

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILES 8672

2392 SCOMM 101 LONG RANGE FINANCIAL PLANNING COMMISSION 1995

6. Raise existing taxes as listed in your report totaling \$176.3 million

I believe we come very close to solving the problem (a) without any new taxes (b) keeping the integrity of the permanent fund (c) and without taxing resources and resource development which further exasperate the lack of development (d) and any short fall could come from the potential additional economic development revenues. Also note that this plan does not take away grants benefiting individual and local government and to non profit organizations which are very important to the citizens of this state in all areas.

This sounds like a very simple solution but I am sure very difficult politically but the Governor needs to take the lead and make it happen for the future of Alaskans.

Sincerely,

A handwritten signature in dark ink, appearing to read "Richard L. Davis Jr.", written over a circular flourish.

Richard L. Davis Jr.
Chief Executive Officer

RD/lr

cc: file

September 15, 1995

The State of Alaska Long-Range
Financial Planning Commission

Attn: Melissa Fouse

I am writing in response to your request for input regarding the Preliminary Report of the State of Alaska Long-Range Financial Planning Commission. Of particular interest to me as I read the report were the comments about cutting university funding, especially in Scenario 4. As I understand the plan, the recommendation is to eliminate the extended campuses of the university. Further cuts would occur with the recommendation that all vocational education be privatized.

While I expect there are reasons for these suggestions, I find it hard to understand. In a state where the concern is for development and production, it is surprising to me that the recommendation would be to cut programs that prepare people for real jobs. Privatization is simply a dodge and when combined with reducing opportunities to our extended sites, it appears as an attempt to micro-manage without the benefit of appropriate interaction.

The decision to focus on extended sites, the university in general and vocational education are excellent choices. These are the areas that have the ability to offer the most hope for renewed development. When industries investigate Alaska's potential for development, they check our education capabilities. The university has as a responsibility the education of Alaskans. This includes preparing them for real work. While vocational education has long been thought of as expensive, it is the most responsible investment if employment is the criteria. Research shows that vocational education pays; for that matter all education pays. Why would the committee choose to suggest that we eat our seed corn? Why would they be so specific in their recommendations for university cuts? Is it because they will have the least impact on the quality of life in Alaska? I would suggest the impact will have just the opposite effect.

I appreciate the opportunity to comment and wish you each well in this most difficult task.

Sincerely,



Douglas E. Hammer
3211 Providence Drive
Anchorage, Alaska, 99504

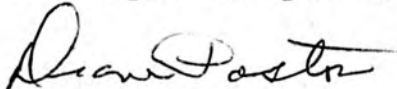
Financial Planning Commission
Att: BOB
716 W 4th Ave Suite 470
Anchorage, Ak 99501

Dear Bob,

This letter is to agree with the one submitted by Marie Brooks. It is time for the state to be more responsible for their actions. I know for a fact that many employers have lost valuable employees to the state because of the wages and mostly benefits. It has been apparent for years that the state has hired many employees that are not qualified for their jobs and seem to stay. I could name several from this community, that have taken full advantage of the 10 year buy out. What a waste!!!!

I believe that everyone in State, Burrough, or Federal Government should treat the budget and their employees as if they owned the business and operate it as such. Not like the funds are never ending and wanting to tap every resource to the limit. For several years I have called Juneau and found the employees there very specialized. In fact when inquiring about bonding if the person doing the bonding was not there you had to wait until she came back from vacation or illness. If you were in private enterprise you have other employees cross-trained to cover when employees are on vacation.

Thank you for your time,



Diane Poston
PO Box 1180
Homer, Alaska 99603

DATE: September 22, 1995

TO: Long Range Financial Planning Commission, Brian Rogers, Chairman

FROM: Roger Cremo 

The state has an endowment that consists of the oil revenue it receives and the income from the investment of that revenue.

The Legislature, using the authority granted to it by the people, spends from the endowment at an unsustainable rate. That's the problem and the "fiscal gap" is a symptom of it.

The problem cannot be solved by recommending to the current and all succeeding legislatures that they refrain from using their authority. The only solution is to limit the legislative authority, and that can only be accomplished by constitutional change.

The standard definition of a maximum sustainable withdrawal from an endowment is projected real growth from investment. Expressed as a rate, the projection should be five or six percent a year, because that's what the experience of other investors has shown. Of course, there has to be a gradual reduction from the current rate of withdrawal (I estimate 14%).

Once it is established that the maximum sustainable amount (during transition, a gradually-reduced unsustainable amount) will be withdrawn from the endowment, meaningful decisions on reduction in projected expense and increase in projected conventional revenue can be made.

Long-Range Financial Planning Commission
716 West Fourth Avenue
Suite 470
Anchorage, AK 99501

25 September 1995

Hand Delivered

Dear Commissioners:

Quite regularly a discussion on Alaska's fiscal gap leaps immediately into discussing details of "how do we fix it." The matter is of incredible importance, and almost everyone thinks he is an expert. It is possible that we will fragment ourselves and lose ourselves squabbling over details. Here for your consideration are a few suggestions that might help to avoid that:

OVERARCHING PRINCIPLE -- Put something in place that provides both constraints and guidance on dealing with the fiscal gap. Establish processes rather than trying to establish a specific product.

CONSTITUTIONAL AMENDMENT -- Propose an amendment to the Alaska Constitution that provides abstract guidelines and goals, and compels action on the gap-closing process.

LEGISLATOR / EDUCATOR -- Urge all legislators to educate their constituents on gap-closing through pre-session and in-session information meetings and public hearings.

PEOPLE'S CHOICE -- Use specifics from your deliberations as examples and let the people work out the particular mechanisms they want.

You have labored under difficult conditions, including a low budget, limited work time, and a complex subject. Your initial report shows the high quality of your efforts, and your final one will undoubtedly carry that work further. Thank you for your efforts on behalf of the people of Alaska. I hope you will be able to continue your involvement so that your expertise and refined knowledge may be of even more benefit.

On the following page is a brief discussion of the supporting rationale for the items above.

Sincerely,



Allan Adasiak
1835 Crescent Drive
Anchorage, AK 99508

Telephone	562-0401
Fax	563-4854
E-mail	phoenix@alaska.net

OVERARCHING PRINCIPLE

The Ten Commandments and the Golden Rule have been of immense benefit because they are general and still provide guidance. Man is left to make the specific applications. Constraints or limits as well as objectives are necessary in order to have focus and direction.

A sense of process is important because ways of closing the fiscal gap will be developed and implemented over time. The result of those efforts will also take place over time. A sense of process recognizes this and allows for the use of feedback guidance systems to monitor actual events and make useful changes.

CONSTITUTIONAL AMENDMENT

The legislature, the administration, and the people in general would be involved. It would provide a specific focus for discussion. Individual actions and positions would be more visible.

With prompt action, a proposed amendment could be placed before the voters of Alaska fairly soon. Such an amendment would have a force of law even greater than specific statutes.

It would provide a general-level frame of reference, leaving the particulars to be worked out by the affected public.

LEGISLATOR / EDUCATOR

Legislators represent specific groups of constituents, among whom they live and to whom they have established connections. They constitute a state-wide system for providing information and gathering input. They control expenditures and income, are accountable to the people, and are in a position to provide leadership.

Legislators already understand that closing the fiscal gap requires a mix of approaches. They can communicate that to their constituency and explain the different possibilities.

PEOPLE'S CHOICE

The best method for closing the fiscal gap is the one the people will support. Without that support, nothing positive will happen. Individual views will vary on the weight to be given to various gap-closing factors, but the important thing may not be the factors so much as the product.

$$3 \times 4 = 12$$

$$4 \times 3 = 12$$

$$6 \times 2 = 12$$

$$2 \times 6 = 12$$

September 27, 1995

1049 West Fifth Avenue
Anchorage, Alaska 99501
907-276-1414
Fax 907-276-6350

Mr. Brian Rogers, Chair
Long Range Financial Planning Commission
716 West Fourth Avenue
Anchorage, Alaska 99501

Dear Mr. Rogers:

The members of Commonwealth North share the commission's goal of the development of a sustainable long range fiscal plan for the State of Alaska. While there are many ways to "balance the budget," the real challenge lies in developing sound principles and policies which will bear the test of time. We must assure that the plan results in a positive influence in our culture, in the marketplace, and on our people.

We believe that the desired outcome is straightforward: a government that spends its money wisely; a taxation system that is fair; and a savings plan which balances today's needs and wants with security and dignity in the future. Commonwealth North suggests the following principles as guidelines for the commission as it finalizes its recommendations:

Examine the Role and Cost of State Programs

Programs and services supported by the State should be prioritized. State government clearly must meet such traditional responsibilities as providing for public safety, education and health and social service programs. On the other hand, Alaska has reached a point in time where it must evaluate whether programs such as the permanent fund dividend, longevity bonuses, an absence of state-wide taxes and other broad-based benefit programs can be continued.

Government Accountability to its Citizens

Citizen participation and clearly articulated performance standards, expectations and measures for government services and programs must be put in place to effectively evaluate program costs and benefits. This contrasts with the current focus on "inputs" - how much money is spent - without regard to "outputs." Such information will enable all Alaskans to determine whether their policy goals are being achieved.

Balancing Responsibility for the State's Fiscal Future

In developing a long range plan, it is important to assure balance. This means providing a means for public monitoring of the State's financial health, taxation of individuals, use of incentives (tax advantages for development), and other stimuli (dividends) to produce the necessary financial resources to insure Alaska's future. Permanent fund earnings are a crucial factor in achieving this balance.

Financial Stability

Alaska's wealth is derived from our natural resources. Unfortunately, unanticipated and diverse variables can affect the revenues. Therefore, prudence dictates that sufficient savings be set aside to provide financial stability in times of market volatility. Such reserves should be distinct from any fund which can be easily accessed to prop up state spending.

Protection of the State's Assets

Alaska should take care of its current investments and assets--the Permanent Fund, roads and public facilities, natural resources--prior to investing in or embarking on new endeavors regardless of how politically attractive. Incentives must be put in place that reward prudent management and good stewardship.

We appreciate the opportunity to comment. Be assured that Commonwealth North and its members stand ready to assist the commission in disseminating the results of your work and in educating Alaskans on its content. We appreciate your efforts and thank you for your contributions to a better future in Alaska.

Sincerely,


Marc Langland



REPRESENTATIVE KIM ELTON

September 25, 1995

Mary Nordale
Birch, Horton, Bittner and Cherot
P.O. Box 73918
Fairbanks, AK 99707-3918

RECEIVED

SEP 27 1995

LAW OFFICES
BIRCH, HORTON, BITTNER

Dear Mary:

Thanks for the quick response to my concerns. I know the task before the commission is daunting and the nit-picking of everyone who watches can be tiresome.

While I can appreciate your philosophical approach to budget cuts--most succinctly summed up in your statement "industries that generate profits should not be more protected than John Q. Public from the costs of economic activity"--I am troubled by the unequal application of the philosophy. If we apply that philosophy consistently just in DCED, then joining ASMI and ATMC on the commission's cut list would be: half of the commissioner's office budget (\$566,000 in GF); a portion of the administrative services budget (\$1.2 million in GF); all of the economic development budget (\$1.87 million in GF plus \$370,000 from other sources); all of the international trade budget (\$1.145 million in GF funds); and all of the tourism development budget (\$3.04 million in GF).

These clearly are DCED expenditures in support of for-profit industries, though they are distinct from ASMI because not only do they incur the ancillary retirement and medical costs but they use straight general fund dollars, not industry receipts, to promote for-profit industries. I find it ironic and troubling that the application of the 'industry suffer' philosophy is to industry-supported ASMI and not the GF freeloaders (freeloaders is a charged word and should not indicate my blanket opposition to any of the above programs since I actually do believe there is a role for straight GF dollars in economic development--though I believe we need to better define the vision and better measure progress toward goals).

As an aside, I hope you'll note I am not arguing for or against the commission-recommended boost in raw fish taxes. Industry should pay its way, though I find it ironic we keep providing tax

ALASKA HOUSE OF REPRESENTATIVES

STATE CAPITOL • JUNEAU, ALASKA 99801-1182 • (907) 465-4947 • FAX 465-2108

incentives to mining and timber (industries that ISER notes pay far less in taxes on their economic activities in Alaska than they do in other states) while the commission may recommend we boost the taxes on the seafood industry (which ISER notes pays the average of other states based on economic activity).

Our dialogue on these issues is simply a microcosm of the political debate in which policy makers and the public will hopefully become more fully engaged in over the next couple of months in the wake of your report. I will note during the debate--since the commission apparently won't--the ASMI inconsistency. That inconsistency goes beyond the misleading scenario lists that don't even indicate the ASMI savings (unlike the savings from the other programs on the list) can't and won't be applied to deficit reduction. Any savings realized will go into the pockets of processors and fish harvesters--corporate and individual citizens extracting profit from a state-owned and managed resource.

I will also bring up the issue of fairness--why are all the other general fund industry enhancement programs held harmless? Are they more effective? I doubt it since they don't even have a market test for effectiveness. If ASMI's mission is not well defined and success is elusive, industry quits paying and walks away, returning the cost of the ASMI program to their profit margins. We should be so lucky to have that kind of a market test for other industry development programs. Mining development, timber development, tourism development and the governor's "marketing Alaska" initiative are completely financed with general fund dollars and, since these programs cost industry nothing, it's no green out of their pocket if the programs are ineffective. Yet these programs show up nowhere on your list even though, unlike ASMI, cost savings in these industry-support programs could be diverted to public safety, education or deficit reduction.

My notation, and the objections of others to these report inconsistencies, will prompt point/counterpoint debate on 'fairness' that will spiral downward, complicating action on the real problem of the fiscal gap.

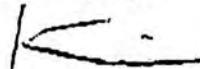
Your point about retirement and medical care coverage of ASMI's 18 employees is well made. However, the same point can be made of tourism development's 17 employees, AIDEA's 27 employees, international trade's 7 employees and the high number of employees

in the administrative division and the commissioner's office that support all of the industry development functions. Why are they exempted from the cut list since they not only cost on the ancillary benefit side but their salaries, computers, subscriptions, travel and scratch paper also sap the general fund? For that matter, why not apply this argument to the science and technology fund, AHFC, and a host of other agencies and functions that fall outside the core functions of education, safety, health, and infrastructure? To extend the logic even further, should the state pay retirement and medical costs for employees of state-operated airports when other communities, like Juneau, pick up those airport costs through direct charges to the airport users and local taxpayers?

Mary, I do appreciate the problems the commission faces. But I also believe the commission's recommendations, if grounded in philosophy, must affect all equally. Because of your willingness to not only serve on the commission but engage in a dialogue with a prematurely irascible person like myself, I'm tempted to expand the debate to my belief that if we don't enhance revenues we at least end tax incentives for industries that pay far less into Alaska's general fund than they do in other states. But I won't.

Again, thanks for your response and your patience with my reply. Good luck as you struggle toward a final report.

Sincerely,



Kim Elton

Morris & Evelyn Turner
PO Box 93390
Anchorage, AK
99509

September 26, 1995

Long Range Planning Commission
716 W 4th Ave
Anchorage, AK
99501

Dear Commission Members,

This Communication is to summaries my views on what needs to be done to trim the FISCAL GAP, before the Permanent Fund is tapped:

- Cut State Employees (& teachers) salaries by 20%.
- Require State Employees to work 40 hr weeks, & to work 30 YEARS before they can RETIRE.
- Cut WELFARE SYSTEM (eliminate giving money to those who don't work {have baby out of wedlock}, etc.) & only give them FOOD, CLOTHING from distribution centers (like the Salvation Army). It's terrible when a few working must support the lazy!
- Quit subsidizing the bush, they must learn to live within their means. ANCSA settled the claims, let their Corporations do there job to help their people out.
- Install heavy tax (revenue sharing) of the fishery industry. Include both out of State Permit Holders as well
- Install income tax for all incomes made/received w/in the State except retirement incomes (this would help offset cost of living for those who chose to retire here).
- Reduce loop holes in Medicaid program. (know of milliners who have worked the system so there parents/children can receive Medicaid & other State/federal subsistence.
- Require Village to pay same share for state education/schools as does Anchorage
- Etc., Etc., Etc...

Once the free lunch program are in line then look @ other tax's including Permit Fund. etc., **BUT ONLY THEN!!!**

Thanks for considering my views,


Morris Turner

Kevin Walker
PO Box 2078
Nome, AK 99762
907-443-3414

September 23, 1995

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

Dear Mr. Rogers:

I have the following comments and suggestions for eliminating the fiscal gap in the state:

I strongly support Jay Hammond's thoughts about distributing all forms of revenue to the citizens of the state, and withholding that which is required to operate the state.

If you haven't read Hammond's book, or if it has been over a year, please read pages 317-323 (Chapter 35, Whither Alaska) in Bush Rat Governor. I can't find a thing wrong with his logic.

Impose an income tax on ALL workers in the state, ESPECIALLY out of state workers. The money withheld from the distribution of revenues would go to help residents pay this income tax. As the population grows, the state must be able to collect more money to support that population.

Do what it takes to privatize prisons.

Raise all fuel, tobacco, and alcohol taxes significantly, as well as instituting the fish royalty tax.

Pay all state employees, including legislators, the same per diem rates. It can't cost legislators double what it costs other state employees to visit Juneau.

Don't reduce or cap the Permanent Fund.

Don't work two shifts to open roads around Nome in the spring. Sometimes the snow melts before the road gets completely open, or it gets opened at great cost and a storm comes and closes the road again! This may occur in other parts of the state as well.

Sincerely,



**ASSOCIATED GENERAL CONTRACTORS of ALASKA**

441 B STREET • ANCHORAGE, ALASKA 99501
P.O. BOX 240609 • ANCHORAGE, ALASKA 99524-0609
TELEPHONE (907) 561-5354 • FAX (907) 562-6118

29. Sept. 1995

To
Long-Range Financial Planning Commission
716 W. 4th. Ave.
Anchorage, AK. 99501

Subject: Comments on the "Fiscal Gap"

FAX 258-9869

Dear Commission members:

We realize that the factors effecting the State of Alaska "Fiscal Gap" are numerous and the issue complex, nevertheless we submit the following comments for your consideration:

- During the "Economic Summit" from Nov. 30 to Dec. 1/1992 at the Eagan Center in Anchorage consensus was reached by a very diversified and knowledgeable group to address this situation. It can serve as a blueprint for your work.
- Full funding and expenditure figures from all sources have to be used, not just those from the State of Alaska.
- Return Government services to mandated functions and levels.
- Cut "unique" services as shown in your preliminary report.
- Keep per capita expenditures at a level of not more than 1½ times the National average.
- Create a CIP reserve within the State financial structure in accordance with Sect. 16, Article IX of the State constitution to create a stable capital program schedule.
- Re-align public employees compensation to comparable levels with the private sector.
- Contract for Government services with the private sector on a competitive bid basis.
- Force uniformity of local taxation to include areas of the State now in "unorganized boroughs" as mandated by the State constitution.

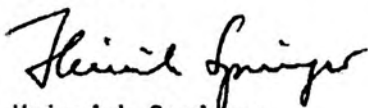
p. 2 AGC to Long range Financial Planning Comm.

9/29/95

- Make constitutional changes to allow dedicated user fees for specific purposes and restrict these funds for such uses.
- Additional taxes do not seem warranted at this time and should not be used until the above steps are taken.

Thank you for a chance to comment. We will stay involved as this difficult issue will be addressed through your actions and subsequently in the Legislature.

Sincerely,



Heinrich Springer

Exec. Director



ALASKA STATE VOCATIONAL ASSOCIATION

September 29, 1995

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

Dear Commission Members:

I have reviewed "Alaska's Growing Fiscal Gap," in which you proposed four scenarios describing potential opportunities for cutting expenditures and raising needed revenues. In three of the four it appears that the Commission is advocating the privatization of vocational education either through the elimination of State funded postsecondary vocational/technical education (scenario's 1 and 2) or the elimination of "nearly all of vocational education" (scenario 4).

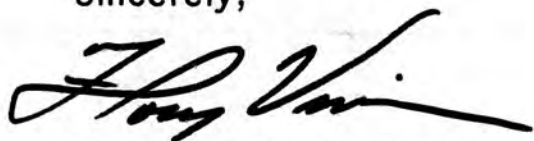
Vocational education has a long tradition of providing public school students with employable skills so they can participate in the labor market. As a result, vocational education programs at both the secondary and postsecondary level are an important component of many Alaskan community's human and economic development plans.

The twin advantages of offering strong vocational educational programs in publically funded institutions are equity and access. At the secondary level all students have equal access to vocational programs irrespective of gender, ethnicity, academic achievement or financial ability to pay. Vocational programs at this level provide students with employability skills (being able to work as a team member, getting to work on time, etc.), make the theoretical relevant through practical application, and allow students to learn competencies related to a variety of careers. While secondary vocational programs are individualized to meet the needs of a range of abilities, every secondary drop-out program in this State incorporates a vocational component.

Postsecondary vocational/technical students receive training for immediate employment and, depending upon the institution they attend, have the opportunity to earn certificates and degrees. Publically-funded vocational programs at both levels tend to have a more comprehensive curriculum which provides exiting students with a variety of career and educational options than that provided by the narrow vocationalism of proprietary schools. When privatization occurs it is usually at a higher cost to students who may be denied access because they can't afford to attend.

Our membership would welcome the opportunity to dialogue with the Commission further on the economic and social benefits of vocational education within the State of Alaska. With the recent funding of a School-to-Work Implementation grant to the state, we anticipate the development of some exemplary programs that will be able to serve as models to the rest of the nation. A fundamental component of that initiative requires comprehensive secondary and postsecondary vocational programs. Elimination or reduction of vocational education at either the secondary or postsecondary level is counterproductive to this initiative and Alaska's economic future.

Sincerely,

A handwritten signature in black ink, appearing to read "Flory Vinson". The signature is fluid and cursive, with a long horizontal stroke at the end.

Dr. Flory Vinson, President
Alaska State Vocational Education Association

December 20, 1995
PO BOX 103554
Anchorage AK 99510

LONG RANGE FINANCIAL PLANNING COMMISSION
716 West Fourth Avenue # 470
ANCHORAGE AK 99501

Dear Commissioners:

I recently received a report summary on your proposed financial plan forwarded to me by Commonwealth North, who urged me to contact my legislators regarding the fiscal gap. I believe you also are due a brief note.

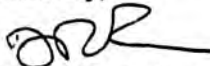
This summary says nothing specific about reducing per capita expenditures by the state government. Instead, it describes phased reductions left to the judgement of the legislature. The astonishing math with which the author of this summary adds forty million to thirty million plus thirty million and arrives at three hundred million dollars in reduction 'in today's dollars' sent a shiver of fear down my back. Is federal default and rampant inflation expected to this degree? The attack on the Permanent Fund is an assault on the wealth of the individual people of this state. The state has had plenty of budgetary reserve funds which it has exhausted relentlessly. The Permanent Fund is the accumulated savings from profits made by selling the resources common to the people. Reducing individual dividends is the exact opposite of cutting state spending.

The licentious abandon with which targets are mapped out for heavier tax burden can only come from a commission who believe that the people exist to service them. Tobacco and alcohol taxes are behavior punishment taxes and are elitist in the extreme. Motor and marine fuel are the energy costs for the public and were singlehandedly responsible for the most destructive inflation in recent history. All of these taxes hit heaviest on those least able to pay.

Doubling motor vehicle fees is especially infuriating. Will the fee, the tax, the surcharge, or the total be doubled? Will the \$10 fee the DMV imposes for meeting a public employee in a public office be doubled as well? The creation of new taxes on industries puts the burden on those who are attempting to produce value and acts as a deterrent to the economy. Is the total intent mainly just to sink the state's teeth into it's public up to the neck?

I'm sure you can think of point-by-point rejoinders to my concerns. It is not necessary that you reply, only that you understand that yours is not the only viewpoint on the planet.

Sincerely,



Donald R. Ricker

TO: BOB WALSH


 - Bob Walsh
 258-9869

CITY OF KENAI

"Oil Capital of Alaska"

210 FIDALGO AVE., SUITE 200 KENAI, ALASKA 99611-7794

TELEPHONE 907-283-7535

FAX 907-283-3014

DEC 28 1995



December 19, 1995

 Carol - City of Kenai
 283.7539

 Judy Brady, Vice Chair
 State Long-Range Financial
 Planning Commission
 716 West Fourth Avenue, Suite 470
 Anchorage, AK 99501

 Copies sent
 1/11/96

 RE: TOWN HALL MEETING
 City of Kenai

The Kenai City Council has scheduled a town hall meeting for January 25, 1996 which will be held at the Kenai Senior Center beginning at 7:00 p.m. The main topic to be discussed will be the State's long-range financial planning, recommendations of the Commission, and expected effects from those efforts to close the fiscal gap. After hearing the concerns of the audience, Council plans to draft a resolution supporting concerns which the community feels strongly about. After action on the resolution, it will be forwarded to the Commission and our area legislators.

We invite you and other representatives from your office to join us at the meeting. We hope you and others will speak to the audience, updating us on the Financial Planning Commission's findings and recommendations.

We also request 200 copies of the publication, *An Endowment for Alaska's Future, The State Long Range Financial Planning Commission Report* be forwarded to this office. We plan to have them available for the public at the meeting.

We look forward to hearing from you.

CITY OF KENAI

 John J. Williams
 Mayor

JJW/clf

Judy - No

Brian - No

Lee - Busy

MOTLEY - No

 1/11/96 Spoke to Carol -
 Told her the problem.
 She was going to talk to
 Mayor about bringing someone down -
 More later. Bob

1940 Sutherland Drive
Juneau, Alaska 99801
(907) 463-2530
Dec. 15, 1995

The Long Range Financial Planning Commission
216 West Fourth Ave., Ste. 470
Anchorage, Alaska 99501

Dear Sirs:

I have carefully read the Long Range Financial Planning Commission Report and I am now at least convinced that there is a need to balance the budget. We, out here, get so many mixed signals that we are not sure what to believe.

First of all, I do not understand why a state income tax was not considered. It would seem that income should come from the people who are in the best position to pay (including seasonal help) rather than nickel and dime-ing the whole system to death.

Reducing the payout on Permanent Fund seems like a good idea, which might get out of hand if costs continue to escalate. My idea was to cap it off at some figure like \$900 leaving all future gain to go into state revenues.

Jobs are essential. It would be nice to encourage some kind of light industry, like Silicon Valley, to come to Alaska. Why not? One reason might be shipping. Every time I think about doing business I run into some supplier who insists on shipping by UPS, which means a base cost of \$14.50 instead of \$3.40. UPS says that their costs are higher to Alaska because they have to ship by air but surely they ship by air between Seattle and New York? And what is the difference between some small town in Alaska and a destination 40 miles from nowhere in Montana? I believe that the UPS charges need to be looked into.

Another reason for the lack of small business may be that vested interests get their hooks into you and make it economically impossible. I knew someone who wanted to start a boat repair shop and someone in the EPA wanted a huge kickback to approve it. Illegal, of course. I also had an experience that stopped me dead cold. At one time I had no income so I decided to get a student loan and take up art. The art was great and I was doing well but then the University decreed that I needed to make up three basic courses that I had missed (according to their criteria) back in 1945. I have a BA and a MA and I figure that I probably had a better education than some of their instructors - and those three courses cost me two years of student loan payments, and because I had to make the payments I never was able to pursue the art. All (in my opinion) because the University wanted the registration fees.

Right now I have an opportunity to sell my house, which is not worth much (Because the city's avalanche planning was fallacious, prolonged and inconsistent) and I would like to buy a condominium to remain independent, but I will have to make additional payments. Will I be able to make the payments if you (1) make cuts in the Permanent Fund; (2) possibly cut Adult Public

Assistance (\$2 cut this year while my grocery bill unaccountably went from \$125/mo. to \$175); and (3) it sounds like there is a small possibility Longevity might be cancelled? In addition to the above, (4) if the state eliminates support for senior tax exemptions, the cities have no incentive to continue.

I thought that the rationale for tax exemptions was to help people to stay in their homes, which is supposed to be cheaper than providing institutions. Could tax exemptions possibly be included in Adult Public Assistance?

Another point is that progress seems to be measured in terms of local improvement projects. We just got a new sewer in our subdivision, at great cost to the State and to us. Everyone had septic tanks. The only thing that was needed was for some people to put in some enzymes to make them work properly! What is the difference between processing it here or out at the end of a pipe somewhere as long as the soil condition is suitable?

In general I would say about government, "Too many laws" and the legal system has tightened up so much that everyone thinks that they have to enforce the bottom line rather than going by the intent of the law.

I'd like to feel helpful about cutting costs but I feel as though government has caused most of my problems. Now it is difficult to plan with so much uncertainty.

Sincerely,

Dorathy Tow

Dorathy Tow

*P.S. Would it be possible to vote on
The best way to accomplish cuts?*

State of Alaska
Long Range Financial Planning Commission
716 W. 4th Avenue, Suite 470
Anchorage, Alaska 99501

(907) 258-8165 Phone
(907) 258-9869 Fax
December 8, 1995

To: Commission Members

From : Staff

Here is a listing of the distribution of the report thus far for your information:

American Lung Assoc. (50)	PTA (50)
Youth and Justice (100)	AHFC (50)
Rapid Action Mailer (PFD 5400)	Rep. Mike Navarre (300)
Brian Rogers (300)	Brad Pierce (1350)
Governors Office-Jun. (1500)	Mail list (450)
LIO's Statewide (300)	Governor Office-Anc. (50)
Alaska Miners Assoc. (150)	State Chamber (90)
Common Ground (140)	Common Sense (60)
State Library Assoc. (100)	B.B.N.C. (125)
Cliff Groh (10)	State Chamber (100)
THE PAPER- Jun. (13,000)	Fairbanks News (24,000)
Kodiak News (3500)	City/Borough Kodiak (300)
Senator Kelly* (13,000)	Elmers Rest. (50)
BUSH MAILER [condensed version 43,000]	

ALASKA Journal of Commerce 9000

This represents the majority of the requests for the report thus far. The Bush Mailer asks readers that are interested in more information to call. We are just starting to receive calls .

* Senator Kelly had this printed at his own expense for his district.

Total copies printed thus far is 107,525

CWN 400

*copy
for
committee
members*
DRAFT

**A Two Year Profile of
Serious Injury in Alaska
(1991-1992)**

**Martha Moore, M.S. - 465-3027
Research Analyst**

**Emergency Medical Services
Department of Health & Social Services
Division of Public Health**

A TWO YEAR PROFILE OF SERIOUS INJURY IN ALASKA (1991-1992)

Introduction

Injuries are not accidents! Injuries have long been thought of as unavoidable events, when in fact they are often predictable and preventable. In our attempt to control the injury epidemic, it is necessary to understand it and to approach it scientifically, as we have with other major health problems.

National statistics show that for every injury death, there are approximately 16 hospitalized injuries and 381 nonhospitalized injuries. The following profile describes the top two levels of the injury pyramid for Alaska. This data assists in understanding the total injury "puzzle" — *who, when, where,* and *how* of injuries. Once causes are determined, strategies for reducing injury and disability can be formulated.

INJURY PYRAMID



Information Sources

* The Alaska Trauma Registry is an information system of hospitalized injury in Alaska. The criteria for inclusion in the registry are patients admitted to an Alaska hospital or transferred to another acute care hospital, and emergency department deaths, due to traumatic injuries, drowning/near drowning, and the effects of reduced temperature. Poisoning, which was added to the trauma registry criteria in 1993, is not included in this two year study. *Nor does it include deaths (ie, suicides) that never came to the hospital.*

The Bureau of Vital Statistics provided electronic data on fatal injuries occurring in Alaska. This data was analyzed by Emergency Medical Services staff. In this report, 1992 Vital Statistics data is provisional.

Information on safety equipment use by victims of fatal traffic collisions was taken from the Alaska Fatal Accident Reporting System (FARS), a traffic records system managed by the National Highway Traffic Safety Administration (NHTSA).

Several charts in the occupational injury section were contributed by the National Institute for Occupational Safety and Health (NIOSH) Alaska Activity. This office maintains a statewide surveillance system of all work-related traumatic fatalities.

Population figures used are the population estimates for July 1, 1991, Alaska Population Overview, Department of Labor.

This is a study of injury occurring in Alaska, to Alaska residents and visitors to Alaska. Whenever the number of injuries is reported, visitors are included, and the number represents a two-year total. Reported rates of injuries, however, include only Alaska residents, and represent an annual rate. Injury occurrences of less than five may not represent the true distribution of injuries in the population due to the small number.

The numbers behind the graphics are available from the Emergency Medical Services Section, Division of Public Health, Department of Health and Social Services. This is a "close estimate" of the actual number of fatalities and hospitalized injuries that occurred in the state. Even when Vital Statistics data is final, additional death certificates are often subsequently submitted. A validation study to assess the trauma registry's sensitivity as a surveillance system has been initiated by the NIOSH Alaska Activity office. So far a review of two large hospitals in Anchorage revealed one case missed of 97 cases for the period of a month, for a sensitivity of 99%.

If you have any comments or questions about this report, please contact Martha Moore, Trauma Registry Coordinator, 465-8631.

Abbreviations and Definitions

External Cause of Injury:

Falls: Excludes falls on water transports and off playground equipment.
MVT: Occupant of motor vehicle in traffic (on the highway).
Assault: Intentionally injured or killed by another person, except legal intervention.
Suicide: Intentionally self-inflicted. Suicide or attempted suicide.
Playgrd: Fall from playground equipment.
ATV: All-Terrain Vehicle.
Burn: Hot substances, electricity, and radiation. Fire and flame injuries are excluded.
Suffocation: Excludes drowning.
Ped: Pedestrian.
F.B.: Foreign body entering orifice of body other than eye. In small children and infants this almost always involves the swallowing of an object.
Submersion: Drowning and near-drowning.
Water Transport: Injury on boat or ship, not including submersion.
Bicycle: Motor vehicle involvement and no motor vehicle involvement
Airplane: Crash or injury in airplane.
Firearm: Unintentional firearm injury.
Cold Temp: Effects of reduced temperature: hypothermia, frostbite.
Other Animal Injury: Domestic or wild; not from dogbite or riding an animal.
Other: May include struck by person or object, caught between objects, other off-road vehicle, strains.

Populations:

PI: Pacific Islander
Visitors: Residing outside Alaska, injury not related to work.
Non-Resident Workers: Residing outside Alaska, work-related injury.

Emergency Medical Services (EMS) Region:

A/P: Aleutian-Pribilof Sub-Area (East and West)
Anch: Anchorage & Cook Inlet Sub-Area
BB: Bristol Bay Sub-Area
CR: Copper River Sub-Area
Int: Interior Region
KP: Kenai Peninsula Borough Sub-Area
Kod: Kodiak Island Borough Sub-Area
M-S: Matanuska-Susitna Borough Sub-Area
NAB: Northwest Arctic Borough Region
NSB: North Slope Borough Region
NS: Norton Sound Region
PWS: Prince William Sound Sub-Area
SEAK: Southeast Region
YK: Yukon-Kuskokwim Region

Listed below are the 14 most expensive injuries in the trauma registry for 1991 and 1992 in terms of hospital charges, of those injuries with hospital charge recorded.

Cost	Injury Description / patient (1 patient)
\$400,000	Passenger of motor vehicle crash; no safety belt; shoulder injury; discharged to skilled nursing care.
> \$250,000	Fall from a ladder; internal injuries.
> \$240,000	Explosion; children with fire; first degree burns.
> \$240,000	Head-on collision; small sports car vs. motor home; discharged to rehabilitation facility.
> \$230,000	Motorcycle vs. car; no helmet; fractured leg; discharged to rehabilitation facility.
> \$200,000	Car vs. truck; unbelted occupant thrown from car; discharged to rehabilitation facility.
> \$200,000	Car vs. truck; safety belt use unknown; head injury.
> \$200,000	Fell off roof of building; head injuries; discharged to rehabilitation facility.
> \$200,000	Motorcycle crash; no helmet; alcohol involvement; head injury; discharged to rehabilitation facility.
> \$200,000	Explosion while sniffing ether; alcohol involvement; third degree burns; discharged to skilled nursing care.
> \$200,000	Fell at home; alcohol involvement; head injury; expired.
\$200,000	Single car roll-over; no safety belt; head injury; discharged to skilled nursing care.
\$200,000	Pedestrian struck by auto; intoxicated; head injury.
\$200,000	Single car roll-over; unbelted passenger ejected from car; head injuries; discharged to rehabilitation facility.

Table 22

The percentage of patients in each injury category that were suspected or known to have used alcohol at the time of injury is listed in Table 17. *Prehospital deaths not included.*

<u>External Cause</u>	<u>Total</u>	<u>% with Suspected Alcohol Involvement</u>
Attempted Suicide	137	51.1%
Assault	748	49.2%
Cold Temp	83	36.1%
Snowmachine	241	33.6%
Pedestrian	173	32.9%
Unintentional Firearm	131	25.2%
Motor Vehicle Traffic	963	23.3%
All-Terrain Vehicle	201	22.9%
Motorcycle	137	17.5%
Fire	89	16.9%
Cut	274	16.4%
Falls	2397	12.3%
Submersion	49	12.2%
Burn	139	9.4%
Bicycle	197	8.1%

Table 17



Hospital charges are not available from every hospital. They have been recorded for about half of the injury admissions in the trauma registry for the two years, 1991 and 1992. Based on the hospital charge information that is available, an average charge per injury has been calculated and the annual charge attributed to an injury category has been estimated. There are many additional costs associated with injuries (pre-hospital care, physician care, skilled nursing care, rehabilitation, loss of work, disability payments) that are not included in this cost estimation.

Mechanism of Injury	Average \$ per Pt.	Estimated Annual \$
Falls	\$ 9,870	\$ 12,754,100
Motor Vehicle Traffic	\$16,140	\$ 8,272,300
MVT with Safety Belt	\$11,420	
MVT w/out Safety Belt	\$18,280	
Motorcycle	\$17,350	\$ 2,550,400
MC with Helmet	\$10,070	
MC w/out Helmet	\$26,780	
Bicycle	\$ 7,120	\$ 708,800
Pedestrian	\$13,680	\$ 1,265,600
Snowmachine	\$10,680	\$ 1,393,900
All-Terrain Vehicle	\$10,080	\$ 1,063,200
Fire	\$16,910	\$ 777,900
Burns	\$10,550	\$ 738,400
Playground	\$ 4,440	\$ 199,700
Dogbite	\$ 7,080	\$ 169,900
Water Transport	\$12,280	\$ 2,142,200
Sports	\$ 5,570	\$ 832,700
Cuts	\$ 5,640	\$ 773,200
Assault	\$ 9,020	\$ 3,441,600
Suicide/Suicide Attempt	\$12,590	\$ 962,800
Unintentional Firearm	\$18,070	\$ 1,174,300
All Firearm	\$13,790	\$ 1,786,200

Table 21

NO PARTICIPANTS
IN SITKA

LIO STAFF (KATHY)
IS THERE + WAITING.

HOONAH
HAS DROPPED
OFF LINE

KETCHIKAN
HAS DROPPED
OFF LINE

✓
MAYOR ALBERT DICK

IN ~~HOONAH~~ HOONAH

ON LINE

Sue - Plummer

Sharon - Bolton

SKAGWAY

KETCHIKAN. ON

line

~~255-~~

ON LINE

HOONAH

FAIRBANKS

SKAGWAY

KETCHIKAN

JUNEAU

HOONAH

BACK ON

LINE



Legislative Teleconference Network

Fairbanks
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SUBJECT: _____

START /END TIME: 7:00 - DAT: _____

Fax

Name - Organization You Are Representing

Address

Zip

Phone #

1	Jamie Cox	PO Box 16213 Two Rivers, AK	99716	488-3458
2	Charles Parker - <i>Tanana Chiefs Conference, Inc.</i>	1221 st Ave, Suite 600 Fbks, AK	99701	452-8251
3	Mary Nordale - <i>Commission member</i>			
4				
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FAX NO. 9074563346

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TCN # 50824

Planning Comm.

DATE: 9-14-95

[illegible]



#50822

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of pages 1

From: <i>Verne Ewer</i>	To: <i>Verne Ewer</i>
Co.:	Co.:
Dept.:	Dept.:
Fax # <i>258 9869</i>	Phone # <i>376-3704</i>
	Fax # <i>376-6180</i>

TELECONFERENCE NETWORK SIGN-IN SHEET

SPONSOR: *Long Beach Financial Plan Co.*SUBJECT: *Fiscal Gap*START/END TIME: *7:00 8:00*DATE: *9/12/95*

Testify

NAME - REP.	MAIL ADDRESS	ZIP	PHONE	BILL	Testify
<i>Verne Ewer</i>	<i>W. Eagle Ave.</i>	<i>Palmer, AK 99575</i>	<i>746 7585</i>		☒
2					
3					
4					
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18					

*Verne went down/
Verne left at
7:50. / Couldn't
get through to
bridge either!*



LEGISLATIVE TELECONFERENCE NETWORK SIGN-IN SHEET

PLEASE PRINT

SPONSOR: LRFC
SUBJECT: LRFC
START/END TIME: 7pm DATE: 9/13/95

	Name/Representing	Address	Zip	Phone No.	Testify	Observe	Bill No.
1.	Ron Hammett - AARP	3512 Stanford Dr	99508	279-2339		X	
2.	Mary E. Shields NWTs	3941 E. 7th Ave	99508	562-1633	✓		
3.	Keith D. Burke The Alliance	4220 B St Suite 200	99503	563-2226		X	
4.	Tina Lindgren	3201 C St #403	99503	561-5733	X		
5.	Don Valesko	8711 Pluto Dr. Anch	99507	346 3821	✓		
6.	Rupe Andrews	9416 Long Run Dr., JUNEAU	99801	789-7422		✓	
7.	Barbara Rich	P.O. Box 80482 FATS AK	99708	479-2509		✓	
8.	Lois Smith	8610 24th St SW #37 Edmonds WA	98026	775 9053			
23 9.	Timothy M. Sullivan ALASKA CRAFTSMAN Home PROGRAM	900 West Fireweed Suite 201	99503	2582247	✓		
10.							
11.							
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LEGISLATIVE TELECONFERENCE NETWORK SIGN-IN SHEET

SPONSOR: LRFP

SUBJECT: LRFP

START/END TIME: 7pm-9pm DATE: 9/13/95

PLEASE PRINT

	Name/Representing	Address	Zip	Phone No.	Testify	Observe	Bill No.
1.	LARRY BAKER	3947 LOCARD DR	99504	563-6887	✓		
2.	JOHN HARRINGTON	252 FALL LEAF CIR	99504	337-5258	✓		
3.	BARBARA KARL	2400 East 16th Ave	99508	279-5229		✓	
4.	NANCY CUDDERBACK	10123 NANTUCKET LP	99507	522-3125	✓		
5.	JOELIE HALL	P.O. Box 770246 Eagle River AK	99577	1076-1667	✓		
6.	MILLIE EYAN	3311 WELLS PIKE ANCHORAGE	99504	337-5034	✓		
7.							
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LEGISLATIVE TELECONFERENCE NETWORK SIGN-IN SHEET

SPONSOR: _____

SUBJECT: _____

START/END TIME: _____ DATE: _____

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	Name/Representing	Address	Zip	Phone No.	Testify	Observe	Bill No.
1.	Rich Kronberg	3511 Chiniak Bay Dr	99571	3449264	—		
2.	Charles E. McRee	P.O. Box 143452 Anch, AK	99514	N/A	✓		
3.	MILTON BYRD/ALLIANCE	P.O. Box 112004 " "	99511	561 222.6	✓		
4.	FRANK Dillon	2240 Daybreak Ct Anch.	99501	2782226		X	
5.	Kim Swift	Common Sense Alaska Anchorage	99501	—	X		
6.	LARRY WIGET	4600 DEBARR	99519	269-2255		X	
7.	TOM BRENNAN	513 W. Harvard Ave	99501	276-1397	X		
8.	HARVEY DOUGHERTY	3405 VASSAR DR - ANCH, AK	99508	279-7736		X	
9.	VERA GARAWAY	1521 W 14th Ave - Anch	99501	277-2073		X	
10.	ELIA H. CRAIG	1416 Birchwood Anchorage	99508	279-2818		X	
11.	John P. Dittich	2422 Spindrift Cir. Anch	99515	347-9457		X	
12.	Anne Marie Holen	11241 Latta Circle	99576	346-2789	✓		
13.	Jenny McCutcheon	Anch		700	✓		
14.	Merritt C. Olson	Anchorage AARP SLC	99501	272-9156		X	
15.							



LEGISLATIVE TELECONFERENCE NETWORK SIGN-IN SHEET

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SPONSOR: Long Range Financial Planning Commission

SUBJECT: PUBLIC COMMENTS ON THE LONG RANGE FINANCIAL PLANNING COMMISSION REPORT

START/END TIME: 11:00 AM - 11:00 AM DATE: 9/19/95
11am 9:16

	Name/Representing	Address	Zip	Phone No.	Testify	Observe	Bill No.
1.	Marc Haugland	9620 Spring Hill Dr.	99507	261-3305	yes		
2.	Tom Greene	P.O. Box 56 Nondaton Ak.	99640	294-2224	yes		
3.	Ed Fairbairt	1043 W. 7th Ave. Anch.	99518	349-1160	yes		
4.	DOUG STARK	60871 Horizon CT Homer	99603	522-2898	'		
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LEGISLATIVE TELECONFERENCE NETWORK SIGN-IN SHEET

SPONSOR: Long Range Financial Planning Commission

SUBJECT: Public Comments on the Long Range Financial Planning Commission Report

START/END TIME: 7:00 P 11 AM DATE: 9/19/95 9/16/

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	Name/Representing	Address	Zip	Phone No.	Testify	Observe	Bill No.
1.	John M (Jack) Anderson Self	1430 W 12th Ave Anchorage	99501	272-9293	yes		
2.							
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SCOMM

101:28

Lawmakers cast cool eye at state finance proposal

By STAN JONES
Daily News reporter

The legislative committees that control Alaska's finances will get their first official look Tuesday at an ambitious long-range plan for balancing the state checkbook.

And the early signs are, some of the top lawmakers on the House and Senate finance committees will be looking askance.

Like most of its predecessors, the latest proposal for closing Alaska's fiscal gap calls for measures that could be political poison at election time. Measures like spending Alaska Permanent Fund money to keep state government afloat, bringing back the personal income tax and carving a huge

slice off the Permanent Fund dividend paid annually to each Alaskan.

"I think the changes in the Permanent Fund are unnecessary and dangerous," said Rick Halford, the Chugiak Republican who co-chairs the Senate Finance Committee. "They change the Permanent Fund from a savings account to a spending account and they change the benefits from the people of Alaska to the government of Alaska."

Halford's committee and its counterpart from the state House of Representatives will meet jointly Tuesday at the Anchorage Leg-

Please see Back Page, FINANCE

FINANCE: Lawmakers' first look at plan comes Tuesday

Continued from Page A-1

islative Information Office. They will hear a presentation on the plan from Brian Rogers, the former legislator who chaired the commission that drafted the plan this summer.

Rep. Mark Hanley, who co-chairs the House Finance Committee, said he wants to hear Rogers' pitch, but also has doubts about some aspects of the plan.

For one, he doesn't think it does enough to cut state spending. The plan calls for the state operating budget to drop by \$100 million over three years, then to start expanding again with inflation and population increases.

"One of the assumptions is that government has to grow," Hanley said. "It's faulty right off the bat, but that doesn't mean it can't be changed."

Gov. Tony Knowles has been generally in favor of the plan, but even he has stopped short of wholesale endorsement. In a newspaper column last week, he said, "It may not be perfect, and new ideas may come forward make the plan even better."

Knowles' fellow Democrats in the Alaska Senate are having qualms about the plan, according to Senate Minority Leader Jim Duncan, D-Juneau. Duncan said they met with Knowles in Anchorage last month and let him know they weren't yet prepared to back the plan.

"It's going to take more thinking and discussion before we're ready to jump on that train," Duncan said.

The chief goal of the plan is to

bring state spending in line with revenue. This year, the gap between the two is expected to run about \$525 million. The difference will be made up by drawing money from a big state savings account called the Constitutional Budget Reserve.

Under the commission's plan, the fiscal gap would drop to zero by 2000. And by 2003, the state would be running a budget surplus of about \$200 million a year.

To do this, the plan would stop the growth of the Permanent Fund dividend and — over 15 years — slice its value by more than two-thirds. From \$990 this year the dividend would drop to \$544 in 2010, according to the commission's projections. Under current law, the commission projects the dividend would grow to \$1,788 in 2010.

The plan calls for the income tax — repealed when the state was flush with oil money in the early 1980s — to kick in again in 2002 and be raising \$300 million a year by 2005.

The plan also would impose new or higher taxes on gasoline, boat fuel, tobacco and liquor.

And it would divert more oil dollars into the Permanent Fund while allowing legislators to take a small percentage of the principal directly out of the fund for the first time since it was set up 19 years ago. Those two changes would require constitutional amendments, which would have to be submitted to the voters, probably in next year's general election.

Rogers agrees that nearly everything in the commission plan is apt to make somebody mad, per-

haps a lot of people mad. But he says the challenge for critics is to come up with an equivalent alternative.

"If they're saying 'No' to cutting the dividend ... then they're saying 'Yes' to what?" Rogers said. "To more budget cuts? To more taxes? If the choice were to say 'No' to any piece, I think a lot of us would like to say 'No' to most of the pieces."

A couple of new ideas have surfaced since Rogers' commission made the plan public last month. A few days ago, Knowles proposed that the question of cutting Permanent Fund dividends also be put to a vote of the people.

Hanley and Halford both said they could go along with the idea, but doubted the dividend cuts would pass unless the budget is slashed more deeply.

"Constituents that I hear from don't feel they would support the taxes or the new dividend caps," Hanley said.

Knowles was not available for an interview for this story. "I'm afraid the governor is a little busy," said Knowles aide Bob King. "He's enjoying some family time."

But King said Knowles was confident Alaskans would approve the dividend cuts if they were part of a package that included budget cuts.

The other new wrinkle, also just out last week, came from Dave Rose, who was executive director of the Alaska Permanent Fund for 10 years ending in 1992. He proposes that the Permanent Fund be left untouched, but that an existing state savings account — the

Constitutional Budget Reserve — be converted into a kind of separate mini-Permanent Fund.

The budget reserve would get some of the Permanent Fund's earnings, which would be invested. The legislature would be allowed to spend the income from those investments, but not the principal of the budget reserve itself.

Rose's plan would also trim the growth of the Permanent Fund dividend, but not as drastically as the commission's plan.

Rose estimates the overhauled budget reserve could produce \$400 million or \$500 million a year in earnings, enough to close most of the fiscal gap. The big advantage, he said, is that his plan would put a buffer between money-hungry legislators and the Permanent Fund itself.

"I think the people of Alaska want to keep the Permanent Fund as a savings account and that's really the purpose of this," Rose said.

Hanley said Rose's plan was at least simple, but did have one problem: By locking the principal of the budget reserve away from legislators, it could leave the state with no cushion in case a plunge in oil prices.

Rogers and Halford both said that having two permanent funds — a big one and a little one — might just confuse Alaskans.

"Why have two investment funds instead of one?" Rogers asked.

□ Daily News reporter Ralph Thomas contributed to this story.

ALASKA DIGEST

Published By The Alaska Register

October 1995

CLOSING ALASKA'S FISCAL GAP

Alaska's fiscal gap is real and growing. The state is spending \$524 million more than it will take in during the current fiscal year. That gap will grow to \$1.4 billion per year by the year 2005 if no changes are made to the state's spending and revenue policies.

The Long Range Financial Planning Commission was appointed jointly by the Legislature and Governor in March 1995 to recommend ways to close the gap and put Alaska on firm financial ground. The following are their recommendations:

What the plan does:

- * Makes the Permanent Fund the cornerstone of Alaska's fiscal future.
- * Closes the fiscal gap by the year 2000.
- * Ensures growth of the Permanent Fund to offset declining oil & gas revenues.
- * Stabilizes and diversifies revenues.
- * Controls state general fund spending.
- * Maintains a reserve to dampen the effect of oil price swings.
- * Decreases our dependence on volatile oil revenues.

The Plan closes the fiscal gap by:

- * Using the Permanent Fund as an endowment,
- * Cutting spending,
- * Increasing revenues, and
- * Capping the Permanent Fund dividend pool.

This is a plan for ourselves and our grandchildren. It requires all Alaskans share in the solution. The biggest threat to Alaska's future is that no action will be taken to close the fiscal gap.

The commission was asked to recommend a plan for three, five and ten years. To be sure that plans for these time frames did not create large problems after that, the commission also looked at the likely effects of the plan over a fifteen year period.

The first three years

Using the Permanent Fund as an endowment

- * Establish the Permanent Fund as an endowment that pays up to 4% of the Fund's five-year average market value to the general fund. The use of Permanent Fund earnings will partially replace declining oil revenues.
- * Amend the constitution to increase from 25% to 50% the minimum contribution to the Permanent Fund from certain oil, gas and mineral lease revenues.

needed for the succeeding five to ten years. By that time, many things will be advanced and several things that are now uncertain - such as federal budget changes - will be known. As a result, decisions for FY2000-2010 will be less dependent on speculation.

Cont. on Pg. 14



550 W. 7th Ave., Suite 1325
Anchorage, AK 99501

Tel (907) 274-7368
FAX (907) 276-1691

PRESS RELEASE

October 2, 1995

The Alaska Municipal Bond Bank Authority announced today that a bond sale for \$5,110,000 was sold to the low bidder John Nuveen & Co. Incorporated at a true interest cost of 4.9675%. The serial bonds mature within a ten (10) year period and are tax-exempt. The proceeds of the bond issue will be used to make a loan to the Lake & Peninsula Borough to fund various school projects for the Lake & Peninsula School District, and to make a deposit to the Bond Bank's reserve fund.

This general obligation bond issue is the Borough's first financing in the national tax-exempt bond market, and represents an innovative approach and partnership between the Borough and the Bond Bank in funding essential projects. The Borough does not levy a property tax at this time, but because of its conservative budgeting practices and financial health, the Borough, working with the Bond Bank was able to access the tax-exempt bond market at very attractive interest rates. The Borough's financial information reflects a General Fund balance of \$3,133,064 at the end of Fiscal Year 1995, and projects a budgeted Permanent Fund Balance for Fiscal Year 1996 of \$2,449,888. The School District has a total budget of \$9,122,100 for Fiscal Year 1996.

The Lake and Peninsula Borough was incorporated as a Home Rule Borough in April of 1989, and has a Manager form of government. The Borough consists of 17 small and widely scattered communities, with only two connected by road. The Borough is located on the Alaska Peninsula, encompasses approximately 28,000 square miles, and extends from Lake Clark in the north to Ivanof Bay in the south. The Borough School District operates 15 schools, all accredited by NWASC, and includes approximately 500 students in grades K through 12, 90% of which are Alaska Native.

Commercial fishing and fish processing are the most important industries in the Borough. The Borough contains three of the State's most important salmon fishing districts, which include Egegik and Ugashik on Bristol Bay, and Chignik on the Pacific Coast. Approximately 40 fish processors operate within the Borough during the peak fishing season.

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MEMORANDUM OF AGREEMENT

RE: MUNICIPAL DEBT CONTRACT RATINGS

Standard & Poor's Corporation (S&P) rates the creditworthiness of specific bonds or debt obligations for a fee upon written request from an issuer, or from an underwriter, financial consultant, institution or other purchaser, provided that the issuer has knowledge of the request.

The fee is based on the time and effort to determine the rating and accrues upon completion or termination of the rating process and is not contingent upon the sale of the bonds or debt obligations. The fee is not a payment to circulate, disseminate or publicize the rating. However, S&P has the right to disseminate the rating to its own customers and subscribers or through its own or other media. Expenses incurred, such as those for meetings outside S&P's offices or for field trips, are also payable to S&P.

The Applicant agrees to provide or otherwise furnish to S&P all pertinent information in a timely manner together with all subsequent material changes in and additions to such information prior to, at the time of, and subsequent to the assignment of the rating. Failure to furnish information in a timely manner may result in no rating or withdrawal of the rating. S&P relies on the party submitting such information for its accuracy and completeness and substantiation thereof.

It is understood that the rating is an evaluation of the information submitted and does not involve an audit by S&P. S&P has the right to raise, lower, suspend or withdraw the rating at any time, in its sole discretion, depending on the information S&P then has, or the lack thereof, or other circumstances, including, but not limited to, issuance of new bonds or debt obligations by the issuer, all without notice.

Neither party may assign this agreement without the consent of the other party.

CORPORATE AND MUNICIPAL DEBT RATING DEFINITIONS

Long-term debt

A Standard & Poor's corporate or municipal debt rating is a current assessment of the creditworthiness of an obligor with respect to a specific obligation. The assessment may take into consideration obligors such as guarantors, insurers, or lessors.

The debt rating is not a recommendation to purchase, sell, or hold a security, inasmuch as it does not comment as to market price or suitability for a particular investor.

The ratings are based on current information furnished by the issuer or obtained by S&P from other sources it considers reliable. S&P does not perform an audit in connection with any rating and may, on occasion, rely on unaudited financial information. The ratings may be changed, suspended, or withdrawn as a result of changes in, or unavailability of, such information, or for other circumstances.

The ratings are based, in varying degrees, on the following considerations:

1. Likelihood of default—capacity and willingness of the obligor as to the timely payment of interest and repayment of principal in accordance with the terms of the obligation;
2. Nature of and provisions of the obligation;
3. Protection afforded by, and relative position of, the obligation in the event of bankruptcy, reorganization, or other arrangement under the laws of bankruptcy and other laws affecting creditor's rights.

AAA Debt rated 'AAA' has the highest rating assigned by Standard & Poor's. Capacity to pay interest and repay principal is extremely strong.

AA Debt rated 'AA' has a very strong capacity to pay interest and repay principal and differs from the highest rated issues only in small degree.

A Debt rated 'A' has a strong capacity to pay interest and repay principal although it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than debt in higher rated categories.

BBB Debt rated 'BBB' is regarded as having an adequate capacity to pay interest and repay principal. Whereas it normally exhibits adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for debt in this category than in higher rated categories.

Speculative grade rating definitions

Debt rated 'BB', 'B', 'CCC', 'CC', and 'C' is regarded as having predominantly speculative characteristics with respect to capacity to pay interest and repay principal. 'BB' indicates the least degree of speculation and 'C' the highest. While such debt will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major exposures to adverse conditions.

BB Debt rated 'BB' has less near-term vulnerability to default than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to inadequate capacity to meet timely interest and principal payments.

B Debt rated 'B' has a greater vulnerability to default but currently has the capacity to meet interest payments and principal repayments. Adverse business, financial, or economic conditions will likely impair capacity or willingness to pay interest and repay principal.

The 'B' rating category is also used for debt subordinated to senior debt that is assigned an actual or implied 'BB' or 'BB-' rating.

CCC Debt rated 'CCC' has a currently identifiable vulnerability to default, and is dependent upon favorable business, financial, and economic conditions to meet timely payment of interest and repayment of principal. In the event of adverse business, financial, or economic conditions, it is not likely to have the capacity to pay interest and repay principal.

The 'CCC' rating category is also used for debt subordinated to senior debt that is assigned an actual or implied 'B' or 'B-' rating.

CC The rating 'CC' is typically applied to debt subordinated to senior debt which is assigned an actual or implied 'CCC-' debt rating.

C The rating 'C' is typically applied to debt subordinated to senior debt which is assigned an actual or implied 'CCC-' debt rating.

CI The rating 'CI' is reserved for income bonds on which no interest is being paid.

D Debt rated 'D' is in payment default. The 'D' rating category is used when interest payments or principal payments are not made on the date due even if the applicable grace period has not expired, unless S&P believes that such payments will be made during such grace period. The 'D' rating also will be used upon the filing of a bankruptcy petition if debt service payments are jeopardized.

Plus (+) or Minus (-): The ratings from 'AA' to 'CCC' may be modified by the addition of a plus or minus to show relative standing within the major rating categories.

Provisional Ratings: The letter 'p' indicates that the rating is provisional. A provisional rating assumes the successful completion of the project being financed by the debt being rated and indicates that payment of debt service requirements is largely or entirely dependent upon the successful and timely completion of the project. This rating, however, while addressing credit quality subsequent to completion of the project, makes no comment on the likelihood of, or the risk of default upon failure of, such completion. The investor should exercise judgment with respect to such likelihood and risk.

L The letter 'L' indicates that the rating pertains to the principal amount of those bonds to the extent that the underlying deposit collateral is insured by the Federal Savings & Loan Insurance Corp. or the Federal Deposit Insurance Corp. and interest is adequately collateralized. In the case of certificates of deposit the letter 'L' indicates that the deposit, combined with other deposits being held in the same right and capacity will be honored for principal and accrued pre-default interest up to the federal insurance limits within 30 days after closing of the insured institution or, in the event that the deposit is assumed by a successor insured institution, upon maturity.

* Continuance of the rating is contingent upon S&P's receipt of an executed copy of the escrow agreement or closing documentation confirming investments and cash flow.

Municipal Notes

A Standard & Poor's note rating reflects the liquidity concerns and market access risks unique to notes. Notes due in 3 years or less will likely receive a note rating. Notes maturing beyond 3 years will most likely receive a long-term debt rating. The following criteria will be used in making this assessment:

—Amortization schedule (the larger the final maturity relative to other maturities the more likely it will be treated as a note).

—Source of payment (the more dependent the issue is on the market for its refinancing, the more likely it will be treated as a note).

Note rating symbols are as follows:

SP-1 Very strong or strong capacity to pay principal and interest. Those issues determined to possess overwhelming safety characteristics will be given a plus (+) designation.

SP-2 Satisfactory capacity to pay principal and interest.

SP-3 Speculative capacity to pay principal and interest.

Dual Ratings

Standard & Poor's assigns "dual" ratings to all debt issues that have as part of their structure a put option or demand feature.

The first rating addresses the likelihood of repayment of principal and interest as due, and the second rating addresses only the demand feature. The long-term debt rating symbols are used for bonds to denote the long-term maturity and the commercial paper rating symbols for the put option (for example, 'AAA/A-1 +'). With short-term demand debt, the note rating symbol is used with the commercial paper rating (for example, 'SP-1 +/A-1 +').

(9)

Standard & Poor's Ratings Services,
A Division of The McGraw-Hill Companies, Inc.
Public Finance Department
25 Broadway
New York, New York 10004-1064

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and.....

Richard P. Larkin
Managing Director
Telephone 212/208-1767
Reference No.: 917614

September 27, 1995

Mr. Norman J. Levesque
Executive Director
Alaska Municipal Bond Bank Authority
550 West 7th Avenue - Suite 1325
Anchorage, AK 99501

Re: *\$5,110,000 Alaska Municipal Bond Bank, General Obligation Bonds, Series 1995C,*
dated: October 1, 1995, due: August 1, 1996-2005

Dear Mr. Levesque:

Pursuant to your request for a Standard & Poor's rating on the above debt obligations, we have reviewed the information furnished to us and, subject to the terms and conditions of the **MEMORANDUM OF AGREEMENT** on the reverse side hereof, have assigned a rating of 'A' to the obligations. S&P views the outlook for this rating over the intermediate to longer term as stable.

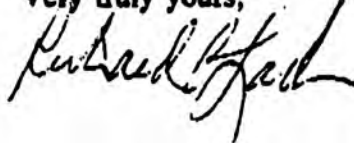
Please note that the information referred to in the third paragraph of the **MEMORANDUM OF AGREEMENT** includes annual audits and budgets and, for revenue bond ratings in connection with construction financing, progress reports, not less often than quarterly, covering the project being financed.

S&P relies on the issuer and its counsel, accountants and other experts for the accuracy and completeness of the information submitted in connection with the rating. In addition, it should be understood that the rating is not a "market" rating nor a recommendation to buy, hold or sell these securities. Please note that the rating, as is the case with all of S&P's municipal ratings, does not address the likelihood that interest payable on the Bonds may be deemed or declared includable in the gross income of Bondholders by the relevant authorities at any time.

In the event that you decide to include this rating in an Official Statement, prospectus or other offering literature, we request that you include S&P's definition of the rating together with a statement that the rating may be changed, suspended or withdrawn as a result of changes in, or unavailability of, information.

We are pleased to have been of service to you. Our bill for the analytical work performed will be sent to you in due course. If you have any questions, please contact us.

Very truly yours,



ed

cc: Ms. Elizabeth Pollack, Assistant Vice President
Seattle Northwest Securities

(7)



General Obligation/Special Tax

September 25, 1995

5

Alaska Municipal Bond Bank

Additional Indebtedness: The Bond Bank is authorized to have up to \$300,000,000 in bonds outstanding. There is an authorization from the state to increase this amount to \$550,000,000, provided that the \$250,000,000 can only be issued for school construction. The increase becomes effective only if the voters of the state approve an amendment to the State Constitution.

Authorized Investments: (1) Direct obligations of or obligations guaranteed by the United States or agencies of the U.S.; (2) Banker's acceptances drawn on and accepted by banks and certificates of deposits on Banks with combined capital and surplus aggregating at least \$200,000,000. (3) Interest bearing time deposits or certificates of deposit of a bank or trust company secured and collateralized by obligations of

the type described I (1) or by General Obligations of the State having market value at least equal at all times to the amount of such deposits or certificate, to the extent that such deposit or certificate is not insured by the Federal Deposit Insurance Corporation.

State Intercept: If a Bond Bank participant is in default on the payment of principal or interest to the Bond Bank, then the Bond Bank may notify any department or agency of the State to withhold the payment of money held by it and payable to the participant and pay over such money to the Bond Bank for the purpose of paying principal and interest on the Bonds of then Bond Bank. The State is not contractually obligated to provide such state aid payments and the amount of the intercept is uncertain.

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Alaska Municipal Bond Bank

Bond Bank Participants

Participant	Amount Outstanding 6/30/95 (\$000) ☐	Moody's Rating
Aleutians East Boro	\$5,720	NR
Bristol Bay Boro	1,730	NR
City & Boro of Juneau	620	Baa1
City & Boro of Sitka	8,745	NR
Fairbanks North Star Boro	1835	A
Kenai Peninsula Boro	13,240	NR
Matanuska-Susitna Boro	1,665	Baa1
Anchorage	4,575	A1
Cordova	795	NR
Craig	1,500	NR
Haines	1,885	NR
Homer	3,855	Baa
Kenai City	7,421	NR
Ketchikan	4,985	Baa1
Kodiak	145	NR
Nenana	1,430	NR
Nome	670	NR
Palmer	780	NR
Petersburg	4,583	Baa1
Seward	8,774	NR
Soldotna	825	NR
Unalaska	5,025	NR
Wrangell	7,737	NR
Lake Peninsula Borough ☐	4,600	NR
Total	\$93,140	

☐ Amount lent to the participant not of the reserve with the Bond Bank☐ Current offeringadministrative
factors:

Form of Government: Five-member board, three appointed by the governor with the approval of the legislature. Commissioners of revenue and of com-

munity regional affairs are members ex-officio. Chairman is elected by the members. The board appoints the executive director.

security
provisions:

Bond Security: The bonds are issued under and secured by the 1976 general resolution and are general obligations of the bank, secured only by a pledge and assignment of the municipal bonds and the participant loan payments. The bonds of the bank are not general obligations of the state

Flow of Funds: The general resolution established the Debt Service Fund, Reserve Fund and Operating Fund. The Reserve Funds established within the Statutory Reserve Fund and is two-thirds funded from

state appropriations (special account) and one-third from bond proceeds (ordinary account).

Reserve Requirements: An amount between 10% and 15% of the total principal amount of municipal loans outstanding or maximum annual debt service, whichever is greater. Percentage of reserve requirements decrease to 10% as the portfolio expands. With this issuance, reserve is over-funded with \$15,356,671 on reserves.

(5)

General Obligation/Special Tax

September 25, 1995

3

Alaska Municipal Bond Bank

debt factors: Debt Statement as of 6/30/95 (\$000):

	Rating	Amount Issued	After Delivery
1976 General Resolution (G.O.)	A	\$291,820	\$98,420
Ketchikan Gateway Borough Airport	Aaa	410	195
1987 Resolution (City of Ketchikan)	Aaa	15,030	9,905
1988 Resolution (Kodiak Port)	A	4,500	3,500
1989 Resolution Series A & B Homer Water Revenue	A	2,550	2,405
1990 Resolution (Yakutat)	A	1,195	1,105
1993 Resolution (Kodiak Water)	A	2,500	2,380
1995 Resolution (Seward Electric)	Aaa	3,225	3,225
Coastal Energy Loan Program	NR	35,456	13,743

Rate of Retirement

Principal Amount Due	Amount (\$000)	% of Total
In 5 years	\$61,525	62.5
In 10 years	92,070	93.5
In 15 years	96,625	98.2

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Alaska Municipal Bond Bank**analysis:****General Obligation, Unlimited Tax Pledge**

With this offering 24 local governmental entities have issued debt through the Bond Bank under the 1976 general resolution. These communities represent small entities which might otherwise be excluded from the capital market if issuing on their own. There are, however, some larger cities and boroughs which add some diversity to the portfolio. The loan payments to the Bond Bank from local units are subject to an unlimited tax pledge of those local units.

Sizable Reserve for General Obligation Debt

Reserve Fund was established under the bond resolution, through which funding is maintained at an amount equal to between 10% and 15% of total principal outstanding or maximum annual debt service, whichever is greater. The Reserve Fund is currently overfunded with \$15.8 million in reserve with the Trustee. The bank also has an additional \$16.1 million in a custodian account, which represents that portion of the state appropriation and investment earnings that has not yet been reserved for outstand-

ing general obligation and revenue bonds. These funds are available to bondholders should the reserve funds be depleted. However, funds in the custodian account may also be used for establishing reserves for future Bond Bank borrowings and may not be available if the existing reserves fail.

The State Can Withhold Aid to Participants

The state can withhold payment of state aid to any agency of the participant in the event of the participant's failure to make a loan repayment to the bond bank. State aid represents a substantial portion of the revenues of local governments in Alaska, and is usually well in excess of debt service requirements. It is possible that when at a time when a participant is in default, State appropriations to the municipality have already been made for that budget period and no funds are available to intercept. In such cases the existing reserves would be used for payment and, according to the statutes and the cash flow of funds outlined in the Resolution, the intercepted funds from subsequent appropriations would be used to replenish the reserves to the required limit.

sale information: Legal Name of issuer: Alaska Municipal Bond Bank.

Date of Bonds: October 1, 1995.

Security: The bonds are issued under and secured by the 1976 general resolution and are general obligations of the bank, secured only by a pledge and assignment of the municipal bonds and the participant loan payments.

Use of Proceeds: The proceeds net of the reserve requirement will be lent to Lake Peninsula Borough for School Improvements.

Key Contacts:

Chief Financial Officer: Norman J. Levesque
Executive Director, (907) 274-7366.

Advisor: Seattle Northwest Securities, Seattle,
(206) 628-2882.

Bond Counsel: Wohlforth, Argetsinger, Johnson
& Brecht, Anchorage, (907) 276-5093.

Auditor: KPMG Peat Marwick, Anchorage,
(FY 1994).

rating history: May 1976:

A

analyst: Kevork Khimian
(212) 553-4756

3

Moody's **Municipal** Credit Report

Alaska Municipal Bond Bank
September 25, 1995

	New Issue	General Obligation/Special Tax
sale:	\$5,110,000	1995 Series C
date:	For bids September 26	

Moody's rating: A

credit comment: The Bond Bank Issues these General Obligation Bonds to make loans to municipalities throughout the state and to partially fund a debt service reserve. The bonds are a general obligation of the Bond Bank and are payable from loan repayments and the Bond Bank's reserve funds. The proceeds of the current offering will be lent to Lake Peninsula Borough for school improvements. The A has been confirmed based on the following factors:

- General obligation, unlimited tax pledge of the participants and the overall strength of the portfolio. Each participant's loan agreement with the bond bank is secured by a general obligation, unlimited tax pledge.

- Sizable reserves available for bond repayment. An overfunded Reserve Fund of 16.1% of outstanding general obligation debt provides considerable bondholder security. The availability of an additional \$16.1 million, in a custodian account, further enhances the reserves.

- State intercept of aid to participant to meet debt service. If a bond bank participant fails to meet its obligation to the bond bank, the state may withhold state aid to the participant. Total state aid is often a substantial component of each bond bank participant's budget, thereby assuring full and timely replenishment of reserves if they are drawn upon.

key facts:	Reserve Fund as % of Outstanding General Obligation Bonds:	16.1%
	General Obligation Bonds Outstanding:	\$98,420,000 [□]
	Other Reserve Funds Available But Not Dedicated for General Obligation Bonds:	\$16,135,059 [□]

[□] Includes the current offering.

[□] Funds in the Custodian Account of the Statutory Reserve Fund which have not been reserved for specific outstanding Bond Bank Debt.



(2)

Fiscal budget panel completes wish list

By Tim Bradner
Alaska Journal of Commerce

The state Long-Range Financial Planning Commission completed six months of work Oct. 1 on a 15-year fiscal plan for the State of Alaska that included a number of recommendations designed to generate other income when oil revenues are substantially depleted.

The nine-member panel of state officials, legislators and citizens endorsed a package of stiff new taxes, budget cuts and Permanent Fund dividend reductions. The commission also proposed "front-loading" of the Permanent Fund with cash reserves so that it will generate more income in later years.

The plan would require \$100 million in budget cuts over three years, starting with a \$40 million cut to be made by the state Legislature in 1996 and successive \$30 million cuts made in the 1997 and 1998 sessions.

The effect of this, in inflation-adjusted dollars, would be equivalent to a \$300 million, or 5 percent, cut in existing services, commission Chairman Brian Roger of Fairbanks said.

New taxes on tobacco, alcohol and fuel would have to be enacted by the 1996 Legislature, including a new \$1 per pack tax on cigarettes, a doubling of alcohol taxes and increases in state motor and marine fuel taxes to national averages.

The plan asks the fisheries industry to contribute \$30 million a year more in taxes, and the tourism industry to contribute \$20 million yearly, beginning in fiscal 1998. A personal income tax would be imposed in 2002 at one-half the rate of the state's income tax when it was repealed in 1981.

Permanent Fund income used for dividends would be decreased by \$50 million in each of three years from the current-year allocation of \$565 million, with funding for dividends then "frozen" at \$415 million permanently.

As for the Permanent Fund itself, the commission recommended depositing the money remaining in the fund's earnings reserve into the corpus of the Fund and depositing any

Continued on Page 14

FOCUS

Fiscal planners offer new ideas

Continued from Page 5

money in excess of \$1.5 billion in the Constitutional Budget Reserve, and from oil litigation or other windfalls, in the Permanent Fund.

This "bulking up" of the Permanent Fund would allow it to more than double in 10 years to \$30.5 billion, and reach \$40.7 billion by 2010, at which time it would be contributing \$1.5 billion yearly to help fund the state budget.

A constitutional amendment, approved by voters, would be required to convert the Fund to an endowment, with 4 percent of an average of the five previous years' earnings appropriated to help support public services.

"This plan has something to offend everyone," Rogers quipped, when briefing Gov. Tony Knowles and legislative leaders.

"There are numerous provisions of the plan that we don't like, but the majority of us feel that, on balance, this was the best plan to close the fiscal gap," Rogers said.

Six commission members endorsed the plan, but three others dissented:

- Rep. Sean Parnell, R-Anchorage, said, "I don't believe people will accept using Permanent Fund earnings and raising taxes without a significant downsizing of government." Also, the plan does little to reduce state dependence on volatile oil revenues or provide for sustainable spending, he said.

State Sen. Steve Rieger objected to the plan's imposition of a personal income tax in 2002 when the commission's own projections show substantial budget surpluses in years 2003 and 2004.

Rieger also said the endowment plan for the Permanent Fund, which requires depositing current cash reserves and diverting more state royalty income to the Fund, and substantial new taxes on fisheries and tourism, isn't necessary.

Less drastic steps would be sufficient to cover the short-term gap, he argued, and a new financial planning commission would convene in the future.

Mary Nordale, a Fairbanks attorney and former Commissioner of Revenue, said she doesn't support using the Permanent Fund as an endowment for state government.

STATE OF ALASKA

DEPARTMENT OF ADMINISTRATION

ALASKA PUBLIC OFFICES COMMISSION

TONY KNOWLES, GOVERNOR

REPLY TO:

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

Sept 13, 1995

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

Dear Mr. Rogers:

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

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

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

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

Sincerely,



Karen Boorman
Executive Director
Alaska Public Offices Commission

cc: Alaska Public Offices Commission Members

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



SENATOR DAVE DONLEY

ALASKA STATE LEGISLATURE

August 30th, 1995

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

Dear Mr. Rogers,

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

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

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

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

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

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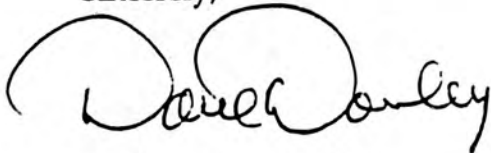
Produced in House

Brian Rogers
August 30th, 1995
Page Two

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

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

Sincerely,

A handwritten signature in dark ink, appearing to read "Dave Donley". The signature is fluid and cursive, with the first name "Dave" and last name "Donley" clearly distinguishable.

Senator Dave Donley

DD/kb



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

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

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

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

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

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

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

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

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

Thanks for giving me the chance to testify.



Anchorage Education Association



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

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

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

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

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

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

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

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

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

Thank you for taking the time to consider my suggestions.

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

September 13, 1995

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

Dear Mr. Rogers:

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

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

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

September 13, 1995

Page 2

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

Sincerely yours,

A handwritten signature in black ink, appearing to read "John Havelock", with a long, sweeping horizontal line extending to the right.

John Havelock
(vice-chair Alaska Common Ground)

cc: Esther Wunnicke (Chair)

THE FISCAL GAP

PART ONE

STATEMENT OF CAUSES AND WHAT MUST BE DONE

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PART TWO

PRINCIPLES TO GUIDE A SOLUTION TO THE FISCAL GAP

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

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

CORRECTION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PART THREE

A MODERATE SCENARIO FOR ADDRESSING THE FISCAL GAP CRISIS

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

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

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

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

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

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

3.6 **Minimum Income Exclusion From Income Tax.** An income tax is a preferred method of raising revenue, but that does not mean that the rate needs to be as high as it was when repealed. Nor does the income tax need to tax low and moderate incomes, provided that other sources of revenue are also tapped. Nor does it have to reflect all of the exemptions and deductions of the federal income tax. For example², 69% of the revenue from the income tax, as structured at the time of its repeal, came from net taxable incomes over \$50,000 (on average gross incomes of \$65,000). That income is generated from under 2% of those filing a return. We recommend that the exclusion be at least at the \$50,000 (\$65,000 gross) level. A tax at 3%, half the level of the tax repealed in the oil boom, levied only on net incomes above \$50,000 would net \$154 Million, almost 1/3 of the amount necessary to meet the gap. Revenue from such a tax would rise with economic and population growth, as required by

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

principle 12.1.

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

3.8. Motor Fuel Tax. Alaskan consumption taxes on motor fuel have stayed abnormally low as a result of inflation and lack of revenue pressure. Alaska spent \$130 Million of its own funds on highways and public facilities³. The current 8 cents per gallon. motor fuel tax raises only 33.5 Million. A raise of 8 cents per gal would still leave Alaska's tax level well below national rates. A raise in excess of 8 cents to the national median may impose too sharp a burden all at once on low income motorists. A further raise should be considered in three-five years.

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

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

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

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

APPENDIX B.

MEMORANDUM OF AMERICAN CASES AND RECENT ENGLISH CASES ON THE LAW OF TRADING WITH THE ENEMY.

By CHARLES WARREN, Assistant Attorney General of the United States.

I.

AMERICAN CASES.

→ (1) Every species of intercourse with the enemy is illegal. The prohibition is not limited to mere commercial intercourse.

Johnson, J., in *The Rapid* (1814) (8 Cranch, 155, 162, 163):

"Whether this was a trading in the eye of the prize law such as will subject the property to capture.

"The force of the argument on this point depends upon the terms made use of. If by *trading* in prize law was meant that signification of the term which consists in negotiation or contract, this case would certainly not come under the penalties of the rule. But the object, policy, and spirit of the rule is to cut off all communication or actual locomotive intercourse between individuals of the belligerent States. Negotiation or contract has therefore no necessary connection with the offense. *Intercourse* inconsistent with actual *hostility* is the offense against which the operation of the rule is directed, and by substituting this definition for that of *trading with an enemy* an answer is given to this argument."

And see especially Story, J., in *The Julia* (1814) (8 Cranch, 181, 193, 194, 195):

"Nor is there any difference between direct intercourse between the enemy countries and an intercourse through the medium of a neutral port. The latter is as strictly prohibited as the former."

See also Story, J., in *The Julia* (1813) (1 Gallison, 594, 602, 603):

"* * * It would seem a necessary result of a state of war to suspend all negotiations and intercourse between the subjects of the belligerent nations. By the war every subject is placed in hostility to the adverse party. He is bound by every effort of his own to assist his own government and to counteract the measures of its enemy. Every aid, therefore, by personal communication or by

other intercourse which shall take off the pressure of the war or foster the resources or increase the comforts of the public enemy, is

→ strictly inhibited. No contract is considered as valid between enemies, at least so far as to give them a remedy in the courts of either government, and they have, in the language of the civil law, no ability to sustain a *persona standi in judicio*. The ground upon which a trading with the enemy is prohibited is not the criminal intentions of the parties engaged in it or in the direct and immediate injury to the State. The principle is extracted for a more enlarged policy, which looks to the general interests of the Nation, which may be sacrificed under the temptation of unlimited intercourse or sold by the cupidity of corrupted avarice."

See also *The St. Lawrence* (1814) (8 Cranch, 434); *The Alexander* (1814) (8 Cranch, 169); *The Rugen* (1816) (1 Wheaton, 62); *United States v. Barber* (1815) (9 Cranch, 243); *United States v. Sholdon* (1817) (2 Wheaton, 119).

Common
Law

To: State of Alaska Long-Range Financial Planning
Commission

in the note too the
City Desk of the
Daily News
incorporated citizen(s)
are AT&T, the 6th of
this mo

Alaska Aerospace
Development Co.

Anchorage P.D.#143

Time 3:50 pm of
municipal corpora-
tion and Anchorage
Municipal Assembly
the latter protesting
AO #95-158 giving
artificial (ie) corpora-
tion(s) police powers
on natural person(s)
who may be reaction
any.

Charles E. McKee

9/13/95

To: Anchorage Daily News
City Desk 9/13/95

In my interest to address
the oil contamination in Prince
William Sound.

I Charles E. McKee
communicated with an incorp-
ated citizen (such as your
self) constituting increased
comforts of same in cases
of law; Common law.

Intrapsment is of my
concern by one or more
corporation(s) be it muni-
cipal, State or more enlarged
using common law!

Charles E. McKee

P.O. Box 143452

Anch, AK 99514

40. In a case styled Hooven & Allison Co. v. Evatt (U.S. Ohio, 324 U.S. 652, 65 S.Ct/ 870, 880, 89 L.Ed. 1252 (1945)), the U.S. Supreme Court addressed definitions or characters for the "United States" for the last time -- the case merits judicial notice. In the decision, the court said that the United States may denote operation of the United States as sovereign among sovereigns in the family of nations; the United States is a geographical (territorial) self-interested entity under Congress' exclusive jurisdiction; and the United States can be the legitimate government for the states united under the Constitution for the United States of America. The two constitutional loopholes employed to justify demarcation of the United States as a self-interested entity; what in this text is being described as the federal United States, are at Article I § 8: 17 & 18, and Article IV § 3:2. These provisions, contrary to the founders' intent, have been interpreted to vest Congress with authority respecting the federal United States almost without constitutional limitation. Though the Constitution created the United States by way of delegation by the states collective, the interpretation has been construed in such a manner that Congress can allegedly do pretty well as Congress pleases within the territorial bounds of congressional sovereignty -- the District of Columbia, United States territories such as American Samoa, Guam, etc., and on federal enclaves such as military bases.

41. This self-interested federal United States was institutionalized in the years immediately following the Civil War, beginning with the fourteenth amendment, promulgated at bayonet point, in 1868. Section 1 of the fourteenth amendment is as follows:

All persons born or naturalized in the United States, and subject to the jurisdiction thereof, are citizens of the United States and of the State wherein they reside. No State shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States; nor shall any State deprive any person of life, liberty, or property, without due process of law; nor deny to any person within its jurisdiction the equal protection of the laws.

42. This new citizen-subject of the United States ("... subject to the jurisdiction thereof...") constituted a colorable citizenship as the fourteenth amendment United States citizen did not have inherent rights of Preamble sovereign people rhetorically referenced as United States citizens in Article I of the Constitution. The fourteenth amendment citizen-subject class enjoyed whatever rights Congress might confer as privileges, not rights, although the class was assured due process and other benefits assured state citizens when they lived in any of the fifty state republics. An amount of clarity was shed on the subject in the Slaughterhouse cases in the 1870s. Note the distinction between 1855 and 1875 court comments:

A citizen of any one of the States of the union, is held to be, and called a citizen of the United States, although technically and abstractly there is no such thing. To conceive a citizen of the United States who is not a citizen of some one of the States, is totally foreign to the idea, and inconsistent with the proper construction and common understanding of the expression as used in the Constitution, which must be deduced from its various other provisions. The object then to be attained, by the exercise of the power of naturalization, was to make citizens of the respective States. (Ex Parte Knowles, 5 Cal. 300 (1855))

We have in our political system a Government of the United States and a government of each of the several States. Each one of these governments is distinct from the others, and each has citizens of its own who owe it allegiance, and whose rights, within its jurisdiction, it must protect. The same person may be at the same time a citizen of the United States and a citizen of a State, but his rights of citizenship under one of these governments will be different from those he has under the other. (United States v. Cruikshank, 92 U.S. 542 (1875))

43. This distinction is today retained in definitions in the Immigration and Nationality Act, located as 8 USC § 1101(a):

(21) The term "national" means a person owing permanent allegiance to a state.

(22) The term "national of the United States" means (A) a citizen of the United States, or (B) a person who, though not a citizen of the United States, owes permanent allegiance to the United States.

44. Employing the convenience of colloquial use, all Americans are nationals of the United States, but all nationals are not citizens of the United States. The national is the universal class; the citizen is the special class within the universal. However, the citizen does not have all constitutional and common law assurances as inherent rights -- rights to the national are privileges to the citizen

as the citizen is a subject class provided constitutional and common law benefits at Congress' pleasure. Congress can theoretically extend or retract those benefits on a whim. De jure citizens of allodial right; the We the People identified in preambles for U.S. and state constitutions, are nationals of the United States and citizens of their respective state republics.

45. The next step in the monumental fraud came in 1871 when the District of Columbia was incorporated as a municipal corporation and political subdivision of the federal United States. The Constitution allocates ten square miles for the seat of government. Until after the Civil War, people who lived in the present District of Columbia remained under Virginia and Maryland legal jurisdiction as citizens of their respective states. The common law of the states remained in full force. The whole of the land area was ceded to the federal United States prior to incorporation, then in the latter part of the 1870s, the original was dissolved and the District of Columbia re-incorporated as a single municipal corporation. The District of Columbia formally became a federal State; a political subdivision of the federal United States, so it in effect became what the Supreme Court was to describe as government within a government.¹⁸

46. The seeming third major leg in federal treason was a shift by the U.S. Supreme Court in Juilliard v. Greenman, 110 U.S. 421. In this decision, the high court reversed fields from its position just four years before. One of the more vocal critics was Naval Academy founder George Bancroft, writing to the matter at length in "A Plea For the Constitution of the United States: Wounded in the House of Its Guardians". Bancroft, along with numerous others concerned about power the self-interested United States was usurping, called the Juilliard decision one of the most blatant cases of revisionist history ever perpetrated by an institution of such alleged esteem. However, the high court was in federal forum: Where the U.S. Constitution mandates that Congress mint coin and regulate value, then prohibits the states from making anything but gold and silver coin legal payment for debt, it does not expressly prohibit the federal United States, in self-interested capacity, from printing paper money. By 1884, in the midst of economic chaos following the Civil War, reconstruction of the South, and westward expansion, the self-interested federal United States launched its own rising star at the expense of legitimate constitutional government for the states united.

47. Much of this convoluted notion of federal states versus legitimate constitutional state republics made its way into territorial and state enabling act legislation in the period following the Civil War (the "Imperial Congress"). Nevada and other states are presently engaged in efforts to gain control of public lands within their territorial borders, based on the Equal Footing Doctrine,¹⁹ which the United States demanded as a condition for granting statehood.²⁰ Oklahoma will likely be one of the states which claims sovereign authority over its public lands when the sordid mess is unraveled. The People of Oklahoma agree with Eureka County, Nevada district attorney William E. Schaeffer's conclusion in his forty-eight page opinion: "The Feds have to go!"

48. During Oklahoma territorial days, territorial courts had two distinct characters: They

¹⁸ Original District of Columbia incorporation, Statutes at Large, Dec. 1869-1871, Session III, Chapter 62; reincorporated, Statutes at Large, Oct. 1877 to March 1879 (Vol. XX), Session II, June 11, 1878, Chapter 160; Supreme Court identified the District of Columbia as a government within the government in The Metropolitan Railroad Company v. The District of Columbia 132 U.S. 231.

¹⁹ U.S. Constitution, Art. IV § 3.4

²⁰ U.S. retention of public lands is written into the Oklahoma Constitution at Article I § 3: "The people inhabiting the State do agree and declare that they forever disclaim all right and title in or to any unappropriated public lands lying within the boundaries thereof ... and that until the title to the public land shall have been extinguished by the United States, the same shall be and remain subject to the jurisdiction, disposal, and control of the United States." The original thirteen states gave western "waste" lands beyond original borders to the United States to dispose of to help pay debts held over from the Revolution, but the lands had to become new, independent states or revert to jurisdiction of the original states. Congress unilaterally began indulging territorial appetites on behalf of the federal United States following the Civil War, thus abridging the Equal Footing Doctrine.

Claim of lien

Keep in mind the Republic was being attacked from within while the 14th amendment was being proposed, the intent was the artificial legal person (ie) the corporation would have a perpetual life more so than that of the communist mind.

Also knowing they would become involved by grant of State, The Constitution states in part: "No state shall... make anything but gold and silver coin a tender in payment of debt." Thereby invalidating the grant also in what manner had the artificial person tendered payment for the grant by State!

Charles E. McKee 9/21/1995

UNITED STATES OF AMERICA)
STATE OF ALASKA) ss.

This is a photocopy of the original.

Charles E. McKee being first duly sworn on his oath deposes and says: I am the claimant named in the foregoing Claim of Lien; I have read the same, know the contents thereof and that the same is true as I verily believe.

Subscribed and sworn to before me this 21 day of September, 19 95

James H. Hayes
Notary Public for Alaska.
My commission expires
5-30-97



ALASKA CRAB COALITION

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

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Should you encounter any problems during this transmission,
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OUR TELECOPIER DIRECT LINE IS: (206) 547 0130

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①

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

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

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

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

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

1. The need for maintenance of an adequate Fish and Game applied research and management budget for Bering Sea crab fisheries. This is the engine that will drive rebuilding and sustainability of the king and tanner crab resources.
2. Royalty fees of 4% to 12% of gross revenues are being considered for limited entry fisheries as part of the solution for closing the one half billion dollar fiscal gap (estimated annual revenue \$19 to \$60 million per year).

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

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

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

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

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

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

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