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CS FOR HOUSE JOINT RESOLUTION NO. 26()
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-THIRD LEGISLATURE - FIRST SESSION

BY

Offered:

Referred:

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE LEGISLATIVE BUDGET AND AUDIT COMMITTEE

A RESOLUTION

1 Proposing amendments to the Constitution of the State of Alaska relating to and limiting
2 appropriations from the Alaska permanent fund based on an averaged percent of the
3 fund market value to protect the fund from inflation and ensure that the real value of
4 the fund is preserved over time.

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

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

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

15 * Sec. 2. Article IX, sec. 15, Constitution of the State of Alaska, is amended by adding a

1 new subsection to read:

2 (b) Money should not be appropriated from the permanent fund unless the
3 annual amount appropriated is predictable and limited to protect the fund from
4 inflation and ensure that the real value of the permanent fund is preserved over time.
5 Therefore, appropriations from the permanent fund for a fiscal year may not exceed
6 five percent of the average of the market values of the fund on June 30 for the first
7 five of the six fiscal years immediately preceding that fiscal year.

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

10 **Section 30. Transition.** On the effective date of the 2004 amendment relating
11 to the Alaska Permanent Fund (art. IX, sec. 15), the unencumbered, unappropriated
12 balance of the earnings reserve account established under AS 37.13.145(a) is added to
13 the balance in the Alaska Permanent Fund.

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

Methods to determine funds available for appropriation:

**Five key differences between the
Status quo and the proposed
Percent of Market Value (P.O.M.V.)**

A presentation by the Alaska Permanent Fund Corporation
to the House Ways and Means Committee
April 21, 2003



Five key differences between the status quo and POMV

1. POMV offers constitutional inflation-proofing protection of the entire Fund. The status quo statutorily inflation-proofs Fund principal.
2. POMV is a spending limit. It limits funds available for appropriations to real income over time. Under the status quo, the entire earnings reserve may be appropriated.
3. During volatile markets, POMV offers greatly improved stability in year-to-year amounts available for appropriation as compared to the status quo.



Differences between the status quo and POMV

4. POMV is compatible with the Fund's diversified, long-term investment strategy of achieving a 5% real rate of return over time. The status quo was designed a quarter century ago for a Fund invested 100% in bonds.
5. Predictable annual appropriations are provided under POMV. Under the status quo, it is not known whether funds will be available for appropriation in any given year.





Alaska Permanent Fund Corporation
HJR 26 - Financial projection comparison of the Alaska Permanent Fund
under status quo versus POMV spending limit, beginning in FY05.

\$ millions

Status Quo	-----projected-----										
	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13
Total Return	-3.42%	7.38%	7.60%	7.60%	7.60%	7.60%	7.60%	7.60%	7.60%	7.60%	7.60%
Principal - end of year (after payouts)	22,348	23,268	24,149	25,057	25,988	26,937	27,910	28,899	29,899	30,918	31,956
Realized earnings reserve (after payouts)	633	398	648	1,102	1,581	2,028	2,446	2,886	3,358	3,865	4,487
Unrealized earnings reserve	(632)	118	610	960	1,232	1,468	1,708	1,929	2,135	2,332	2,434
Total earnings reserve - end of year (after payouts)	0	516	1,258	2,062	2,813	3,496	4,154	4,816	5,493	6,197	6,921
Total Market Value End of Year (after payouts)	<u>22,349</u>	<u>23,784</u>	<u>25,407</u>	<u>27,118</u>	<u>28,801</u>	<u>30,433</u>	<u>32,065</u>	<u>33,715</u>	<u>35,392</u>	<u>37,115</u>	<u>38,876</u>
Annual net income	(851)	1,620	1,775	1,897	2,026	2,152	2,275	2,397	2,521	2,647	2,776
Dividend (lump sum) - Status Quo	686	510	409	442	597	766	887	979	1,059	1,131	1,209
Transfer status quo Inflation-proofing (ER to principal)	102	590	612	635	659	683	707	732	758	783	810

POMV - 5% (beginning in FY05)	-----projected 5% POMV beginning in FY05-----										
	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13
Total Return			7.60%	7.60%	7.60%	7.60%	7.60%	7.60%	7.60%	7.60%	7.60%
Total Market Value End of Year (after payouts)		<u>23,784</u>	<u>24,581</u>	<u>25,429</u>	<u>26,307</u>	<u>27,186</u>	<u>28,076</u>	<u>28,978</u>	<u>29,881</u>	<u>30,795</u>	<u>31,717</u>
Annual net income			1,775	1,834	1,898	1,963	2,028	2,094	2,161	2,228	2,295
POMV Payout available for appropriation in lump sum			1,235	1,243	1,274	1,329	1,380	1,426	1,473	1,520	1,568
5 year average market value			24,706	24,854	25,480	26,576	27,608	28,526	29,463	30,409	31,363

Assumptions: Callan Associates 2003 Capital Market Assumptions, APFC 2003 asset allocation, Spring 2003 revenue forecast, financial statements through 3/31/03. All payouts are assumed to happen at fiscal year end, all dollar values in millions.



Alaska Permanent Fund Corporation

Calculation of annual effective rates of 5% POMV spending limit
\$ millions

	<u>FY05</u>	<u>FY06</u>	<u>FY07</u>	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>
Payout based on 5 year moving average	1,235	1,243	1,274	1,329	1,380	1,426	1,473	1,520	1,568
Ending market value (after payout)	24,581	25,429	26,307	27,186	28,078	28,978	29,881	30,795	31,717
Ending market value (pre payout)	25,816	26,672	27,581	28,515	29,458	30,404	31,354	32,315	33,285
Effective payout rate *	4.78%	4.66%	4.62%	4.66%	4.69%	4.69%	4.70%	4.71%	4.71%

	<u>FY05</u>	<u>FY06</u>	<u>FY07</u>	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>
Payout based on 5 year moving average	1,235	1,243	1,274	1,329	1,380	1,426	1,473	1,520	1,568
less APFC costs to manage the Fund	38	39	41	42	43	44	46	47	49
5% available for spending after deducting APFC costs	1,197	1,203	1,233	1,287	1,337	1,382	1,427	1,473	1,520
Effective rate after deducting APFC costs *	4.64%	4.51%	4.47%	4.51%	4.54%	4.55%	4.55%	4.56%	4.57%
APFC costs to manage the Fund in %	0.16%	0.16%	0.16%	0.16%	0.16%	0.16%	0.16%	0.16%	0.16%

* Note: The effective rate is defined as the payout over the ending market value of the Fund (pre-payout) expressed as a percentage.



XJK 26

Alaska Permanent Fund Corporation

P.O. Box 25500 Juneau, Alaska 99802-5500

(907) 465-2047

April 15, 2003

Representative Ralph Samuels
Chair, Legislative Budget and Audit Committee
Capitol Room 414
Juneau, Alaska 99811

Dear Representative Samuels:

I am writing to request that the Legislative Budget and Audit Committee, as the Alaska Permanent Fund Corporation's (APFC) designated oversight committee, introduce legislation for joint house and senate resolutions. The APFC Board of Trustees unanimously supports the legislation. Please see the attachments.

The first attachment is the draft for the joint resolutions, entitled, "Proposing amendments to the Constitution of the State of Alaska relating to limiting appropriations from and inflation-proofing the Alaska permanent fund by establishing a percent of market value spending limit." Accompanying this draft for the joint resolutions is the APFC Board Resolution 03-05, which states the Board's support for the proposed legislation and explains the background and purpose of the legislation.

We look forward to testifying in support of the legislation in the committees of referral. Thank you.

With warm regards,

Robert D. Storer
Executive Director

attachments

c: Board of Trustees
Governor's Legislative Director

ALASKA PERMANENT FUND CORPORATION

RESOLUTION OF THE BOARD OF TRUSTEES OF THE ALASKA PERMANENT FUND CORPORATION RELATING TO A CONSTITUTIONAL AMENDMENT LIMITING APPROPRIATIONS FROM AND INFLATION-PROOFING THE ALASKA PERMANENT FUND BY ESTABLISHING A PERCENT OF MARKET VALUE SPENDING LIMIT

RESOLUTION 03-05

Preserving the real value of the money deposited into the Alaska Permanent Fund ("Fund") over the long term has been a public policy priority of the Board of Trustees ("Board") since the original Board was appointed over 20 years ago. In response to the Board's concerns in 1982 about the effects of inflation on the value of the Fund, the legislature adopted statutory inflation-proofing that same year. That change has successfully protected (by statute) the principal of the Fund for the past 20 years. After several years of review, the Board believes it is now time for the People of Alaska to make another decision that would: 1) constitutionally protect the current purchasing power of the whole Fund (both principal and income) against inflation; and 2) improve the rules governing distributions from the Fund.

To accomplish these goals, the Board has examined the use by various large endowment and public funds of a formula approach to establish appropriate limits on the size of payouts from those funds. This formula approach, generally referred to as a "percent of market value" ("POMV") spending limit, is applied by those funds in a manner that assures that, on average, only *real* income of a fund (i.e. income *net of inflation*) can be spent, thereby assuring that the real value of the contributions paid into the fund will not be touched. Because a POMV spending limit would provide for distributions from the Fund that are

predictable and limited, the Board believes that its use is in the best interest of the Fund and of the people of the State of Alaska.

The Board further believes that the best way to implement a POMV spending limit methodology for determining a level of distributions from the Fund that is predictable and limited is to amend the constitutional provision that established the Fund (Article IX, section 15 of the Alaska Constitution). Providing for a POMV spending limit in this manner would assure all Alaskans that the real value of the contributions to the Fund will be preserved for all time.

At the Board's request, APFC staff has presented a draft constitutional amendment for further discussion by the Board which, if adopted by the people of the State of Alaska, would provide for the following:

1. an annual limit on appropriations from the Fund of up to five percent of the total market value of the Fund, averaged over a period of five years;
2. using a five year period that allows the legislature and the governor to know before a fiscal year begins the exact amount that will be available for distribution from the Fund;
3. Fund income is part of the Fund, rather than being subject to appropriation by the legislature, as currently provided;
4. assures that the current statutory earnings reserve account established by AS 37.13.145 becomes part of the Fund when the constitutional amendment takes effect; and
5. the current references to "principal" and "income" are removed, as POMV ensures protection of the principal over the long-term through a constitutional spending limit.

The Board believes that this approach effectively balances the goal of providing for an annual distribution from the Fund that is predictable and limited with the long-term goal of protecting the real value of contributions to the Fund.

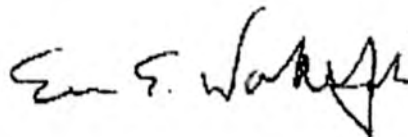
In addition, the Board believes strongly that implementing a POMV spending limit approach by constitutional amendment is such an important public policy goal that proposals for incorporating any other amendments to Article IX, section 15 which might in any way either lessen the chances of approval of such an amendment by the voters or undermine the legal status of the Fund should be rejected by the legislature.

Finally, the Board recognizes that implementation of a POMV spending limit methodology by constitutional amendment may necessitate changes to existing statutes that deal with the formula for determining and distributing the amount of the Fund that may be spent each year, including, but not necessarily limited to, payment of Permanent Fund Dividends and inflation-proofing the Fund. In anticipation of voter approval of a constitutional amendment providing for a POMV spending limit, the Board is hopeful that the legislature and the governor will work together to develop appropriate legislation to harmonize existing statutory provisions with the operation of the amendment and/or to adopt such new statutes as they may consider desirable. In this regard, the Board and APFC staff stand ready to provide any information or other assistance that may be helpful.

NOW, THEREFORE, BE IT RESOLVED by the Board of Trustees that the legislature of the State of Alaska, in consultation with the governor and the Board, are urged to consider and approve the proposal (dated 4/14/03) for a constitutional amendment that would implement a POMV spending limit mechanism that would provide an annual distribution from the Fund that is predictable and limited.

BE IT FURTHER RESOLVED by the Board of Trustees that the proposal for such an amendment be limited solely to implementation of the foregoing goal.

PASSED AND APPROVED by the Board of Trustees of the Alaska Permanent Fund Corporation this 14th day of April 2003.



Eric E. Wohlforth

Chair, Board of Trustees

ATTEST:



Robert D. Storer, Corporate Secretary



Alaska Permanent Fund Corporation

P.O. Box 25500 Juneau, AK 99802-5500

Telephone (907) 465-2047

Facsimile (907) 586-2057

MEMORANDUM

DATE: April 27, 2003

TO: Lori Backes
Staff, Ways and Means Committee

FROM:  Robert Bartholomew
Chief Operating Officer

SUBJECT: Information Request on POMV

Attached is the documents referred to during testimony on HJR 26. The first item is a schedule of Endowment Spending Rates, for 1992 - 2002, from the National Association of College and University Business Officers (NACUBO). The second set is three pages from Greenwich Associates detailing the asset allocations, spending levels and long term goals for Endowments and Foundations, for 1998 - 2002.

Let me know if you need additional information.

ALASKA PERMANENT FUND CORPORATION

Endowment Spending Rates

Table 14
Average Annual Spending Rate, 2001 - 1992

Endowment Assets	2001 %	2000 %	1999 %	1998 %	1997 %	1996 %	1995 %	1994 %	1993 %	1992 %
Greater Than \$1.0 Billion	4.05	4.07	4.08	4.11	4.35	4.58	4.93	4.84	4.96	5.05
\$501 Million - \$1.0 Billion	4.76	4.76	4.56	4.63	4.74	4.94	5.28	4.92	5.06	5.23
\$100 Million - \$500 Million	4.81	4.76	4.57	4.71	4.78	4.93	5.05	4.94	5.09	5.25
Less Than \$100 Million	5.30	5.16	5.05	5.20	5.20	5.20	5.37	5.22	5.47	5.82
Public	5.03	4.93	4.76	4.83	4.81	4.87	5.02	5.00	5.20	5.61
Independent	4.99	4.90	4.75	4.91	4.98	5.09	5.29	5.06	5.22	5.34
Total	5.00	4.91	4.76	4.88	4.93	5.02	5.20	5.04	5.21	5.42

574 institutions provided information on fiscal year 2001 spending rate. The spending rate is calculated as the percentage of the beginning market value of the endowment that is made available annually for spending. The rate is calculated net of any expenses for managing and administering the endowment.

- The average annual spending rate for all institutions for fiscal year 2001 is 5.0%. Consistent with prior years, institutions with larger endowment have smaller spending rates.
- Institutions across all endowment categories were far more likely to base their spending policy on a prespecified percentage of the moving average of market values than on any other strategy. On average, 84.8% of the reporting institutions made this selection.

Information Source: National Association of College and University Business Officers (NACUBO)

Endowment and Foundation Fund Dollar-Weighted Asset Mix

Endowments and Foundations (249) (270) (317) (345) (381)

Type of Investment	Total Funds					2002 Plan Assets		
	1998	1999	2000	2001	2002	Over \$1 Billion	\$501-1,000 Million	\$250-500 Million
Active common stocks	43.8%	39.9%	36.1%	32.6%	27.4%	25.9%	31.4%	31.2%
Passive common stocks	9.3	10.1	9.6	9.2	8.4	7.0	13.5	11.3
Total domestic stocks	53.1%	50.0%	45.7%	41.8%	35.8%	32.8%	44.9%	42.5%
Active international stocks	10.2%	9.7%	10.9%	11.0%	11.4%	11.8%	10.6%	10.0%
Passive international stocks	1.4	1.5	1.2	1.0	1.0	1.0	1.3	0.8
Total international stocks	11.6%	11.1%	12.1%	12.0%	12.5%	12.8%	12.0%	10.8%
Fixed income	21.6%	23.9%	23.2%	26.3%	27.5%	27.3%	27.8%	28.0%
Equity real estate	2.6	2.4	2.9	4.2	4.2	4.6	3.1	3.8
Private equity	5.4	6.1	10.3	7.3	8.0	9.2	4.9	4.8
Hedge funds	-	-	-	4.8	7.8	8.3	5.6	7.7
Other*	5.7	6.4	5.8	3.6	4.2	5.0	1.8	2.4
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Note: Dollar-weighted and projected to the Greenwich Associates universe.

*Real estate mortgages, guaranteed investment contracts, and short-term securities/cash are included in Other for 1998-2000.

Percent of Total Assets Spent By Endowments and Foundations

Endowments and Foundations (164) (168) (177) (176) (180)

Percent of Assets	Endowments					Foundations				
	1998	1999	2000	2001	2002	1998	1999	2000	2001	2002
1%	0%	1%	0%	2%	20%	3%	0%	3%	3%	19%
2%	0	0	1	1	6	1	1	0	0	1
3%	9	8	14	7	20	0	3	0	1	8
4.0-4.3%	23	26	22	22	12	1	7	5	7	9
4.4-4.7%	21	24	19	18	7	11	4	8	8	6
4.8-5.0%	23	18	21	23	20	41	33	41	24	34
5.1-5.3%	10	9	9	10	4	14	20	16	20	9
5.4-5.7%	9	6	6	10	4	14	13	8	18	1
5.8-5.9%	0	3	4	3	1	4	5	3	3	1
6%	1	0	3	2	2	5	5	11	8	5
7%	2	4	1	2	3	4	3	3	1	4
8%	0	0	0	1	1	0	3	1	1	0
9%	0	0	0	0	0	0	0	0	0	0
10%	0	0	0	1	0	1	0	0	0	1
Over 10%	1	1	1	0	0	1	3	3	5	3
Mean	4.7	4.7	4.6	4.7	3.7	5.2	5.3	5.2	5.4	4.3
Median	4.6	4.6	4.6	4.9	4.0	4.9	5.2	4.9	5.2	5.0

Endowments and Foundations Long-Term Spending Goals

Endowments and Foundations (164) (167) (173) (175) (180)

Percent of Assets	Endowments					Foundations				
	1998	1999	2000	2001	2002	1998	1999	2000	2001	2002
None	0%	0%	0%	0%	1%	0%	0%	0%	0%	0%
1%	0	1	0	1	29	3	1	3	0	28
2%	0	0	0	0	0	0	0	0	0	0
3%	2	1	3	3	13	0	0	0	1	1
4.0-4.3%	21	25	19	9	15	0	4	3	4	11
4.4-4.7%	23	24	15	20	8	4	3	8	3	10
4.8-5.0%	42	35	47	49	31	53	42	41	30	34
5.1-5.3%	7	5	9	8	1	12	22	21	22	4
5.4-5.7%	4	5	3	7	2	14	12	12	19	4
5.8-5.9%	0	1	0	0	0	5	4	1	5	0
6%	1	2	3	3	0	3	8	5	4	4
7%	0	0	0	1	1	1	3	4	1	0
8%	0	0	0	0	0	0	0	0	0	0
9%	0	0	0	0	0	0	0	0	1	0
10%	0	0	0	0	0	1	0	0	0	1
Over 10%	0	0	0	0	0	1	1	1	5	1
Mean	4.7	4.7	4.7	4.8	3.4	5.1	5.2	5.1	5.5	4.2
Median	4.9	4.6	4.9	4.9	4.1	4.9	4.9	4.9	5.2	4.6

Note: Means and medians exclude "None."

*Emailed to committee
4/23/03*

I am an enthusiastic supporter of a 5 POMV payout because it constitutionally inflation-proofs the entire permanent fund. Right now, only the principal is inflation-proofed, and that is done by statute, not through the constitution, and only after the dividend program is funded.

The second reason I support 5 POMV is that it sets a spending limit. Under the current distribution methodology, the legislature may appropriate the entire earnings reserve account. 5 POMV forces us to resist the temptation to appropriate too much money when the fund is flush, yet makes distributions available in lean years.

Third, an annual payout based on market value is compatible with the fund's diversified portfolio that is managed, in conformance to industry standards, for long-term value over short-term gain. The current distribution method, based on income, was appropriate 20 years ago when the fund was invested primarily in bonds. A 5% payout is generally recognized by large fund managers as the highest sustainable payout, beyond which the real value of the fund would diminish over time. This straightforward approach protects the value of the fund and provides a limited, predictable, and sustainable revenue stream.

The permanent fund trustees combined the fund's principal and income in one pot of money to make 5 POMV work effectively. Segregating the principal interferes with value-management goals by exerting pressure to produce short-term income for dividends or other distributions during periods of poor performance. Segregating the principal also tempts the legislature to provide for a greater than 5% payout when the earnings reserve account is flush, as in HJR 1. This is just what POMV is designed to avoid.

How the legislature chooses to divide the payout is an important question. The APFC takes no position on the use of the payout. 5 POMV is a management tool, not a distribution plan. However, the two are intrinsically linked. The use of the payout should not be set in the constitution because this is an appropriation issue better left to the legislative process. However, the statutes relating to permanent fund income and income distribution must be amended to conform to 5 POMV. I urge you to preserve the current dividend formula when you change

these statutes. 5 POMV is too valuable to the permanent fund to risk voter rejection by threatening their dividend checks..

For modeling purposes, we assume an 8% total return, 3% inflation, and a 5% real return. Under existing statutes, 50% of the income available for distribution, or 4%, goes to the dividend program. Inflation-proofing then takes 3%, leaving 1% for other legislative appropriation, which has never been touched. For this distribution to work under POMV, 80% of the 5% payout must be allocated to the dividend program to provide the same 4%. Inflation-proofing of 3% has already been accounted for by establishing a 5% payout limit, leaving 20% of the payout for other legislative appropriation, which is the same as the 1% under the existing distribution statutes. 50% of the money available for distribution after inflation-proofing cannot provide the same amount for dividends as 50% of the money available for distribution before inflation-proofing.

It is time to move forward on a fiscal plan. This constitutional amendment combined with a change to the statutes securing 80% of the annual payout for dividends is critical first step. Please promote a comprehensive package the voters will accept. It is a three-way win. The permanent fund gets a better management framework, the legislature gets a predictable revenue stream, and the people keep their dividend formula.

Thank you.

Mary Griswold

Homer

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Mr. Edward Martin

Testimony on HJR26 - House Ways and Means
4/24/03

Ladies and Gentlemen:

I will speak my mind, straight talk. If passed, HJR26 as written, I and others I'm sure will resist its inclusion into our constitution.

I think it is one more poor way to manage the fund. The state legislature has a very large financial management problem! And so does the permanent fund corporation board of trustees! They have used the so called prudent man rule, investing about 99% of our fund outside of our borders- producing since 1999 about a loss of 6,000 million of our fund.

The sad part is that they continue the same policy and then are recommending this legislation to in effect, take more from the people of Alaska and let government have more to waste.

I consider the handling of this resource very wasteful and I think a common sense approach should be applied. Bet more on the owners of the fund by investing more inside our borders and remember the money has no value to the Alaskan citizen without its use. The juggling of percentages this way and that on earnings when you're losing not only the principle but the earnings there of.

It doesn't take a rocket scientist to figure out that its time to pull out of this nose dive. Fix the problem; Alaskan citizens are the losers. Cut the size of government, its too big and costs too much. Bring confidence of government back to the people you serve or there will be a heavy political price paid when the prudent citizen rule is applied at the ballot box!

This legislature ^{doe} does not benefit the citizens, only special interest. The people are not buying it.

Thank you for your attention.



Alaska State Legislature

Please enter into the record my testimony to the House Special Committee on
committee name ways and
means, Judiciary, Finance
Committee on HR 26, dated 4-24-03
bill # / subject

I am opposed to any changes in the current appropriations of the PFD. Our legislative body has a spending problem. A majority of our legislatures have made campaign promises to the constituents. We were told by our elected officials that they would leave our PFD alone. This is a violation of your constituents' trust. We need a balanced budget. The people of Alaska need the legislature to cut the excessive spending and leave our PFD appropriation's formula alone.

Signed: Laurie Churchill
Testifier

Representing (optional)

PO Box 7043
Address

907-776-3499
Phone number



Alaska State Legislature

Please enter into the record the following testimony to the House Ways & Means Committee on HJR 26 / Permanent Fund Appropriations.
Date: April 24, 2003

ALASKA VOTERS ORGANIZATION RESOLUTION 2003-12

A Resolution to the 23rd Alaska State Legislature in OPPOSITION to HJR 26, which would eliminate the Permanent Fund Dividend program and current provisions for inflation proofing.

WHEREAS, during the special statewide election held in 1999, the voters of Alaska expressed overwhelming opposition to the Legislature's proposed "Balanced Budget Plan" by a margin of over 4 to 1; and

WHEREAS, the Legislature put this clear question on the 1999 ballot: "After paying annual dividends to residents and inflation-proofing the permanent fund; should a portion of permanent fund earnings be used to help balance the state budget?"; 83% of Alaska's voters answered with a resounding NO; and

WHEREAS, most candidates elected in November 2002 promised they would not touch the Permanent Fund, without a vote of the people; and

WHEREAS, HJR 26 would allow the Legislature to make appropriations from the Permanent Fund without paying dividends to the people of Alaska, which is in opposition to the results of the 1999 advisory vote and election promises of the 2002 election; and

WHEREAS, government spending in Alaska now exceeds the average 1980's budget level, when the North Slope was at peak oil production; and

WHEREAS, North Slope oil production is currently only 50% of the 1980's peak, with oil royalty payments to the state reduced proportionally; and

WHEREAS, the legislature has failed to recognize the direct correlation between increased state spending and reduced oil royalty payments as being the underlying reason for the growing budget deficit; and

WHEREAS, the legislature has continued to fund our state government at an unsustainable level, by making annual withdrawals from the Constitutional Budget Reserve; and

WHEREAS, the legislature continues to deplete our Constitutional Budget Reserve while failing to submit any plan to repay this "rainy day account", as required by the Alaska Constitution; and

WHEREAS, by continually failing to address the overspending problem, the legislature must soon choose between tapping the Permanent Fund or making the cuts necessary to reduce the size and cost of state government to a sustainable level that corresponds directly to income available and population levels; and

WHEREAS, the Permanent Fund dividend is the only direct benefit most citizens realize as a result of Alaska's oil wealth; and

WHEREAS, there are many Alaskans living outside the "safety nets" provided by organized municipalities that rely on the Permanent Fund dividend to survive the harsh winter; and

WHEREAS, the annual Permanent Fund dividend has become a huge economic engine that many business owners rely on each winter; and

WHEREAS, 83% of voters in the 1999 election clearly said they could spend their dividend better than the state government;

NOW, THEREFORE, BE IT RESOLVED by the Alaska Voters Organization, Board of Directors, that HJR 26 be soundly defeated by all those who promised during previous election campaigns to defend and protect the Permanent Fund for present and future Alaskans;

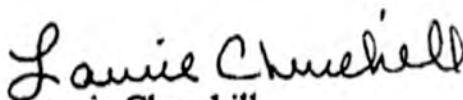
Adopted by the Alaska Voters Organization Board of Directors; this 22nd. day of April 2003.

Signed:



Michael McBride,
Board President

Attest:



Laurie Churchill
Board Secretary

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