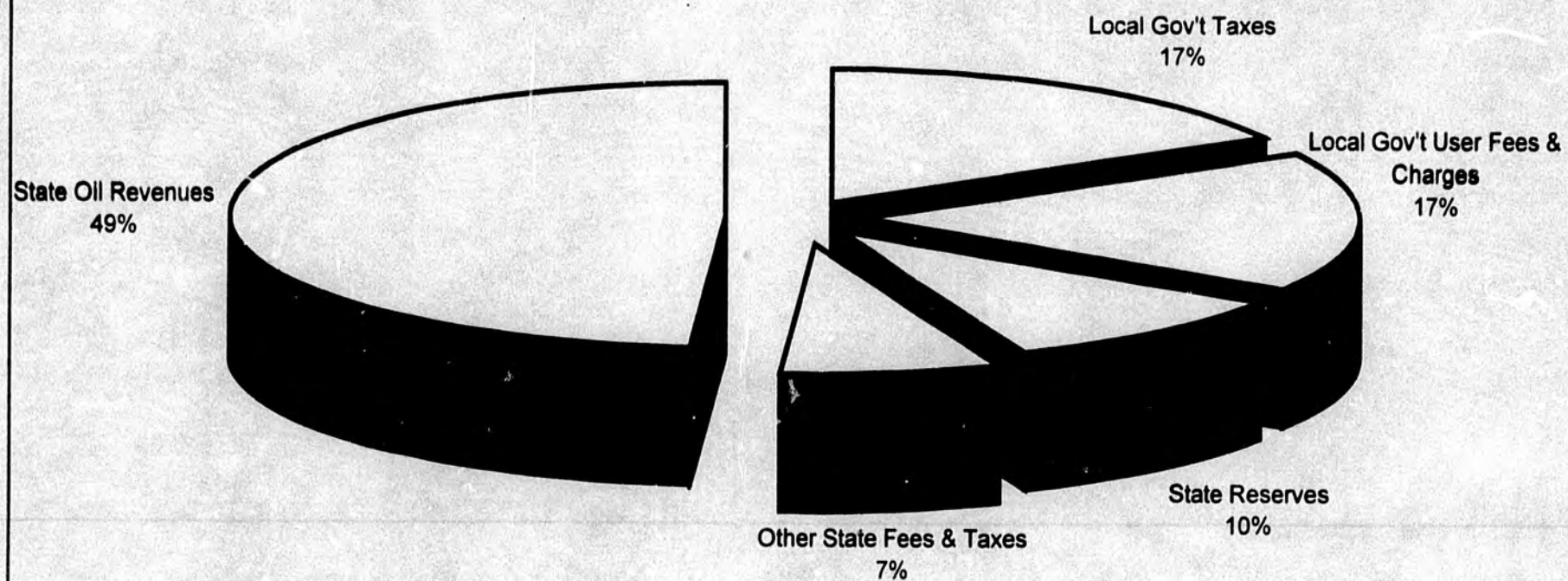


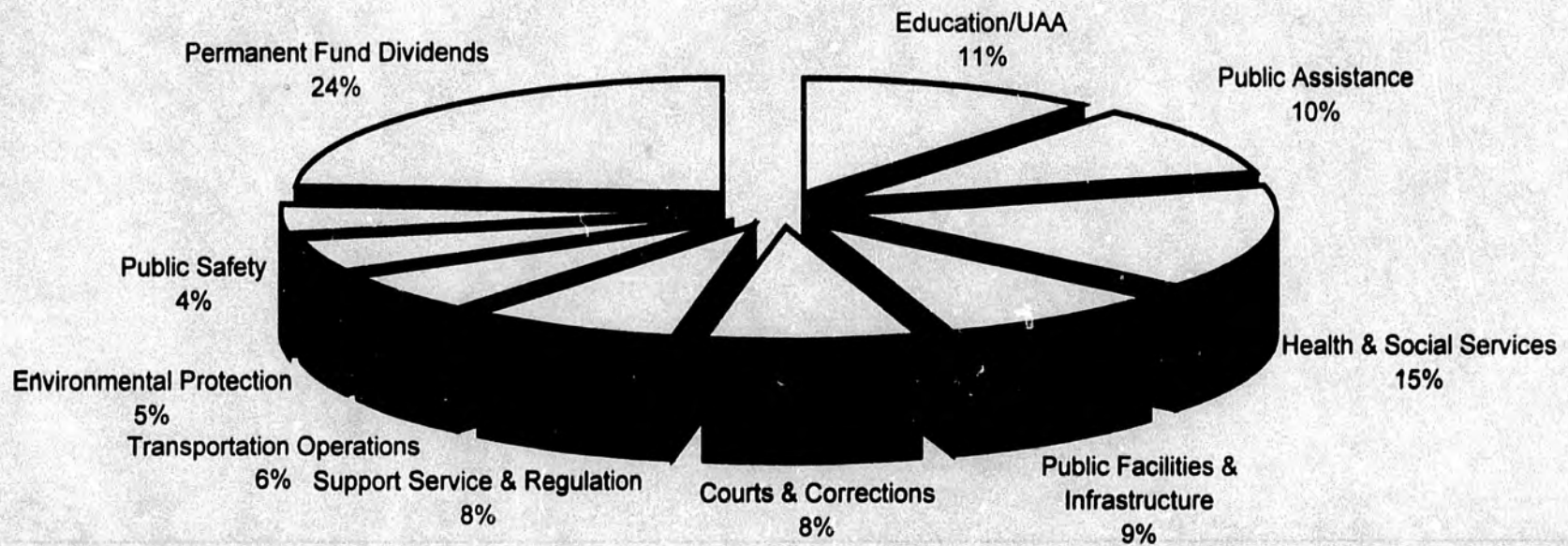
ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILES 8672

2391 SCOMM 101 LONG RANGE FINANCIAL PLANNING COMMISSION, 1995

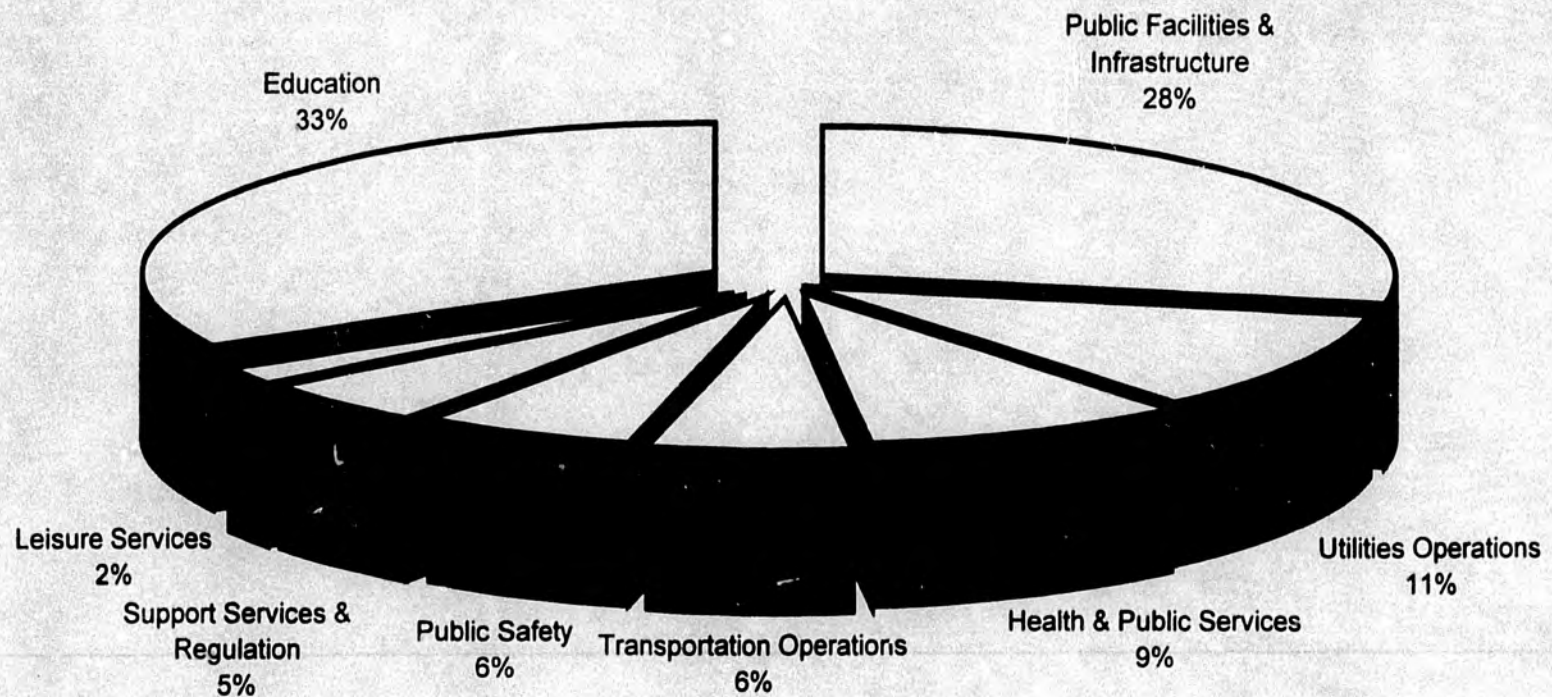
Funding of Public Services in Alaska (excluding Federal)



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

Post Office Box 9412
Ketchikan, Alaska 99901

907-225-9662 Office
907-247-0851 Home
907-254-0754 Cellular

November 3, 1995

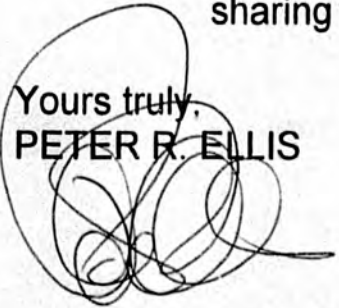
STATE OF ALASKA
LONG RANGE FINANCIAL PLANNING
716 WEST FOURTH AVENUE
ANCHORAGE, ALASKA 99501

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

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



2221 E. Northern Lights Blvd., Suite 118
Anchorage, Alaska 99508-4143
(907) 279-5582 • FAX: (907) 279-2139

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, 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?

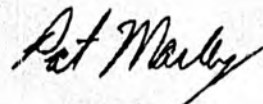
Here are three possible criteria:

- 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

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 myriad of sources all with heart wrenching stories about what a wonderful 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. Forty years later we have Anchorage what it is today. Looks to me like a mini Seattle. 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 beginning 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 conveniences.

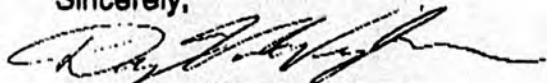
My answer to all of this is if you want the conveniences of electricity, gas, TV, etc. move to the city. If you want paved streets, fancy shopping centers, somebody to take care of everything for you, move the city, pay for what you use through taxes or whatever and don't expect the State to pay for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

*rec. 9/13/95
sent to members*

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 comprehensible, 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.

Long Range Planning Commission
September 13, 1995
Page 2

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.

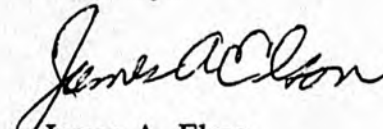
An example of benefit to the State budget could be education. Presently, the state funds the majority of education costs. As value added production expands, the local tax base would grow, and the demand for state assistance could be decreased.

I believe the State of Alaska has the opportunity to 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, dated 7/14/95
bill/subject

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 half would 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, dated 9/14/95
bill/subject

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
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 half would 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.

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 controlling cost is a must but recognize that there is no single budget item that can be cut which will solve our problems. I would support a 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



Bringing lifetimes of experience and leadership to serve all generations.

ALASKA STATE LEGISLATIVE COMMITTEE

CHAIR
Barbara Rich
P.O. Box 80482
Fairbanks, AK 99708
(907) 479-2509

VICE CHAIR
Ron Hammett
3512 Stanford Dr.
Anchorage, AK 99508
(907) 279-2339

SECRETARY
Vona Hall
3590 Glacier Hwy.
Juneau, AK 99801
(907) 780-4089

COORDINATOR
Capital City Task Force
Rupert Andrews
9416 Long Run Drive
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, Chair
Alaska State Legislative Committee
American Association of Retired Persons



Ward Farms

P.O. Box 290 • Soldotna, Alaska 99669 • (907) 262-~~8100~~ 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.

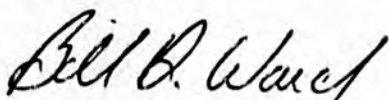
It is certain that the Department of Corrections will close the Mt. McKinley Meat Plant if the Division is eliminated and the industry will lose it's only inspected slaughter facility. Without an inspected plant and a legal means of marketing inspected meat the livestock producers will be forced out 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,

A handwritten signature in dark ink, appearing to read "Bill D. Ward". The signature is fluid and cursive, with the first name "Bill" being more prominent.

Bill D. Ward

RECEIVED SEP 18 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 comprehensible, 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

Long Range Planning Commission
September 13, 1995
Page 2

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 benchmarks they would have to reach before earning tax credits or resource availability. Certainly job creation would be one of those benchmarks.

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

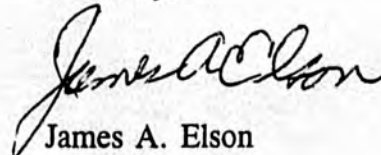
An example of benefit to the State budget could be education. Presently, the state funds the majority of education costs. As value added production expands, the local tax base would grow, and the demand for state assistance could be decreased.

I believe the State of Alaska has the opportunity to 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 marketplace 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.

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 their ability 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 realistically, 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 recognize 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 appropriation 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 or 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 unregulated "shoplifters" budget.

This is my only appearance. 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

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 suggestions 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 Borough 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

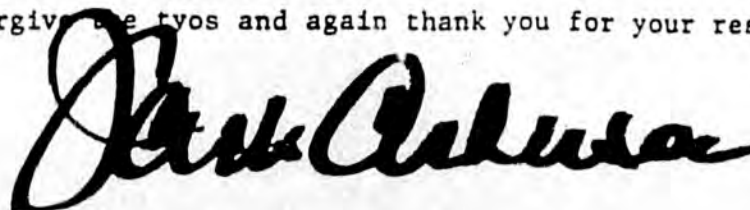
DEPARTMENT OF LAW: Include Judicial branch save 5 million

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 tyos 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

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.

200
amper
down
system

local govts etc
dedicated funds



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 Marder 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 DESJARDIS

243-4122

12835 Lindsey Circle
Anchorage AK 99516
September 16, 1995

Dear Long Range Fiscal Planning Commission Members:

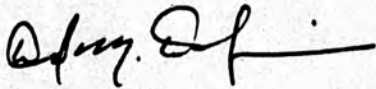
Some of you may have seen the article I wrote which appeared in the Thursday, September 14, edition of the Anchorage Daily News. I feel strongly that if we desire serious debate regarding possible cuts in government spending, then citizens must be informed about the entire spending plan, not just a portion. 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

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 em-

ployees 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 Kuparuk 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. For-

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

There are two glaring omissions in the Preliminary Report of the Long Range Financial Planning Commission. First, the report completely ignores over \$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 over \$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 "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.

The Commission's report excludes "non general" funds, and therefore mistakenly concludes that spending has remained relatively flat. In reality, the "off budget" operating budget has tripled, growing by over \$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 over \$2 billion of so-called "non-general" 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 over three times the average for all fifty states. Alaska ranks #1 in spending, at \$9,069 per person, while the U.S. average is only \$2,882.
- 2) Hawaii ranks #2 in spending at \$4,808 per person, about *half* what Alaska spends.
- 3) Forty-five states manage to reign 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 #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% 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 about \$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.

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 ten percent reduction in state spending (\$600 million) would essentially eliminate the current deficit, and yet still allow Alaska to spend at over 2.7 times the national average (thus retaining its #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
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.

DMD
9-15

STATE OF ALASKA - FY96 BUDGET
(in thousands of dollars)

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

STATE OF ALASKA - FY196 BUDGET

(in thousands of dollars)

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	9,099
34	Arizona	2,400
37	Arkansas	2,438
12	California	3,350
38	Colorado	2,433
6	Connecticut	3,816
8	Delaware	3,663
47	Florida	2,193
46	Georgia	2,218
2	Hawaii	4,808
33	Idaho	2,523
40	Illinois	2,407
35	Indiana	2,477
28	Iowa	2,753
45	Kansas	2,285
27	Kentucky	2,779
19	Louisiana	3,006
18	Maine	3,138
29	Maryland	2,730
9	Massachusetts	3,582
26	Michigan	2,856
17	Minnesota	3,160
42	Mississippi	2,362
50	Missouri	2,088
16	Montana	3,168
41	Nebraska	2,370
21	Nevada	2,931
30	New Hampshire	2,843
7	New Jersey	3,680
10	New Mexico	3,465
4	New York	4,082
39	North Carolina	2,438
13	North Dakota	3,342
23	Ohio	2,863
32	Oklahoma	2,559
20	Oregon	2,970
25	Pennsylvania	2,856
3	Rhode Island	4,176
24	South Carolina	2,862
43	South Dakota	2,355
48	Tennessee	2,165
49	Texas	2,188
31	Utah	2,599
15	Vermont	3,211
44	Virginia	2,274
11	Washington	3,423
14	West Virginia	3,289
22	Wisconsin	2,899
5	Wyoming	4,014

RANK ORDER

RANK	STATE	PER CAPITA
1	Alaska	\$9,099
2	Hawaii	4,808
3	Rhode Island	4,176
4	New York	4,082
5	Wyoming	4,014
6	Connecticut	3,816
7	New Jersey	3,680
8	Delaware	3,663
9	Massachusetts	3,582
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	3,168
17	Minnesota	3,160
18	Maine	3,138
19	Louisiana	3,006
20	Oregon	2,970
21	Nevada	2,931
22	Wisconsin	2,899
23	Ohio	2,863
24	South Carolina	2,862
25	Michigan	2,856
26	Pennsylvania	2,856
27	Kentucky	2,779
28	Iowa	2,753
29	Maryland	2,730
30	New Hampshire	2,843
31	Utah	2,599
32	Oklahoma	2,559
33	Idaho	2,523
34	Arizona	2,400
35	Indiana	2,477
36	Alabama	2,450
37	Arkansas	2,438
38	Colorado	2,433
39	North Carolina	2,438
40	Illinois	2,407
41	Nebraska	2,370
42	Mississippi	2,362
43	South Dakota	2,355
44	Virginia	2,274
45	Kansas	2,285
46	Georgia	2,218
47	Florida	2,193
48	Texas	2,188
49	Tennessee	2,165
50	Missouri	2,088

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	\$996.78
1	Alaska	7,402.95
43	Arizona	773.78
42	Arkansas	776.09
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	654.70
5	Hawaii	4,308.04
30	Idaho	1,172.50
18	Illinois	1,702.28
38	Indiana	956.54
45	Iowa	651.19
50	Kansas	369.03
16	Kentucky	1,797.61
13	Louisiana	2,234.26
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	628.41
26	Missouri	1,244.73
14	Montana	2,080.04
37	Nebraska	984.08
28	Nevada	1,196.39
4	New Hampshire	4,663.75
9	New Jersey	2,771.18
36	New Mexico	998.53
8	New York	3,262.19
47	North Carolina	575.62
25	North Dakota	1,302.72
32	Ohio	1,128.61
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	\$7,402.95
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	2,234.26
14	Montana	2,080.04
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	1,128.61
33	Pennsylvania	1,079.75
34	Alabama	996.78
35	Florida	993.36
36	New Mexico	998.53
37	Nebraska	984.08
38	Indiana	956.54
39	Michigan	935.45
40	Minnesota	916.12
41	Colorado	874.53
42	Arkansas	776.09
43	Arizona	773.78
44	Georgia	654.70
45	Iowa	651.19
46	Mississippi	628.41
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
18	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
48	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	288
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	188
4	North Dakota	348
43	Ohio	161
12	Oklahoma	247
26	Oregon	213
47	Pennsylvania	144
13	Rhode Island	242
10	South Carolina	252
11	South Dakota	249
38	Tennessee	180
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	348
5	New Mexico	337
6	Montana	288
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	188
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
48	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	23,668
10	Hawaii	32,024
41	Idaho	23,645
17	Illinois	30,652
27	Indiana	26,374
23	Iowa	27,703
35	Kansas	24,875
37	Kentucky	24,315
46	Louisiana	22,850
26	Maine	25,676
7	Maryland	33,154
9	Massachusetts	32,063
6	Michigan	33,276
13	Minnesota	31,351
50	Mississippi	20,406
34	Missouri	24,828
38	Montana	23,925
32	Nebraska	25,197
11	Nevada	32,017
22	New Hampshire	26,184
5	New Jersey	35,924
44	New Mexico	23,302
4	New York	36,708
29	North Carolina	25,657
31	North Dakota	25,199
21	Ohio	28,456
47	Oklahoma	22,875
18	Oregon	30,274
14	Pennsylvania	31,127
8	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
28	Virginia	26,758
12	Washington	31,361
43	West Virginia	23,519
15	Wisconsin	30,928
39	Wyoming	24,818

RANK ORDER

RANK	STATE	EARNINGS
1	Alaska	\$39,609
2	California	37,853
3	Connecticut	37,275
4	New York	36,708
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	30,928
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	26,184
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	24,818
37	Kentucky	24,315
38	Tennessee	24,230
39	Montana	23,925
40	Georgia	23,668
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	22,850
47	Oklahoma	22,875
48	South Dakota	22,488
49	Arkansas	22,156
50	Mississippi	20,406
	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
48	Arkansas	708.28
24	California	867.26
18	Colorado	902.40
5	Connecticut	1,124.98
17	Delaware	904.37
36	Florida	817.98
38	Georgia	804.19
45	Hawaii	708.46
44	Idaho	776.42
39	Illinois	803.09
28	Indiana	858.40
15	Iowa	918.41
27	Kansas	858.15
47	Kentucky	654.98
38	Louisiana	816.86
12	Maine	961.17
22	Maryland	876.42
37	Massachusetts	811.84
10	Michigan	1,014.30
7	Minnesota	1,062.27
48	Mississippi	638.61
42	Missouri	781.87
13	Montana	936.12
14	Nebraska	925.88
19	Nevada	894.48
20	New Hampshire	887.17
3	New Jersey	1,259.70
33	New Mexico	827.46
4	New York	1,228.01
41	North Carolina	788.34
31	North Dakota	833.73
32	Ohio	831.92
43	Oklahoma	776.62
11	Oregon	963.78
16	Pennsylvania	912.51
25	Rhode Island	888.92
40	South Carolina	802.01
34	South Dakota	821.57
46	Tennessee	588.00
21	Texas	884.92
30	Utah	834.92
6	Vermont	1,118.71
28	Virginia	852.74
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	1,228.01
5	Connecticut	1,124.98
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	925.88
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	867.26
25	Rhode Island	888.92
26	Indiana	858.40
27	Kansas	858.15
28	Virginia	852.74
29	Arizona	835.03
30	Utah	834.92
31	North Dakota	833.73
32	Ohio	831.92
33	New Mexico	827.46
34	South Dakota	821.57
35	Florida	817.98
36	Louisiana	816.86
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	776.62
44	Idaho	776.42
45	Hawaii	708.46
46	Arkansas	708.28
47	Kentucky	654.98
48	Mississippi	638.61
49	Tennessee	588.00
50	Alabama	586.02

District of Columbia

1,084.42

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	3,982
48	Arkansas	3,795
37	California	4,606
27	Colorado	5,101
3	Connecticut	8,147
8	Delaware	6,581
24	Florida	5,185
38	Georgia	4,585
15	Hawaii	5,740
47	Idaho	3,976
33	Illinois	4,752
28	Indiana	5,158
26	Iowa	5,139
22	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
25	Montana	5,081
29	Nebraska	5,018
36	Nevada	4,677
14	New Hampshire	5,845
1	New Jersey	\$9,201
32	New Mexico	4,870
2	New York	8,217
34	North Carolina	4,739
41	North Dakota	4,459
20	Ohio	5,482
45	Oklahoma	4,042
16	Oregon	5,710
5	Pennsylvania	6,909
7	Rhode Island	6,729
43	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	5,585
10	Wisconsin	6,358
17	Wyoming	5,582

RANK ORDER

RANK	STATE	PER PUPIL
1	New Jersey	\$9,201
2	New York	8,217
3	Connecticut	8,147
4	Alaska	8,121
5	Pennsylvania	6,909
6	Vermont	6,879
7	Rhode Island	6,729
8	Delaware	6,581
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	5,585
19	Washington	5,563
20	Ohio	5,482
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	5,081
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	4,585
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	3,982
47	Idaho	3,976
48	Arkansas	3,795
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*

LFHA ORDER

RANK ORDER

RANK	STATE	PER FAMILY
49	Alabama	\$154
1	Alaska	762
27	Arizona	320
44	Arkansas	187
3	California	568
28	Colorado	322
4	Connecticut	562
33	Delaware	290
36	Florida	284
40	Georgia	258
2	Hawaii	653
31	Idaho	301
26	Illinois	318
38	Indiana	257
17	Iowa	371
22	Kansas	347
43	Kentucky	211
47	Louisiana	164
14	Maine	408
24	Maryland	329
6	Massachusetts	548
12	Michigan	432
9	Minnesota	498
50	Mississippi	120
37	Missouri	263
21	Montana	350
25	Nebraska	327
35	Nevada	282
13	New Hampshire	424
19	New Jersey	356
29	New Mexico	317
7	New York	512
42	North Carolina	225
18	North Dakota	390
23	Ohio	317
32	Oklahoma	298
15	Oregon	398
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
39	Virginia	281
10	Washington	498
41	West Virginia	245
11	Wisconsin	480
23	Wyoming	340

RANK	STATE	PER FAMILY
1	Alaska	\$762
2	Hawaii	653
3	California	568
4	Connecticut	562
5	Vermont	548
6	Massachusetts	548
7	New York	512
8	Rhode Island	504
9	Minnesota	498
10	Washington	498
11	Wisconsin	480
12	Michigan	432
13	New Hampshire	424
14	Maine	408
15	Oregon	398
16	Pennsylvania	372
17	Iowa	371
18	North Dakota	390
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	298
33	Delaware	290
34	South Dakota	288
35	Nevada	282
36	Florida	284
37	Missouri	263
38	Virginia	281
39	Indiana	257
40	Georgia	258
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. 052

Re: Preliminary Report on the SDA'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



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 feasibility and the viability of such a Crossing.

The actual road mileage reduced by a crossing of Turnagain 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 total mileage !

The State of Alaska has and is spending millions of dollars to reconstruct portions of the existing Anchorage, Seward highway and while the death 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 virtually 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 the 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 has a 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

Request consideration be given to requesting funds from the State Legislature, to provide updated studies of costs and the feasibility 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 September, 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. Phillips or the Commission for failing to give adequate notice of the hearings.. and to hold some hearings 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 be 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 be 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 Fund? 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 revenue, 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 has a "store of value." namely gold ! Only a very few recognize that the U.S. currency is a debt currency and the National debt will never be paid except by inflation or bankruptcy. 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 determining 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 statement 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

Page 2

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.

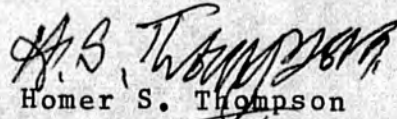
Current Federal Reserve monthly reports reflect an inflation rate of about 3-4 percent.

How does a ten percent inflation rate squate away with the inflation p roofing of only 6% ???? S0mething haywire here and somebody is detached from reality!

Possibly the law governing 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,


Homer S. Thompson

cc: Rep Gail Phillips
Speaker of the House
Alaska State Legislature

PETER R. ELLIS

Post Office Box 9412
Ketchikan, Alaska 99901

907-225-9662 Office
907-247-0851 Home
907-254-0754 Cellular

STATE OF ALASKA
LONG RANGE FINANCIAL PLANNING
716 WEST FOURTH AVENUE
ANCHORAGE, ALASKA 99501

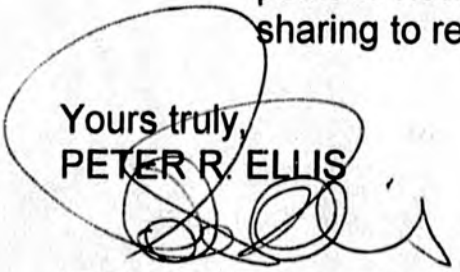
ORIGINAL

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



ELLIS CORRESPONDENCE

-1-

September 15, 1995

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:

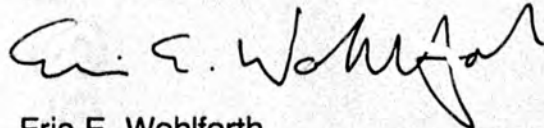
1. There is no mention of capital borrowing to reduce the projected base case general fund cash capital spending projection of \$116 million per year. Other states borrow a major portion of their capital expenditures. Since the base case indicates deficits growing from \$513 million in 1976 to \$861 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.

Brian Rodgers, Chair
Long Range Financial Planning Commission
September 6, 1995
Page Two

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,

A handwritten signature in dark ink, appearing to read "Eric E. Wohlforth", with a stylized, flowing script.

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 *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 Perseverance Theatre, where we offer the only full time seasonal performance contracts and internship training

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 <i>1</i>
To	<i>LONG RANGE PLANNING</i>	
Co.	From	<i>KENAI LIO</i>
	Co.	
Dept.	Phone #	
Fax #	<i>1 PAGES TO FOLLOW</i>	

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 representatives. 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

FROM: Gerald R. Brookman (Page 2)

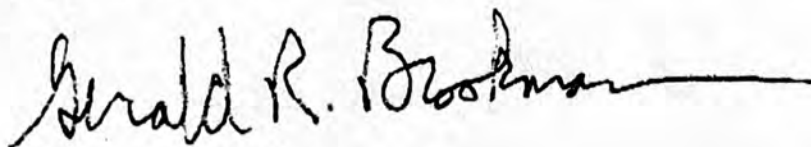
can always be changed). These same folks, or most of the ones I've heard expounding on the subject at any rate, seem to feel that it would be an extreme hardship on them to have to pay a state income tax, such as we had to do until it was eliminated when it became possible for the state to pay for it's 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 eliminatedⁱⁿ, 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,



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 _____
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

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 Gillian Eversman
Address 5872 Old Richardson Hwy.
City Seldovia Zip 99714
Phone 488-3010
High School Ben Eielson Junior/Senior High
Parent/Guardian Names Theresa Hobbs & Darrell Eversman
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

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 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

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).

You Write A Good Essay. We'll Write A Nice Check.



**HUGHES THORSNESS
GANTZ POWELL & BRUNDIN**

EST. 1939

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 _____
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

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)

RECEIVED

MAR 09 1985

Hughes, Thornness, G
Powell & Br...

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.

WORKS CITED

Alaska. Alaska Economic Summit: Managing the Fiscal Gap. Juneau: Office of the Governor, Office of Management and Budget, 1992.

Goldsmith, Scott. "Safe Landing: A Fiscal Strategy for the 1990s." ISER Fiscal Policy Papers No. 7 (1992): 1-16.

Goldsmith, Scott. "How are We Doing? Monitoring Alaska's Fiscal Condition." Fiscal Policy Papers No. 9 (1994): 1-8.

Jones, Lydia. Letter to Alaska Economic Summit Participants. 23 November 1992. Alaska Economic Summit. Common Sense for Alaska, Inc., Juneau.

15

You Write A Good Essay. We'll Write A Nice Check.



**HUGHES THORSNESS
GANTZ POWELL & BRUNDIN**

EST. 1939

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 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

**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**

EST. 1959

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

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.

²Ibid.

³Ibid.

⁴Ibid.

⁵Ibid.

⁶Joe Green, "Budget Questionnaire."

⁷Charles McCoy, "British Petroleum Will Pay Alaska \$1.4 Billion in Tax," Wall Street Journal, Nov. 19, 1994, p.A8.

⁸Ibid.

⁹Michael Rogers, "In Alaska, the Future is Now," Newsweek, Sept. 18, 1989, p. 63.



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