compares to a national average of 0.0719 percent. In FY95, Alaska was one of 16 states to received decreased state funding with only the District of Columbia receiving a larger decrease. According to NASAA, updated 1995 appropriations figures for state arts agencies confirm a 5 percent increase over last year. This is the second consecutive year that aggregate appropriations to state arts agencies have increased. With the abovementioned 16 exceptions, states are demonstrating widespread support for the arts by maintaining their commitment through the tough economic times and slow recovery of recent years.

Potential Federal Budget Impact on the Council

As you aware, there has been a great deal of controversy surrounding the reauthorization of the National Endowment of the Arts (NEA) and its budget. While the long-term future of this agency is in grave danger, even its short-term future presents a significant difficulty for Alaska. Although a final budget number has not yet been reached through a House-Senate conference committee, it is expected that even if the Senate's budget number is adopted, the NEA still suffers a 30 percent budget cut. What does that mean to Alaska? For every $ 1 million cut from the NEA's budget, it means approximately $5,000 less to ASCA.

These budget cuts become even more critical in light of the state's contribution. Between FY89 and FY94, NEA grants through ASCA grew from $486,908 to $661,900 – an increase of 36 percent. During that same period, the Council's contribution from the state fell 38 percent.

Concurrent to the NEA's budget cuts, however, is increased Congressional focus on giving more financial authority to the individual state arts agencies. This means that while the total overall dollars allocated to the NEA may be less, a higher percentage of the funding will go directly to ASCA. Elimination of ASCA would result in this state's inability to receive these federal funds.

Principles for State Expenditures on the Arts

All too frequently, "the arts" are perceived as takers, but not necessarily givers. Yet, the arts represent a substantial industry within the state, and are rapidly becoming an area of continuing economic growth, especially with the advent of cultural tourism. According to the state's Division of Tourism, the number of visitors to Alaska between 1992 and 1994 who sought out a cultural experience increased by at least 27 percent. Without question, increased emphasis and marketing of cultural experiences and events in Alaska could increase visitors and, thus, revenue to the state.

It is imperative for this state to find ways to diversify the economy and to continue to support those industries with a proven economic track record. The following, based on a McDowell Group study, are some of the quantifiable economic impacts of the arts.

- Nonprofit arts directly and indirectly supports approximately 1,300 jobs in Alaska with a total payroll of $8.3 million.

- Nonprofit arts organizations receive $12.6 million in grants, revenue and donations. As a return on this investment, arts organizations held 3,000 events, generating more than $23.5 million of spending in Alaska.

- A conservative estimate shows that there were $1.5 million admissions to arts events in Alaska in FY94.

- The thousands of volunteers, who donate time and labor on behalf of nonprofit arts organizations, provide a measure of just how valued these institutions are in our communities.

One area not explored within the Commission's report that deserves further examination is that of intra-state agency partnerships. In many states facing similar budgetary restrictions, successful new programs have been forged within various agencies. For instance, the Kansas Arts Commission's Arts in Education Program serves an increasing number of identified groups of at-risk children. Some projects include a dance company that works with children of substance-abusing mothers in halfway house; classes given at the Wichita Center for the Arts for kids who have gotten in trouble for bringing weapons to school and a partnership with Social and Rehabilitation Services to support artists in residence at four Youth Centers, which are state juvenile detention facilities.

Another example is the Wind River Health Promotion Program, which has received funding from the Wyoming Arts Council, HUD, Fremont Counseling and the state Division of Behavioral Health for a multifaceted prevention program targeting young people under the age of 21 and their families. This program provides cultural activities using tribal elders as teachers, role models, and mentors.

As you might imagine, there are many, many more examples of interdepartmental programs that reduce spending without compromising or losing valuable programs.

Long-Range Options for the Arts in Alaska

As I indicated earlier, although I understand the Commission's suggestion to privatize the Council, I don't believe it is a realistic scenario.

Response to the Questions of the Long Range Financial Planning Commission and the "Alaska's Growing Fiscal Gap" Report

From the
Alaska Municipal League
and the
Alaska Conference of Mayors

Taken from the AML Policy Statement
and testimony of the
Alaska Conference of Mayors and the Alaska Municipal League Board of Directors
Barrow, Alaska
August 25-26, 1995

RESOLUTION
of the
Alaska Conference of Mayors
and
Alaska Municipal League Board of Directors

WHEREAS, the Long Range Financial Planning Commission (LRFPC) has prepared a preliminary report on addressing the state fiscal gap and submitted it for comment;

WHEREAS, after a very brief review of the preliminary draft, the Alaska Municipal League Board of Directors and the Alaska Conference of Mayors wish to present several points regarding the draft;

NOW, THEREFORE BE IT RESOLVED THAT:

1. Appreciation is expressed for the Commission's efforts to date in addressing the issue.

2. The Alaska Municipal League (AML) and Alaska Conference of Mayors (ACoM) recognize that a gap exists between the state's current expenditures and expected revenues.

3. Some of the options presented for revenue sources appear viable, but care must be taken that using some identified alternatives not disrupt the sources of municipal tax established under existing statutes that are critical to the continuation of municipal government.

4. AML and ACoM express a willingness to work toward a reasonable balance in spending including programs that share state funds with local governments; however, the gap should not be filled by disproportionately shifting burdens to municipalities for services such as education, roads, and public safety.

5. There must be a recognition that priorities in spending do exist, but we are unable to determine from the draft what priorities have been used in determining future expenditure requirements. These priorities should recognize the state's obligation to fully provide for education, public safety, and corrections, as set forth in the Alaska Constitution, as well as programs providing basic survival assistance, such as power cost equalization.

6. We are unable to determine if other options of closing the gap have been addressed. These include cooperative transfer of administration of programs and funding, or consolidation to reduce expenditures. Elimination of further programs has not been identified as an option. These options should continue to be explored during the process of closing the gap.

7. The LRFPC should analyze the impact on local governments of the various recommended options as provided in the resolution establishing the Commission. Without this analysis, we find it difficult to adequately respond to the draft report and we are willing to work with the Commission to perform that analysis as the Commission prepares its recommendations to the Legislature.

UNANIMOUSLY APPROVED BY THE MEMBERS OF THE ALASKA MUNICIPAL LEAGUE BOARD OF DIRECTORS AND ALASKA CONFERENCE OF MAYORS ON AUGUST 26, 1995 IN BARROW, ALASKA.

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Alaska's Need for a Long Range Financial Plan

The Alaska Municipal League and the Alaska Conference of Mayors wholeheartedly support the efforts of the state in developing a Long Range Financial Plan for Alaska. The development of a Long Range Financial Plan, with supporting policies and implementation schedule, is absolutely critical to ensuring the best future for Alaska, its municipalities, and its people.

The Relationship Between the State and Its Political Subdivisions

Municipal governments currently provide approximately half of all public services in Alaska. (Total government service expenditures in Alaska are about $4.7 billion, of which $2.4 billion are provided by municipalities, and $2.3 billion by state government).

Because both the state and local governments provide public services to the same people, and because both the state and local governments have taxing powers over the same people, it is not possible to create an effective Long Range Financial Plan for Alaska without the active involvement of both local and state governments.

Alaska Needs a Comprehensive Solution to its Fiscal Gap

Since 1986, almost every municipality in the state has developed and implemented a long range financial plan. The experience of Alaska's political subdivisions over the past ten years indicates that a Long Range Financial Plan should not depend on one solution alone, but a comprehensive array of solutions including all of the fiscal tools available including: spending cuts; consolidation; privatization; transfers of responsibility; wise use of reserves and savings; increased fees to direct users of state services and enterprise operations; user taxes to meet needs created by users (e.g. increase fuel taxes to maintain and improve roads, harbors, airports); new general taxes that increase revenue as population increases; and economic development.

Observations that may help the Long Range Financial Planning Commission follow:

- To avoid severe economic downturns, budget balancing actions must be taken early and gradually.
- There are currently strong budget and policy disincentives to state departments to act entrepreneurially to set market rate fees to direct users of state services. Municipalities found that user fees both help balance the budget and increase accountability to the public. in fact, direct services to should not be provided by government free or at below market cost in most cases. Many municipalities were able to generate 5% to 15% more of their budget through user fees. A 5% increase for the state would be over $100 million per year.
- Budget cuts that are taken without long term structural changes in services and service delivery systems are likely to have severe long term negative economic and social impacts on the state.
- Citizens more easily accept tax increases when the proceeds of the tax increase provide a specific related service they desire (e.g. fuel taxes to maintain transportation systems).

An example of a comprehensive strategy for a state Long Range Financial Plan follows:

Long term structural budget/service changes: consolidation privatization transfer of services/revenue to Local Gov't statutory changes budget and policy changes	$100 million+
Increase user fees to market rates for state services	$100 million+
Raise motor fuel tax to maintain roads	$ 60 million
Raise marine fuel tax to maintain harbors	$ 30 million
Aviation fuel tax to maintain airports	$ 10 million
Tobacco and alcohol tax to pay direct costs in Public Safety, Corrections, Health and Social Services	$100 million
New statewide tax (e.g. personal income tax)	$150 million+
Economic Development	$ 20 million+

The rough example above is not a recommendation, nor do all the revenues completely offset current costs (for example, the state is essentially not maintaining its harbors now), but it is an indication of how a comprehensive long range financial plan for the state may rely on a number of components.

Local Government Partnership Council

The Alaska Municipal League and the Alaska Conference of Mayors have set the development of a state long range financial plan as their highest priority. The AML/ACoM offer the service of municipalities to the state in the development of the state's long range financial plan.

The AML/ACoM recommend the creation of a **Local Government Partnership Council**. The Local Government Partnership Council would consist of municipal representatives appointed by the AML/ACoM and members appointed by the state. The most important role of the Council would be to achieve consensus on services that could best and most efficiently be administered on a local level and ensure that adequate stable resources are available to maintain the service on a long term basis.

The Local Government Partnership Council would also help coordinate education of the public and support for the implementation of a state long range financial plan as well as make suggestions for the development of the plan.

Transfer of Current State Responsibilities to Municipalities

A municipality's power to provide services and to raise revenues is derived from the state. Alaska's constitution calls for "maximum local self government" and provides that "agreements, including those for cooperative or joint administration of any function or powers, may be made by any local government with any other local government, with the state, or the United States...".

Some services currently provided by the state may be more efficiently, or effectively provided under the administration of local governments, and under the policy direction of local residents.

The AML supports the negotiation of service responsibility transfers from the state to municipalities provided the state actively enters into good faith negotiations with municipalities to identify stable adequate revenues to undertake the transferred services.

Specifically, the AML supports entering into negotiations with the state to transfer the responsibility for operation, maintenance, and improvement of harbors, some classes of local roads, and some classes of air transportation facilities with the long term commitment of the state to share fuel taxes, and other revenues, with municipalities to supplement direct user fees. Other services may include some health and social services, public safety services, direct support services to local government, education services, etc.

Specifics of the transfer negotiations should be proposed by the **Local Government Partnership Council** discussed above.

Fair Distribution of the Resources that belong to All Alaskans (Municipal Revenue Sharing Programs)

All states provide some form of revenue sharing to their political subdivisions because states are the only taxing authority that can fairly allocate a state's resources to ensure that all citizens receive a basic level of public services. According to the 1994 federal ACIR Report, the **average nationwide state contribution of state revenues to local governments is 34.2%** of local government budgets.

Without state revenue sharing, some areas of a state would not receive a basic level of health and safety services while other areas would pay disproportionately higher local taxes for those services. Over the past ten years, cuts to MA/SRS, and other state programs that provide funds to local governments, have been so severe that they have destabilized some communities, forced some dissolutions of municipal governments, and effectively increased local taxes as much as the equivalent of ten mills of property tax. **When municipal governments dissolve, the long term cost to the state is much higher than the cost of Municipal Assistance/ Revenue Sharing.**

Currently, Alaska has two main general revenue sharing programs for municipal service operations: Municipal Assistance (MA) and State Revenue Sharing (SRS).

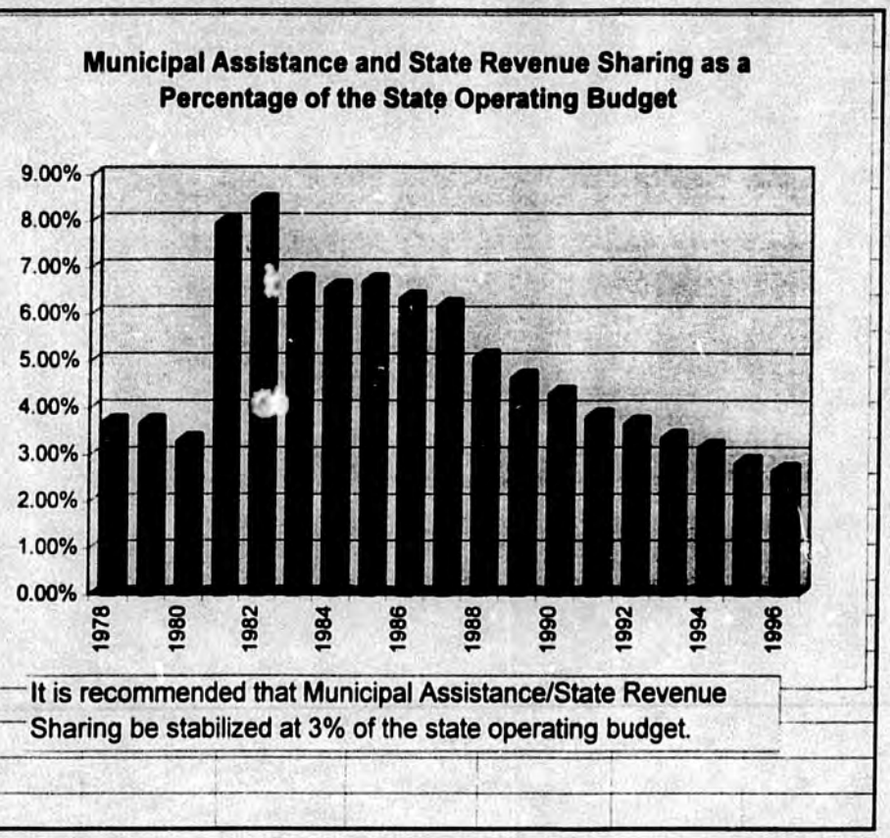
The AML supports a consolidation of the Municipal Assistance and Revenue Sharing programs into one that allocates funds considering the level of basic municipal services provided by each community (public safety, health, local share of education, road maintenance, water/sewer), population, and the financial resources of the community.

Most important, the AML supports a **stable revenue relationship** with the state to promote local fiscal planning and to promote local economic and community development.

Municipal Assistance/Revenue Sharing (MA/RS) in FY96 was 2.66% of the state operating budget. It has declined from approximately 8.00% of the state operating budget in 1982 and was 3.68% of the state operating budget in 1979.

The AML and Conference of Mayors supports a stable funding of MA/RS at the level of 3.00% of the state operating budget so that the funding of municipalities is consistent with the resources of the state. The AML and ACoM support a freeze of funding for MA/RS at the 1996 level of funding until the state budget adjusts or decreases to the point where the 3.00% relationship with MA/RS is achieved. The standard of setting MA/RS at a percentage of the state operating budget is used in other states (see appendix).

1978	3.69%
1979	3.68%
1980	3.30%
1981	7.95%
1982	8.42%
1983	6.70%
1984	6.56%
1985	6.69%
1986	6.33%
1987	6.17%
1988	5.07%
1989	4.64%
1990	4.30%
1991	3.82%
1992	3.66%
1993	3.36%
1994	3.15%
1995	2.83%
1996	2.66%



c:\jk\percent

Capital Project Matching Grant Program

Alaska has also implemented a capital project revenue sharing program, the **Capital Matching Grant Program,** to fairly provide a basic level of support to municipalities to construct basic public facilities as determined necessary be the local community.

The AML supports the continuation and stable funding of the Capital Matching Grant Program because it is an effective revenue sharing method that provides for a basic level of community capital public facilities and promotes local self determination.

Education

The Alaska Constitution states, "The Legislature shall by general law establish a system of public schools open to all children of the State...". Open access to a quality education is a primary right guaranteed by the Constitution. All states provide support for education. The

nationwide average of education transfers versus all other transfers to local government is 62.1%, according to the 1994 ACIR Report, while Alaska is close to the national average at 59.7%

The AML supports efforts to increase the efficiency and effectiveness of education programs for our children, such as the changes proposed by the Alaska Association of School Boards, and other efforts to increase local flexibility in providing cost efficient and cost effective education.

The AML supports the effort to restructure the school foundation program to more equitably and effectively distribute the state resources for education. The AML does not support a 50 to 100% increase in mandatory local taxpayer support for schools.

The AML supports application of the priority-based school construction and maintenance grant programs established by AS 14.11.007-019 equitably to all districts. The AML supports the addition of an incentive to encourage communities to achieve higher maintenance standards and reward those that properly maintain their facilities. The AML urges the legislature to consider statewide bonding for ongoing school construction and maintenance needs. (AML Policy Statement p. 23)

State Unfunded Mandates on Local Governments

An unfunded mandate is a responsibility mandated by a higher level of government to a lower level of government, without providing funding to carry out the mandate. In 1994 the federal government passed a bill to protect the states against unfunded federal mandates. Many states have enacted similar bills, or constitutional amendments, protecting their municipalities against unfunded state mandates. Such a bill for Alaska will be a means to ensure a long term stable relationship between the state and its political subdivisions.

The AML/ACoM supports the enactment of a municipal "unfunded mandates bill" to provide protection from unilateral decisions on the part of the state that have the effect of forcing municipalities to raise local taxes or cut services.

Senior Citizens Property Tax Exemption

The AML/ ACoM supports the enactment of the Senior Citizen/ Disabled Veteran Property Tax Exemption as a local option or with a reasonable cap on the growth of the program at a level similar to other states. This program began with full state funding. Over the past several years, the state has almost eliminated state funding for the program yet requires local governments to grant the exemption without regard for the financial need of the individual recipient, or other reasonable criteria. The current cost to municipalities is about $17 million per year.

Other State Programs That Ensure a Basic Level of Services to Alaskans

Many areas of the state, especially rural areas, have a very small local tax base. Over the years, state programs have been developed to target specific basic services to these areas. Such programs include: Power Cost Equalization; Village Safe Water Program; Public Safety Officer Program.

state and municipal transportation system needs, i.e. roads, harbors, airports, marine highway.

5. Property Taxes - Property Tax is the primary source of revenue for many municipal municipalities. This revenue source is carefully balanced to provide for local service needs while not overburdening the local citizens. This revenue source is highly utilized by municipalities. The AML/ACoM strongly recommend that the state reserve this revenue for municipalities.

Excess Tax Capacity

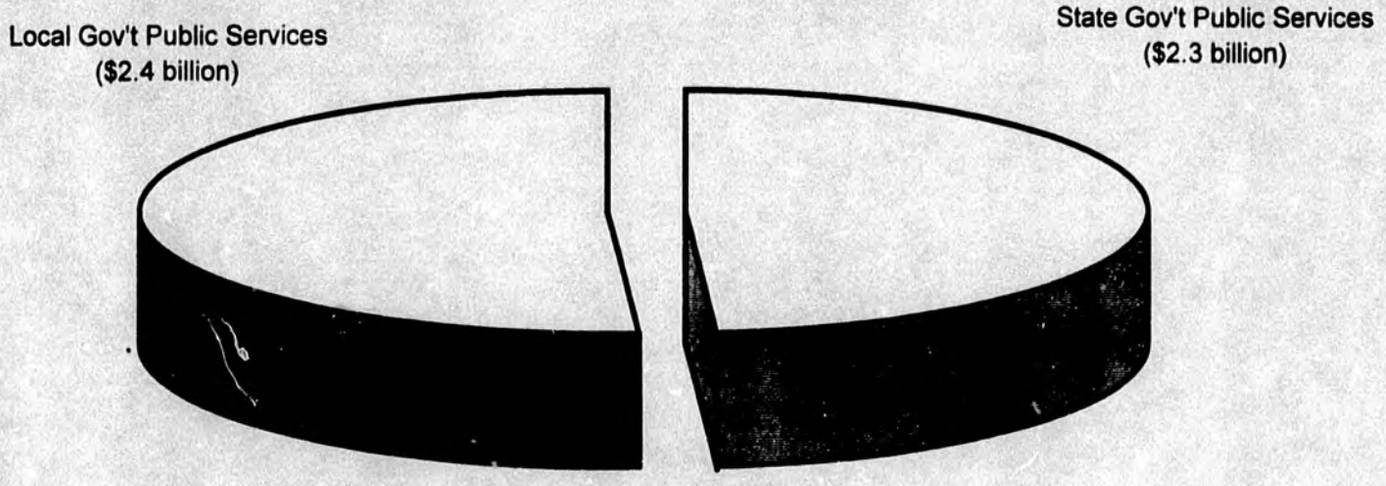
The Commission has asked the AML/ACoM to comment on the state use of "excess tax capacity" in Alaska. The Commission shows that, considering the Permanent Fund Dividend and all state and local taxes, the average Alaskan has a net revenue gain while other residents of other states pay significant net state and local taxes.

In Alaska, local sales and property taxes are near maximum in many communities. The state has used 0% of its tax capacity since the state has essentially no individual taxes. The AML/ACoM recommends that the state first consider its excess tax capacity in tax areas not currently utilized by municipalities.

Cuts in Municipal Programs

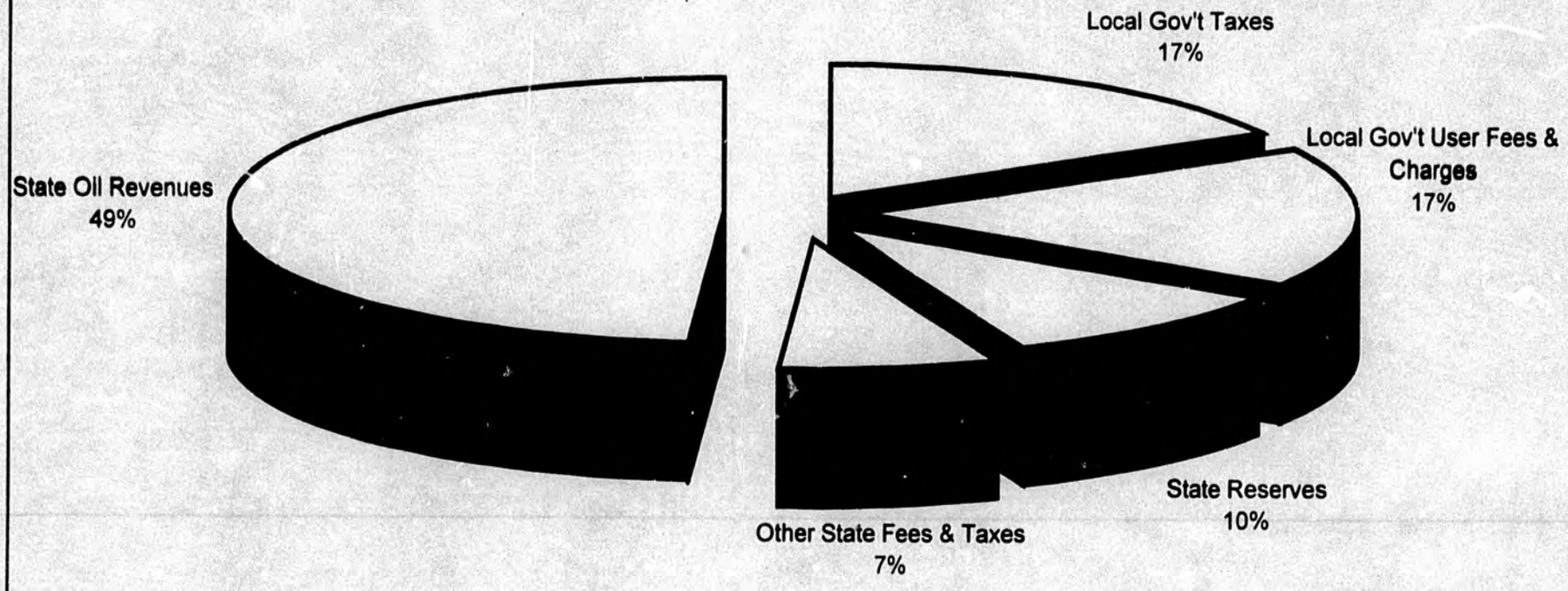
The Commission Chair asked the AML/ACoM what cuts to municipal programs it would recommend if the Commission decided to recommend $10 million in directs cuts. As stated in an earlier section, the AML/ACoM supports well planned structural changes in state or municipal programs that result in savings. The AML/ACoM has offered several structural changes above and has offered to continue to work to plan and implement these and other changes. The AML/ACoM strongly opposes additional across the board cuts that simply pass problems along to local government and/or have greater long term costs to the state; (e.g. cuts in Municipal Assistance/ Revenue Sharing have the long term impact of giving small communities an incentive to dissolve and pass education and other service costs back to the state.)

Comparison of Alaska's Public Services
by State Government vs. Local Governments

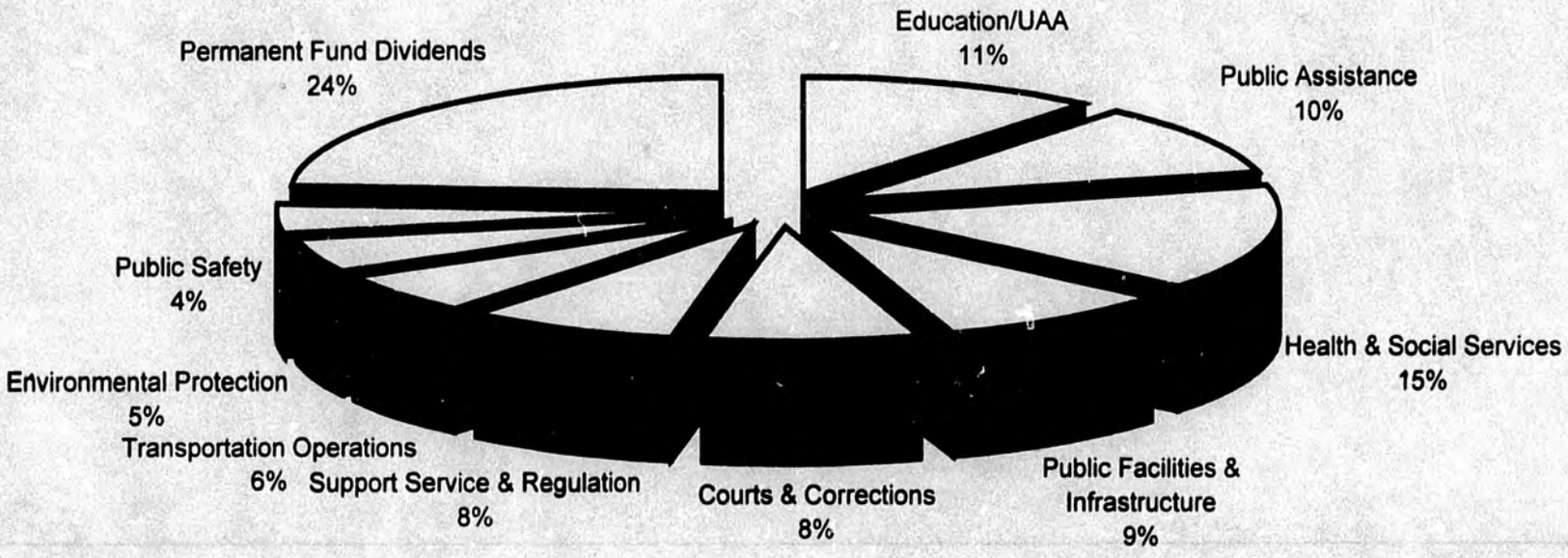


Source: Dept. of Community & Regional Affairs FY 93 Municipal Fiscal Database; OMB Long Range Fiscal Planning Commission "base case" budget analysis; Department of Education.

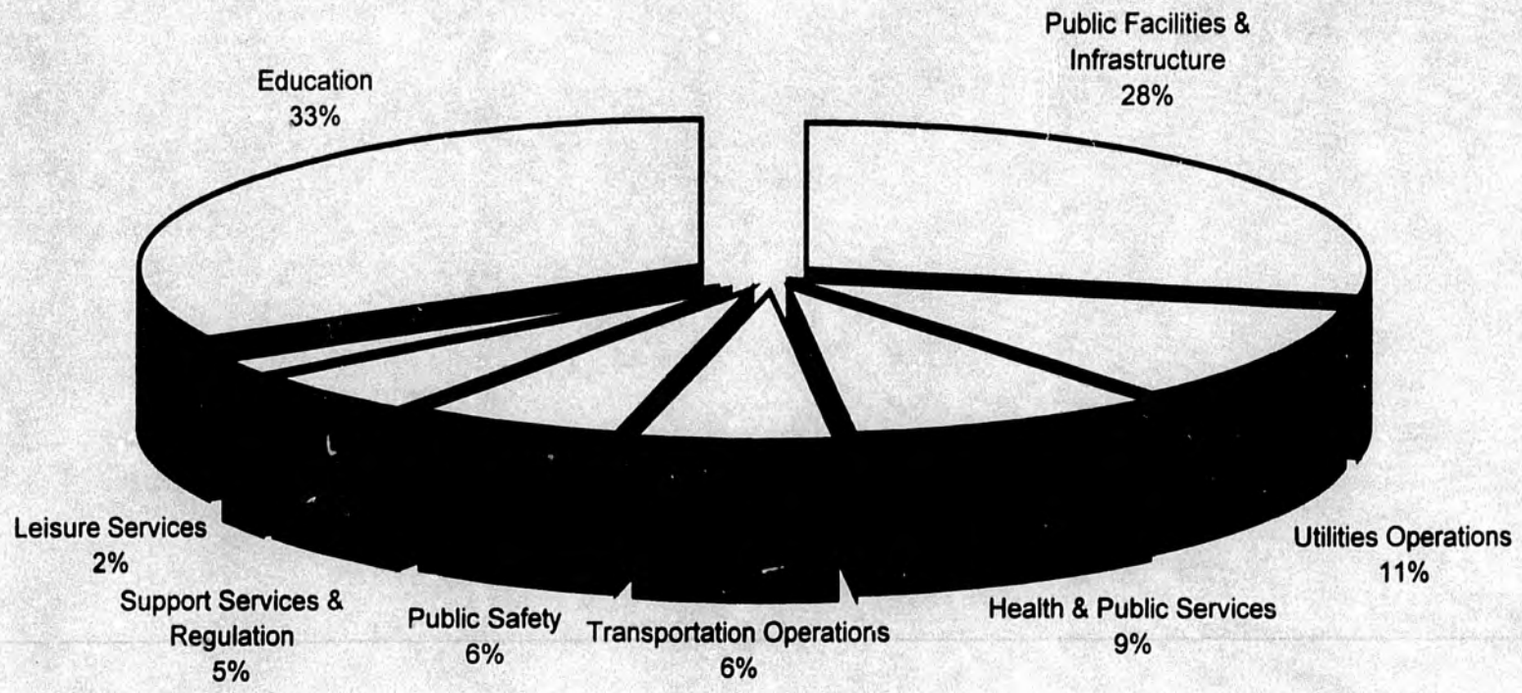
Funding of Public Services in Alaska (excluding Federal)



Services Provided by State Government in Alaska
(total $2.3 billion)



Services Provided by Municipal Governments in Alaska
(total $2.4 billion)



PETER R. ELLIS
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907-254-0754 Cellular

November 3, 1995

STATE OF ALASKA
LONG RANGE FINANCIAL PLANNING
716 WEST FOURTH AVENUE
ANCHORAGE, ALASKA 99501

Attention: Brian Rogers, Chairman

Although I didn't receive a response to my letter to you of 9-15 I would appreciate a copy of the commission report. Thanks. My letter indicated the following:

1.0 All Alaskans are distressed by the annual visits of the lower 48 work-force who stay for the summer months and leave without any contribution to governmental financial needs.

2.0 The visitations by the summer horde without an overall sales tax contribution except in communities which apply a local levy plus the volume of out of state sales with Alaska destinations more than justify the need for a state wide sales tax.

3.0 An income tax with built-in incentives favoring Alaska residents such as heating oil and utility payment credits, which could include other considerations in favor of year-round residents, is politically saleable and a mandatory tax program.

4.0 The present local government sales tax choice precludes uniform enforcement, is excessively expensive from an administrative point of view and requires state-wide control with revenue sharing to reduce state contributions to local government.

Yours truly,
PETER R. ELLIS

October 19, 1995

Alaska Cooperative Extension
UNIVERSITY OF ALASKA FAIRBANKS

2221 E. Northern Lights Blvd., Suite 118
Anchorage, Alaska 99508-4143
(907) 279-5582 • FAX: (907) 279-2139

State of Alaska
Long-Range Financial Planning Commission
716 West Fourth Avenue
Anchorage, AK 99501

To the Members of the Commission:

It is with a great sense of urgency that I ask you to re-examine proposed reduction of funding or possible elimination of all vocational education programs in the state of Alaska. This proposed action would have long lasting detrimental effects on the economic future of our state.

As the 4-H and Youth Development Agent for the Anchorage district, I work with over three hundred youth who develop and refine skills through the 4-H approach of "learn by doing." The skills these young people learn are not only the important life skills of cooperation, teamwork, and leadership, but also technical skills in occupational areas such as computers and technology, health, and environmental stewardship.

4-H is actively involved in workforce preparation. This effort requires collaboration with schools, post-secondary institutions, business, labor unions, and other youth-serving organizations. We have learned that no single entity can do it alone. Eliminating or reducing the availability of public vocational education programs effectively denies a large percentage of our youth the opportunity to learn the skills needed to compete in an ever-complex world of work.

Economic development is essential to closing the fiscal gap. Attracting new business and industry to Alaska is vital. These things are predicated on a highly trained work force. Without the public vocational-technical education programs available to Alaskans, we will not be able to meet the employment demands of the future. We simply cannot afford to abolish programs in vocational-technical education to meet immediate financial needs. Doing so would only reverberate through future generations with resounding negative consequences.

Let's support the education and training needs of our people to ensure a brighter future for all of us.

Sincerely,

Jean L. Marcey

Jean L. Marcey, Ed.D.
4-H and Youth Development Agent

SEPT. 13, 1995

Wasilla, AK
376-5602
659-4408

COMMENTS TO THE LONG RANGE FINANCIAL PLANNING COMMISSION
C/O L.I.O WASILLA

No new taxes until State spending is in control!

How will we know when we have cut enough?

Here are three possible criteria:

1) When the total **per capita** spend of the State (excluding Federal Funding) is no more than it was in 1973 (adjusted for inflation).

2) When the total **per capita** spend of the State (excluding Federal Funding) is no more than that of other comparable States of large area and small population such as Idaho or Montana.

3) When total State spend does not exceed current revenues. Cut as necessary.

Revise the State spending policies to mandate elimination of political favoritism.

Since each individual owns an equal share of State revenues, **State funded programs should distribute their spending to each area of the state proportionate to the number of residents in each area.** This would **eliminate political favoritism** and competition between politicians to bring back the most pork for their districts. It would also help all to focus more clearly on the larger picture of total spending instead of the narrow interest in how much can we get. In this type of distribution the same percentage of cuts and downsizing would be felt in each area and the cuts would not be the subject of the political games we now suffer.

Thank you for your time,

Pat Marley

Pat Marley

Long Range Financial Planning Commission
716 West 4th Ave.
Anchorage, Alaska 99501

Dear Members of the Commission,

As a long term resident of the State of Alaska I am very concerned with what our State is doing. Especially with regards to the budget and the growing fiscal gap. I would like to share my feeling about both the spending that the State does and also how it collects revenues.

First, I think the spending is way out of line. I realize there is a lot of pressure from a miriad of sources all with heart wrenching stories about what a wonderfull program they need funding for and how millions will suffer if the funding is cut back. I have lived in Alaska all but the first couple years of my life. I am 43 years old this year so I have seen the State go through a lot of changes in its growth. I have seen people come to Alaska for the taste of adventure and the beauty of the land. Since the 80's these numbers have grown tremendously. I saw when these people moved into Anchorage in the 50's and 60's. As they settled in to their life in the last frontier everything was new and quaint. A frontier town with many dirt roads, your own well and septic system, a small neighborhood school and etc. As time went on these people started wanting somebody to grade and water those dirt roads and plow the snow in the winter. They didn't want to have to worry about wells and backed up sewers in the winter. They wanted busses for their kids to ride to school in, big gyms, ball fields, sports programs, school lunch programs, natural gas, etc. They wanted someone to take care of them. Along comes some smooth talking politician who promises them the great society if he gets into office. Fourty years later we have Anchorage what it is today. Looks to me like a mini Seatle. Meanwhile someone has to pay for all this and it seem like the only solution is taxes and State grants.

Ten years later, these people who came looking for adventure and the beauty of the land are tired of the traffic, dirt, falling apart pavement, property taxes, crowded schools, teacher strikes, noisy garbage trucks early in the morning, all that road and snow removal equipment, etc. They're thinking about moving a little farther out of town where you can live on a rural road and have your own well and septic system, a small community school, a quieter lifestyle and the cycle repeats itself. Eventually these people keep moving or leave the State. The problem is all the people who have lived there since the begining end up having to pay for all the stuff they never wanted in the first place. I have lived in the Valley since the early 60's and this is what is happening here now.

My earliest years growing up were in a small village. My dad dug a well and we used an out house. Eventually my dad put in a septic system and we had a toilet. We used a hand pump to pump water into a tank in the attic so we could flush the toilet. We had a generator that we used occasionally when it was needed. The point is we provided for our own needs. We didn't depend on government to do everything for us. That is what is happening all over this State today. That is why the gap is so wide. Sure people need sanitary systems but

why does the State have to provide it? Electricity is something we all depend on anymore, but why does the State have to subsidise electricity bills for people in the bush? What people think are necessities maybe are only conviences.

My answer to all of this is if you want the conviences of electricity, gas, TV, etc. move to the city. If you want paved streets, fancy shopping centers, somebody to take care of everything for you, move the city, pay for what you use through taxes or whatever and don't expect the State to pay for it.

Secondly, we have a great many people who come to Alaska to work. They don't even live here. They have some of the best and highest paying jobs in the State and don't help the economy one bit. They come up and work for a week or more and take their fat paychecks home to the lower 48 with them. The most they spend in the state is maybe $1.00 at the airport for a cup of coffee. (I guess the airport is trying to make up for what they don't spend in this state.) There are also a lot of commercial fisherman who come up, make their boat load of money and leave the State.

I think that maybe we should have a State income tax ~~and also~~ with some kind of a dividend or some way to give it back to people who live in Alaska. Use the same criteria the Alaska Permanent Fund Dividend program does for residents. I hate to see another tax. I don't believe taxes are the answer to anything. It usually reflects poor management and lack of back bone to say no to what we can't afford. But I don't feel its right for people to be able to come to this State and reap its benefits and not have to share its expenses.

To summarize what I am trying to say is the State must do what I have to do. There maybe some really important things that I would like to do but I just don't have the money to do it. We have to say NO to everything except what is absolutely necessary. I think we should prioritize everything the State spends money on. Start with the most important and absolutely necessary to run the State and work down till everthing is listed. Then decide how much revenue we have to spend without getting ourselves into a bind later on. Also consider a safety margin into that amount. Then start funding according to the list, when the money is gone, thats it, period. That is what every contributing member to society has to do. The State must do it too. I also think people who share the gain from the State should share the pain. Maybe tax is a way to do that. Leave the PFD alone.

Sincerely,

Doug VanWingerden
P.O. Box 872785
Wasilla, Alaska 99687

rec. 9/13/95
sent to members

JAMES A. ELSON
P.O. BOX 2788
KENAI, AK 99611
Telephone: (907) 283-5831 (Work)
283-7970 (Home)
283-2394 (Fax)

September 13, 1995

State of Alaska
Long Range Financial Planning Commission
716 West Fourth Avenue
Anchorage, Alaska 99501

Dear Commissioners:

Subject: Fiscal Gap Testimony

Last night, I testified during the teleconference conducted from the Kenai Legislative Information Office. Since I am not sure I was comprehendible, I am providing this written comment.

I have been on the board of directors of the Kenai Peninsula Borough Economic Development District since 1988 and chairman for the past four years. During that time I have attended and participated in several forums on the subject of the fiscal gap facing the state. In fact, the KPBEDD facilitated forums within our borough in partnership with the Governor's office and the University.

In response to the remarks made last night, regarding the low turnout for the teleconferences being held, I suspect the reason is that the decision makers in our communities have participated in the past, have not seen results, and have established higher priorities for their time.

It is my belief that all the tools identified by the commission will be needed in the long run. However, the question is where to begin. I have a concept that I would like you to consider regarding the area of taxation. The premise is the protection and creation of private sector jobs.

Most states derive their revenues from established commerce and industry. Because the State of Alaska derives nearly all its revenue from the sale of natural resources, it has a **unique opportunity.**

As taxes are imposed, particularly, royalties or severance taxes, the state will have the opportunity to provide rewards for performance that add value, protect the environment, provide worker safety, and create jobs.

Under our present system of worker and environmental protection, we have a punitive system to insure minimum compliance. Under my proposal this would not change, however, if a business excelled they could be rewarded through a credit on their tax or possibly additional availability of the resource.

The same theory could apply to companies interested in producing a value added product. Prior to start up, a plan would have to be agreed upon with the State which established certain bench marks they would have to reach before earning tax credits or resource availability. Certainly job creation would be one of those bench marks.

This concept is not an incentive, as there is no up front risk for the state. It is a reward for past performance.

An example of benefit to the State budget could be education. Presently, the state funds the majority of education costs. As value added production expands, the local tax base would grow, and the demand for state assistance could be decreased.

I believe the State of Alaska has the opportunity the make the state an attractive place to do business and offset some of the barriers we now face.

It has been a long established psychology, whether it's child or labor relations, you get more by rewarding than by threatening. Alaska has the opportunity to use that psychology in the market place and create jobs, diversify its economy and expand its markets, while maintaining a quality of life that is unique in its richness.

Thank you for your consideration.

Sincerely,

James A. Elson

cc: Senator Judy Salo
Senator John Torgeson
Representative Mike Navarre
Representative Gail Phillips
Representative Gary Davis

Alaska State Legislature

Please enter into the record my testimony to the Long-Range Planning committee name committee on Alaska's Fiscal Gap bill/subject, dated 9/14/95.

see attached

Signed: Althea Rockingham
Testifier

Resident Council, Sitka Pioneer Home
Representing (Optional)

120 Katlian St, Sitka AK 99835
Address

Phone No.

SUBJECT: Alaska's Growing Fiscal Gap

Respondee: Althea Buckingham
Private Citizen
Chair of Resident Council Sitka Pioneer Home

1. The larges increases in spending seem to be in corrections and education which you state are largely funded elsewhere by counties(which we do not have) and municipalities. Isn't it possible to have private enterprise manage correction institutions.
2. Look more carefully at spending on non-essential programs such as art and entertainment.
3. Within the last 17 yr. period you decided to increase the number of pioneer homes and during the same period discouraged private nursing home development by lack of workable regulations.
4. Regulations have improved but private nursing homes have not increased enough to take many needing to go into the Pioneer Homes. There is a waiting list everywhere for long term care in this state.
5. Many using residential and assisted living in the Pioneer Homes at present could not afford to pay private rates if you privatize them as the rates would be so much higher.
6. If all assistance to our older citizens (which number is increasing every year as EVERYONE in the state ages) is cut or decreased radically it will necessitate their having to move South and that potential in income will be lost. Are we being governed by individuals who figure they aren't going to make Alaska their permanent home? Do they figure that when they become senior citizens they can go elsewhere to get services that they have closed down for those who want to remain here?
7. The repeal in 1980(due to oil money) of the individual income tax is something that cannot continue to exist due to the decrease in revenues. As you state, Alaskans are not as burdened at present with taxes as the other states and should therefore consider reinstating the personal income tax. This may be an unpopular political choice but one which MUST be considered. If citizens do not want that they should be willing to give up some of their permanent fund money.
8. Those persons who have moved here to get away from whatever, and "get back to nature" are very vocal about keeping progress down, taxes down, and have no desire to pay for services they don't use, seem to have a big voice. Those of us who have been here 60 years or so are willing to help any way we can but do not want our support system cut off.
9. When persons want to increase our State need for health services by persisting in using tobacco and alcohol, they should be expected to pay for them by increase in taxes on those items.

(over)

10. Are permanent fund dividends mainly used out-of-state for individuals and families to take vacations? That means the State does not recoup this money. If the Permanent Fund amount was cut in halfwould that money help raise revenue without really hurting anyone too much.
11. You ask WHAT ROLE SHOULD RESERVE FUNDS HAVE IN CREATING A STABLE FISCAL FUTURE?
I favor: minimizing the current use in order to maintain substantial reserves but only as insurance that we meet cash flow requirements. We do not need a sizable surplus.
12. It is also apparent that the University system grown too big with large campuses all over the state. Maybe we can't afford this at present.

Alaska State Legislature

Please enter into the record my testimony to the Long-Range Planning committee name committee on Alaska's Fiscal Gap bill/subject, dated 9/14/95.

see attached

Signed: Althea Buckingham
Testifier

Resident Council, Sitka Pioneer Home
Representing (Optional)

120 Katlian St, Sitka AK 99835
Address

Phone No.

SUBJECT: Alaska's Growing Fiscal Gap

Respondee: Althea Buckingham
Private Citizen
Chair of Resident Council Sitka Pioneer Home

1. The larges increases in spending seem to be in corrections and education which you state are largely funded elsewhere by counties(which we do not have) and municipalities. Isn't it possible to have private enterprise manage correction institutions.
2. Look more carefully at spending on non-essential programs such as art and entertainment.
3. Within the last 17 yr. period you decided to increase the number of pioneer homes and during the same period discouraged private nursing home development by lack of workable regulations.
4. Regulations have improved but private nursing homes have not increased enough to take many needing to go into the Pioneer Homes. There is a waiting list everywhere for long term care in this state.
5. Many using residential and assisted living in the Pioneer Homes at present could not afford to pay private rates if you privatize them as the rates would be so much higher.
6. If all assistance to our older citizens (which number is increasing every year as EVERYONE in the state ages) is cut or decreased radically it will necessitate their having to move South and that potential in income will be lost. Are we being governed by individuals who figure they aren't going to make Alaska their permanent home? Do they figure that when they become senior citizens they can go elsewhere to get services that they have closed down for those who want to remain here?
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12. It is also apparent that the University system grown too big with large campuses all over the state. Maybe we can't afford this at present.

cc:Mail for: Melissa Fouse

Subject: LRFPC Preliminary Report

From: Kettering#m#_Phillip_E@msmail.aai.Arco.COM ("Kettering, Phillip E") at CC2M... 9/12/95 1:49 PM

To: LRFPC at LAA_ANC

Bob,
I picked up both of your phone messages and appreciate you following up on the technical problems. It appears that the "l" is legis must be a capital letter and this was causing my problem. Again, thanks for letting me know things are cleared up.

I picked up a copy of your preliminary report yesterday and read it last night. I appreciate the chance to comment but would like to know if you can give me a little more information. Do you have, or know where I can get, a copy of our states financial statement in a format similar to the base case projection noted on page 7 of your report but documenting the last ten years?

I believe that controling cost is a must but recognize that there is no single budget item that can be cut which will solve our problems. I would supporta balance of various actions which may include capping the PFD checks but would emphasize the need for reducing some of the operating/capital costs. I don't believe that any further taxation is necessary (sales or income/personal or business) and hope these alternatives are noted and then dismissed.

I appreciate your assistance in getting me the information requested above. Should you need any clarification or have any questions of me please feel free to contact me via E-Mail at PKettering@aai.arco.com.

Thanks,
Phil Kettering

AARP

Bringing lifetimes of experience and leadership to serve all generations.

ALASKA STATE LEGISLATIVE COMMITTEE

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Juneau, AK 99801
(907) 789-7422

September 24, 1995

Brian Rogers, Chair
State of Alaska Long-Range Financial Planning Commission
Anchorage Alaska 99501

Dear Chairman Rogers,

The Alaska State Legislative Committee of the American Association of Retired Persons would like to thank the Long-Range Financial Planning commission for all their hard work. The task before you is a very difficult one with all the diverse interest groups within the state. The report you have presented to date has something in it for everyone and shows much thought and work.

The Alaska Legislature with the Alaska public needs to clarify and agree on statewide policy and objectives in conjunction with the finding of the Long Range Fiscal Planning Commission to create a common vision in order to establish a level of taxation and budget reductions. We need to bring our taxes back into line with reality and the aspirations of the Alaskan people.

We of the Alaska Legislative Committee favor revenue choices based on the principles of equity, economic neutrality, efficient administration, revenue potential and social objectives. Each of these principles is important, and no single principle dominates the others in every case. It is important to achieve a reasonable balance among the five principles. This can be achieved through a mix of revenue resources. We favor reintroduction of the income tax, a state sales tax and increasing the 'sin' taxes.

The state government should be made as lean as possible but not so lean that it cannot do its job. Many social programs need to be kept at their present level. Revenue reform is the only way for a stable economy.

Again we thank you for all your hard work.

Sincerely yours,

Barbara Rich

Barbara Rich, Chair
Alaska State Legislative Committee
American Association of Retired Persons

Ward Farms

P.O. Box 290 • Soldotna, Alaska 99669 • (907) 262-~~5139~~ 5135 • FAX (907) 262-7278

September 26, 1995

State of Alaska Long-Range Financial Planning Commission
716 West Fourth Ave.
Anchorage, Ak. 99501

Dear Commission Members,

Your efforts to address the fiscal problems in Alaska are noteworthy but in certain instances you make recommendations that will have an adverse impact beyond the scope of your understanding. It is certainly appropriate to recommend that all the departments and divisions of state government be reviewed for administrative and budget effectiveness but when you target one single division for immediate elimination, you exhibit personal prejudice and lack of objectivity. On page 18, your recommendation to dissolve the DNR Division of Agriculture, the Agriculture Revolving Loan Fund (ARLF), and to suspend agriculture land sales was made without the benefit of any qualified expertise on your panel or any knowledge of the facts regarding agriculture in Alaska. Your arbitrary and offhanded dismissal of agriculture as a contributing aspect of Alaska's economy exhibits a lack of research on your part and a willingness to go along with the rhetoric of a minority.

Agriculture in Alaska today is very different from your perceptions or experiences of the past. Agriculture is routinely used as a scapegoat to misdirect blame for the poor policy decisions of state government in the past. This is an attempt to divert attention away from other "failures" of record like boondoggle capital works projects, AHFC loan failures, fishery ventures, and the like. This year agriculture will contribute 30 Million of renewable resource dollars to the state's economy. These dollars will remain in the state and revolve up to seven times unlike some other industries which use recycled dollars and which export much of their income outside. Agriculture is profitable and expanding at a percentage rate exceeding that of tourism and interest in new agricultural lands is encouraging farmers from outside to move to Alaska bringing with them their financial assets and expertise. While the politicians make crude jokes and state bureaucrats resent and resist agriculture's legitimate access to land resources, the general public wholeheartedly supports agriculture's place in Alaska. They enjoy the fresh food products provided by the farmers, they appreciate the clean open green spaces provided by the farms, and they recognize the wealth provided by a renewable resource industry that improves and protects the environment. Most importantly, agriculture and it's support industries are made up of many Alaskan residents who have every right to chose their method of contributing to the diversity and well-being of Alaska.

If your recommendations are followed, I predict the following consequences. The elimination of the Division of Agriculture won't save the state very much money because much of what the division does is mandated by state and federal law anyway and those duties will be imposed on other agencies requiring budget increases on their part. The agriculture industry will lose it's "advocacy agency" and it will have no say in land use matters, policy direction, or regulatory administration. The suspension of agriculture land sales will stagnate the industry and prevent the continued growth it enjoys now or the attainment of the critical mass required for any industry.

The elimination of the ARLF will constitute a theft of funds that were appropriated and dedicated for agriculture use. The Loan Fund is revolving as intended, it has received no appropriations for many years, it's delinquency rate is very low, and the industry is benefiting from it's presence. Without the ARLF you will force many farmers into bankruptcy because the state law which provides the title for agriculture land is so restricted and clouded that there are no other commercial or government lenders who will accept ag-lands as collateral on loans. All businesses require developmental and annual operating capital and many farmers have no option other than ARLF for funding because of the state's land title and if that funding source is lost then those farmers will be forced out of business. Please don't dismiss my appraisal of the ARLF situation without understanding that I am somewhat qualified in financial matters and serve on the ARLF board as an unpaid public member with access to the facts.

It is certain that the Department of Corrections will close the Mt. McKinley Meat Plant if the Division is eliminated and the industry will lose it's only inspected slaughter facility. Without an inspected plant and a legal means of marketing inspected meat the livestock producers will be forced out of business and the supporting grain and forage producers will soon follow.

A major portion of the Division of Agriculture's, PMC's, and University's funding is derived from federal sources. If the State of Alaska does not have an agriculture agency then these federal inspection and research programs will be rescinded or administered from outside Alaska. That will result in a loss of revenue and jobs for the state as well as a reduction in services to the public.

The Division of Agriculture staff has played a key role in keeping our food safe to eat, developed markets for an expanding agricultural economy, protected the public's interest in the use of state lands and resources, placed more land acreage into private ownership this past year than the DNR-Division of Lands, and has accomplished this with a staff and budget much smaller than other divisions. While there are many divisions throughout state government whose sole task is to regulate private citizens and recover revenue out of the public's pocket, the Division of Agriculture is administering an expanding and profitable renewable resource industry on tight budget with a staff of dedicated and hard working people.

I believe that if you as commission members were to fully understand the facts and recognize the potential for agriculture and the state's role in this industry, you would reevaluate your recommendations. As this report is evaluated by the legislative process, we will make sure that these facts are provided to the legislature, the administration, and the public. Unfortunately this may make other aspects of your report suspect and undermine the credibility of your efforts. If you wish to reevaluate your position I'm sure that I and others within the industry and the Division of Agriculture would be willing to provide you with facts to allow you to make sound policy recommendations to the administration.

Sincerely,

Bill D. Ward

Bill D. Ward

RECEIVED SEP 1 8 1995

JAMES A. ELSON
P.O. BOX 2788
KENAI, AK 99611
Telephone: (907) 283-5831 (Work)
283-7970 (Home)
283-2394 (Fax)

Melissa -
Do a response
from Jim for me.

September 13, 1995

State of Alaska
Long Range Financial Planning Commission
716 West Fourth Avenue
Anchorage, Alaska 99501

Dear Commissioners:

Subject: Fiscal Gap Testimony

Last night, I testified during the teleconference conducted from the Kenai Legislative Information Office. Since I am not sure I was comprehendible, I am providing this written comment.

I have been on the board of directors of the Kenai Peninsula Borough Economic Development District since 1988 and chairman for the past four years. During that time I have attended and participated in several forums on the subject of the fiscal gap facing the state. In fact, the KPBEDD facilitated forums within our borough in partnership with the Governor's office and the University.

In response to the remarks made last night, regarding the low turnout for the teleconferences being held, I suspect the reason is that the decision makers in our communities have participated in the past, have not seen results, and have established higher priorities for their time.

It is my belief that all the tools identified by the commission will be needed in the long run. However, the question is where to begin. I have a concept that I would like you to consider regarding the area of taxation. The premise is the protection and creation of private sector jobs.

Most states derive their revenues from established commerce and industry. Because the State of Alaska derives nearly all its revenue from the sale of natural resources, it has a **unique opportunity.**

faxed to Judi 9/19

As taxes are imposed, particularly, royalties or severance taxes, the state will have the opportunity to provide rewards for performance that add value, protect the environment, provide worker safety, and create jobs.

Under our present system of worker and environmental protection, we have a punitive system to insure minimum compliance. Under my proposal this would not change, however, if a business excelled they could be rewarded through a credit on their tax or possibly additional availability of the resource.

The same theory could apply to companies interested in producing a value added product. Prior to start up, a plan would have to be agreed upon with the State which established certain bench marks they would have to reach before earning tax credits or resource availability. Certainly job creation would be one of those bench marks.

This concept is not an incentive, as there is no up front risk for the state. It is a reward for past performance.

An example of benefit to the State budget could be education. Presently, the state funds the majority of education costs. As value added production expands, the local tax base would grow, and the demand for state assistance could be decreased.

I believe the State of Alaska has the opportunity the make the state an attractive place to do business and offset some of the barriers we now face.

It has been a long established psychology, whether it's child or labor relations, you get more by rewarding than by threatening. Alaska has the opportunity to use that psychology in the market place and create jobs, diversify its economy and expand its markets, while maintaining a quality of life that is unique in its richness.

Thank you for your consideration.

Sincerely,

James A. Elson

cc: Senator Judy Salo
Senator John Torgeson
Representative Mike Navarre
Representative Gail Phillips
Representative Gary Davis

REPRESENTATIVE KIM ELTON

September 18, 1995

Long Range Financial Planning Commission
716 W. 4th Ave., Suite 470
Anchorage, AK 99501

Dear Chair Rogers and members:

I'd like to take this opportunity to urge an addendum to your preliminary report that clarifies the funding source for the seafood marketing program.

The $7,994,700 for the Alaska Seafood Marketing Institute (not 'Council' as noted in the report) identified in scenario 1 and scenario 2 are really general fund program receipts. About 50 percent of the nearly $8 million comes from a self-imposed tax on the processing component of the shore-based fish industry. The other 50 percent comes from a tax on salmon fishermen (imposed by the 18th legislature at the request of the salmon industry) with proceeds of the tax committed to generic Alaska salmon marketing programs in the domestic (lower 48) markets. The fish harvester tax sunsets in 1998 to give fish harvesters an opportunity to evaluate the salmon marketing program financed by the special tax. The tax on processors disappears if 50 percent plus 1 of the processors subject to the tax vote to discontinue the tax.

If you decide the seafood marketing program should be listed in any of the scenarios, it is important that you at least note that cutting seafood marketing will not save nearly $8 million nor will that $8 million dollars be available for other programs. In fact, the net effect will be that the processors will terminate the special tax imposed upon them and the salmon harvesters will allow the salmon harvesting assessment to sunset in the short term, providing no long range net benefits. The state and the industry will lose an economic development 'engine' that adds value to one of the state's most important common property resources -- food from the sea -- and the revenue you note will be available for closing the fiscal gap will instead disappear into the ether.

ALASKA HOUSE OF REPRESENTATIVES
STATE CAPITOL • JUNEAU, ALASKA 99801-1182 • (907) 465-4947 • FAX 465-2108

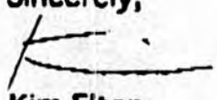
As former executive director of the Alaska Seafood Marketing Institute I may be overly sensitive to this issue. But it is important to note that in the "privatization" lists in scenarios 1 and 2, ASMI is the only state program financed almost exclusively by the private sector and at the private sector's initiative and request. If the commission is interested in revenue savings, the ASMI model should serve as a model for other state economic development programs now financed almost exclusively by the taxes imposed on the oil industry.

I would also like to note that salaries of ASMI employees, ASMI travel, marketing contracts and other expenses are overseen by a private industry board, appointed by the governor, composed of an equal number of fish harvesters and fish processors. All those expenses and other ancillary expenses, are covered by the industry-generated dollars and marketing grants from the federal government. The only general fund expense is the 15 percent matching funds for annual federal overseas marketing grants. Federal grants are averaging about $6 million (which is added to the nearly $8 million raised through the assessments on the industry), engendering a $900,000 general fund obligation.

In closing, I hope this information encourages more commission discussion about the wisdom of including the $7,994,700 seafood marketing program in the privatization category with the implication the state general fund is being drained by that amount. If seafood marketing is cut, it is foolish to assume any of those dollars can be used for deficit reduction in the 'out' years because processors will opt out of their processor assessment and fish harvester dollars will disappear when the salmon harvester assessment sunsets in 1998.

With the exception of the ASMI program, I commend the members for producing a thought-provoking preliminary document. I hope, though, the final report addresses revenue enhancement more fully.

Sincerely,



Kim Elton

cc:Mail for: Melissa Fouse

Subject: Comments from a 15 year AK resident, Kasilof
From: 74633.301@compuserve.com ("MERLYN L. PAINE") at CC2MHS1 9/20/95 1:36 AM
To: lrfpc at LAA_ANC
To: LRFPC@Legis.Alaska at CC2MHS1

Please submit the following comments as part of your public comment submittal solicitation:

It is obvious that state spending must be cut and the legislators and the people realize that they are dealing in the real world, not the oil fantasy or welfare state as Alaska is seen in the "lower 48". I find a great deal of truth to those perceptions.

The Permanent Fund dividend should NOT EVER be capped -- because:

1. it keeps people who tend to be apathetic, in touch with the financial health of the state, and

2. because it is the single Alaska-only based boost to the local economy which is needed by all the resident businesses.

The primary source of revenue besides the assumed oil revenues MUST come from two
sources:
1. State Income Tax of up to ten percent of federal tax return earnings - this will include those not only earning within the state but those many people who earn money in Alaska and take it "outside" with them. This income tax will not tax many groups including those on government payments, eg. many lower income people and Natives.

2. a State Sales Tax on consumables - excluding food and medications. This would impact all consumer groups including tourists, Native groups, and everyone else.

Secondary revenue sources should come from sin taxes, i.e.
1. taxes on cigarettes
2. taxes on liquor.

Leave the fuel taxes, av.gas taxes, fish taxes, resource royalty revenues, etc. alone as you will kill theirability to operate.

AND BY ALL MEANS, LEAVE the POOR TOURISTS alone - they are already ripped off by everyone up here to the point where they need to spend their lifetime savings to even visit this beautiful state -- as we know realitically, tourism in the long term will end up supporting the businesses in this state and we MUST start treating them with courtesy, consideration and a square deal for their money. OR THEY WILL GO ELSEWHERE>

Sincerely,

Merlyn L. Paine
Box 127
Kasilof AK 99610

THE ALASKA INFORMATION AND SERVICES BANK

CAPITAL: 55 YEARS ALASKA PUBLIC SERVICE BY

JOHN M. (JACK) ANDERSON, President

To conclude

Governor Knowles is the first Governor since Governor Heintzleman to recog nize the fiscal crisis that Alaska faces.

The Governor is to be highly commended for his establishing your Commission and you are doing your fellow Alaskans a great deed in trying to put together a sound plan for all.

Your first report indicates that you may have accepted as fact information given to you as relates to the actual budget.

The housewife screams at her family over spending and the need to stay in budget. She spots an ad in the paper where a grocery has prime rib on sale for 50 cents a pound. She goes out and buys the rib and then spends 100 dollars on junk she doesn't need.

The state has two budgets. One is legal and published and ground and moaned over by all and is sheer tomfoolery.

Then there is the "shoplifters" dollars unaccountable to any agency and requires no appropriaton or authority to spend. From Sheffield to Hickel each Governor has had a field day as have the legislators blowing it.

Any question or complaint is answered by a pre-recorded whine that any State official c Legislator can play decrying the cost of Permanent Fund dividends, Pioneer homes, longevity bonus, and welfare. Under these covers 2 billion goes down the drain each year.

In the window of the world our state is the highest spender per capita and no other country comes close. No one knows what the State Ferry system costs.

I only recite this illustration with the hope that you will uncover the corruption that goes with the unreglated "shoplifters" budget.

This is my only appearence. I seek no interviews, no recognition and no gold pan. I am sincerely only offering some suggestions that you may consider.

Thank you.

John M. Anderson
September 16, 1995

1430 West 12th Avenue, Anchorage, Alaska 99501
(907) 272-9293; Fax (907) 248-5229

THE ANDERSON GROUP - JOHN M. (JACK) ANDERSON, PRESIDENT
1430 West 12th Avenue, Anchorage, Alaska 99501
(907) 272-9293; Fax (907) 248-5229

SEPTEMBER 16, 1995

THE HONORABLE FISCAL PLANNING COMMISSION FOR ALASKA

Dear Members;

As a 56 year resident of Alaska and having served on more than 200 Boards and Commissions in our city and state, I have no illusions that any sugggestions herein will ever surface and I make my point and thankyou.

Our state grew in super-jet fashion following the oil strike and there was no concern by citizens or elected officials as to salary base and now we have the majority of state employees at an annual wage of $ 100,000.00 plus with bennies and I see no hope of ever changing that. It can be done and I offer a skeleton plan for staffing and review if you choose. Should I not complete on this page side turn it over. Thank you very much. All dollar savings projected are estimates round.

CORRECTIONS: The Mat Su Burough and Senator Jay Kertulla and I worked out a plan approved by the Federal Bureau of Prison for installation of a 5000 man prison ship docked in the valley and staffed by Valley people.No cost to Valley. The State will need this facility soon and will spend 300 million dollars plus to to get it. Privatize Corrections and you save in wages 100 million.

DEPARTMENT OF ADMINISTRATION must stay but with stepped up work load and no more staff.

Department of Commerce: Transfer administrative services, Division of Insurance Division of Measurement Standars, Licensing, Energy,Utilities Commission, Alaska Railroad, and Seafood to Division of Administration. AIDA can go to the banks who run it now. Privatize Tourism and seafood marketing and abolish the department saving estimated 25 million

DEPARTMENT OF ENVIRONMENTAL CONSERVATION. Privatize saving 15 million

Legislature: Require all pocket funds be in budget.I believe several hundred million dollars of spending never surface and do not appear in the Daily News recap.

DEPARTMENT OF TRANSPORTATION: Privatize the Alaska Ferry System. Contract all engineering and architects and consultants. Savings 110 million.

DEPARTMENT OF NATURAL RESOURCES: Privatize and save 25 million

DEPARTMENT OF LAW: Include Judicial branch save 5 million

UNIVERSITY OF ALASKA: Duplicates foreign trade, community affairs and a dozen other duplications. The University has a free spending mandate that must be reined in. I do not know how .

I am told that all state agencies are now writing self justification and I have seen two drafts beautifully done.

The state cannot change salary and benefit and vacation, and retirement outrages other than to privatize and I respectfully suggest that 300 million is open to you and all you need to do when you go private is to require successful contractors to place a priority of hiring on that person employed by the state who's job is gone.

This was typed by me and forgive the typos and again thank you for your respect and attention.



THE ANDERSON GROUP - JOHN M. (JACK) ANDERSON, PRESIDENT
1430 West 12th Avenue, Anchorage, Alaska 99501
(907) 272-9293; Fax (907) 248-5229

The Long Range Financial
Planning Commission

In session September 16, 1995
Legislative Information Office
716 West fourth Avenue
Anchorage, Alaska 99501

Commission Members:

I respectfully insert the extraction from the Anchorage Daily News September 14, 1995. I have the permission of Mr. DeSonier to so do.

My reason is that my presentation deals only in estimates and generalities while Mr DeSonier has done a superb service to Alaskans in taking the time and doing the research and has diagnosed the Tumor that lays on the Alaska financial management which unchecked will become a cancer that will destroy the fiscal management of the State of Alaska under its present posture and continues to fester without professional attention.

Respectfully the Commision needs to lay aside the State budget documents from which they will only squeeze out pennies as compared to heavy dollars that can be recovered in the "shoplifters" pool.

Sincerely,

John M. (Jack) Anderson

Alaskans deserve to know real figures in state's budget

By DAVID M. DeSONIER

COMPASS
POINTS OF VIEW FROM OUR COMMUNITY

There are two glaring omissions in the Preliminary Report of the Long Range Financial Planning Commission. First, the report completely ignores more than $2 billion in annual spending and fails to mention that total state spending is about $6 billion per year. Second, the report gives no relevant information about how Alaska's spending compares to other states.

Those who prepare Alaska's state budget could learn much from the facetious bumper sticker that reads, "Eschew Obfuscation" (meaning "make things clear"). Admittedly, the state budget is convoluted and complex; still, one would not expect the 15-member commission to be easily duped into excluding more than $2 billion in annual spending from their analysis, but that is exactly what happened. The commission's report leads readers to the mistaken conclusion that the state will spend only $3.7 billion in 1996, which is an absolute falsehood. In reality, the state will spend $5.9 billion in 1996 ($4.7 billion in the budget, plus $1.2 billion of Permanent Fund earnings).

The $2.2 billion of spending the commission conveniently ignored is what legislators refer to as "nongeneral" funds. In addition to the often-discussed $2.5 billion "general" fund spending, the additional $2.2 billion "nongeneral" spending is a well-hidden, rarely discussed, "off budget" account which is seldom mentioned by the Legislature. By shifting spending to "nongeneral" categories and then discussing only "general fund" spending, citizens have been easily bamboozled into believing state spending is being held in check.

The commission's report excludes "nongeneral" funds and, therefore, mistakenly concludes that spending has remained relatively flat. In reality, the "off budget" operating budget has *tripled*, growing by more than $1 billion since 1985! The Legislature has been playing a shell game with state spending, and the commission has apparently decided to promote this deception by ignoring more than $2 billion of so-called "nongeneral" spending.

The second area in which the commission's report falls short is in its failure to give any meaningful data to help citizens determine an appropriate level of state spending. In the private sector, companies have become accustomed to "benchmarking," the process of comparing oneself with peers. The state government could learn much by comparing its spending levels to that of the other 49 states.

The following benchmarks come from "State Rankings 1995: A Statistical View of the 50 United States," published by Morgan Quitno Press.

1) Alaska's state government spends more than *three times* the average for all 50 states. Alaska ranks No. 1 in spending, at $9,069 per person, while the U.S. average is only $2,882.

2) Hawaii ranks No. 2 in spending at $4,808 per person, about *half* what Alaska spends.

3) Forty-five states manage to rein in spending at under $4,000 per person.

4) State government debt for Alaska is *five times* the average, at $7,403 per person.

5) Alaska ranks No. 2 and has *2.6 times* the average number of state employees per capita.

6) Alaska state employees are the highest paid in the nation, earning 33 percent above average.

7) Alaska spends twice the national average on education, $8,100 per pupil. In per capita terms, Alaska ranks first in education spending; in per pupil terms, Alaska ranks fourth. (Recently newspaper stories pointed out that some private schools in Anchorage charge only about $3,000 per student.)

8) Alaska ranks No. 1 in amount paid to each family receiving Aid to Families with Dependent Children, paying in excess of two times the national average.

The commission should have shared facts such as these to help citizens determine what might be a more reasonable level of spending. They should have told us about the entire $6 billion spent annually, rather than hoping no one would notice the $2.2 billion they failed to mention. They could have noted that a mere 10 percent reduction in state spending ($600 million) would essentially eliminate the current deficit and yet still allow Alaska to spend at more than *2.7 times* the national average (thus retaining its No. 1 position as the most extravagant spender of public funds).

If the commission expects citizens to seriously consider their report, they must: 1) be forthright with Alaskans regarding the true size of our government and discuss candidly the entire $6 billion spent annually, and 2) discuss earnest, rational cuts in government spending to levels more in line with expenditures in other states.

□ David M. DeSonier is the business manager of the Kuparak oil field. He is employed by Arco Alaska Inc. The views expressed here are his own.

STATE OF ALASKA

LEGISLATIVE AFFAIRS AGENCY

DIVISION OF PUBLIC SERVICES

DATE: 9/15/95

Please accept the enclosed original(s) of written testimony for the Long-Range Planning Comm. teleconference hearing that was scheduled on 9/14/95.

A copy of this testimony was transmitted to your committee via fax on 9/14/95.

Thank you,

LEGISLATIVE AFFAIRS AGENCY
Sitka Legislative Office
210 Lake Street
Sitka, Alaska 99835
747-6276

9-15-95

Melissa –

Michael Marker suggested I send this to you.

My article on the LRFPC report appeared in yesterday's paper. Attached is background information the Commission should find helpful. Would you please distribute a copy to each Commission member?

Thank you,

Dave DeSonier

243-4122

12835 Lindsey Circle
Anchorage AK 99516
September 16, 1995

Dear Long Range Fiscal Planning Commission Members:

Some of you may have seen the article I wrote which appeared in the Thursday, September 14, edition of the Anchorage Daily News. I feel strongly that if we desire serious debate regarding possible cuts in government spending, then citizens must be informed about the entire spending plan, not just a portion. In addition, I feel that the commission has a duty to provide pertinent information to citizens about what Alaska spends relative to other states.

In hope that you will not simply dismiss my article as that of an uninformed citizen, I submit this package of background information, which includes the following:

- copy of the Sept. 14 article
- summary of the 1996 state spending plan
- pages from the Legislative Budget Digest (the source of my spending figures)
- pages from "State Rankings 1995: A Statistical View of the 50 United States," (the source of my benchmarking figures)

I would be glad to discuss these issues with you individually or collectively. My work number is 263-4122, and my home phone is 345-6608.

Sincerely,

David M. DeSonier

Alaskans deserve to know real figures in state's budget

By DAVID M. DeSONIER

COMPASS

There are two glaring omissions in the Preliminary Report of the Long Range Financial Planning Commission. First, the report completely ignores more than $2 billion in annual spending and fails to mention that total state spending is about $6 billion per year. Second, the report gives no relevant information about how Alaska's spending compares to other states.

Those who prepare Alaska's state budget could learn much from the facetious bumper sticker that reads, "Eschew Obfuscation" (meaning "make things clear"). Admittedly, the state budget is convoluted and complex; still, one would not expect the 15-member commission to be easily duped into excluding more than $2 billion in annual spending from their analysis, but that is exactly what happened. The commission's report leads readers to the mistaken conclusion that the state will spend only $3.7 billion in 1996, which is an absolute falsehood. In reality, the state will spend $5.9 billion in 1996 ($4.7 billion in the budget, plus $1.2 billion of Permanent Fund earnings).

The $2.2 billion of spending the commission conveniently ignored is what legislators refer to as "nongeneral" funds. In addition to the often-discussed $2.5 billion "general" fund spending, the additional $2.2 billion "nongeneral" spending is a well-hidden, rarely discussed, "off budget" account which is seldom mentioned by the Legislature. By shifting spending to "nongeneral" categories and then discussing only "general fund" spending, citizens have been easily bamboozled into believing state spending is being held in check.

The commission's report excludes "nongeneral" funds and, therefore, mistakenly concludes that spending has remained relatively flat. In reality, the "off budget" operating budget has *tripled*, growing by more than $1 billion since 1985! The Legislature has been playing a shell game with state spending, and the commission has apparently decided to promote this deception by ignoring more than $2 billion of so-called "nongeneral" spending.

The second area in which the commission's report falls short is in its failure to give any meaningful data to help citizens determine an appropriate level of state spending. In the private sector, companies have become accustomed to "benchmarking," the process of comparing oneself with peers. The state government could learn much by comparing its spending levels to that of the other 49 states.

The following benchmarks come from "State Rankings 1995: A Statistical View of the 50 United States," published by Morgan Quitno Press.

1) Alaska's state government spends more than *three times* the average for all 50 states. Alaska ranks No. 1 in spending, at $9,069 per person, while the U.S. average is only $2,882.

2) Hawaii ranks No. 2 in spending at $4,808 per person, about *half* what Alaska spends.

3) Forty-five states manage to rein in spending at under $4,000 per person.

4) State government debt for Alaska is *five times* the average, at $7,403 per person.

5) Alaska ranks No. 2 and has *2.6 times* the average number of state employees per capita.

6) Alaska state employees are the highest paid in the nation, earning 33 percent above average.

7) Alaska spends twice the national average on education, $8,100 per pupil. In per capita terms, Alaska ranks first in education spending; in per pupil terms, Alaska ranks fourth. (Recently newspaper stories pointed out that some private schools in Anchorage charge only about $3,000 per student.)

8) Alaska ranks No. 1 in amount paid to each family receiving Aid to Families with Dependent Children, paying in excess of two times the national average.

The commission should have shared facts such as these to help citizens determine what might be a more reasonable level of spending. They should have told us about the entire $6 billion spent annually, rather than hoping no one would notice the $2.2 billion they failed to mention. They could have noted that a mere 10 percent reduction in state spending ($600 million) would essentially eliminate the current deficit and yet still allow Alaska to spend at more than *2.7 times* the national average (thus retaining its No. 1 position as the most extravagant spender of public funds).

If the commission expects citizens to seriously consider their report, they must: 1) be forthright with Alaskans regarding the true size of our government and discuss candidly the entire $6 billion spent annually, and 2) discuss earnest, rational cuts in government spending to levels more in line with expenditures in other states.

□ David M. DeSonier is the business manager of the Kuparak oil field. He is employed by Arco Alaska Inc. The views expressed here are his own.

Lack of quality shows

H-e-l-l-o-o-o-o. Is anybody home in the Daily News management? Have you noticed how many of your best writers are leaving you? In the last few months McKinney, Holthouse, Enge and Blumberg have jumped ship. Are you doing anything to prevent a further dilution of talent at the News?

Clearly the Daily News was at its best during the slugfest with The Anchorage Times. Now that the war is over it seems the News is increasingly content to rake in as much ad money as possible while spending as little as possible on the stuff that got you in this position. If you haven't noticed, quality has taken a tumble. Readers don't appreciate it.

I suppose it's a feather in the McClatchy hat to move Howard Weaver to Sacramento and the management of the News must now want to feather their own hats by funneling as much moola as possible into the Sacramento coffers. Evi-

other options and plans. Writers of such quality don't have to hang on the whim of the Daily News. One would think that a good management would do their best to entice quality writers to continue at the News. This is your wake-up call. Treat your people right. A newspaper is only as good as its writers.

— *James P. Welch*
Eagle River

Paper lacks conservative views

Sure would be nice if half of your paper was conservative and not all liberal. A few more Bill Allen-type pages would help.

— *G.R. Anderson*
Wasilla

Buy one-way tickets to Russia

Unlike 90 percent of the Anchorage area voters, I am all for "Ding-dong" and the "Ding-a-lings" going to Magadan, pro-

next time they are up for re-election.

But I suppose this would not work. After one day of hearing their collective drivel, the Russians would be more than happy to pay the return fares.

— *John Lefor*

ANWR is national treasure

Though I now reside in the San Francisco area, my first 22 years (from 1954) were spent in Alaska. I consider myself an Alaskan first. The oil spill reconnected me indelibly.

The actions and proposals of Rep. Don Young and Sen. Frank Murkowski demonstrate their goals are to minimize public input and maximize industry input in preparing Alaska's public lands for return to private ownership and development. They have written a resolution for oil drilling in the Arctic National Wildlife Refuge into the national budget with the pretense of such revenues reducing the

absurd. A current U.S. Geological Survey study shows that the geologic prerequisite for oil of a mudstone cap does not exist; there is no known oil beneath its surface; speculated oil industry quantities would supply America for only 200 days; and the $1.4 billion assumed income is an invisible two-tenths of 1 percent of the deficit.

The timeless drifting of wildlife on these 19 million acres of America's only protected Arctic coastline makes it America's Serengeti. The value of the refuge as a known wilderness and national treasure far outweighs destroying it for fictional oil.

This resolution must be removed from the budget, and Bill S.428, which would make the refuge a protected wilderness area forever, must be passed.

An ancient proverb reminds us to "Treat the Earth well. It was not given to us by our parents. It was loaned to us by our children."

— *Lonner F. Holden*
San Rafael, Calif.

FACTS THE COMMISSION DIDN'T TELL YOU

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The $2.2 billion of spending the Commission conveniently ignored is what legislators refer to as "non general" funds. In addition to the often-discussed $2.5 billion "general" fund spending, the additional $2.2 billion "non general" spending is a well hidden, rarely discussed, "off budget" account which is seldom mentioned by the legislature. By shifting spending to "non-general" categories, and then discussing only "general fund" spending, citizens have been easily bamboozled into believing state spending is being held in check.

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The second area in which the Commission's report falls short is in its failure to give any meaningful data to help citizens determine an appropriate level of state spending. In the private sector companies have become accustomed to "benchmarking", the process of comparing oneself with peers. The state government could learn much by comparing its spending levels to that of the other 49 states.

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6) Alaska state employees are the highest paid in the nation, earning 33% above average.
7) Alaska spends *twice* the national average on education, earning the #1 ranking in per capita education spending.
8) Alaska spends over $8,100 per pupil on education, 4th highest in the nation (recently this newspaper shared that many private schools in Anchorage charge only abcut $3,000 per student).

9) Alaska ranks #1 in amount paid to each family receiving AFDC, paying in excess of two times the national average.

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David M. DeSonier
907-345-6608 (home) 907-263-4122 (work)

1996 State Spending

Legislative Budget Digest, FY96 Enacted, Total Funds, $Millions	TOTAL	Gen Funds	Non-Gen Funds
Agency Operations	2939	1503	1436
Education	711	660	51
Other	162	31	131
Operating	**3812**	**2194**	**1618**
Debt Service	**146**	109	37
Capital	**581**	117	465
Loans	**9**	2	8
FY94/95 Supplementals	**94**	46	49
Special Appropriations	**24**	17	6
Reappropriations	**19**	19	1
TOTAL (excl Perm Fund)	**4686**	**2503**	**2183**
Dividends	561		561
Inflation Proofing	346		346
Reserve ---> Principal	500		500
Permanant Fund Total	**1407**		**1407**
TOTALincl Perm Fund	**6093**	**2503**	**3590**

Listed in Budget Digest as "Specials / Fund Transfers" of $1430.5 million.

DHD
9-15

Fiscal Year 1996	Appropriated		Enacted	
	General Funds	Total Funds	General Funds	Total Funds
Operating				
Ch 94, SLA 1995 (HB 100)				
Section 13(a), Statewide Institutions		2,703.7		
Section 19(a), Disaster Relief		9,000.0		9,000.0
Section 25, Information Services	55.0	21,586.5	55.0	21,586.5
Section 26(a), Oil & Gas Litigation		20,000.0		20,000.0
Section 27(b), State Aid for School Construct'n		80,322.4		80,322.4
Section 32, Marine Highway Fund	28,263.2	28,263.2	28,263.2	28,263.2
Section 35, Shared Taxes (1)				
Section 36, Salmon Enhancement Tax (1)				
Section 37, PSEA Health Trust	203.6	250.0	203.6	250.0
Section 39, Sitka Airport	500.0	500.0	500.0	500.0
Section 41, Community Jails	437.0	437.0	437.0	437.0
Section 47, Agency Operating	1,502,971.4	2,939,208.9	1,502,831.5	2,938,969.0
Section 48, New Legislation	1,631.5	3,979.6	1,388.6	1,684.1
Ch 103, SLA 1995 (HB 268)				
Section 104, Education K-12 Support	660,309.4	711,150.1	660,309.4	711,150.1
Section 109, Criminal Justice Computer System	50.0	50.0	50.0	50.0
Section 123, Healthy Families Program	150.0	150.0	150.0	150.0
Subtotal - Operating	**2,194,571.1**	**3,817,601.4**	**2,194,188.3**	**3,812,362.3**
Debt Service				
Ch 94, SLA 1995 (HB 100)				
Section 9, International Airport Debt		5,793.8		5,793.8
Section 10(a), GF to DRF for Lease Debt	9,628.2	9,628.2	9,628.2	9,628.2
Section 10(b), from DRF for Lease Debt		9,628.2		9,628.2
Section 11(a), GF to DRF for G.O. Debt	19,452.0	19,452.0	19,452.0	19,452.0
Section 11(b), from DRF for G.O. Debt		19,452.0		19,452.0
Section 11(c). from DRF for G.O. Debt		1,885.3		1,885.3
Section 27(a) GF to DRF for School Debt	80,322.4	80,322.4	80,322.4	80,322.4
Subtotal - Debt Service	**109,402.6**	**146,161.9**	**109,402.6**	**146,161.9**
Loans				
Ch 94, SLA 1995 (HB 100)				
Section 34, Alaska Clean Water Fund	1,516.3	9,097.8	1,516.3	9,097.8

Fiscal Year 1996	Appropriated		Enacted	
	General Funds	Total Funds	General Funds	Total Funds
Subtotal - Loans	1,516.3	9,097.8	1,516.3	9,097.8
Capital				
Ch 94, SLA 1995 (HB 100)				
Section 21(c), Bulk Fuel System Grants	1,600.0	1,600.0	1,600.0	1,600.0
Ch 103, SLA 1995 (HB 268)				
Section 2, Municipal Capital Matching Fund	18,300.0	18,300.0	18,300.0	18,300.0
Sec 3, Unincorporated Capital Matching Fund	1,700.0	1,700.0	1,700.0	1,700.0
Section 6, On-base Elementary Schools	8,650.0	8,650.0	8,650.0	8,650.0
Section 7, Marine Hwy. Improvements/O'haul		2,000.0		2,000.0
Section 10, Reforestation Fund	100.0	100.0	100.0	100.0
Section 11, Capital Matching Grants		1,430.1		1,430.1
Section 13, Criminal Justice Computer System	300.0	1,050.0	300.0	1,050.0
Section 14, Swan & Tyee Intertie Grant		4,000.0		2,560.0
Section 15, Kenai River Restoration Projects		1,000.0		1,000.0
Section 20, Salvage Timber Harvests	589.0	589.0	589.0	589.0
Section 54, Newtok Capital Matching Grant		50.9		50.9
Section 68, Newhalen Capital Matching Grant		25.0		25.0
Section 73(b), Ak. Family Practice Res. Prgm.	60.0	60.0	60.0	60.0
Section 84(b), Fed. Hwy. & Aviation Match	8,300.0	8,300.0	8,300.0	8,300.0
Section 91, Shepard Pt. Road & Resp. Eqpt.		2,500.0		2,500.0
Section 98, Funny River Road/Bridge		1,210.0		1,210.0
Section 106, Port Protection School	100.0	100.0	100.0	100.0
Section 107, Kalskag Relocatable Classrooms	300.0	300.0	300.0	300.0
Section 112, University Deferred Maintenance		7,000.0		7,000.0
Section 135, Capital Appropriations & Grants	79,266.0	525,340.8	76,616.0	522,674.0
Subtotal - Capital	119,265.0	585,305.8	116,615.0	581,199.0
Special Appropriations/Fund Transfers				
Ch 94, SLA 1995 (HB 100)				
Section 12, Permanent Fund Dividends (2)		561,000.0		561,000.0
Section 14, Permanent Fund Inflation Proofing (2)		346,000.0		346,000.0
Section 20, Storage Tank Ass't. Fund Rcpts.	380.0	380.0	380.0	380.0
Section 21(b), Storage Tank Assistance Fund	2,791.3	2,791.3	2,791.3	2,791.3
Section 23(a), Oil/Hazardous Subs Release	4,015.1	4,015.1	4,015.1	4,015.1

STATE OF ALASKA - FY96 BUDGET
(in thousands of dollars)

Fiscal Year 1996	Appropriated		Enacted	
	General Funds	Total Funds	General Funds	Total Funds
Section 24(a), Oil/Haz Subs Release Prevent	9,875.7	9,875.7	9,875.7	9,875.7
Section 33, Four Dam Pool Transfer Fund, est.		6,400.0		6,400.0
Ch 103, SLA 1995 (HB 268)				
Section 103, PF Earnings Reserve to Principal		1,067,000.0	(2)	500,000.0
Subtotal - Specials/Fund Transfers	**17,062.1**	**1,997,462.1**	**17,062.1**	**1,430,462.1**
Supplementals				
Ch 4, SLA 1995 (HB 137)	44,091.2	87,920.9	43,609.9	87,239.5
Ch 103, SLA 1995 (HB 268)	1,948.8	7,086.4	1,948.8	7,086.9
Subtotal - Supplementals	**46,040.0**	**95,007.3**	**45,558.7**	**94,326.4**
Revenue Sources				
Ch 94, SLA 1995 (HB 100)				
Section 18(d), Alaska Housing Finance Corp.	-70,000.0	-70,000.0	-70,000.0	-70,000.0
Section 21, from OHSRP Mitigation Account	-4,391.3	-4,391.3	-4,391.3	-4,391.3
Section 42, Alaska Industrial Dev't. & Export	-17,000.0	-17,000.0	0.0	0.0
Section 43(b), from CBRF, estimated	-486,600.0	-486,600.0	-486,600.0	-486,600.0
Section 44, Statutory Budget Reserve, est'd.	-67,500.0	-67,500.0	-67,500.0	-67,500.0
Ch 103, SLA 1995 (HB 268)				
Section 84(a), Debt Retirement Fund to GF	-8,300.0	-8,300.0	-8,300.0	-8,300.0
Reappropriation Fund Sources and Repeals (3)	-19,267.4	-19,768.4	-19,013.4	-19,514.4
Section 126(b), CBR see Sec. 43(b), Ch 94 above				
Subtotal - Revenue Sources	**-673,058.7**	**-673,559.7**	**-655,804.7**	**-656,305.7**
Reappropriations				
Ch 103 (HB 268)				
Reappropriations (3)	18,720.7	19,221.7	18,466.7	18,967.7
Subtotal - Reappropriations	**18,720.7**	**19,221.7**	**18,466.7**	**18,967.7**

Per Capita State Government Expenditures in 1993

National Per Capita = $2,882

ALPHA ORDER

RANK	STATE	PER CAPITA
36	Alabama	$2,450
1	Alaska	[illegible]
34	Arizona	2,490
37	Arkansas	[illegible]
12	California	3,350
38	Colorado	[illegible]
6	Connecticut	3,816
8	Delaware	[illegible]
47	Florida	2,193
46	Georgia	[illegible]
2	Hawaii	4,808
33	Idaho	[illegible]
40	Illinois	2,407
35	Indiana	[illegible]
28	Iowa	2,763
45	Kansas	[illegible]
27	Kentucky	2,779
19	Louisiana	[illegible]
18	Maine	3,133
29	Maryland	[illegible]
9	Massachusetts	3,562
26	Michigan	[illegible]
17	Minnesota	3,160
42	Mississippi	[illegible]
50	Missouri	2,065
16	Montana	[illegible]
41	Nebraska	2,370
31	Nevada	[illegible]
30	New Hampshire	2,648
7	New Jersey	[illegible]
10	New Mexico	3,465
4	New York	[illegible]
39	North Carolina	2,435
13	North Dakota	[illegible]
23	Ohio	2,863
32	Oklahoma	[illegible]
20	Oregon	2,970
25	Pennsylvania	[illegible]
3	Rhode Island	4,176
24	South Carolina	[illegible]
43	South Dakota	2,355
49	Tennessee	[illegible]
48	Texas	2,169
31	Utah	[illegible]
15	Vermont	3,211
44	Virginia	[illegible]
11	Washington	3,423
14	West Virginia	[illegible]
22	Wisconsin	2,899
5	Wyoming	[illegible]

RANK ORDER

RANK	STATE	PER CAPITA
1	Alaska	$9,069
2	Hawaii	4,808
3	Rhode Island	4,176
4	New York	4,092
5	Wyoming	4,014
6	Connecticut	3,816
7	New Jersey	3,680
8	Delaware	3,663
9	Massachusetts	3,562
10	New Mexico	3,465
11	Washington	3,423
12	California	3,350
13	North Dakota	3,342
14	West Virginia	3,289
15	Vermont	3,211
16	Montana	3,166
17	Minnesota	3,160
18	Maine	3,139
19	Louisiana	3,005
20	Oregon	2,970
21	Nevada	2,931
22	Wisconsin	2,899
23	Ohio	2,863
24	South Carolina	2,862
25	Michigan	2,859
26	Pennsylvania	2,858
27	Kentucky	2,779
28	Iowa	2,763
29	Maryland	2,730
30	New Hampshire	2,643
31	Utah	2,599
32	Oklahoma	2,556
33	Idaho	2,523
34	Arizona	2,490
35	Indiana	2,477
36	Alabama	2,450
37	Arkansas	2,436
38	Colorado	2,433
39	North Carolina	2,433
40	Illinois	2,407
41	Nebraska	2,370
42	Mississippi	2,362
43	South Dakota	2,355
44	Virginia	2,274
45	Kansas	2,265
46	Georgia	2,218
47	Florida	2,193
48	Texas	2,169
49	Tennessee	2,165
50	Missouri	2,065
	District of Columbia*	NA

Source: Morgan Quitno Press using data from U.S. Bureau of the Census, Governments Division "1993 State Government Finances" (available in electronic format only)

**Not applicable.*

Per Capita State Government Debt Outstanding in 1993

National Per Capita = $1,503.90

ALPHA ORDER

RANK	STATE	PER CAPITA
34	Alabama	$995.78
1	Alaska	7,402.96
43	Arizona	773.78
42	Arkansas	776.69
24	California	1,322.84
41	Colorado	874.53
7	Connecticut	3,919.49
3	Delaware	5,000.56
35	Florida	993.36
44	Georgia	854.70
5	Hawaii	4,308.04
30	Idaho	1,172.50
18	Illinois	1,702.28
38	Indiana	956.54
45	Iowa	851.19
50	Kansas	369.03
16	Kentucky	1,797.61
13	Louisiana	2,234.28
12	Maine	2,418.83
17	Maryland	1,761.00
6	Massachusetts	4,223.21
39	Michigan	935.45
40	Minnesota	916.12
46	Mississippi	828.41
26	Missouri	1,244.73
14	Montana	2,060.04
37	Nebraska	984.08
28	Nevada	1,196.39
4	New Hampshire	4,663.75
9	New Jersey	2,771.18
36	New Mexico	988.53
8	New York	3,262.19
47	North Carolina	575.62
25	North Dakota	1,302.72
32	Ohio	1,128.81
27	Oklahoma	1,212.23
15	Oregon	1,917.91
33	Pennsylvania	1,079.75
2	Rhode Island	5,147.29
23	South Carolina	1,350.01
10	South Dakota	2,539.72
48	Tennessee	516.77
49	Texas	481.83
29	Utah	1,179.00
11	Vermont	2,463.49
31	Virginia	1,149.14
21	Washington	1,492.25
22	West Virginia	1,476.34
20	Wisconsin	1,521.45
19	Wyoming	1,661.07

RANK ORDER

RANK	STATE	PER CAPITA
1	Alaska	$7,402.96
2	Rhode Island	5,147.29
3	Delaware	5,000.56
4	New Hampshire	4,663.75
5	Hawaii	4,308.04
6	Massachusetts	4,223.21
7	Connecticut	3,919.49
8	New York	3,262.19
9	New Jersey	2,771.18
10	South Dakota	2,539.72
11	Vermont	2,463.49
12	Maine	2,418.83
13	Louisiana	2,234.28
14	Montana	2,060.04
15	Oregon	1,917.91
16	Kentucky	1,797.61
17	Maryland	1,761.00
18	Illinois	1,702.28
19	Wyoming	1,661.07
20	Wisconsin	1,521.45
21	Washington	1,492.25
22	West Virginia	1,476.34
23	South Carolina	1,350.01
24	California	1,322.84
25	North Dakota	1,302.72
26	Missouri	1,244.73
27	Oklahoma	1,212.23
28	Nevada	1,196.39
29	Utah	1,179.00
30	Idaho	1,172.50
31	Virginia	1,149.14
32	Ohio	1,128.81
33	Pennsylvania	1,079.75
34	Alabama	995.78
35	Florida	993.36
36	New Mexico	988.53
37	Nebraska	984.08
38	Indiana	956.54
39	Michigan	935.45
40	Minnesota	916.12
41	Colorado	874.53
42	Arkansas	776.69
43	Arizona	773.78
44	Georgia	854.70
45	Iowa	851.19
46	Mississippi	828.41
47	North Carolina	575.62
48	Tennessee	516.77
49	Texas	481.83
50	Kansas	369.03
	District of Columbia*	NA

Source: Morgan Quitno Press using data from U.S. Bureau of the Census, Governments Division "1993 State Government Finances" (available in electronic format only)

**Not applicable.*

Rate of State Government Employees in 1992

National Rate = 181 State Government Employees per 10,000 Population*

ALPHA ORDER

RANK	STATE	RATE
17	Alabama	230
2	Alaska	468
40	Arizona	169
19	Arkansas	223
50	California	125
28	Colorado	209
31	Connecticut	195
3	Delaware	353
49	Florida	139
34	Georgia	188
1	Hawaii	536
15	Idaho	240
46	Illinois	141
29	Indiana	205
24	Iowa	215
19	Kansas	223
18	Kentucky	228
14	Louisiana	241
23	Maine	218
30	Maryland	198
40	Massachusetts	169
37	Michigan	183
34	Minnesota	188
27	Mississippi	212
39	Missouri	174
6	Montana	286
24	Nebraska	215
46	Nevada	157
33	New Hampshire	191
40	New Jersey	169
5	New Mexico	337
43	New York	161
36	North Carolina	186
4	North Dakota	346
43	Ohio	161
12	Oklahoma	247
26	Oregon	213
47	Pennsylvania	144
13	Rhode Island	242
10	South Carolina	252
11	South Dakota	249
36	Tennessee	186
45	Texas	158
8	Utah	257
9	Vermont	253
22	Virginia	222
16	Washington	234
19	West Virginia	223
32	Wisconsin	193
7	Wyoming	283

RANK ORDER

RANK	STATE	RATE
1	Hawaii	536
2	Alaska	468
3	Delaware	353
4	North Dakota	346
5	New Mexico	337
6	Montana	286
7	Wyoming	283
8	Utah	257
9	Vermont	253
10	South Carolina	252
11	South Dakota	249
12	Oklahoma	247
13	Rhode Island	242
14	Louisiana	241
15	Idaho	240
16	Washington	234
17	Alabama	230
18	Kentucky	228
19	Arkansas	223
19	Kansas	223
19	West Virginia	223
22	Virginia	222
23	Maine	218
24	Iowa	215
24	Nebraska	215
26	Oregon	213
27	Mississippi	212
28	Colorado	209
29	Indiana	205
30	Maryland	198
31	Connecticut	195
32	Wisconsin	193
33	New Hampshire	191
34	Georgia	188
34	Minnesota	188
36	North Carolina	186
37	Michigan	183
38	Tennessee	180
39	Missouri	174
40	Arizona	169
40	Massachusetts	169
40	New Jersey	169
43	New York	161
43	Ohio	161
45	Texas	158
46	Nevada	157
47	Pennsylvania	144
48	Illinois	141
49	Florida	139
50	California	125
	District of Columbia**	NA

Source: Morgan Quitno Press using data from U.S. Bureau of the Census
"Public Employment: 1992" (GE/92-1, September 1994)

**Includes full-time and part-time employees. As of October 1992. National rate does not include population of District of Columbia.*

***Not applicable.*

Average Annual Earnings of Full-Time State and Local Government Employees in 1992

National Average = $29,785*

ALPHA ORDER

RANK	STATE	EARNINGS
45	Alabama	$23,267
1	Alaska	39,609
20	Arizona	28,476
49	Arkansas	22,156
2	California	37,853
16	Colorado	30,878
3	Connecticut	37,275
19	Delaware	30,162
25	Florida	26,810
40	Georgia	23,698
10	Hawaii	32,024
41	Idaho	23,645
17	Illinois	30,652
27	Indiana	26,374
23	Iowa	27,703
33	Kansas	24,875
37	Kentucky	24,315
46	Louisiana	22,950
28	Maine	25,676
7	Maryland	33,154
9	Massachusetts	32,063
8	Michigan	33,276
13	Minnesota	31,351
50	Mississippi	20,405
34	Missouri	24,828
39	Montana	23,925
32	Nebraska	25,197
11	Nevada	32,017
22	New Hampshire	28,184
5	New Jersey	35,924
44	New Mexico	23,302
4	New York	36,709
29	North Carolina	25,657
31	North Dakota	25,199
21	Ohio	28,456
47	Oklahoma	22,675
18	Oregon	30,274
14	Pennsylvania	31,127
6	Rhode Island	32,914
42	South Carolina	23,557
48	South Dakota	22,488
36	Tennessee	24,230
30	Texas	25,520
35	Utah	24,741
24	Vermont	27,127
26	Virginia	26,758
12	Washington	31,361
43	West Virginia	23,519
15	Wisconsin	30,926
38	Wyoming	24,618

RANK ORDER

RANK	STATE	EARNINGS
1	Alaska	$39,609
2	California	37,853
3	Connecticut	37,275
4	New York	36,709
5	New Jersey	35,924
6	Michigan	33,276
7	Maryland	33,154
8	Rhode Island	32,914
9	Massachusetts	32,063
10	Hawaii	32,024
11	Nevada	32,017
12	Washington	31,361
13	Minnesota	31,351
14	Pennsylvania	31,127
15	Wisconsin	30,926
16	Colorado	30,878
17	Illinois	30,652
18	Oregon	30,274
19	Delaware	30,162
20	Arizona	28,476
21	Ohio	28,456
22	New Hampshire	28,184
23	Iowa	27,703
24	Vermont	27,127
25	Florida	26,810
26	Virginia	26,758
27	Indiana	26,374
28	Maine	25,676
29	North Carolina	25,657
30	Texas	25,520
31	North Dakota	25,199
32	Nebraska	25,197
33	Kansas	24,875
34	Missouri	24,828
35	Utah	24,741
36	Wyoming	24,618
37	Kentucky	24,315
38	Tennessee	24,230
39	Montana	23,925
40	Georgia	23,698
41	Idaho	23,645
42	South Carolina	23,557
43	West Virginia	23,519
44	New Mexico	23,302
45	Alabama	23,267
46	Louisiana	22,950
47	Oklahoma	22,675
48	South Dakota	22,488
49	Arkansas	22,156
50	Mississippi	20,405
	District of Columbia	37,641

Source: Morgan Quitno Press using data from U.S. Bureau of the Census
"Public Employment: 1992" (GE/92-1, September 1994)
Includes full-time state, county, municipal, township and school district employees. As of October 1992.

Per Capita State and Local Government Expenditures For Elementary and Secondary Education in 1992 National Per Capita = $897.61*

ALPHA ORDER

RANK	STATE	PER CAPITA
50	Alabama	$586.02
1	Alaska	1,713.81
29	Arizona	835.03
46	Arkansas	708.28
24	California	867.28
18	Colorado	902.40
5	Connecticut	1,124.96
17	Delaware	904.37
35	Florida	817.96
38	Georgia	804.19
45	Hawaii	706.46
44	Idaho	776.42
39	Illinois	803.09
28	Indiana	856.40
15	Iowa	918.41
27	Kansas	858.15
47	Kentucky	654.96
36	Louisiana	816.88
12	Maine	961.17
22	Maryland	876.42
37	Massachusetts	811.84
10	Michigan	1,014.30
7	Minnesota	1,062.27
48	Mississippi	638.81
42	Missouri	781.87
13	Montana	936.12
14	Nebraska	925.66
19	Nevada	894.48
20	New Hampshire	887.17
3	New Jersey	1,259.70
33	New Mexico	827.45
4	New York	1,226.01
41	North Carolina	788.34
31	North Dakota	833.73
32	Ohio	831.92
43	Oklahoma	779.62
11	Oregon	963.78
16	Pennsylvania	912.51
25	Rhode Island	866.92
40	South Carolina	802.01
34	South Dakota	821.57
49	Tennessee	596.60
21	Texas	884.92
30	Utah	834.92
6	Vermont	1,118.71
26	Virginia	862.74
8	Washington	1,043.73
23	West Virginia	868.20
9	Wisconsin	1,018.00
2	Wyoming	1,333.98

RANK ORDER

RANK	STATE	PER CAPITA
1	Alaska	$1,713.81
2	Wyoming	1,333.98
3	New Jersey	1,259.70
4	New York	1,226.01
5	Connecticut	1,124.96
6	Vermont	1,118.71
7	Minnesota	1,062.27
8	Washington	1,043.73
9	Wisconsin	1,018.00
10	Michigan	1,014.30
11	Oregon	963.78
12	Maine	961.17
13	Montana	936.12
14	Nebraska	925.66
15	Iowa	918.41
16	Pennsylvania	912.51
17	Delaware	904.37
18	Colorado	902.40
19	Nevada	894.48
20	New Hampshire	887.17
21	Texas	884.92
22	Maryland	876.42
23	West Virginia	868.20
24	California	867.28
25	Rhode Island	866.92
26	Indiana	856.40
27	Kansas	858.15
28	Virginia	862.74
29	Arizona	835.03
30	Utah	834.92
31	North Dakota	833.73
32	Ohio	831.92
33	New Mexico	827.45
34	South Dakota	821.57
35	Florida	817.96
36	Louisiana	816.88
37	Massachusetts	811.84
38	Georgia	804.19
39	Illinois	803.09
40	South Carolina	802.01
41	North Carolina	788.34
42	Missouri	781.87
43	Oklahoma	779.62
44	Idaho	776.42
45	Hawaii	706.46
46	Arkansas	708.28
47	Kentucky	654.96
48	Mississippi	638.81
49	Tennessee	596.60
50	Alabama	586.02
	District of Columbia	1,064.42

Source: Morgan Quitno Press using data from U.S. Bureau of the Census
"Government Finances: 1991-92 (Preliminary Report, GF/92-5P, August 1994)
'Preliminary data. Direct general expenditures.

Expenditures Per Pupil in Elementary and Secondary Schools in 1995

National Rate = $5,442 per Pupil*

ALPHA ORDER

RANK	STATE	PER PUPIL
44	Alabama	$4,194
4	Alaska	8,120
46	Arizona	3,962
48	Arkansas	3,796
37	California	4,606
27	Colorado	5,101
3	Connecticut	8,147
8	Delaware	6,591
24	Florida	5,185
38	Georgia	4,566
15	Hawaii	5,740
47	Idaho	3,976
33	Illinois	4,752
25	Indiana	5,158
26	Iowa	5,139
28	Kansas	5,315
30	Kentucky	5,007
39	Louisiana	4,525
13	Maine	6,048
12	Maryland	6,212
9	Massachusetts	6,383
11	Michigan	6,240
21	Minnesota	5,413
49	Mississippi	3,469
40	Missouri	4,502
28	Montana	5,091
29	Nebraska	5,018
36	Nevada	4,677
14	New Hampshire	5,845
1	New Jersey	9,208
32	New Mexico	4,870
2	New York	8,217
34	North Carolina	4,739
41	North Dakota	4,459
20	Ohio	5,462
45	Oklahoma	4,042
16	Oregon	5,710
5	Pennsylvania	6,909
7	Rhode Island	6,729
42	South Carolina	4,401
35	South Dakota	4,693
43	Tennessee	4,208
31	Texas	4,894
50	Utah	3,431
6	Vermont	6,879
23	Virginia	5,303
19	Washington	5,563
18	West Virginia	5,565
10	Wisconsin	6,358
17	Wyoming	5,582

RANK ORDER

RANK	STATE	PER PUPIL
1	New Jersey	$9,208
2	New York	8,217
3	Connecticut	8,147
4	Alaska	8,120
5	Pennsylvania	6,909
6	Vermont	6,879
7	Rhode Island	6,729
8	Delaware	6,591
9	Massachusetts	6,383
10	Wisconsin	6,358
11	Michigan	6,240
12	Maryland	6,212
13	Maine	6,048
14	New Hampshire	5,845
15	Hawaii	5,740
16	Oregon	5,710
17	Wyoming	5,582
18	West Virginia	5,565
19	Washington	5,563
20	Ohio	5,462
21	Minnesota	5,413
22	Kansas	5,315
23	Virginia	5,303
24	Florida	5,185
25	Indiana	5,158
26	Iowa	5,139
27	Colorado	5,101
28	Montana	5,091
29	Nebraska	5,018
30	Kentucky	5,007
31	Texas	4,894
32	New Mexico	4,870
33	Illinois	4,752
34	North Carolina	4,739
35	South Dakota	4,693
36	Nevada	4,677
37	California	4,606
38	Georgia	4,566
39	Louisiana	4,525
40	Missouri	4,502
41	North Dakota	4,459
42	South Carolina	4,401
43	Tennessee	4,208
44	Alabama	4,194
45	Oklahoma	4,042
46	Arizona	3,962
47	Idaho	3,976
48	Arkansas	3,796
49	Mississippi	3,469
50	Utah	3,431
	District of Columbia	7,520

Source: National Education Association, Washington, D.C.

"1994-95 Estimates of School Statistics" (NEA, Reprinted with permission)

Estimate of state and local government expenditures for 1994-95.

Average Monthly AFDC Payment per Family in 1993

National Monthly Average = $373 per Family*

ALPHA ORDER

RANK	STATE	PER FAMILY
49	Alabama	$154
1	Alaska	762
27	Arizona	320
44	Arkansas	187
3	California	568
26	Colorado	322
4	Connecticut	562
33	Delaware	290
36	Florida	264
40	Georgia	255
2	Hawaii	653
31	Idaho	301
28	Illinois	318
39	Indiana	257
17	Iowa	371
22	Kansas	347
43	Kentucky	211
47	Louisiana	164
14	Maine	408
24	Maryland	329
6	Massachusetts	546
12	Michigan	432
9	Minnesota	499
50	Mississippi	120
37	Missouri	263
21	Montana	350
25	Nebraska	327
35	Nevada	282
13	New Hampshire	424
18	New Jersey	356
29	New Mexico	317
7	New York	512
42	North Carolina	225
19	North Dakota	360
29	Ohio	317
32	Oklahoma	296
15	Oregon	396
16	Pennsylvania	372
8	Rhode Island	504
45	South Carolina	184
34	South Dakota	288
46	Tennessee	170
48	Texas	158
20	Utah	353
5	Vermont	548
38	Virginia	261
10	Washington	496
41	West Virginia	245
11	Wisconsin	460
23	Wyoming	340

RANK ORDER

RANK	STATE	PER FAMILY
1	Alaska	$762
2	Hawaii	653
3	California	568
4	Connecticut	562
5	Vermont	548
6	Massachusetts	546
7	New York	512
8	Rhode Island	504
9	Minnesota	499
10	Washington	496
11	Wisconsin	460
12	Michigan	432
13	New Hampshire	424
14	Maine	408
15	Oregon	396
16	Pennsylvania	372
17	Iowa	371
18	North Dakota	360
19	New Jersey	356
20	Utah	353
21	Montana	350
22	Kansas	347
23	Wyoming	340
24	Maryland	329
25	Nebraska	327
26	Colorado	322
27	Arizona	320
28	Illinois	318
29	New Mexico	317
29	Ohio	317
31	Idaho	301
32	Oklahoma	296
33	Delaware	290
34	South Dakota	288
35	Nevada	282
36	Florida	264
37	Missouri	263
38	Virginia	261
39	Indiana	257
40	Georgia	255
41	West Virginia	245
42	North Carolina	225
43	Kentucky	211
44	Arkansas	187
45	South Carolina	184
46	Tennessee	170
47	Louisiana	164
48	Texas	158
49	Alabama	154
50	Mississippi	120
	District of Columbia	378

Source: U.S. Department of Health and Human Services, Administration for Children and Families
Appearing in "1994 Green Book" (Committee on Ways and Means, U.S. House of Representatives, July 15, 1994)
**Preliminary data for fiscal year 1993. National average includes recipients and payments in U.S. territories. Puerto Rico's average payment is $105.*

To: Long-Range Fiscal Planning Commission

Fr: Oscar Frank, Jr. OF

Re: Preliminary Report on the SOA's
Growing Fiscal Gap

Date: 9-13-95

****

I want to thank the Long-Range Financial Planning Commission for its difficult task of arriving at recommendations for the growing fiscal gap. Rather than stating negative remarks on what was not done; I would rather focus on the positive things that are happening in the Alaska economy.

Alaskans are a hearty group. I remember when I was a young man growing up in rural Alaska, and the high prices for food and clothes. Of course this life was supplemented by a reliance on the subsistence life. Today, this same lifestyle still exists.

It will always be expensive to deliver government services and programs to Alaskans, because of the high cost of living in Alaska. I don't know if there is a way around this situation. This is a given.

Government needs to take another look at its future role in the daily lives of Alaskans. I think that only then will decision makers can make decisions on budget cuts to services and programs.

It may be necessary for the federal government to step in and help cushion the impacts of cutbacks to the budget as set by the Legislature and Governor.

Try to freeze salaries. It is true that long-term employees are more costly(insurance, retirement,etc.), but they bring experience and long-term planning to the planning of fiscal matters.

I think that more taxes are burdensome to the working women and man in Alaska. For example, if taxes were increased than I would have less disposable income to spend on goods and services available in the Alaska economy

Voters will vote out any candidate attempting to tap the Permanent Fund Dividend. This is a sacred cow and the people will fight to preserve it.

I wish you well in your deliberations and hope the Legisalture actually offers its ideas; and the Governor

inputs his team ideas.

Actually, I would like to see what our students in the schools and colleges have to offer; since they will live in the world when the fiscal gap happens.

Good luck.

Oscar Frank, Jr.
1552 21st Ave. #5
Fairbanks, AK 99701

FAIRBANKS AK 99701
PM
15 SEP
1995



State of Alaska
Long-Range Fiscal Planning Commission
716 West Fourth Avenue
Anchorage, AK
99501

13 September, 1995
Box 9
Homer, Alaska, 99603

Members of the
Long Range Planning Commission(Financial)
716 West 4th Avenue Suite 470
Anchorage, Alaska, 99501

Dear Members:

The lady at the Teleconference Center in Homer advised me today that written comments would be accepted by your Commission until 1 October, 1995.

Accordingly, here's the pitch choose to make about Long Range Financial Planning:

Preliminary studies were made about 30 years ago, for the feasibility of a Turnagain Arm Crossing. There was never sufficient funds made available for extensive studies to determine the fasibility and the viability of such a Crossing.

The ac tial road mileage reduced by a crossing of Trunagain Arm would cut the driving time to Homer, Alaska alone, by some 2 hours.... The updated costs are shotgun estimates and range in the $200 to 250 million bracket. A Major project.

Actually the project could be paid by requiring it be a toll highway with a rate of ##0### $4.00 each way, and this would be far less costly than the gas used to make the long trip by the current highway system.

There would be a great advantage for the trucking firms that bring most of the supplies to the western Kenai Peninsula, and have an effect of reducing haulage rates, due to lower otal mileage !

The State of Alaska has and is spending millions of dollars to reconstruct portions of the existing Anchorage, Seward highway and while the deatyh and accident rate has been substantially reduced by the use of headlights day and night, it is still a dangerous highway.

Maintenance problems would be vistually eliminated for snow removal etc. using a non =mountainous constructed highway.

Since the population of Alaska has an average of less than 5 years residency in the State, a majority are unaware that he Anchorage- Seward highway and the Sterling highway were not usable for many months due to the 1964 earthquake.

Like any other operation its real good to have a "backup" highway or program to counteract severe emergency conditions. I am not unaware that Kachemak Bay hasa seismic rating in the range of 5.3 to 8.6 on the Richter scale. Similar ranges are also in evidence for the rest of the Kenai Peninsula

Re quest consideration be given to requesting funds from the State Legislature, to provide updated studies of costs and the fasibility for an alternate highway to the Kenai Peninsula using a crossing of Turnagain Arm.

Sincerely,

H. S. Thompson

Homer S. Thompson

P.S. My name may ring a small bell, as I promoted the construction of the Bradley Lake hydro project after testifying for the project for 37 years.

13 Septermbe-r, 1995
Box 9
Homer, Alaska, 99603

Mr. Brian Rogers Chmn &
Members of the
Long Range Planning Commission
State of Alaska
710 West 4th Avenue Suite 470
Anchorage, Alaska, 99501

Dear Chairman Rogers & Members:

First, permit me to congratulate the Commission decision to hold public hearings for people to both testify and hear others testify concerning the financial future of the State of Alaska.

Secondly, no plaudits for either Rep. Phillps or the Commission for failing to give adequate notice of the hearings.. and to hold some heatngs on the Kenai Peninsula. You have deprived a population of more than 40,000 persons of the opportunity to contribute their thinking to the financial future of Alaska! Perhaps it was intended that waysince the limited announcement of the hearings ?

So far as the 800 number for calling in testimony, I tried that and it was busy the whole time I made 4 efforts..

Consequently, I reducing my comments to writing so it will he on the record.

Seemingly, the Directors or Trustees of the Alaska Permanent Fund have a long range financial planning to guarantee that the bonus program will continue for many years yet, and that various' other fundings will b e covered.

Jim Kelly, The Resewarch and Liason Officer states in correspondence to me dated this past March 24th, 1995, that the Trustees are taking actions designed to mitigate the Bond losses of 1994.

Are you aware of the loss in the Bonds owned by the Alaska Permanent Fundf ???? It is my belief that the Alaska Permanent Fund is not in the most secure financial position in light of the losses suffered last year, which although only paper losses they are nevertheless losses in the value of the baonds held by the Fund.

Considering that the Trustees are limited by law to only holding securities that produce rev enue, then in effect the Fund does not have an "Escape Hatch." for the large holdings of stocks and bonds.

Believe that corrective legislation should be forthcoming from the Legislature to protect the fund by holding a 15% to 20% position in the only money that hasa "store og value." namely gold ! Only a very few recognize that the U.S. currency is a debt currency and the N ational debt will never be paidexcept by inflation or bamkruptcy. Its a reality but the news media and the government are most reluctant to admit the facts.

Studies need to be made to ascertain the various possibilities of protecting the Alaska Permanent Fund.

AN examination of the criteria used by the Trustees, to inflation proof the fund is needed. Chairman Alan Greenspan of the Federal Reserve System in testimony before the U.S. Senate said, "Using the Consumer Price Index is the worst possible criteria of any guage determing the rate of inflation." The CPI is the guage that the Trustees use for "inflation-proofing the Fund. They have established a rate of 6% for inflation proofing !

Even the U.S. Treasury admits to a 10% inflation rate as evidenced by their public statemen t about raising the contribution rate for political donations for the first time since the program was started back in 1973.... They raised the contribution which is

voluntary from $1.00 to $3.00 on the form 1040 for the year 1993. It was published in Pardae newspaper in March, 1993,

So the raise was actually, 200% using "constant dollars" and you don't have to be a mathematician to divide 200% by 20 years to arrive at the figure of a 10% inflation rate.

Current Federal Reserve monthly reports reflect an inflation rate of about 3-4 percent.

How does a ten percent inflation rate squate away with the inflation p roofing of only 6% ???? SOmething haywire here and somebody is detached from reality!

Possibly the law govering the operation of the Alaska Permanent Fund needs modification in the area of inflation proofing so there is a greater measure of protection against inflation than currently exists.

It will be helpful if a copy of the public heraring testimonies could be furnished this writer when it is published.

Sincerely,

H.S. Thompson

Homer S. Thompson

cc: Rep Gail Phillips
Speaker of the House
Alaska State Gegislature

PETER R. ELLIS
Post Office Box 9412
Ketchikan, Alaska 99901

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STATE OF ALASKA
LONG RANGE FINANCIAL PLANNING
716 WEST FOURTH AVENUE
ANCHORAGE, ALASKA 99501

ORIGINAL

Attention: Brian Rogers, Chairman

To emphasize my beliefs as presented pursuant to Ketchikan participation in the teleconference of the 14th I'd like to confirm the following:

1.0 All Alaskans are distressed by the annual visits of the lower 48 work-force who stay for the summer months and leave without any contribution to governmental financial needs.

2.0 The visitations by the summer horde without an overall sales tax contribution except in communities which apply a local levy plus the volume of out of state sales with Alaska destinations more than justify the need for a state wide sales tax.

3.0 An income tax with built-in incentives favoring Alaska residents such as heating oil and utility payment credits, which could include other considerations in favor of year-round residents, is politically saleable and a mandatory tax program.

4.0 The present local government sales tax choice precludes uniform enforcement, is excessively expensive from an administrative point of view and requires state-wide control with revenue sharing to reduce state contributions to local government.

Yours truly,
PETER R. ELLIS

Eric E. Wohlforth
900 West 5th Avenue, Suite 600
Anchorage, Alaska 99501
Telephone: (907) 276-6401 · Facsimile: (907) 276-5093

September 6, 1995

Brian Rodgers, Chair
Long Range Financial Planning
Commission
716 W. 4th Avenue, Suite 470
Anchorage, AK 99501

Dear Brian:

I cannot attend your hearings and so offer the following instead on your interim report.

Despite its general excellence, the interim report contains the following deficiencies:

1. There is no mention of capital borrowing to reduce the projected base case general fund cash capital spending projection of $116 million per year. Other states borrow a major portion of their capital expenditures. Since the base case indicates deficits growing from $513 million in 1976 to $861 million in 2000, it would have made sense to have at least considered the possibility of borrowing a portion, if not all, of these capital expenditures.

2. The report contains no serious discussion of budget and management systems in effect in other states which could achieve substantial savings. Apparently the Commission was unable to seriously study the reforms in state government in other states and to present to the Alaska public some of the more efficient budget management systems. For example, surely it could be of value for the state to initiate a management and efficiency review since it has been some 19 years since the last effort was made in this regard.

3. The policy choices to close the fiscal gap in Appendix 1 indicates "economic development" as a potential policy choice. I would submit that this is not a serious choice and it ought to be relegated to a footnote rather than putting it on a par with other serious choices like the use of budget reserves and the like.

4. The parts item 6 - Other State Assets - lists the Alaska Housing Finance Corporation and states that the Commission has not been able to determine if the $50 million per year in the agreement between the AHFC Board and the Commissioner of Revenue (not the Governor's office as stated) is appropriate. An effort should be made to contact AHFC and to inform the committee as to what the real case is.

5. What is the import of page 22 statement that the Commission is examining management policies of the Permanent Fund Corporation with particular focus on the fund's asset allocation? This statement should be explained.

Sincerely yours,

Eric E. Wohlforth

PLEASE SUBMIT

TO STATE of AK

LONG RANGE

FINANCIAL PLANNING

COMMISSION

From Yvette Turner

Perseverence THEATER



PERSEVERANCE
T·H·E·A·T·R·E

September 14, 1995

To: The State of Alaska Long-Range
Financial Planning Commission

From: Lynette Turner
Producing Director
Perseverance Theatre

Dear Commission Members,

It has come to my attention that several scenarios in the Long Range Fiscal Planning Commission Report recommend zeroing out the Alaska State Council on the Arts. I am writing this letter to voice my opposition to this recommendation and to urge support for this important council.

Founded in 1966 the council has always played an important role in the state of Alaska. Professional and community arts organizations, diverse individual artists and schools statewide have greatly benefited from their existence. The council offers technical assistance to both rural and urban communities, serves as a resource center, and administers grants for a great many programs.

As Producing Director for Perseverance Theatre, the largest professional statewide theatre in Alaska, I know first hand how critical State Arts Council support has been. We have received some degree of operational support for several years. Operational funding is the most difficult to secure and absolutely necessary for survival. I have also found it to be true that foundations and corporations look more favorably upon supporting you when they see that you have support from your own state. In this manner State Arts Council money helps leverage other funds from out of state. We have received outside funding from such prestigious foundations as Ford, Rockefeller and Shubert and no doubt having the support of the state worked in our favor.

The council has also played a large role in bringing the arts to thousands of children through the artists in the schools program. For some youth this is their first introduction to the arts and may be their only hands on experience. I was an individual artists in the schools and have seen numerous times the positive effects. Children gain confidence in their artistic ability and this can then be seen in other areas of their education. They sharpen their analytical skills, increase their ability to work together collaboratively, and become better communicators.

As overall funding for the arts has declined from private and public sources we are seeing the devastating impacts: Arts organizations are closing their doors, and as a result activities for artists, community members and volunteers are gone; outreach and education programs are diminishing at an alarming rate and artists are losing their jobs. At Preservance Theatre, where we offer the only full time seasonal performance contracts and internship training

914 THIRD ST. • DOUGLAS, AK 99824 • (907) 364-2421 • FAX: (907) 364-2603

programs (in acting, directing, playwrighting, arts administration and technical design) in the state, we have seen a steady and drastic decrease in the number of artists we are able to work with over the last five years. It is also important to note that the overall cultural health of Alaska is threatened by the severe cuts to the council. Groups from Nome to Ketchikan, large and small have already been dealt a severe blow. And although private funds have been of some assistance in the past I think it is unrealistic to assume that portion of the community can replace state support.

In addition, let us not forget the economic impact of the arts. The arts supports jobs and generate a great deal of outside income. We have a healthy tourist industry and we need to find a way to work with and encourage artists and arts organizations to work with industry. Our summer production of THE LADY LOU REVUE is seen by over 20,000 tourists each summer. This is just one example of outside dollars coming into the state.

The action of demolishing the council has severe repercussions. I ask that you weigh your actions because the after shocks will be with us for a long time to come. We need the Arts Council. We need the arts in our lives. And we need the people who are in the position to make the critical decisions as to what stays and what goes to place the arts higher on the priority list. I know I am not alone when I ask that the recommendation of the elimination of the council be reconsidered.

Thank you for your time and consideration.

Post-it™ brand fax transmittal memo 7671 | # of pages ▸ 1

To LONG RANGE PLANNING	From KENAI LIO
Co.	Co.
Dept.	Phone #
Fax # 1 PAGES TO FOLLOW	Fax #

FROM: Gerald R. Brookman, 715 Muir Avenue, Kenai, Alaska 99611

TO: Long Range Financial Planning Commission for the State of Alaska

I regret that I failed to attend the teleconference hearings held by your group. However, I would like to make a few comments on the subject, and I request that they be reproduced and a copy given to each member of the Commission.

It's a "given" that nobody enjoys paying taxes. Even the most ardent supporter of governmental programs isn't crazy about helping to pay for them. I believe that it was the late Justice Oliver Wendell Holmes who said something to the effect that "taxes are the dues we pay for civilization". Whether or not we agree with him (and I do), we must admit that someone must pay for the essential functions of government. Whether or not we may agree with the Art in public buildings program, we all want someone to answer the telephone when we find it necessary to dial 911, and for a state trooper to respond within a reasonable period of time when we report a murder or robbery in progress! In the case of the federal government, we have too often in the past simply acted, through our elected representatives, to pass the bill on to the next generation, through deficit spending and it's attendant borrowing; the state, of course, isn't able to do this because of the constitutional requirement that it balance it's budget. However, for several years the legislature has managed to put off the day of reckoning when it must either re-impose a state income tax or cut state spending DRASTICALLY because of fortuitous oil tax settlements, the use of budget reserves, etc. We must, in the very near future, face the fact that this situation will soon come to an end!

From time to time, former Governor Hammond has commented on the situation through a periodic column in the ANCHORAGE DAILY NEWS. While I don't always agree with him, on every subject, I do feel that his comments on the state's financial situation and what should be done about it are right on the mark. Citizens who receive the benefits of government, at any given level, have an obligation to help pay for them, to the extent that they are able to, under a system of taxes that is fair to all. Just what the necessary functions of government may be, and what an equitable and fair tax system to finance them is, are decisions that we delegate to our elected reqresentatives. I find it extremely ironic that Alaskans, who like to think of themselves as rugged individualists, not only don't pay any state income or sales taxes, but also receive a check every year in exchange for making a statement that they've been a resident of the state for the past six months and intend to remain one (a decision that

can always be changed). These same folks, or most of the ones I've heard expounding on the subject at any rate, seem to feel that it would be an extreme hardship on them to have to pay a state income tax, such as we had to do until it was eliminated when it became possible for the state to pay for it's programs through the use of oil revenues alone. It should have been obvious to one and all that oil and gas being non-renewable resources, there would come a time when those revenues would no longer be adequate to fully fund state government. That day is staring us in the face, and it is the unhappy task of your commission to come up with a recommended solution; to give some political cover to the legislature, in making the dreaded decisions that they must, inevitably, sooner or later, make!

I urge you to act responsibly. The citizens of Alaska are capable of paying taxes; we've done it in the past, and we can do it again. Because of the growth of state governmental programs, the same level of income taxes as we paid during the early, pre-Prudhoe Bay days will not be able to fully fund them; some programs will have to be cut, and maybe even eliminated, in some cases. But as the World War II song said, "We did it before, and we can do it again". The longer we postpone the inevitable, the worse the situation will become, and so I urge that you recommend that the legislature pass a law that would restore the state's income tax at the level that it was set just before it was eliminated. This would both recover some funding that now leaves the state in the pockets of workers who don't reside here, and would put the burden of at least helping to pay for state programs on the persons who benefit from them, as is now the case in nearly every other state in the Union. We're Alaskans; we're tough enough to handle it!

Solutions like the "Cremo Plan", a state lottery, etc., may be helpful, and the first of these, at least, make sense. (I'm very dubious about a state lottery, and absolutely opposed to any form of legalized gambling; it would lead to crime, and wouldn't, in any event, solve the state's revenue problems.) But they're just "nibbling around the edges" of the real problem. I may be in the minority, but I simply don't see any other solution: RESTORE THE STATE'S INCOME TAX!

Thank you for your consideration of my comments on this matter. I hope that you'll have the courage to recommend them, and that the legislature will have the courage, and the responsibility, to implement them.

Sincerely,

Gerald R. Brookman

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GANTZ POWELL & BRUNDIN

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TOPIC

"Living Within Our Means: What Alaska Must Do To Balance The State Budget."

ELIGIBILITY

Students graduating in 1995 from any high school in Alaska are eligible if they plan to enroll as a full-time student for the 1995 Fall term at an accredited college or university.

REQUIREMENTS

Essays must be limited to 750 words; submitted with the form below or a copy of this form; and postmarked by March 6. All essays become the property of Hughes Thorsness. Winners will be notified by April 15 and publicly announced with photos in May. Winners must provide five small photos. Scholarships will be paid to the student's college or university upon proof of enrollment.

QUESTIONS?

Call Kathy Greer or Linda Vinson at 274-7522.

SUBMISSION FORM

Name _____
Address _____
City _____ Zip _____
Phone _____
High School _____
Parent/Guardian Names _____
College Choice _____

MAIL TO:

Director of Administration, Hughes Thorsness Gantz Powell & Brundin
509 West Third Avenue, Anchorage, AK 99501

#14

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Call Kathy Greer or Linda Vinson at 274-7522.

SUBMISSION FORM

Name Gillian Evenstein
Address 5872 Old Richardson Hwy.
City Salcha Zip 99714
Phone 488-3510
High School Ben Eielson Junior/Senior High
Parent/Guardian Names Theresa Hobbyt Darrell Evenstein
College Choice Yale University (pending acceptance)

MAIL TO:

Director of Administration, Hughes Thorsness Gantz Powell & Brundin
509 West Third Avenue, Anchorage, AK 99501

#14

Living Within Our Means: What Alaska Must Do To Balance The State Budget.

Gillian Eversman

The state of Alaska has been operating with an unbalanced budget, spending more money than it has collected. As anyone with a basic knowledge of economics will tell you, this does not make fiscal sense. A state cannot prosper if it owes money. Alaska will only suffer if it is in debt. A balance between state revenue and expenses must be found if Alaska is to be in good health. This balance can be found either through an increase in revenue or a decrease in expenses, or a combination of the two. While there are pros and cons for both sides, Alaska's hope for a balanced budget lies in increasing its revenue. Specifically, this increase in revenue should come through the manufacture, in Alaska, of products from renewable natural resources.

At the present, Alaska earns much of its revenue from a non-renewable resource--oil. While the oil industry pumps millions of dollars into the hands of the state government officials every year, there is still not enough money to balance the state budget. Meanwhile, renewable resources (e.g., fish and timber) which could bring in additional money are virtually ignored. Yes, the fishing and timber industries in Alaska are big, but they have the potential to be much bigger. The key to their growth lies in preparing finished products here in Alaska. As it stands now, very few finished products are produced in Alaska to be sold elsewhere. Alaskans may catch fish and fell trees, but we are forced to ship these raw materials out of Alaska to be

processed and packaged. Obviously, we are missing out on millions of dollars of potential earnings for the state from the taxation of companies that take raw materials we have and make finished products out of them. If Alaska moves beyond its role as merely a supplier of raw materials and starts producing finished products, the increase in revenue would balance Alaska's budget for years to come.

The problem with trying to increase revenue in this manner lies in enticing companies which develop finished products to come to Alaska. Why would a business choose to cut logs into lumber in Alaska and export the finished product when it is currently less expensive to ship the logs to Japan and cut them there? Businesses exist for one reason--to make as big a profit as possible. Therefore, no business will come to Alaska to cut lumber or process fish if it can make a comparable product elsewhere for less. Alaska must offer incentives to companies so they will want to come to Alaska. These incentives should take the form of tax breaks and subsidized utilities for companies that will manufacture finished products from renewable resources. As has been proven in areas all over the United States, companies will flock to the place where it is the least expensive for them to do business. Alaska could offer to lower taxes for these companies for, say, five years, and then bring the taxes up to the normal level. (Thus, in the future, Alaska would stand to gain even more from the new companies.) The subsidizing of utilities could also be

lifted after the same time period. Though people initially may not favor such subsidies, the increase in tax money from the arrival of the new companies would cover the expense. While it might take a few years, Alaska would end up with a large enough increase in revenue to have a balanced budget.

The best part about balancing the budget in this fashion is that it has the possibility of providing revenue for the state of Alaska indefinitely. Unlike oil, which will no longer bring in money for Alaska when it is all gone, the fishing and timber industries theoretically could make money for the state forever. The wisest place to invest our time and energy now is in something that always will provide for the future.

Alaska has the power to balance its state budget. This power lies in its renewable resources. As of now, Alaska is concentrating on the export of raw materials alone. If the state turned its attention toward the production of finished products in Alaska, and the exportation of the same, the increase in state revenue from taxes would be phenomenal. Without a single cut in funding to any program, the state budget would finally be balanced.

#3

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QUESTIONS?

Call Kathy Greer or Linda Vinson at 274-7522.

SUBMISSION FORM

Name Monica Aufrecht
Address 2127 East 37th Avenue
City Anchorage Zip 99508
Phone (907) 561 0704
High School Steller Secondary
Parent/Guardian Names Joan and Steven Aufrecht
College Choice St. John's College, Sante Fe, NM

MAIL TO:

Director of Administration, Hughes Thorsness Gantz Powell & Brundin
509 West Third Avenue, Anchorage, AK 99501

#3

Living Within Our Means
What Alaska Must Do To Balance The State Budget

Submitted to

Hughes Thorsness Gantz Powell & Brundin
1995 Scholarship Competition

Monica Aufrecht
Steller Secondary School
March 6, 1995

Living Within Our Means
What Alaska Must Do To Balance The State Budget

by
Monica Aufrecht

When faced with the words "Alaska State Budget" and "Budget Deficit," many Alaskans throw up their hands in despair . We turn away from the fancy graphs and intimidating fiscal lingo, determined that the issues are too complicated for any but the most advanced economist to understand. To a certain extent we are right. The plethora of variables inherent in any corporation's accounting system, let alone that of a state government, prevents the majority of people from even trying to understand the budget.

Yet in order to solve the problem of the Budget Deficit, Alaskans, as voters, must understand it and agree on a solution. In actuality, the basic principles behind the Alaska State budget (the parts that voters must understand) are quite simple.

In the most basic terms, the Alaska State Budget describes **how the State of Alaska earns and saves money, and how it spends that money.** The deficit is when the State spends more money than it earns and saves. Therefore, the way to balance the budget is to increase state earnings and/or decrease state spending.

At first glance, we seem to be in good shape. In 1994, Alaska's total assets were $33.8 billion, while we only spent $3.75 billion.[1] Yet our 1994 earnings (revenue) were only $2.95 billion -- $.8 billion less than we spent. Where does the money come from and where does it go? Fifty percent of our revenue came from current oil production, with the rest coming mostly from investment earnings (return from those assets). In 1989 Alaska spent 30% of the budget on state agencies, 14% on public schools, 5% on the Permanent Fund, and the rest went to a variety of different programs.

Now that we understand the basics of the problem, how do we solve it?

A seemingly obvious solution is to tap into our $33.8 billion of assets. On closer examination, however, our spendable assets are not nearly that much. Over half of our assets, $15.9 billion, is the state share of oil reserves. The oil reserves are the money we can expect from the state's share of the oil in the future; "the balance falls as oil is produced and sold, and increases when new reserves are discovered" (Goldsmith 1994). It also fluctuates with the price of oil. Therefore, only the $17.9 billion left is actual money, most of which is the Permanent Fund. Besides saving the Permanent Fund for future generations of Alaska, we earn money off of our investments of the Permanent Fund Principal. We have already counted this money as "investment earnings" in our current budget.

Let's look again at Alaska's revenues. Other states have a state sales tax or state income tax on individuals. Alaska does not; none of our revenue comes directly from the people. Although many Alaskans are hesitant about doling out money to government

institutions, such taxes are clearly an option. Other options include state sponsored lotteries, user fees, and selling state land and other resources.

Next let's look at decreasing state spending. The largest chunks of the budget are state agencies and public schools. One way to cut spending is simply to cut some of those agencies. The difficult question is: which ones? Another way is to increase the efficiency in state agencies and schools so that they still produce the same contributions but cost less to run. Finally, diverting the annual Permanent Fund payments (total of $.55 billion) from individuals to the state budget would cut a huge chunk from the $.8 billion deficit. The Permanent Fund, like state taxes, is a touchy subject, showing clearly that Alaskans are unwilling to entrust their money to politicians.

The problem is not that we do not have the means to balance the budget, but instead that we do not agree on the solution. Once we all understand the budget problems and can see where our money comes from and where it goes, we may be more willing to sacrifice our individual needs for the good of the state. When the deficit is no longer an abstract monster lurking behind our Permanent Fund, but a logical, solvable problem, Alaskans may be able to draw their own conclusions and together agree upon a solution to the Alaska State budget deficit.

Endnote

1. Facts and figures in this paper come from Scott Goldsmith et al.

Bibliography

Scott Goldsmith, et al., ISER Fiscal Policy Papers, University of Alaska Anchorage, Numbers 2 (1989) and 9 (1994).

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QUESTIONS?

Call Kathy Greer or Linda Vinson at 274-7522.

SUBMISSION FORM

Name _____
Address _____
City _____ Zip _____
Phone _____
High School _____
Parent/Guardian Names _____
College Choice _____

MAIL TO:

Director of Administration, Hughes Thorsness Gantz Powell & Brundin
509 West Third Avenue, Anchorage, AK 99501

#5
$1,500 Winner

Name/Address: Ryan Balliet
Box 1034
Bethel, Alaska 99559
(907) 543-4149

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Powell & Brundin

High School: Bethel Regional High School

Parents: Wayne and Cynthia Balliet

College Choice: Boston University (although I will not know until April whether or not I have been accepted)

#5

Balancing Alaska's Budget: The Year 2000 and Beyond

by Ryan Balliet

Due to the discovery of oil in the North Slope, which brought industrial development, jobs, and money, Alaskans have enjoyed a healthy economy for the past twenty years. Unfortunately, oil production is declining (Alaska 2-3), and Alaska, heavily dependent on oil revenues, has developed gaps in its budget (Safe Landing 5). So far, Alaska has been able to pay for these gaps by utilizing reserve accounts, but these accounts, currently totalling about 2 billion dollars, will not last if they are not combined with sound economic policy. It is estimated that by the year 2000 Alaska will have a budget deficit of 1.5 billion dollars, but steps can be taken now to avoid such a crisis (Safe Landing 9). Instead of relying on non-renewable resources such as petroleum or reserve accounts, Alaska must freeze its budget and decrease state spending, eliminate the permanent fund dividend program, and promote the economic growth of industry.

Alaska spends an incredible amount of money on its residents -- about $8400 per capita per year, which is four times the national average -- and its first step toward financial security must be to reduce this amount (Jones 3). The budget for the current year must be frozen, meaning that the state would not be permitted to spend any more money in future years than it spent this year. As inflation raises the cost of providing services, some services will have to be cut. By the year 2000, a budget freeze alone would trim state spending per capita by twenty-five percent and would pay for nearly two-thirds of the projected deficit (Safe Landing 9). Once the budget was frozen, additional cuts would be necessary. Alaska has over 2.5 times the number of state employees per 10,000 people than the national average, so cuts should mainly come in the form of government down-sizing (Jones 4).

Although budget cuts would cover a large portion of the deficit, they would not eliminate it altogether. In order to cover the remaining 500 million-dollar deficit by the year 2000, another step must be taken: the Permanent Fund Dividend Program must be eliminated. The interest from the Permanent Fund, about 500 million dollars per year, is divided among the residents of Alaska

through the Dividend Program. Instead, this money should be used by the state to balance the budget by paying for essential services (How Are We Doing 7). Elimination of the Dividend Program should come gradually, with dividends cut by twenty percent of this year's dividend each year for five years, in order to give Alaskans time to adjust to the reduction of income. All of the money saved during those years should be reinvested into the principal of the Permanent Fund until the Dividend Program has been eliminated completely, at which time the state should begin using the interest from the Fund to cover the deficit. In order to insure that the money gained by eliminating the Dividend Program is not used to support current levels of spending, it is imperative that the budget freeze and budget cuts come before the dividends are discontinued.

By cutting the budget and eliminating the Dividend Program, Alaska will be able to balance its budget by the year 2000, but oil revenues will continue to drop and Alaskans will still have to generate approximately 700 million additional dollars to balance the budget in future years (Safe Landing 14). To do so, Alaska must encourage the economic growth of industries within its borders. However, businesses will not be willing to trust Alaska with their futures unless they feel safe doing so. Alaskans must convince potential investors that the state's financial status is healthy by enacting a binding multi-year strategy for bringing Alaska's budget in line with revenue restraints. Legislative adoption of such a strategy would prove to businesses that Alaska will deal with its fiscal problems in a thoughtful, farsighted manner, and would also give legislators justification for making necessary cuts in services.

Considering that Alaska has been reasonably financially secure for the past two decades, the solutions outlined in this essay may seem immoderate. Alaskans must realize, however, that if the budget is not cut soon, and if the Dividend Program remains intact, lack of revenue will soon force Alaska to take more drastic action, such as the introduction of income taxes or the use of the Permanent Fund's principal (Alaska 7-21). Alaska must take difficult steps now to avoid suffering the consequences of complacency later.

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#15

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Essays must be limited to 750 words; submitted with the form below or a copy of this form; and postmarked by March 6. All essays become the property of Hughes Thorsness. Winners will be notified by April 15 and publicly announced with photos in May. Winners must provide five small photos. Scholarships will be paid to the student's college or university upon proof of enrollment.

QUESTIONS?

Call Kathy Greer or Linda Vinson at 274-7522.

SUBMISSION FORM

Name Erika Michelle Faerber
Address P.O. Box 13005
City Trapper Creek, Alaska Zip 99683
Phone 907-733-2453
High School Susitna Valley Jr./Sr. High School
Parent/Guardian Names George and Karen Kay Faerber
College Choice University of Alaska Anchorage

MAIL TO:

Director of Administration, Hughes Thorsness Gantz Powell & Brundin
509 West Third Avenue, Anchorage, AK 99501

#15

Living Within Our Means:
What Alaska Must Do To Balance The State Budget
By Erika Michelle Faerber

Balancing the state budget will require commitment, candor, courage, and creativity. We must decide to live within our means. Having committed to fiscal responsibility, we must expect and receive complete candor from elected and appointed state officials. We must have honest facts and figures before making educated, well-informed decisions about budget priorities. We must have the courage to develop and live within a budget that includes only dollars actually available for spending. Finally, we must be creative in finding new ways to fund state government.

The decision to live within a budget will require fiscal responsibility on a personal as well as state level. Alaskans must realize that we need to take care of ourselves. It is not the responsibility of the government to care for its citizens from cradle to grave.

The people of Alaska must take an active part in determining the state's financial priorities. Needs with the highest priority ratings should be the first to be funded. State spending must not exceed the amount of available funds. Block grants can be given to local governments to fund local needs.

Another way to fund desired programs and services is to utilize user fee financing. When a program or service for which state funds are not available is desired, procedures should be in place to allow Alaskans to fund that program or

service through user fees. For example, those wanting to use recreational facilities such as state parks, ski trails, or boat launches should expect to pay users' fees or buy season passes.

Honesty is an essential element in a successful government. Alaska's officials need to be open and honest with their constituents. We need to be informed of the costs of government projects and programs. All proposals requiring funding should be evaluated for cost effectiveness. Programs should be re-evaluated on a regular basis to determine continued need and effectiveness. Programs that are no longer necessary or that are no longer meeting objectives should be terminated.

Legislators need to have the courage to cut programs that are unnecessary and the courage to promote and support programs that are beneficial to Alaskans, even if those programs are unprecedented. For example, criminals should have to pay restitution for their crimes. It does not make sense financially for criminals to be educated and supported with state funds and have no obligation to pay for services received. Prison should be a punishment - not free education with room and board.

A large amount of the state's money pays welfare benefits. A way to decrease state spending is to require physically able welfare recipients to be involved in a workfare program in order to receive full benefits. Working for benefits would give recipients a sense of achievement and

help prepare them for the workplace through work experience and job training. If recipients are unwilling to work for benefits, they should receive a lesser amount.

The status quo is not adequately meeting the state's financial needs. We must be creative in finding new sources of state revenue. Currently state revenue goes into a general fund where it is vulnerable to pork-barrel spending. The state should consider dedicating funds for specific uses. For example, a state-run lottery with the proceeds dedicated to education could fund most, or all, of the state's educational needs.

Alaska should evaluate the successes of other states. For example, Hawaii is user friendly for tourists, and Hawaii's efforts have paid off in tourist dollars. Alaska has barely tapped its potential as a tourist destination.

The state of Alaska should encourage private enterprise. Lands and resources should be made available for development, and necessary state regulations should be written to encourage and assist those developments rather than impede them. The funding for these developments must come from the private sector in order to avoid financial fiascos such as the Delta barley project and the Point MacKenzie dairy project. Legislators must realize that viable projects will find financial backers in the private sector. The state should refrain from competing with private enterprise.

Balancing the state budget is a difficult task but not an impossible one. By utilizing the state's resources

and the ingenuity of our people, we will be able to balance the state budget and live within our means.

#41

You Write A Good Essay.

We'll Write A Nice Check.

HUGHES THORSNESS
GANTZ POWELL & BRUNDIN

ATTORNEYS AT LAW • ANCHORAGE • FAIRBANKS • VALDEZ

Announcing Our 1995 Scholarship Competition

The law firm of Hughes Thorsness Gantz Powell & Brundin is pleased to announce its sixth annual essay competition for six scholarships totaling $6500. One grand prize scholarship of $1500 will be awarded to the student who writes the best overall essay. Scholarships of $1000 each will be awarded to five additional winners.

TOPIC

"Living Within Our Means: What Alaska Must Do To Balance The State Budget."

ELIGIBILITY

Students graduating in 1995 from any high school in Alaska are eligible if they plan to enroll as a full-time student for the 1995 Fall term at an accredited college or university.

REQUIREMENTS

Essays must be limited to 750 words; submitted with the form below or a copy of this form; and postmarked by March 6. All essays become the property of Hughes Thorsness. Winners will be notified by April 15 and publicly announced with photos in May. Winners must provide five small photos. Scholarships will be paid to the student's college or university upon proof of enrollment.

QUESTIONS?

Call Kathy Greer or Linda Vinson at 274-7522.

SUBMISSION FORM

Name Peter WRIGHT
Address 306 Deerfield Dr.
City Anchorage, AK Zip 99515
Phone (907) 349-4962
High School Robert Service High School
Parent/Guardian Names Glenn & Dorothy Wright
College Choice Univ. of Pennsylvania
(Wharton School of Business)

MAIL TO:

Director of Administration, Hughes Thorsness Gantz Powell & Brundin
509 West Third Avenue, Anchorage, AK 99501

#41

Peter Wright

BALANCING THE BUDGET

Since 1988, the economy of the State of Alaska has been spiraling downward. The two main reasons for this decline are the steadily diminishing oil production on the North Slope and the drop in price per barrel of Alaskan crude oil from $32 in 1990 to a mere $10 in 1994. When the oil industry hurts, the Alaskan state budget feels the pain because eighty-five percent of Alaskan state revenues come from the oil industry.[1]

Asking Alaskans to live within their means has proven to be an unpopular political position. Although the Balanced Budget Amendment on the federal level failed to pass by only one vote, similar legislation at the state level in Alaska has proved to have much less support. State legislators in Juneau last year faced a two-year budget deficit of $1.2 billion and estimated another $600 million to be added in Fiscal Year 1995.[2] Currently the state has two separate funds which belong to the residents of Alaska. The larger one--the Permanent Fund--contains $15 billion from past oil revenues, the interest from which pays the Permanent Fund Dividend. The smaller reserve contains $3 billion and is used to balance the budget when there is a small difference between total revenue

and total cost. The state does not want to deplete either of these two reserves, so the legislators are trying to find a way to create a new source of revenues.

A recent survey shows that Alaskans are the least taxed members of the Union.[3] Some residents from the Lower 48 states feel that Alaskans should simply adopt the same types of personal income and sales taxes that the rest of the country endures in order to fund its government. However, restoring the state income tax which was abolished in 1980 would only generate $300 million per year--half the current shortfall.[4] As Mr. Rick Halford, a local Republican politician, said, "It's like a family that taxes itself to become richer. Nothing is produced."[5]

In addition, taxes are expensive to administer, are subject to abuses, and tend to make a sluggish economic environment even less prone to attract new stimulation from outside. By implementing the following four-step plan, Alaska can assure a balanced budget without resorting to personal income or sales taxes.

First, Alaska should decrease expenditures on state government. Governor Knowles's budget for FY 96 eliminates a $200 million expenditure on Mental Health Trust Capitalization and cuts another $60 million in fund transfers and special appropriations,

but still represents a $60 million increase over FY 95 because of increased costs of education and social services. Representative Joe Green estimates that the fiscal gap between revenues and expenditures will increase annually to $750 million for FY 2000 unless significant corrective measures are taken.[6] All departments should attempt to decrease spending by five percent.

Second, Alaska must collect the taxes which the state is rightfully owed by oil corporations. British Petroleum, the largest oil company in Alaska, has accumulated $1.4 billion in unpaid taxes.[7] Mr. Botelho, Alaska's Attorney General, said that the state is settling with several other oil producers for tax arrears that the state estimates at "in excess of $1 billion."[8]

Third, Alaska must place taxes on the other industries which are not currently taxed fairly. Such taxes would include heavy fees for logging and mining, and an additional fee attached to all hunting and fishing permits. Finally, a hotel tax on the tourism industry--the fastest growing industry in the state--would help raise more revenues.

The fourth and final step is for the state to aggressively work to gain control of lands currently locked up by federal agencies. Currently sixty percent of the state is owned by the federal

government, including the Arctic National Wildlife Refuge.[9] The state must obtain these resources or develop them in cooperation with the federal government. Developers are already planning to pipe trillions of cubic feet of natural gas from the North Slope, to be liquefied for shipment to Pacific Rim markets. Alaska is also believed to have the largest coal reserves in America. Senator Frank Murkowski is currently working on legislation which would allow Alaska to export its oil to the Pacific Rim directly, rescinding the legislation enacted in the 1970's which barred such direct trade.

Alaska's 550,000 residents need a way to balance their budget without further stagnating our fragile, recovering economy. No single measure will magically bring about this aim. With this four-step plan, our future will be bright.

NOTES

[1]"Now the Diet: Alaska's Budget," The Economist, Jan. 29, 1994, p.33.

[2]Ibid.

[3]Ibid.

[4]Ibid.

[5]Ibid.

[6]Joe Green, "Budget Questionnaire."

[7]Charles McCoy, "British Petroleum Will Pay Alaska $1.4 Billion in Tax," Wall Street Journal, Nov. 19, 1994, p.A8.

[8]Ibid.

[9]Michael Rogers, "In Alaska, the Future is Now," Newsweek, Sept. 18, 1989, p. 63.

OUNALASHKA
CORPORATION

September 19, 1995

State of Alaska Long-Range
Financial Planning Commission
Mr. Brian Rogers
716 West Fourth Ave.
Anchorage, AK. 99501

Dear Mr. Rogers:

My recommendations for solving Alaska Fiscal Gap are the following:

1. Cap the permanent fund at $500 million per year.

2. Use the balance of the permanent fund income for two things only (1) inflation proofing (dictate the method that makes sense in terms of protecting the principal of the fund) (2) fund K-12 education only. Recognizing that this does not, at the present level of earnings, cover all the cost of this program. It will however, grow and it protect those funds from being used for other frivolous things in the State budget and it will guarantee funding for the best investment we can make- the youth of Alaskans.

3. Make the following cuts per your report in scenario #1

   A. Privatization $54,217.40
   B. Competitive contracting opportunities $11,799.70
   C. Consolidate/Eliminate programs $19,296.8
   D. Employee salary/Benefit reforms and streamlining programs $96,150.80

   Total savings = $181,464.70

4. In scenario #4 reduce general government by $111,034.00

5. Statewide lottery $10,000,000.00

A Real Estate and Development Company
(907) 581-1276 . FAX (907) 581-1496
P.O. Box 149 . Unalaska, AK . 99685

6. Raise existing taxes as listed in your report totaling $176.3 million

I believe we come very close to solving the problem (a) without any new taxes (b) keeping the integrity of the permanent fund (c) and without taxing resources and resource development which further exasperate the lack of development (d) and any short fall could come from the potential additional economic development revenues. Also note that this plan does not take away grants benefiting individual and local government and to non profit organizations which are very important to the citizens of this state in all areas.

This sounds like a very simple solution but I am sure very difficult politically but the Governor needs to take the lead and make it happen for the future of Alaskans.

Sincerely,

Richard L. Davis Jr.

Richard L. Davis Jr.
Chief Executive Officer

RD/lr

cc: file

September 15, 1995

The State of Alaska Long-Range
Financial Planning Commission

Attn: Melissa Fouse

I am writing in response to your request for input regarding the Preliminary Report of the State of Alaska Long-Range Financial Planning Commission. Of particular interest to me as I read the report were the comments about cutting university funding, especially in Scenario 4. As I understand the plan, the recommendation is to eliminate the extended campuses of the university. Further cuts would occur with the recommendation that all vocational education be privatized.

While I expect there are reasons for these suggestions, I find it hard to understand. In a state where the concern is for development and production, it is surprising to me that the recommendation would be to cut programs that prepare people for real jobs. Privatization is simply a dodge and when combined with reducing opportunities to our extended sites, it appears as an attempt to micro-manage without the benefit of appropriate interaction.

The decision to focus on extended sites, the university in general and vocational education are excellent choices. These are the areas that have the ability to offer the most hope for renewed development. When industries investigate Alaska's potential for development, they check our education capabilities. The university has as a responsibility the education of Alaskans. This includes preparing them for real work. While vocational education has long been thought of as expensive, it is the most responsible investment if employment is the criteria. Research shows that vocational education pays; for that matter all education pays. Why would the committee choose to suggest that we eat our seed corn? Why would they be so specific in their recommendations for university cuts? Is it because they will have the least impact on the quality of life in Alaska? I would suggest the impact will have just the opposite effect.

I appreciate the opportunity to comment and wish you each well in this most difficult task.

Sincerely,

Douglas E. Hammer
3211 Providence Drive
Anchorage, Alsaka, 99504

Financial Planning Commission
Att: BOB
716 W 4th Ave Suite 470
Anchorage, Ak 99501

Dear Bob,

This letter is to agree with the one submitted by Marie Brooks. It is time for the state to be more responsible for their actions. I know for a fact that many employers have lost valuable employees to the state because of the wages and mostly benefits. It has been apparent for years that the state has hired many employees that are not qualified for their jobs and seem to stay. I could name several from this community, that have taken full advantage of the 10 year buy out. What a waste!!!!

I believe that eveyone in State, Burrough, or Federal Government should treat the budget and their employees as if they owned the business and operate it as such. Not like the funds are never ending and wanting to tap every resource to the limit. For several years I have called Juneau and found the employees there very specialized. In fact when inquiring about bonding if the person doing the bonding was not there you had to wait until she came back from vacation or illness. If you were in private enterprise you have other employees cross-trained to cover when employees are on vacation.

Thank you for your time,

Diane Poston

Diane Poston
PO Box 1180
Homer, Alaska 99603

DATE: September 22, 1995

TO: Long Range Financial Planning Commission, Brian Rogers, Chairman

FROM: Roger Cremo

The state has an endowment that consists of the oil revenue it receives and the income from the investment of that revenue.

The Legislature, using the authority granted to it by the people, spends from the endowment at an unsustainable rate. That's the problem and the "fiscal gap" is a symptom of it.

The problem cannot be solved by recommending to the current and all succeeding legislatures that they refrain from using their authority. The only solution is to limit the legislative authority, and that can only be accomplished by constitutional change.

The standard definition of a maximum sustainable withdrawal from an endowment is projected real growth from investment. Expressed as a rate, the projection should be five or six percent a year, because that's what the experience of other investors has shown. Of course, there has to be a gradual reduction from the current rate of withdrawal (I estimate 14%).

Once it is established that the maximum sustainable amount (during transition, a gradually-reduced unsustainable amount) will be withdrawn from the endowment, meaningful decisions on reduction in projected expense and increase in projected conventional revenue can be made.

Long-Range Financial Planning Commission
716 West Fourth Avenue
Suite 470
Anchorage, AK 99501

25 September 1995

Hand Delivered

Dear Commissioners:

Quite regularly a discussion on Alaska's fiscal gap leaps immediately into discussing details of "how do we fix it." The matter is of incredible importance, and almost everyone thinks he is an expert. It is possible that we will fragment ourselves and lose ourselves squabbling over details. Here for your consideration are a few suggestions that might help to avoid that:

OVERARCHING PRINCIPLE -- Put something in place that provides both constraints and guidance on dealing with the fiscal gap. Establish processes rather than trying to establish a specific product.

CONSTITUTIONAL AMENDMENT -- Propose an amendment to the Alaska Constitution that provides abstract guidelines and goals, and compels action on the gap-closing process.

LEGISLATOR / EDUCATOR -- Urge all legislators to educate their constituents on gap-closing through pre-session and in-session information meetings and public hearings.

PEOPLE'S CHOICE -- Use specifics from your deliberations as examples and let the people work out the particular mechanisms they want.

You have labored under difficult conditions, including a low budget, limited work time, and a complex subject. Your initial report shows the high quality of your efforts, and your final one will undoubtedly carry that work further. Thank you for your efforts on behalf of the people of Alaska. I hope you will be able to continue your involvement so that your expertise and refined knowledge may be of even more benefit.

On the following page is a brief discussion of the supporting rationale for the items above.

Sincerely,



Allan Adasiak
1835 Crescent Drive
Anchorage, AK 99508

Telephone 562-0401
Fax 563-4854
E-mail phoenix@alaska.net

OVERARCHING PRINCIPLE

The Ten Commandments and the Golden Rule have been of immense benefit because they are general and still provide guidance. Man is left to make the specific applications. Constraints or limits as well as objectives are necessary in order to have focus and direction.

A sense of process is important because ways of closing the fiscal gap will be developed and implemented over time. The result of those efforts will also take place over time. A sense of process recognizes this and allows for the use of feedback guidance systems to monitor actual events and make useful changes.

CONSTITUTIONAL AMENDMENT

The legislature, the administration, and the people in general would be involved. It would provide a specific focus for discussion. Individual actions and positions would be more visible.

With prompt action, a proposed amendment could be placed before the voters of Alaska fairly soon. Such an amendment would have a force of law even greater than specific statutes.

It would provide a general-level frame of reference, leaving the particulars to be worked out by the affected public.

LEGISLATOR / EDUCATOR

Legislators represent specific groups of constituents, among whom they live and to whom they have established connections. They constitute a state-wide system for providing information and gathering input. They control expenditures and income, are accountable to the people, and are in a position to provide leadership.

Legislators already understand that closing the fiscal gap requires a mix of approaches. They can communicate that to their constituency and explain the different possibilities.

PEOPLE'S CHOICE

The best method for closing the fiscal gap is the one the people will support. Without that support, nothing positive will happen. Individual views will vary on the weight to be given to various gap-closing factors, but the important thing may not be the factors so much as the product.

$3 \times 4 = 12$
$4 \times 3 = 12$
$6 \times 2 = 12$
$2 \times 6 = 12$

1049 West Fifth Avenue
Anchorage, Alaska 99501
907-276-1414
Fax 907-276-6350

September 27, 1995

Mr. Brian Rogers, Chair
Long Range Financial Planning Commission
716 West Fourth Avenue
Anchorage, Alaska 99501

Dear Mr. Rogers:

The members of Commonwealth North share the commission's goal of the development of a sustainable long range fiscal plan for the State of Alaska. While there are many ways to "balance the budget," the real challenge lies in developing sound principles and policies which will bear the test of time. We must assure that the plan results in a positive influence in our culture, in the marketplace, and on our people.

We believe that the desired outcome is straightforward: a government that spends its money wisely; a taxation system that is fair; and a savings plan which balances today's needs and wants with security and dignity in the future. Commonwealth North suggests the following principles as guidelines for the commission as it finalizes its recommendations:

Examine the Role and Cost of State Programs
Programs and services supported by the State should be prioritized. State government clearly must meet such traditional responsibilities as providing for public safety, education and health and social service programs. On the other hand, Alaska has reached a point in time where it must evaluate whether programs such as the permanent fund dividend, longevity bonuses, an absence of state-wide taxes and other broad-based benefit programs can be continued.

Government Accountability to its Citizens
Citizen participation and clearly articulated performance standards, expectations and measures for government services and programs must be put in place to effectively evaluate program costs and benefits. This contrasts with the current focus on "inputs" - how much money is spent - without regard to "outputs." Such information will enable all Alaskans to determine whether their policy goals are being achieved.

Balancing Responsibility for the State's Fiscal Future
In developing a long range plan, it is important to assure balance. This means providing a means for public monitoring of the State's financial health, taxation of individuals, use of incentives (tax advantages for development), and other stimuli (dividends) to produce the necessary financial resources to insure Alaska's future. Permanent fund earnings are a crucial factor in achieving this balance.

Financial Stability
Alaska's wealth is derived from our natural resources. Unfortunately, unanticipated and diverse variables can affect the revenues. Therefore, prudence dictates that sufficient savings be set aside to provide financial stability in times of market volatility. Such reserves should be distinct from any fund which can be easily accessed to prop up state spending.

Protection of the State's Assets

Alaska should take care of its current investments and assets--the Permanent Fund, roads and public facilities, natural resources--prior to investing in or embarking on new endeavors regardless of how politically attractive. Incentives must be put in place that reward prudent management and good stewardship.

We appreciate the opportunity to comment. Be assured that Commonwealth North and its members stand ready to assist the commission in disseminating the results of your work and in educating Alaskans on its content. We appreciate your efforts and thank you for your contributions to a better future in Alaska.

Sincerely,

Marc Langland

Marc Langland

REPRESENTATIVE KIM ELTON

September 25, 1995

RECEIVED
SEP 27 1995
LAW OFFICES
BIRCH, HORTON, BITTNER

Mary Nordale
Birch, Horton, Bittner and Cherot
P.O. Box 73918
Fairbanks, AK 99707-3918

Dear Mary:

Thanks for the quick response to my concerns. I know the task before the commission is daunting and the nit-picking of everyone who watches can be tiresome.

While I can appreciate your philosophical approach to budget cuts--most succinctly summed up in your statement "industries that generate profits should not be more protected than John Q. Public from the costs of economic activity"--I am troubled by the unequal application of the philosophy. If we apply that philosophy consistently just in DCED, then joining ASMI and ATMC on the commission's cut list would be: half of the commissioner's office budget ($566,000 in GF); a portion of the administrative services budget ($1.2 million in GF); all of the economic development budget ($1.87 million in GF plus $370,000 from other sources); all of the international trade budget ($1.145 million in GF funds); and all of the tourism development budget ($3.04 million in GF).

These clearly are DCED expenditures in support of for-profit industries, though they are distinct from ASMI because not only do they incur the ancillary retirement and medical costs but they use straight general fund dollars, not industry receipts, to promote for-profit industries. I find it ironic and troubling that the application of the 'industry suffer' philosophy is to industry-supported ASMI and not the GF freeloaders (freeloaders is a charged word and should not indicate my blanket opposition to any of the above programs since I actually do believe there is a role for straight GF dollars in economic development--though I believe we need to better define the vision and better measure progress toward goals).

As an aside, I hope you'll note I am not arguing for or against the commission-recommended boost in raw fish taxes. Industry should pay its way, though I find it ironic we keep providing tax

ALASKA HOUSE OF REPRESENTATIVES
STATE CAPITOL • JUNEAU, ALASKA 99801-1182 • (907) 465-4947 • FAX 465-2108

incentives to mining and timber (industries that ISER notes pay far less in taxes on their economic activities in Alaska than they do in other states) while the commission may recommend we boost the taxes on the seafood industry (which ISER notes pays the average of other states based on economic activity).

Our dialogue on these issues is simply a microcosm of the political debate in which policy makers and the public will hopefully become more fully engaged in over the next couple of months in the wake of your report. I will note during the debate--since the commission apparently won't--the ASMI inconsistency. That inconsistency goes beyond the misleading scenario lists that don't even indicate the ASMI savings (unlike the savings from the other programs on the list) can't and won't be applied to deficit reduction. Any savings realized will go into the pockets of processors and fish harvesters--corporate and individual citizens extracting profit from a state-owned and managed resource.

I will also bring up the issue of fairness--why are all the other general fund industry enhancement programs held harmless? Are they more effective? I doubt it since they don't even have a market test for effectiveness. If ASMI's mission is not well defined and success is elusive, industry quits paying and walks away, returning the cost of the ASMI program to their profit margins. We should be so lucky to have that kind of a market test for other industry development programs. Mining development, timber development, tourism development and the governor's "marketing Alaska" initiative are completely financed with general fund dollars and, since these programs cost industry nothing, it's no green out of their pocket if the programs are ineffective. Yet these programs show up nowhere on your list even though, unlike ASMI, cost savings in these industry-support programs could be diverted to public safety, education or deficit reduction.

My notation, and the objections of others to these report inconsistencies, will prompt point/counterpoint debate on 'fairness' that will spiral downward, complicating action on the real problem of the fiscal gap.

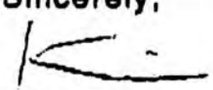
Your point about retirement and medical care coverage of ASMI's 18 employees is well made. However, the same point can be made of tourism development's 17 employees, AIDEA's 27 employees, international trade's 7 employees and the high number of employees

in the administrative division and the commissioner's office that support all of the industry development functions. Why are they exempted from the cut list since they not only cost on the ancillary benefit side but their salaries, computers, subscriptions, travel and scratch paper also sap the general fund? For that matter, why not apply this argument to the science and technology fund, AHFC, and a host of other agencies and functions that fall outside the core functions of education, safety, health, and infrastructure? To extend the logic even further, should the state pay retirement and medical costs for employees of state-operated airports when other communities, like Juneau, pick up those airport costs through direct charges to the airport users and local taxpayers?

Mary, I do appreciate the problems the commission faces. But I also believe the commission's recommendations, if grounded in philosophy, must affect all equally. Because of your willingness to not only serve on the commission but engage in a dialogue with a prematurely irascible person like myself, I'm tempted to expand the debate to my belief that if we don't enhance revenues we at least end tax incentives for industries that pay far less into Alaska's general fund than they do in other states. But I won't.

Again, thanks for your response and your patience with my reply. Good luck as you struggle toward a final report.

Sincerely,



Kim Elton

Morris & Evelyn Turner
PO Box 93390
Anchorage, AK
99509

September 26, 1995

Long Range Planning Commission
716 W 4th Ave
Anchorage, AK
99501

Dear Commission Members,

This Communication is to summaries my views on what needs to be done to trim the FISCAL GAP, before the Permanent Fund is tapped:

- Cut State Employees (& teachers) salaries by 20%.
- Require State Employees to work 40 hr weeks, & to work 30 YEARS before they can RETIRE.
- Cut WELFARE SYSTEM (eliminate giving money to those who don't work {have baby out of wedlock}, etc.) & only give them FOOD, CLOTHING from distribution centers (like the Salvation Army). It's terrible when a few working must support the lazy!
- Quit subsidizing the bush, they must learn to live within their means. ANCSA settled the claims, let their Corporations do there job to help their people out.
- Install heavy tax (revenue sharing) of the fishery industry. Include both out of State Permit Holders as well
- Install income tax for all incomes made/received w/in the State except retirement incomes (this would help offset cost of living for those who chose to retire here).
- Reduce loop holes in Medicaid program. (know of milliners who have worked the system so there parents/children can receive Medicaid & other State/federal subsistence.
- Require Village to pay same share for state education/schools as does Anchorage
- Etc., Etc., Etc...

Once the free lunch program are in line then look @ other tax's including Permit Fund. etc., **BUT ONLY THEN!!!**

Thanks for considering my views,



Morris Turner

Kevin Walker
PO Box 2078
Nome, AK 99762
907-443-3414

September 23, 1995

State of Alaska
Brian Rogers, Chair, Long-Range Financial Planning Commission
716 West Fourth Avenue
Anchorage, AK 99501

Dear Mr. Rogers:

I have the following comments and suggestions for eliminating the fiscal gap in the state:

I strongly support Jay Hammond's thoughts about distributing all forms of revenue to the citizens of the state, and withholding that which is required to operate the state.

If you haven't read Hammond's book, or if it has been over a year, please read pages 317-323 (Chapter 35, Whither Alaska) in Bush Rat Governor. I can't find a thing wrong with his logic.

Impose an income tax on ALL workers in the state, ESPECIALLY out of state workers. The money withheld from the distribution of revenues would go to help residents pay this income tax. As the population grows, the state must be able to collect more money to support that population.

Do what it takes to privatize prisons.

Raise all fuel, tobacco, and alcohol taxes significantly, as well as instituting the fish royalty tax.

Pay all state employees, including legislators, the same per diem rates. It can't cost legislators double what it costs other state employees to visit Juneau.

Don't reduce or cap the Permanent Fund.

Don't work two shifts to open roads around Nome in the spring. Sometimes the snow melts before the road gets completely open, or it gets opened at great cost and a storm comes and closes the road again! This may occur in other parts of the state as well.

Sincerely,

Kevin Walker

ASSOCIATED GENERAL CONTRACTORS of ALASKA

4341 B STREET • ANCHORAGE, ALASKA 99503
P.O. BOX 240649 • ANCHORAGE, ALASKA 99524-0649
TELEPHONE (907) 561-3334 • FAX (907) 562-6118

29. Sept. 1995

To
Long-Range Financial Planning Commission
716 W. 4th. Ave.
Anchorage, AK. 99501

Fax 258-9869

Subject: Comments on the "Fiscal Gap"

Dear Commission members:

We realize that the factors effecting the State of Alaska "Fiscal Gap" are numerous and the issue complex, nevertheless we submit the following comments for your consideration:

- During the "Economic Summit" from Nov. 30 to Dec. 1/1992 at the Eagan Center in Anchorage consensus was reached by a very diversified and knowledgable group to address this situation. It can serve as a blueprint for your work.
- Full funding and expenditure figures from all sources have to be used, not just those from the State of Alaska.
- Return Government services to mandated functions and levels.
- Cut "unique" services as shown in your preliminary report.
- Keep per capita expenditures at a level of not more than 1½ times the National average.
- Create a CIP reserve within the State financial structure in accordance with Sect. 16, Article IX of the State constitution to create a stable capital program schedule.
- Re-align public employees compensation to comparable levels with the private sector.
- Contract for Government services with the private sector on a competitive bid basis.
- Force uniformity of local taxation to include areas of the State now in "unorganized boroughs" as mandated by the State constitution.

- Make constitutional changes to allow dedicated user fees for specific purposes and restrict these funds for such uses.
- Additional taxes do not seem warranted at this time and should not be used until the above steps are taken.

Thank you for a chance to comment. We will stay involved as this difficult issue will be addressed through your actions and subsequently in the Legislature.

Sincerely,

Heinrich Springer

Heinrich Springer
Exec. Director



ALASKA STATE VOCATIONAL ASSOCIATION

September 29, 1995

State of Alaska
Long-Range Financial
Planning Commission
716 West Fourth Avenue
Anchorage, Alaska 99501

Dear Commission Members:

I have reviewed "Alaska's Growing Fiscal Gap," in which you proposed four scenarios describing potential opportunities for cutting expenditures and raising needed revenues. In three of the four it appears that the Commission is advocating the privatization of vocational education either through the elimination of State funded postsecondary vocational/technical education (scenario's 1 and 2) or the elimination of "nearly all of vocational education" (scenario 4).

Vocational education has a long tradition of providing public school students with employable skills so they can participate in the labor market. As a result, vocational education programs at both the secondary and postsecondary level are an important component of many Alaskan community's human and economic development plans.

The twin advantages of offering strong vocational educational programs in publically funded institutions are equity and access. At the secondary level all students have equal access to vocational programs irrespective of gender, ethnicity, academic achievement or financial ability to pay. Vocational programs at this level provide students with employability skills (being able to work as a team member, getting to work on time, etc.), make the theoretical relevant through practical application, and allow students to learn competencies related to a variety of careers. While secondary vocational programs are individualized to meet the needs of a range of abilities, every secondary drop-out program in this State incorporates a vocational component.

Postsecondary vocational/technical students receive training for immediate employment and, depending upon the institution they attend, have the opportunity to earn certificates and degrees. Publically-funded vocational programs at both levels tend to have a more comprehensive curriculum which provides exiting students with a variety of career and educational options than that provided by the narrow vocationalism of proprietary schools. When privatization occurs it is usually at a higher cost to students who may be denied access because they can't afford to attend.

Our membership would welcome the opportunity to dialogue with the Commission further on the economic and social benefits of vocational education within the State of Alaska. With the recent funding of a School-to-Work Implementation grant to the state, we anticipate the development of some exemplary programs that will be able to serve as models to the rest of the nation. A fundamental component of that initiative requires comprehesive secondary and postsecondary vocational programs. Elimination or reduction of vocational education at either the secondary or postsecondary level is counterproductive to this initiative and Alaska's economic future.

Sincerely,

Dr. Flory Vinson, President
Alaska State Vocational Education Association

December 20, 1995
PO BOX 103554
Anchorage AK 99510

LONG RANGE FINANCIAL PLANNING COMMISSION
716 West Fourth Avenue # 470
ANCHORAGE AK 99501

Dear Commissioners:

I recently received a report summary on your proposed financial plan forwarded to me by Commonwealth North, who urged me to contact my legislators regarding the fiscal gap. I believe you also are due a brief note.

This summary says nothing specific about reducing per capita expenditures by the state government. Instead, it describes phased reductions left to the judgement of the legislature. The astonishing math with which the author of this summary adds forty million to thirty million plus thirty million and arrives at three hundred million dollars in reduction 'in today's dollars' sent a shiver of fear down my back. Is federal default and rampant inflation expected to this degree? The attack on the Permanent Fund is an assault on the wealth of the individual people of this state. The state has had plenty of budgetary reserve funds which it has exhausted relentlessly. The Permanent Fund is the accumulated savings from profits made by selling the resources common to the people. Reducing individual dividends is the exact opposite of cutting state spending.

The licentious abandon with which targets are mapped out for heavier tax burden can only come from a commission who believe that the people exist to service them. Tobacco and alcohol taxes are behavior punishment taxes and are elitist in the extreme. Motor and marine fuel are the energy costs for the public and were singlehandedly responsible for the most destructive inflation in recent history. All of these taxes hit heaviest on those least able to pay.

Doubling motor vehicle fees is especially infuriating. Will the fee, the tax, the surcharge, or the total be doubled? Will the $10 fee the DMV imposes for meeting a public employee in a public office be doubled as well? The creation of new taxes on industries puts the burden on those who are attempting to produce value and acts as a deterrent to the economy. Is the total intent mainly just to sink the state's teeth into it's public up to the neck?

I'm sure you can think of point-by-point rejoinders to my concerns. It is not necessary that you reply, only that you understand that yours is not the only viewpoint on the planet.

Sincerely,

Donald R. Ricker

TO: BOB Walsh

→ Bob Blasco
258-9869

DEC 28 1995



CITY OF KENAI

" Oil Capital of Alaska "

210 FIDALGO AVE., SUITE 200 KENAI, ALASKA 99611-7794
TELEPHONE 907-283-7535
FAX 907-283-3014

1992

Carol - City of Kenai.
283.7539

December 19, 1995

Judy Brady, Vice Chair
State Long-Range Financial
Planning Commission
716 West Fourth Avenue, Suite 470
Anchorage, AK 99501

Copies sent 1/11/96

RE: ***TOWN HALL MEETING***
City of Kenai

The Kenai City Council has scheduled a town hall meeting for January 25, 1996 which will be held at the Kenai Senior Center beginning at 7:00 p.m. The main topic to be discussed will be the State's long-range financial planning, recommendations of the Commission, and expected effects from those efforts to close the fiscal gap. After hearing the concerns of the audience, Council plans to draft a resolution supporting concerns which the community feels strongly about. After action on the resolution, it will be forwarded to the Commission and our area legislators.

We invite you and other representatives from your office to join us at the meeting. We hope you and others will speak to the audience, updating us on the Financial Planning Commission's findings and recommendations.

We also request 200 copies of the publication, *An Endowment for Alaska's Future, The State Long Range Financial Planning Commission Report* be forwarded to this office. We plan to have them available for the public at the meeting.

We look forward to hearing from you.

CITY OF KENAI

John J. Williams
Mayor

JJW/clf

Judy - No
Brian - No
Lee - Busy
Motley - No

1/11/96 Spoke to Carol -
Told her the problem.
She was going to talk to
Mayor about bringing someone down -
More later. Bob

1940 Sutherland Drive
Juneau, Alaska 99801
(907) 463-2530
Dec. 15, 1995

The Long Range Financial Planning Commission
216 West Fourth Ave., Ste. 470
Anchorage, Alaska 99501

Dear Sirs:

I have carefully read the Long Range Financial Planning Commission Report and I am now at least convinced that there is a need to balance the budget. We, out here, get so many mixed signals that we are not sure what to believe.

First of all, I do not understand why a state income tax was not considered. It would seem that income should come from the people who are in the best position to pay (including seasonal help) rather than nickel and dime-ing the whole system to death.

Reducing the payout on Permanent Fund seems like a good idea, which might get out of hand if costs continue to escalate. My idea was to cap it off at some figure like $900 leaving all future gain to go into state revenues.

Jobs are essential. It would be nice to encourage some kind of light industry, like Silicon Valley, to come to Alaska. Why not? One reason might be shipping. Every time I think about doing business I run into some supplier who insists on shipping by UPS, which means a base cost of $14.50 instead of $3.40. UPS says that their costs are higher to Alaska because they have to ship by air but surely they ship by air between Seattle and New York? And what is the difference between some small town in Alaska and a destination 40 miles from nowhere in Montana? I believe that the UPS charges need to be looked into.

Another reason for the lack of small business may be that vested interests get their hooks into you and make it economically impossible. I knew someone who wanted to start a boat repair shop and someone in the EPA wanted a huge kickback to approve it. Illegal, of course. I also had an experience that stopped me dead cold. At one time I had no income so I decided to get a student loan and take up art. The art was great and I was doing well but then the University decreed that I needed to make up three basic courses that I had missed (according to their criteria) back in 1945. I have a BA and a MA and I figure that I probably had a better education than some of their instructors - and those three courses cost me two years of student loan payments, and because I had to make the payments I never was able to pursue the art. All (in my opinion) because the University wanted the registration fees.

Right now I have an opportunity to sell my house, which is not worth much (Because the city's avalanche planning was fallacious, prolonged and inconsistent) and I would like to buy a condominium to remain independent, but I will have to make additional payments. Will I be able to make the payments if you (1)make cuts in the Permanent Fund; (2)possibly cut Adult Public

Assistance ($2 cut this year while my grocery bill unaccountably went from $125/mo. to $175); and (3)it sounds like there is a small possibility Longevity might be cancelled? In addition to the above, (4)if the state eliminates support for senior tax exemptions, the cities have no incentive to continue.

I thought that the rational for tax exemptions was to help people to stay in their homes, which is supposed to be cheaper than providing institutions. Could tax exemptions possibly be included in Adult Public Assistance?

Another point is that progress seems to be measured in terms of local improvement projects. We just got a new sewer in our subdivision, at great cost to the State and to us. Everyone had septic tanks. The only thing that was needed was for some people to put in some enzymes to make them work properly! What is the difference between processing it here or out at the end of a pipe somewhere as long as the soil condition is suitable?

In general I would say about government, "Too many laws" and the legal system has tightened up so much that everyone thinks that they have to enforce the bottom line rather than going by the intent of the law.

I'd like to feel helpful about cutting costs but I feel as though government has caused most of my problems. Now it is difficult to plan with so much uncertainty.

Sincerely,

Dorathy Tow

Dorathy Tow

P.S. Would it be possible to vote on the best way to accomplish cuts?

State of Alaska
Long Range Financial Planning Commission
716 W. 4th Avenue, Suite 470
Anchorage, Alaska 99501

(907) 258-8165 Phone
(907) 258-9869 Fax
December 8, 1995

To: Commission Members

From : Staff

Here is a listing of the distribution of the report thus far for your information:

American Lung Assoc.	(50)	PTA	(50)
Youth and Justice	(100)	AHFC	(50)
Rapid Action Mailer (PFD 5400)		Rep. Mike Navarre	(300)
Brian Rogers	(300)	Brad Pierce	(1350)
Governors Office-Jun.	(1500)	Mail list	(450)
LIO's Statewide	(300)	Governor Office-Anc.	(50)
Alaska Miners Assoc.	(150)	State Chamber	(90)
Common Ground	(140)	Common Sense	(60)
State Library Assoc.	(100)	B.B.N.C.	(125)
Cliff Groh	(10)	State Chamber	(100)
THE PAPER- Jun.	(13,000)	Fairbanks News	(24,000)
Kodiak News	(3500)	City/Borough Kodiak	(300)
Senator Kelly*	(13,000)	Elmers Rest.	(50)

BUSH MAILER [condensed version 43,000]
ALASKA Journal of Commerce 9000
This represents the majority of the requests for the report thus far. The Bush Mailer asks readers that are interested in more information to call. We are just starting to receive calls .

* Senator Kelly had this printed at his own expense for his district.

Total copies printed thus far is **107,525**

CWN 400

Copy for Committee members

DRAFT

A Two Year Profile of

Serious Injury in Alaska

(1991-1992)

Martha Moore, M.S. – 465-3027
Research Analyst

Emergency Medical Services
Department of Health & Social Services
Division of Public Health

A TWO YEAR PROFILE OF SERIOUS INJURY IN ALASKA (1991-1992)

Introduction

Injuries are not accidents! Injuries have long been thought of as unavoidable events, when in fact they are often predictable and preventable. In our attempt to control the injury epidemic, it is necessary to understand it and to approach it scientifically, as we have with other major health problems.

National statistics show that for every injury death, there are approximately 16 hospitalized injuries and 381 nonhospitalized injuries. The following profile describes the top two levels of the injury pyramid for Alaska. This data assists in [illegible]er the total injury "puzzle" — [illegible]o, when, where, and how o[illegible]. Once causes are determined, st[illegible] reducing injury and disability can be formulated.

INJURY PYRAMID



Information Sources

The **Alaska Trauma Registry** is an information system of hospitalized injury in Alaska. The criteria for inclusion in the registry are patients admitted to an Alaska hospital or transferred to another acute care hospital, and emergency department deaths, due to traumatic injuries, drowning/near drowning, and the effects of reduced temperature. Poisoning, which was added to the trauma registry criteria in 1993, is not included in this two year study. Nor does it include deaths (ie. suicides) that never came to the hospital.

The **Bureau of Vital Statistics** provided electronic data on fatal injuries occurring in Alaska. This data was analyzed by Emergency Medical Services staff. **In this report, 1992 Vital Statistics data is provisional.**

Information on safety equipment use by victims of fatal traffic collisions was taken from the **Alaska Fatal Accident Reporting System (FARS)**, a traffic records system managed by the National Highway Traffic Safety Administration (NHTSA).

Several charts in the occupational injury section were contributed by the **National Institute for Occupational Safety and Health (NIOSH) Alaska Activity**. This office maintains a statewide surveillance system of all work-related traumatic fatalities.

Population figures used are the population estimates for July 1, 1991, Alaska Population Overview, Department of Labor.

This is a study of injury occurring in Alaska, to Alaska residents and visitors to Alaska. Whenever the number of injuries is reported, visitors are included, and the number represents a two-year total. Reported rates of injuries, however, include only Alaska residents, and represent an annual rate. Injury occurrences of less than five may not represent the true distribution of injuries in the population due to the small number.

The numbers behind the graphics are available from the Emergency Medical Services Section, Division of Public Health, Department of Health and Social Services. This is a "close estimate" of the actual number of fatalities and hospitalized injuries that occurred in the state. Even when Vital Statistics data is final, additional death certificates are often subsequently submitted. A validation study to assess the trauma registry's sensitivity as a surveillance system has been initiated by the NIOSH Alaska Activity office. So far a review of two large hospitals in Anchorage revealed one case missed of 97 cases for the period of a month, for a sensitivity of 99%.

If you have any comments or questions about this report, please contact Martha Moore, Trauma Registry Coordinator, 465-8631.

Abbreviations and Definitions

External Cause of Injury:

Falls:	Excludes falls on water transports and off playground equipment.
MVT:	Occupant of motor vehicle in traffic (on the highway).
Assault:	Intentionally injured or killed by another person, except legal intervention.
Suicide:	Intentionally self-inflicted. Suicide or attempted suicide.
Playgrd:	Fall from playground equipment.
ATV:	All-Terrain Vehicle.
Burn:	Hot substances, electricity, and radiation. Fire and flame injuries are excluded.
Suffocation:	Excludes drowning.
Ped:	Pedestrian.
F.B.:	Foreign body entering orifice of body other than eye. In small children and infants this almost always involves the swallowing of an object.
Submersion:	Drowning and near-drowning.
Water Transport:	Injury on boat or ship, not including submersion.
Bicycle:	Motor vehicle involvement and no motor vehicle involvement
Airplane:	Crash or injury in airplane.
Firearm:	Unintentional firearm injury.
Cold Temp:	Effects of reduced temperature: hypothermia, frostbite.
Other Animal Injury:	Domestic or wild; not from dogbite or riding an animal.
Other:	May include struck by person or object, caught between objects, other off-road vehicle, strains.

Populations:

PI:	Pacific Islander
Visitors:	Residing outside Alaska, injury not related to work.
Non-Resident Workers:	Residing outside Alaska, work-related injury.

Emergency Medical Services (EMS) Region:

A/P:	Aleutian-Pribilof Sub-Area (East and West)
Anch:	Anchorage & Cook Inlet Sub-Area
BB:	Bristol Bay Sub-Area
CR:	Copper River Sub-Area
Int:	Interior Region
KP:	Kenai Peninsula Borough Sub-Area
Kod:	Kodiak Island Borough Sub-Area
M-S:	Matanuska-Susitna Borough Sub-Area
NAB:	Northwest Arctic Borough Region
NSB:	North Slope Borough Region
NS:	Norton Sound Region
PWS:	Prince William Sound Sub-Area
SEAK:	Southeast Region
YK:	Yukon-Kuskokwim Region

Listed below are the 14 most expensive injuries in the trauma registry for 1991 and 1992 in terms of hospital charges, of those injuries with hospital charge recorded.

Cost	Injury Description / patient (1 patient)
$400,000	Passenger of motor vehicle crash; no safety belt; shoulder injury; discharged to skilled nursing care.
> $250,000	Fall from a ladder; internal injuries.
> $240,000	Explosion; children with fire; first degree burns.
> $240,000	Head-on collision; small sports car vs. motor home; discharged to rehabilitation facility.
> $230,000	Motorcycle vs. car; no helmet; fractured leg; discharged to rehabilitation facility.
> $200,000	Car vs. truck; unbelted occupant thrown from car; discharged to rehabilitation facility.
> $200,000	Car vs. truck; safety belt use unknown; head injury.
> $200,000	Fell off roof of building; head injuries; discharged to rehabilitation facility.
> $200,000	Motorcycle crash; no helmet; alcohol involvement; head injury; discharged to rehabilitation facility.
> $200,000	Explosion while sniffing ether; alcohol involvement; third degree burns; discharged to skilled nursing care.
> $200,000	Fell at home; alcohol involvement; head injury; expired.
$200,000	Single car roll-over; no safety belt; head injury; discharged to skilled nursing care.
$200,000	Pedestrian struck by auto; intoxicated; head injury.
$200,000	Single car roll-over; unbelted passenger ejected from car; head injuries; discharged to rehabilitation facility.

Table 22

The percentage of patients in each injury category that were suspected or known to have used alcohol at the time of injury is listed in Table 17. Prehospital deaths not included.

External Cause	Total	% with Suspected Alcohol Involvement
Attempted Suicide	137	51.1%
Assault	748	49.2%
Cold Temp	83	36.1%
Snowmachine	241	33.6%
Pedestrian	173	32.9%
Unintentional Firearm	131	25.2%
Motor Vehicle Traffic	963	23.3%
All-Terrain Vehicle	201	22.9%
Motorcycle	137	17.5%
Fire	89	16.9%
Cut	274	16.4%
Falls	2397	12.3%
Submersion	49	12.2%
Burn	139	9.4%
Bicycle	197	8.1%

Table 17



Hospital charges are not available from every hospital. They have been recorded for about half of the injury admissions in the trauma registry for the two years, 1991 and 1992. Based on the hospital charge information that is available, an average charge per injury has been calculated and the annual charge attributed to an injury category has been estimated. There are many additional costs associated with injuries (pre-hospital care, physician care, skilled nursing care, rehabilitation, loss of work, disability payments) that are not included in this cost estimation.

Mechanism of Injury	Average $ per Pt.	Estimated Annual $
Falls	$ 9,870	$ 12,754,100
Motor Vehicle Traffic	$16,140	$ 8,272,300
MVT with Safety Belt	$11,420	
MVT w/out Safety Belt	$18,280	
Motorcycle	$17,350	$ 2,550,400
MC with Helmet	$10,070	
MC w/out Helmet	$26,780	
Bicycle	$ 7,120	$ 708,800
Pedestrian	$13,680	$ 1,265,600
Snowmachine	$10,680	$ 1,393,900
All-Terrain Vehicle	$10,080	$ 1,063,200
Fire	$16,910	$ 777,900
Burns	$10,550	$ 738,400
Playground	$ 4,440	$ 199,700
Dogbite	$ 7,080	$ 169,900
Water Transport	$12,280	$ 2,142,200
Sports	$ 5,570	$ 832,700
Cuts	$ 5,640	$ 773,200
Assault	$ 9,020	$ 3,441,600
Suicide/Suicide Attempt	$12,590	$ 962,800
Unintentional Firearm	$18,070	$ 1,174,300
All Firearm	$13,790	$ 1,786,200

Table 21

NO PARTISIPANTS
IN SITKA

LIO STAFF (KATHY)
IS THERE + WAITING.

HOONAH
HAS DROPPED
OFF LINE

KETCHIKAN
HAS DROPPED
OFF LINE

MAYOR ALBERT DICK

IN [redacted] HOONAH

ON LINE

SUE - PLUMMER
SHARON - BOLTON
SKAGWAY

KETCHIKAN ON
LINE

~~[redacted]~~ -

ON LINE
HOONAH
FAIRBANKS
SKAGWAY
KETCHIKAN
JUNEAU

HOONAH
BACK ON
LINE

Legislative Teleconference Netwo1

Fairbanks

SIGN-IN SHEET

PLEASE PRINT

SPONSOR Long Range Financial Pla

SUBJECT: _____

START /END TIME: 7:00 - _____ DAT

Fax

	Name - Organization You Are Representing	Address	Zip	Phone #
1	Jamie Cox	PO Box 16213 Two Rivers, AK	99716	488-3458
2	Charles Parker - Tanana Chiefs Conference, Inc	122 1st Ave, Suite 600 Fbks, Ak	99701	452-8251
3	Mary Nordale - Commission Member			
4				
5				
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14				
15				

work TCN # 50824

: Planning Comm.

DATE: 9-14-95

Phone #	Testify	Observe	Bill #
-3458	✓		
8257	✓		

P. 01

SEP-13-95 WED 09:22

Post-it™ brand fax transmittal memo 7671 | # of pages ▸ 1

To Lucy Fyles	From Pat Lee
Co. Mining Cmte	Co.
Dept.	Phone # 376-3704
Fax # 258-9869	Fax # 376-6180

#50822

'E TELECONFERENCE NETWORK
SIGN-IN SHEET

SPONSOR: Lyons Large Financial Plan Cmte
SUBJECT: Final OK
START/END TIME: 7:00 8:00 DATE: 9/12/95

	SIGNATURE	PRINTED NAME - REP.	MAIL ADDRESS	ZIP	PHONE	BILL	Testify
1	Verna Ewer	Verna Ewer	W. Eagle Dr.	Palmer AK 99645	746 7585		X
2							
3							
4		Lines went down/					
5		Verna left at					
6		7:50/ Couldn't					
7		get through to/					
8		Bridge either!/					
9							
10							
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16							
17							
18							

LEGISLATIVE TELECONFERENCE NETWORK

SIGN-IN SHEET

SPONSOR: LRFPC

SUBJECT: LRFPC

START/END TIME: 7pm DATE: 9/13/95

PLEASE PRINT

	Name/Representing	Address	Zip	Phone No.	Testify	Observe	Bill No.
1.	Ron Hammett - AARP	3512 Stanford Dr	99508	279-2339		X	
2.	Mary E. Shields NWTS	3941 E. 70th Ave	99508	562-1633	✓		
3.	Keith DiBurke The Alliance	4220 B St Suite 200	99503	563-2226		X	
4.	Tina Lindgren	3201 C St #403	99503	561-5733	X ✓		
5.	Don Valesko	8711 Pluto Dr. Anch	99507	346 3821			
6.	Rupe Andrews	9416 Long Run Dr., Juneau	99801	789-7422		✓	
7.	Barbara Rich	P.O. Box 80482 FBKS AK	99708	479-2508		✓	
8.	Lois Smith	8610 240th St SW #37 Edmonds WA	98026	775-9053			
9.	Timothy M. Sullivan ALASKA CRAFTSMAN HOME PROGRAM	900 West Fireweed Suite 201	99503	2582247	✓		
10.							
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23

LEGISLATIVE TELECONFERENCE NETWORK

SIGN-IN SHEET

SPONSOR: LRFPC

SUBJECT: LRFPC -

START/END TIME: 7pm - 9pm DATE: 9/13/95

PLEASE PRINT

	Name/Representing	Address	Zip	Phone No.	Testify	Observe	Bill No.
1.	LARRY BAKER	3947 LOCARNO DR	99504	563-6387	✓		
2.	JOHN HARRINGTON	252 FALL LEAF CIR	99504	337-5258	✓		
3.	BARBARA KARL	2400 East 16TH Ave	99508	279-529		✓	
4.	NANCY CUDDEBACK	10623 NANTUCKET Lp	99507	522-3125	✓		
5.	JOELLE HALL	PO BOX 770246 Eagle River AK	99577	696-1667	✓		
6.	MIKE KYRON	3311 WELLS CIRCLE ANCHORAGE	99504	337-5034	✓		
7.							
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LEGISLATIVE TELECONFERENCE NETWORK

SIGN-IN SHEET

SPONSOR: _____

SUBJECT: _____

START/END TIME: _____ DATE: _____

PLEASE PRINT

	Name/Representing	Address	Zip	Phone No.	Testify	Observe	Bill No.
1.	Rich Kronberg	3511 Chinook Bay Dr	99517	344-9264	—		
2.	Charles E. McRee	P.O. Box 143452 Anch, AK	99514	N/A	✓		
3.	MILTON BYRD / ALLIANCE	PO Box 112004 " "	99511	561 2226	✓		
4.	FRANK DILLON	2240 Daybreak Ct Anch.	99501	278-2226		X	
5.	Kim Swift Common Sense Alaska	Anchorage	99501	—	X		
6.	LARRY WIGET	4600 DEBARR	99519	269-2455		X	
7.	TOM BRENNAN	313 W. HARVARD AVE	99501	276-1397	X		
8.	HARVEY DOUGHERTY	3405 VASSAR DR - ANCH, AK	99508	279-7756		X	
9.	VERA GALAWAY	1521 W 14th Ave-Anch	99501	277-2073		X	
10.	ELLA H. CRAIG	1446 Birchwood Anchorage	99508	279-2818		X	
11.	John P. Dittrich	2422 Spindrift Cir. Anch	99515	341-94577		X	
12.	Anne Marie Holen	11241 Latta Circle	99516	346-2789	✓		
13.	Jenny McCutcheon	Anch		yes	✓		
14.	Merritt C. Olson	Anchorage AARP SLC	99501	272-9157		X	
15.							

LEGISLATIVE TELECONFERENCE NETWORK

SIGN-IN SHEET

SPONSOR: LONG RANGE FINANCIAL PLANNING COMMISSION

SUBJECT: PUBLIC COMMENTS ON THE LONG RANGE FINANCIAL PLANNING COMMISSION REPORT

START/END TIME: ~~11:00~~ 11AM **DATE:** ~~9/14/95~~ 9.14

PLEASE PRINT

	Name/Representing	Address	Zip	Phone No.	Testify	Observe	Bill No.
1.	Marc Grangland	9620 Spring Hill Dr.	99507	261-3305	yes		
2.	Tom Greene	P.O. Box 56 Nondalton AK.	99640	294-2224	yes		
3.	Ed Fathpart	1043 W. 74th Ave. Anch.	99518	349-1160	Yes		
4.	DOUG STARK	60871 HORIZON CT HOMER	99603	522 2898	"		
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LEGISLATIVE TELECONFERENCE NETWORK

SIGN-IN SHEET

SPONSOR: LONG RANGE FINANCIAL PLANNING COMMISSION

SUBJECT: PUBLIC COMMENTS ON THE LONG RANGE FINANCIAL PLANNING COMMISSION REPORT

START/END TIME: ~~1 OOP~~ 11 AM **DATE:** 9/19/95 9/16/1

PLEASE PRINT

	Name/Representing	Address	Zip	Phone No.	Testify	Observe	Bill No.
1.	JOHN M (JACK) ANDERSON SELF	1430 W 12TH AVE ANCHORAGE	99501	272-9293	YES		
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