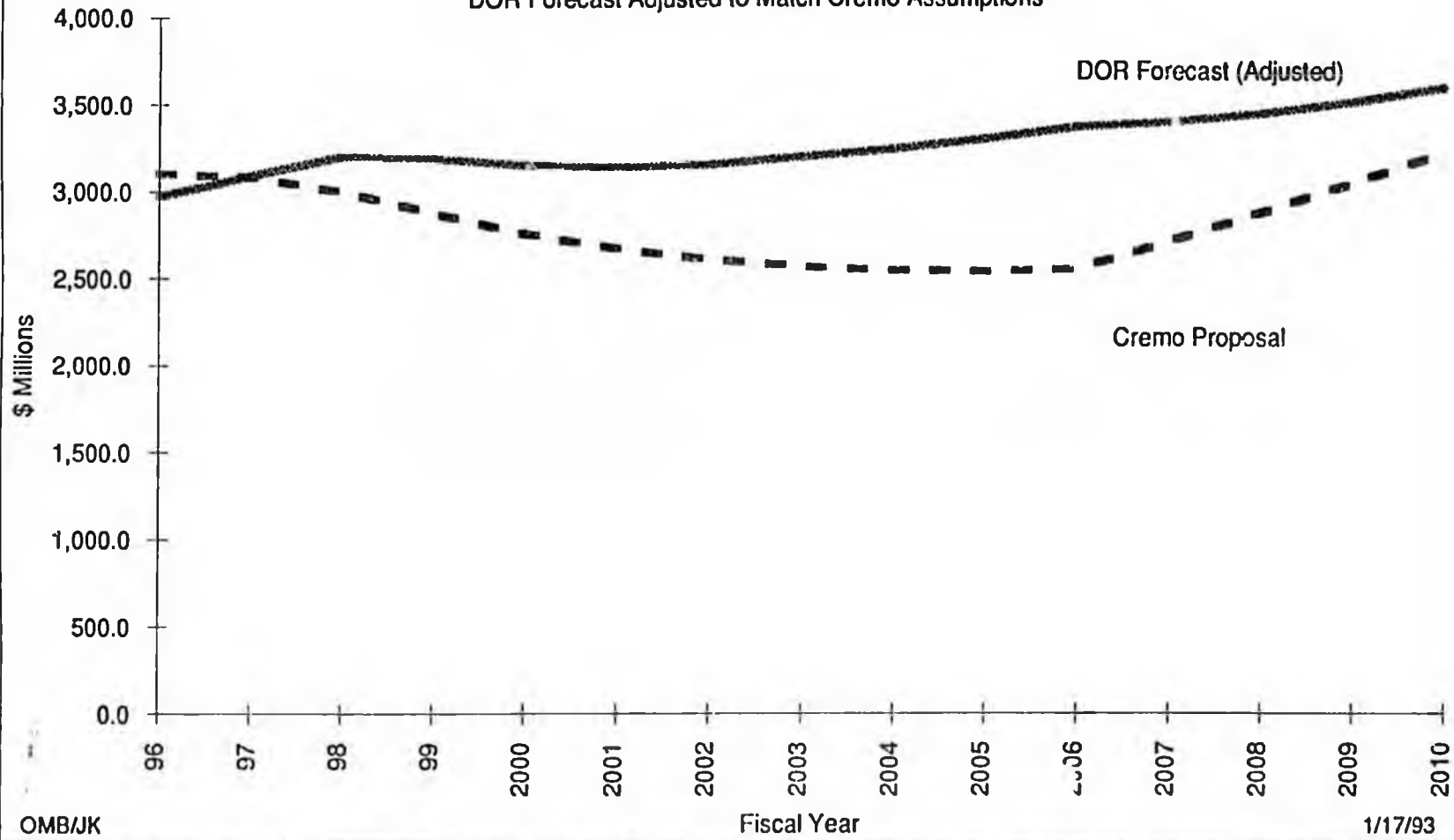


**ALASKA LEGISLATURE COMMITTEE FILES 1993-1994 8672**

**8482 SENATE STATE AFFAIRS**

### GF Revenues: Cremo Proposal Vs. DOR Low Forecast (Including Permanent Fund Real Earnings)

Nominal Dollars/Fall 93 Low-Case Forecast  
DOR Forecast Adjusted to Match Cremo Assumptions



OMB/JK

1/17/93

**Cremo/DOR Revenue Comparison - DOR Fall 93 Low Case Adjusted to Match Cremo Assumptions**

| <i>Fiscal Year</i>                      | <u>96</u>      | <u>97</u>      | <u>98</u>      | <u>99</u>      | <u>2000</u>    | <u>2001</u>    | <u>2002</u>    | <u>2003</u>    | <u>2004</u>    | <u>2005</u>    | <u>2006</u>    | <u>2007</u>    | <u>2008</u>    | <u>2009</u>    | <u>2010</u>    | <b>TOTALS</b>   |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|
| <b>REVENUES:</b>                        |                |                |                |                |                |                |                |                |                |                |                |                |                |                |                |                 |
| UGF Low Case Forecast                   | 1,813.1        | 1,852.8        | 1,873.5        | 1,764.2        | 1,616.2        | 1,491.9        | 1,383.7        | 1,238.5        | 1,204.5        | 1,109.7        | 1,013.2        | 935.8          | 877.9          | 837.8          | 807.1          | 19,882.9        |
| <b>ADJUSTMENTS TO MATCH CREMO</b>       |                |                |                |                |                |                |                |                |                |                |                |                |                |                |                |                 |
| Additional Conventional Revenues        | 19.1           | 46.7           | 78.4           | 114.6          | 155.9          | 203.1          | 256.8          | 317.8          | 387.0          | 465.5          | 554.3          | 580.2          | 607.3          | 635.6          | 665.2          | 5,087.6         |
| PF Real Earnings (@6% Real Return)      | 1,046.6        | 1,100.4        | 1,158.1        | 1,219.6        | 1,283.4        | 1,343.5        | 1,415.4        | 1,484.2        | 1,554.9        | 1,627.8        | 1,702.5        | 1,779.1        | 1,857.7        | 1,938.7        | 2,022.1        | 22,539.0        |
| Interest on \$1.5 billion In reserves   | 90.0           | 90.0           | 90.0           | 90.0           | 90.0           | 90.0           | 90.0           | 90.0           | 90.0           | 90.0           | 90.0           | 90.0           | 90.0           | 90.0           | 90.0           | 1,350.0         |
| <b>Total Adjusted UGF Revenues</b>      | <b>2,971.8</b> | <b>3,089.9</b> | <b>3,200.0</b> | <b>3,188.4</b> | <b>3,145.5</b> | <b>3,133.5</b> | <b>3,145.9</b> | <b>3,190.5</b> | <b>3,236.4</b> | <b>3,293.0</b> | <b>3,360.0</b> | <b>3,385.1</b> | <b>3,432.9</b> | <b>3,502.1</b> | <b>3,584.4</b> | <b>48,859.5</b> |
| <br>                                    |                |                |                |                |                |                |                |                |                |                |                |                |                |                |                |                 |
| Cremo PF Revenues                       | 2,802.5        | 2,748.5        | 2,624.1        | 2,453.1        | 2,282.0        | 2,137.2        | 2,011.1        | 1,897.5        | 1,784.3        | 1,700.1        | 1,613.9        | 1,730.5        | 1,856.2        | 1,987.8        | 2,122.3        | 31,761.0        |
| Cremo Conventional Revenues             | 300.0          | 336.0          | 376.3          | 421.5          | 472.1          | 528.7          | 592.1          | 663.2          | 742.8          | 831.9          | 931.8          | 969.0          | 1,007.8        | 1,048.1        | 1,090.0        | 10,311.3        |
| <b>Cremo Total</b>                      | <b>3,102.5</b> | <b>3,084.5</b> | <b>3,000.4</b> | <b>2,874.6</b> | <b>2,754.1</b> | <b>2,665.9</b> | <b>2,603.3</b> | <b>2,560.7</b> | <b>2,537.1</b> | <b>2,532.1</b> | <b>2,545.8</b> | <b>2,699.5</b> | <b>2,864.0</b> | <b>3,035.9</b> | <b>3,212.3</b> | <b>42,072.3</b> |
| <br>                                    |                |                |                |                |                |                |                |                |                |                |                |                |                |                |                |                 |
| <b>Difference (Forecast less Cremo)</b> | <b>-130.7</b>  | <b>5.4</b>     | <b>199.6</b>   | <b>313.8</b>   | <b>391.5</b>   | <b>467.6</b>   | <b>542.6</b>   | <b>623.7</b>   | <b>699.3</b>   | <b>760.9</b>   | <b>814.4</b>   | <b>685.6</b>   | <b>569.0</b>   | <b>466.3</b>   | <b>372.1</b>   | <b>6,787.1</b>  |

JK/OMB  
2/3/94



# 1

## Alaska Permanent Fund Corporation

### FINANCIAL PROJECTIONS (in millions)

as of December 31, 1993

| GROWTH OF FUND PRINCIPAL           |                     |                     |                                 |                        |                   |                                     |
|------------------------------------|---------------------|---------------------|---------------------------------|------------------------|-------------------|-------------------------------------|
| FY                                 | FY Begin<br>Balance | Appro-<br>priations | Dedicated<br>State<br>Revenues* | Inflation-<br>Proofing | FY End<br>Balance | Inflation-<br>Proofing<br>Shortfall |
| 78                                 | 0                   |                     | 54                              |                        | 54                |                                     |
| 79                                 | 54                  |                     | 84                              |                        | 139               |                                     |
| 80                                 | 139                 |                     | 344                             |                        | 483               |                                     |
| 81                                 | 483                 | 900                 | 385                             |                        | 1,769             |                                     |
| 82                                 | 1,769               | 800                 | 400                             |                        | 2,969             |                                     |
| 83                                 | 2,969               | 400                 | 421                             | 231                    | 4,021             |                                     |
| 84                                 | 4,021               | 300                 | 366                             | 151                    | 4,838             |                                     |
| 85                                 | 4,838               | 300                 | 368                             | 235                    | 5,741             |                                     |
| 86                                 | 5,741               |                     | 323                             | 216                    | 6,281             |                                     |
| 87                                 | 6,281               | 1,264 **            | 170                             | 148                    | 7,864             |                                     |
| 88                                 | 7,864               |                     | 418                             | 303                    | 8,585             |                                     |
| 89                                 | 8,585               |                     | 228                             | 360                    | 9,173             |                                     |
| 90                                 | 9,173               |                     | 267                             | 454                    | 9,894             |                                     |
| 91                                 | 9,894               |                     | 435                             | 559                    | 10,888            |                                     |
| 92                                 | 10,888              |                     | 338                             | 477                    | 11,703            |                                     |
| 93                                 | 11,703              | 5 ***               | 315                             | 362                    | 12,385            |                                     |
| 94                                 | 12,385              | 5                   | 209                             | 372                    | 12,971            |                                     |
| 95                                 | 12,971              | 5                   | 209                             | 527                    | 13,713            |                                     |
| 96                                 | 13,713              | 5                   | 214                             | 557                    | 14,489            |                                     |
| 97                                 | 14,489              | 5                   | 221                             | 589                    | 15,304            |                                     |
| 98                                 | 15,304              | 6                   | 230                             | 622                    | 16,161            |                                     |
| 99                                 | 16,161              | 4                   | 222                             | 983                    | 17,370            |                                     |
| 0                                  | 17,370              | 4                   | 204                             | 1,055                  | 18,633            |                                     |
| 1                                  | 18,633              | 4                   | 189                             | 1,130                  | 19,956            |                                     |
| 2                                  | 19,956              | 4                   | 177                             | 1,208                  | 21,345            |                                     |
| 3                                  | 21,345              | 5                   | 165                             | 1,291                  | 22,806            |                                     |
| 4                                  | 22,806              | 5                   | 153                             | 1,378                  | 24,342            |                                     |
| 5                                  | 24,342              | 5                   | 139                             | 1,469                  | 25,955            |                                     |
| 6                                  | 25,955              | 5                   | 126                             | 1,565                  | 27,651            |                                     |
| 7                                  | 27,651              | 5                   | 115                             | 1,666                  | 29,438            |                                     |
| 8                                  | 29,438              | 5                   | 106                             | 1,773                  | 31,322            |                                     |
| 9                                  | 31,322              | 6                   | 98                              | 1,552                  | 32,977            | 334                                 |
| 10                                 | 32,977              | 6                   | 90                              | 1,629                  | 34,702            | 355                                 |
| <b>Cumulative Totals Projected</b> |                     |                     |                                 |                        |                   |                                     |
| <b>For FY 1994 - 2010:</b>         |                     |                     | <b>2,777</b>                    | <b>19,365</b>          |                   | <b>689</b>                          |

| USE OF FUND INCOME |               |               |                        |                 |                 |                   |    |
|--------------------|---------------|---------------|------------------------|-----------------|-----------------|-------------------|----|
| FY                 | Net<br>Income | Distributions |                        |                 | Reserves        |                   | FY |
|                    |               | Dividends     | Inflation-<br>Proofing | General<br>Fund | Add<br>(Delete) | FY End<br>Balance |    |
| 78                 | 2             |               |                        | 1               |                 |                   | 78 |
| 79                 | 8             |               |                        | 7               |                 |                   | 79 |
| 80                 | 32            | 12            |                        | 12              |                 |                   | 80 |
| 81                 | 150           | 28            |                        | 28              | 59              | 59                | 81 |
| 82                 | 368           | 71            |                        | 71              | 185             | 244               | 82 |
| 83                 | 471           | 108           | 231                    | 110             | 110             | 354               | 83 |
| 84                 | 530           | 175           | 151                    |                 | 203             | 557               | 84 |
| 85                 | 658           | 217           | 235                    |                 | 206             | 763               | 85 |
| 86                 | 1,021         | 303           | 216                    |                 | 501             | 1,264 **          | 86 |
| 87                 | 1,069         | 391           | 148                    |                 | 529             | 529               | 87 |
| 88                 | 789           | 424           | 303                    |                 | 62              | 591               | 88 |
| 89                 | 868           | 460           | 360                    | 4               | 44              | 635               | 89 |
| 90                 | 916           | 487           | 454                    | 4               | (30)            | 605               | 90 |
| 91                 | 1,030         | 489           | 559                    | 4               | (24)            | 581               | 91 |
| 92                 | 1,036         | 488           | 477                    | 5               | 64              | 645               | 92 |
| 93                 | 1,226         | 532           | 362                    | 5               | 320             | 965               | 93 |
| 94                 | 1,075         | 555           | 372                    | 5               | 139             | 1,104             | 94 |
| 95                 | 1,239         | 589           | 527                    |                 | 118             | 1,221             | 95 |
| 96                 | 1,314         | 619           | 557                    |                 | 133             | 1,355             | 96 |
| 97                 | 1,394         | 656           | 589                    |                 | 144             | 1,498             | 97 |
| 98                 | 1,478         | 683           | 622                    |                 | 168             | 1,667             | 98 |
| 99                 | 1,691         | 747           | 983                    |                 | (44)            | 1,623             | 99 |
| 0                  | 1,800         | 806           | 1,055                  |                 | (65)            | 1,558             | 0  |
| 1                  | 1,912         | 869           | 1,130                  |                 | (91)            | 1,467             | 1  |
| 2                  | 2,027         | 935           | 1,208                  |                 | (121)           | 1,346             | 2  |
| 3                  | 2,147         | 1,006         | 1,291                  |                 | (155)           | 1,192             | 3  |
| 4                  | 2,269         | 1,066         | 1,378                  |                 | (180)           | 1,012             | 4  |
| 5                  | 2,396         | 1,129         | 1,469                  |                 | (207)           | 805               | 5  |
| 6                  | 2,528         | 1,194         | 1,565                  |                 | (236)           | 569               | 6  |
| 7                  | 2,665         | 1,261         | 1,666                  |                 | (267)           | 303               | 7  |
| 8                  | 2,808         | 1,330         | 1,773                  |                 | (300)           | 2                 | 8  |
| 9                  | 2,957         | 1,402         | 1,552                  |                 | (2)             |                   | 9  |
| 10                 | 3,112         | 1,477         | 1,629                  |                 |                 |                   | 10 |
| <b>34,812</b>      |               | <b>16,322</b> | <b>19,365</b>          | <b>5</b>        |                 |                   |    |

#### REALIZED RATE OF RETURN ASSUMPTIONS:

|                  | Nominal | Inflation | Real  |
|------------------|---------|-----------|-------|
| FY 94:           | 7.81%   | 2.95%     | 4.86% |
| FY 95 - 98: **** | 8.37%   | 4.00%     | 4.37% |
| FY 99 - 2010:    | 9.00%   | 6.00%     | 3.00% |

- \* Department of Revenue Fall 1993 Low-Case Revenue Forecast.
- \*\* Earnings reserve appropriated to Fund principal by the Legislature July 1, 1987.
- \*\*\* Transferred to principal from earnings reserve account per AS 37.13.145(d).
- \*\*\*\* Based on capital market assumptions adopted by the Trustees in April 1993.

STATUS QUO



## Alaska Permanent Fund Corporation

### FINANCIAL PROJECTIONS (Millions)

as of December 31, 1993

| GROWTH OF FUND PRINCIPAL           |                  |                |                           |                    |                |                            |
|------------------------------------|------------------|----------------|---------------------------|--------------------|----------------|----------------------------|
| FY                                 | FY Begin Balance | Appropriations | Dedicated State Revenues* | Inflation-Proofing | FY End Balance | Inflation-Proofing Surplus |
| 78                                 | 0                |                | 54                        |                    | 54             |                            |
| 79                                 | 54               |                | 84                        |                    | 139            |                            |
| 80                                 | 139              |                | 344                       |                    | 483            |                            |
| 81                                 | 483              | 900            | 385                       |                    | 1,769          |                            |
| 82                                 | 1,769            | 800            | 400                       |                    | 2,969          |                            |
| 83                                 | 2,969            | 400            | 421                       | 231                | 4,021          |                            |
| 84                                 | 4,021            | 300            | 366                       | 151                | 4,838          |                            |
| 85                                 | 4,838            | 300            | 368                       | 235                | 5,741          |                            |
| 86                                 | 5,741            |                | 323                       | 216                | 6,281          |                            |
| 87                                 | 6,281            | 1,264 **       | 170                       | 148                | 7,864          |                            |
| 88                                 | 7,864            |                | 418                       | 303                | 8,585          |                            |
| 89                                 | 8,585            |                | 228                       | 360                | 9,173          |                            |
| 90                                 | 9,173            |                | 267                       | 454                | 9,894          |                            |
| 91                                 | 9,894            |                | 435                       | 559                | 10,888         |                            |
| 92                                 | 10,888           |                | 338                       | 477                | 11,703         |                            |
| 93                                 | 11,703           | 5 ***          | 315                       | 362                | 12,385         |                            |
| 94                                 | 12,385           | 5              | 209                       | 372                | 12,971         |                            |
| 95                                 | 12,971           | 7              | 209                       | INCOME             | 13,187         |                            |
| 96                                 | 13,187           | 7              | 4,563.69                  |                    | 17,758         | 3,861                      |
| 97                                 | 17,758           | 8              | 2,295.33                  |                    | 20,061         | 1,501                      |
| 98                                 | 20,061           | 8              | 2,416.40                  |                    | 22,486         | 1,525                      |
| 99                                 | 22,486           | 9              | 2,354.71                  |                    | 24,849         | 1,369                      |
| 0                                  | 24,849           | 9              | 2,175.06                  | 100                | 27,134         | 1,203                      |
| 1                                  | 27,134           | 10             | 2,008.86                  | 373                | 29,526         | 1,226                      |
| 2                                  | 29,526           | 10             | 1,883.00                  | 683                | 32,102         | 1,320                      |
| 3                                  | 32,102           | 11             | 1,754.37                  | 1,029              | 34,896         | 1,439                      |
| 4                                  | 34,896           | 12             | 1,626.18                  | 1,403              | 37,938         | 1,580                      |
| 5                                  | 37,938           | 12             | 1,486.83                  | 1,799              | 41,236         | 1,721                      |
| 6                                  | 41,236           | 13             | 1,321.81                  | 2,221              | 44,792         | 1,853                      |
| 7                                  | 44,792           | 14             | 1,175.92                  | 2,397              | 48,379         | 1,748                      |
| 8                                  | 48,379           | 15             | 1,057.16                  | 2,565              | 52,016         | 1,659                      |
| 9                                  | 52,016           | 16             | 965.92                    | 2,731              | 55,728         | 1,593                      |
| 10                                 | 55,728           | 17             | 892.22                    | 2,901              | 59,538         | 1,544                      |
| <b>Cumulative Totals Projected</b> |                  |                |                           |                    |                |                            |
| <b>For FY 1994 - 2010:</b>         |                  |                | <b>27,503</b>             | <b>18,575</b>      | <b>25,141</b>  |                            |

| USE OF FUND INCOME |               |                    |               |              |                |    |
|--------------------|---------------|--------------------|---------------|--------------|----------------|----|
| Net Income         | Distributions |                    |               | Reserves     |                | FY |
|                    | Dividends     | Inflation-Proofing | General Fund  | Add (Delete) | FY End Balance |    |
| 2                  |               |                    | 1             |              |                | 78 |
| 8                  |               |                    | 7             |              |                | 79 |
| 32                 | 12            |                    | 12            |              |                | 80 |
| 150                | 28            |                    | 28            | 59           | 59             | 81 |
| 368                | 71            |                    | 71            | 185          | 244            | 82 |
| 471                | 108           | 231                | 110           | 110          | 354            | 83 |
| 530                | 175           | 151                |               | 203          | 557            | 84 |
| 658                | 217           | 235                |               | 206          | 763            | 85 |
| 1,021              | 303           | 216                |               | 501          | 1,264 **       | 86 |
| 1,069              | 391           | 148                |               | 529          | 529            | 87 |
| 789                | 424           | 303                |               | 62           | 591            | 88 |
| 868                | 460           | 360                | 4             | 44           | 635            | 89 |
| 916                | 487           | 454                | 4             | (30)         | 605            | 90 |
| 1,030              | 489           | 559                | 4             | (24)         | 581            | 91 |
| 1,036              | 488           | 477                | 5             | 64           | 645            | 92 |
| 1,226              | 532           | 362                | 5             | 320          | 965            | 93 |
| 1,075              | 555           | 372                | 5             | 138          | 1,103          | 94 |
| 1,493              | 615           | 528                |               | 343          | 1,447          | 95 |
| 1,629              | 678           | 710                | 2,520 ****    |              |                | 96 |
| 1,991              | 778           | 802                | 2,437         |              |                | 97 |
| 2,239              | 885           | 899                | 2,487         |              |                | 98 |
| 2,491              | 1,034         | 994                | 2,586         |              |                | 99 |
| 2,731              | 1,164         | 1,081              | 2,631         |              |                | 0  |
| 2,962              | 1,304         | 1,166              | 2,589         |              |                | 1  |
| 3,208              | 1,431         | 1,257              | 2,524         |              |                | 2  |
| 3,472              | 1,561         | 1,355              | 2,443         |              |                | 3  |
| 3,760              | 1,694         | 1,461              | 2,356         |              |                | 4  |
| 4,072              | 1,835         | 1,578              | 2,273         |              |                | 5  |
| 4,411              | 1,987         | 1,703              | 2,190         |              |                | 6  |
| 4,778              | 2,152         | 1,839              | 2,380         |              |                | 7  |
| 5,149              | 2,328         | 1,978              | 2,584         |              |                | 8  |
| 5,527              | 2,513         | 2,120              | 2,796         |              |                | 9  |
| 5,914              | 2,707         | 2,266              | 3,013         |              |                | 10 |
| <b>56,901</b>      | <b>25,219</b> | <b>22,109</b>      | <b>37,815</b> |              |                |    |

**REALIZED RATE OF RETURN ASSUMPTIONS:**

|               | Nominal | Inflation | Real  |
|---------------|---------|-----------|-------|
| FY 94:        | 7.81%   | 2.95%     | 4.86% |
| FY 95 - 98:   | 10.00%  | 4.00%     | 6.00% |
| FY 99 - 2010: | 10.00%  | 4.00%     | 6.00% |

\* Department of Revenue Fall 1993 Mid-Case Revenue Forecast.

\*\* Earnings reserve appropriated to Fund principal by the Legislature July 1, 1987.

\*\*\* Transferred to principal from earnings reserve account per AS 37.13.145(d).

\*\*\*\* Note: The GF income minus the dividends equals \$ available for government.  
**CREMO PLAN WITH DOR MID-CASE, \$1 BILLION TRANSFER FROM BUDGET RESERVES, PLUS ERA, 10% TOTAL RATE OF RETURN AND 4% INFLATION**



#3

## Alaska Permanent Fund Corporation

### FINANCIAL PROJECTIONS (in millions)

as of December 31, 1993

| GROWTH OF FUND PRINCIPAL                      |                  |                |                           |                    |                |                            |
|---|------------------|----------------|---------------------------|--------------------|----------------|----------------------------|
| FY  | FY Begin Balance | Appropriations | Dedicated State Revenues* | Inflation-Proofing | FY End Balance | Inflation-Proofing Surplus |
| 78  | 0                |                | 54                        |                    | 54             |                            |
| 79  | 54               |                | 84                        |                    | 139            |                            |
| 80  | 139              |                | 344                       |                    | 483            |                            |
| 81  | 483              | 900            | 385                       |                    | 1,769          |                            |
| 82  | 1,769            | 800            | 400                       |                    | 2,969          |                            |
| 83  | 2,969            | 400            | 421                       | 231                | 4,021          |                            |
| 84  | 4,021            | 300            | 366                       | 151                | 4,838          |                            |
| 85  | 4,838            | 300            | 368                       | 235                | 5,741          |                            |
| 86  | 5,741            |                | 323                       | 216                | 6,281          |                            |
| 87  | 6,281            | 1,264 **       | 170                       | 148                | 7,864          |                            |
| 88  | 7,864            |                | 418                       | 303                | 8,585          |                            |
| 89  | 8,585            |                | 228                       | 360                | 9,173          |                            |
| 90  | 9,173            |                | 267                       | 454                | 9,894          |                            |
| 91  | 9,894            |                | 435                       | 559                | 10,888         |                            |
| 92  | 10,888           |                | 338                       | 477                | 11,703         |                            |
| 93  | 11,703           | 5 ***          | 315                       | 362                | 12,385         |                            |
| <b>94</b>                                     | <b>12,385</b>    | <b>5</b>       | <b>209</b>                | <b>372</b>         | <b>12,971</b>  |                            |
| 95  | 12,971           | 5              | 209                       | INCOME             | 13,185         |                            |
| 96  | 13,185           | 5              | 2,995                     |                    | 16,185         | 2,353                      |
| 97  | 16,185           | 5              | 1,788                     |                    | 17,978         | 1,074                      |
| 98  | 17,978           | 6              | 1,812                     |                    | 19,796         | 1,026                      |
| 99  | 19,796           | 4              | 1,686                     |                    | 21,486         | 401                        |
| 0   | 21,486           | 4              | 1,513                     |                    | 23,003         | 137                        |
| 1   | 23,003           | 4              | 1,366                     |                    | 24,373         | (92)                       |
| 2   | 24,373           | 4              | 1,239                     | 201                | 25,817         | (93)                       |
| 3   | 25,817           | 5              | 1,124                     | 448                | 27,393         | (41)                       |
| 4   | 27,393           | 5              | 1,010                     | 712                | 29,120         | 22                         |
| 5   | 29,120           | 5              | 891                       | 982                | 30,999         | 77                         |
| 6   | 30,999           | 5              | 773                       | 1,260              | 33,036         | 131                        |
| 7   | 33,036           | 5              | 675                       | 1,339              | 35,054         | (4)                        |
| 8   | 35,054           | 5              | 598                       | 1,410              | 37,067         | (127)                      |
| 9   | 37,067           | 6              | 539                       | 1,476              | 39,088         | (236)                      |
| 10  | 39,088           | 6              | 490                       | 1,543              | 41,127         | (336)                      |
| <b>Cumulative Totals Projected</b>            |                  |                |                           |                    |                |                            |
| <b>For FY 1994 - 2010: 18,426 9,742 4,292</b> |                  |                |                           |                    |                |                            |

| USE OF FUND INCOME |               |                    |               |              |                |           |
|--------------------|---------------|--------------------|---------------|--------------|----------------|-----------|
| Net Income         | Distributions |                    |               | Reserves     |                | FY        |
|                    | Dividends     | Inflation-Proofing | General Fund  | Add (Delete) | FY End Balance |           |
| 2                  |               |                    | 1             |              |                | 78        |
| 8                  |               |                    | 7             |              |                | 79        |
| 32                 | 12            |                    | 12            |              |                | 80        |
| 150                | 28            |                    | 28            | 59           | 59             | 81        |
| 368                | 71            |                    | 71            | 185          | 244            | 82        |
| 471                | 108           | 231                | 110           | 110          | 354            | 83        |
| 530                | 175           | 151                |               | 203          | 557            | 84        |
| 658                | 217           | 235                |               | 206          | 763            | 85        |
| 1,021              | 303           | 216                |               | 501          | 1,264 **       | 86        |
| 1,069              | 391           | 148                |               | 529          | 529            | 87        |
| 789                | 424           | 303                |               | 62           | 591            | 88        |
| 868                | 460           | 360                | 4             | 44           | 635            | 89        |
| 916                | 487           | 454                | 4             | (30)         | 605            | 90        |
| 1,030              | 489           | 559                | 4             | (24)         | 581            | 91        |
| 1,036              | 488           | 477                | 5             | 64           | 645            | 92        |
| 1,226              | 532           | 362                | 5             | 320          | 965            | 93        |
| <b>1,075</b>       | <b>555</b>    | <b>372</b>         | <b>5</b>      | <b>138</b>   | <b>1,103</b>   | <b>94</b> |
| 1,239              | 589           | 527                |               | 118          | 1,221          | 95        |
| 1,283              | 615           | 647                | 2,520 ****    |              |                | 96        |
| 1,492              | 663           | 719                | 2,390         |              |                | 97        |
| 1,650              | 708           | 792                | 2,350         |              |                | 98        |
| 1,945              | 799           | 1,289              | 2,354         |              |                | 99        |
| 2,096              | 889           | 1,380              | 2,332         |              |                | 0         |
| 2,232              | 989           | 1,462              | 2,255         |              |                | 1         |
| 2,356              | 1,079         | 1,537              | 2,155         |              |                | 2         |
| 2,486              | 1,167         | 1,617              | 2,039         |              |                | 3         |
| 2,629              | 1,239         | 1,705              | 1,917         |              |                | 4         |
| 2,787              | 1,312         | 1,801              | 1,804         |              |                | 5         |
| 2,958              | 1,388         | 1,907              | 1,698         |              |                | 6         |
| 3,145              | 1,471         | 2,023              | 1,807         |              |                | 7         |
| 3,332              | 1,559         | 2,140              | 1,922         |              |                | 8         |
| 3,519              | 1,653         | 2,257              | 2,042         |              |                | 9         |
| 3,707              | 1,749         | 2,375              | 2,164         |              |                | 10        |
| <b>39,932</b>      | <b>18,423</b> | <b>24,549</b>      | <b>31,755</b> |              |                |           |

#### REALIZED RATE OF RETURN ASSUMPTIONS:

|               | Nominal | Inflation | Real  |
|---------------|---------|-----------|-------|
| FY 94:        | 7.81%   | 2.95%     | 4.86% |
| FY 95 - 98:   | 8.37%   | 4.00%     | 4.37% |
| FY 99 - 2010: | 9.00%   | 6.00%     | 3.00% |

\* Department of Revenue Fall 1993 Low-Case Revenue Forecast.

\*\* Earnings reserve appropriated to Fund principal by the Legislature July 1, 1987.

\*\*\* Transferred to principal from earnings reserve account per AS 37.13.145(d).

\*\*\*\* Note: The GF income minus the dividends equals \$ available for government.

**CREMO PLAN WITH DOR LOW-CASE, \$0 TRANSFER FROM BUDGET RESERVES, PLUS ERA, 9% TOTAL RATE OF RETURN AND 6% INFLATION**



## Alaska Permanent Fund Corporation

### FINANCIAL PROJECTIONS (in millions)

as of December 31, 1993

| GROWTH OF FUND PRINCIPAL           |                  |                |                           |                    |                |                            |
|------------------------------------|------------------|----------------|---------------------------|--------------------|----------------|----------------------------|
| FY                                 | FY Begin Balance | Appropriations | Dedicated State Revenues* | Inflation-Proofing | FY End Balance | Inflation-Proofing Surplus |
| 78                                 | 0                |                | 54                        |                    | 54             |                            |
| 79                                 | 54               |                | 84                        |                    | 139            |                            |
| 80                                 | 139              |                | 344                       |                    | 483            |                            |
| 81                                 | 483              | 900            | 385                       |                    | 1,769          |                            |
| 82                                 | 1,769            | 800            | 400                       |                    | 2,969          |                            |
| 83                                 | 2,969            | 400            | 421                       | 231                | 4,021          |                            |
| 84                                 | 4,021            | 300            | 366                       | 151                | 4,838          |                            |
| 85                                 | 4,838            | 300            | 368                       | 235                | 5,741          |                            |
| 86                                 | 5,741            |                | 323                       | 216                | 6,281          |                            |
| 87                                 | 6,281            | 1,264 **       | 170                       | 148                | 7,864          |                            |
| 88                                 | 7,864            |                | 418                       | 303                | 8,585          |                            |
| 89                                 | 8,585            |                | 228                       | 360                | 9,173          |                            |
| 90                                 | 9,173            |                | 267                       | 454                | 9,894          |                            |
| 91                                 | 9,894            |                | 435                       | 559                | 10,888         |                            |
| 92                                 | 10,888           |                | 338                       | 477                | 11,703         |                            |
| 93                                 | 11,703           | 5 ***          | 315                       | 362                | 12,385         |                            |
| <b>94</b>                          | <b>12,385</b>    | <b>5</b>       | <b>209</b>                | <b>372</b>         | <b>12,971</b>  |                            |
| 95                                 | 12,971           | 5              | 209                       | INCOME             | 13,185         |                            |
| 96                                 | 13,185           | 5              | 2,997                     |                    | 16,188         | 2,355                      |
| 97                                 | 16,188           | 5              | 1,788                     |                    | 17,981         | 1,074                      |
| 98                                 | 17,981           | 6              | 1,812                     |                    | 19,799         | 1,026                      |
| 99                                 | 19,799           | 4              | 1,686                     |                    | 21,488         | 400                        |
| 0                                  | 21,488           | 4              | 1,513                     |                    | 23,005         | 136                        |
| 1                                  | 23,005           | 4              | 1,366                     |                    | 24,376         | (92)                       |
| 2                                  | 24,376           | 4              | 1,239                     | 201                | 25,820         | (93)                       |
| 3                                  | 25,820           | 5              | 1,124                     | 448                | 27,396         | (41)                       |
| 4                                  | 27,396           | 5              | 1,010                     | 712                | 29,122         | 22                         |
| 5                                  | 29,122           | 5              | 891                       | 982                | 31,001         | 77                         |
| 6                                  | 31,001           | 5              | 773                       | 1,260              | 33,038         | 130                        |
| 7                                  | 33,038           | 5              | 675                       | 1,339              | 35,057         | (4)                        |
| 8                                  | 35,057           | 5              | 598                       | 1,410              | 37,070         | (127)                      |
| 9                                  | 37,070           | 6              | 539                       | 1,477              | 39,091         | (236)                      |
| 10                                 | 39,091           | 6              | 490                       | 1,543              | 41,130         | (336)                      |
| <b>Cumulative Totals Projected</b> |                  |                |                           |                    |                |                            |
| <b>For FY 1994 - 2010:</b>         |                  |                | <b>18,428</b>             | <b>9,743</b>       |                | <b>4,293</b>               |

| USE OF FUND INCOME |               |                    |               |              |                |           |
|--------------------|---------------|--------------------|---------------|--------------|----------------|-----------|
| Net Income         | Distributions |                    |               | Reserves     |                | FY        |
|                    | Dividends     | Inflation-Proofing | General Fund  | Add (Delete) | FY End Balance |           |
| 2                  |               |                    | 1             |              |                | 76        |
| 8                  |               |                    | 7             |              |                | 79        |
| 32                 | 12            |                    | 12            |              |                | 80        |
| 150                | 28            |                    | 28            | 59           | 59             | 81        |
| 368                | 71            |                    | 71            | 185          | 244            | 82        |
| 471                | 108           | 231                | 110           | 110          | 354            | 83        |
| 530                | 175           | 151                |               | 203          | 557            | 84        |
| 658                | 217           | 235                |               | 206          | 763            | 85        |
| 1,021              | 303           | 216                |               | 501          | 1,264 **       | 86        |
| 1,069              | 391           | 148                |               | 529          | 529            | 87        |
| 789                | 424           | 303                |               | 62           | 591            | 88        |
| 868                | 460           | 360                | 4             | 44           | 635            | 89        |
| 916                | 487           | 454                | 4             | (30)         | 605            | 90        |
| 1,030              | 489           | 559                | 4             | (24)         | 581            | 91        |
| 1,036              | 488           | 477                | 5             | 64           | 645            | 92        |
| 1,226              | 532           | 362                | 5             | 320          | 965            | 93        |
| <b>1,075</b>       | <b>555</b>    | <b>372</b>         | <b>5</b>      | <b>138</b>   | <b>1,103</b>   | <b>94</b> |
| 1,239              | 586           | 527                |               | 120          | 1,223          | 95        |
| 1,283              | 601           | 648                | 2,520 ****    |              |                | 96        |
| 1,492              | 616           | 719                | 2,390         |              |                | 97        |
| 1,650              | 630           | 792                | 2,350         |              |                | 98        |
| 1,946              | 646           | 1,289              | 2,354         |              |                | 99        |
| 2,097              | 661           | 1,380              | 2,333         |              |                | 0         |
| 2,233              | 677           | 1,463              | 2,255         |              |                | 1         |
| 2,356              | 692           | 1,537              | 2,155         |              |                | 2         |
| 2,486              | 708           | 1,617              | 2,039         |              |                | 3         |
| 2,630              | 723           | 1,705              | 1,918         |              |                | 4         |
| 2,787              | 739           | 1,801              | 1,805         |              |                | 5         |
| 2,958              | 753           | 1,907              | 1,699         |              |                | 6         |
| 3,146              | 768           | 2,023              | 1,807         |              |                | 7         |
| 3,332              | 783           | 2,140              | 1,923         |              |                | 8         |
| 3,519              | 797           | 2,257              | 2,043         |              |                | 9         |
| 3,707              | 811           | 2,375              | 2,164         |              |                | 10        |
| <b>39,935</b>      | <b>11,746</b> | <b>24,551</b>      | <b>31,757</b> |              |                |           |

#### REALIZED RATE OF RETURN ASSUMPTIONS:

|               | Nominal | Inflation | Real  |
|---------------|---------|-----------|-------|
| FY 94:        | 7.81%   | 2.95%     | 4.86% |
| FY 95 - 98:   | 8.37%   | 4.00%     | 4.37% |
| FY 99 - 2010: | 9.00%   | 6.00%     | 3.00% |

\* Department of Revenue Fall 1993 Low-Case Revenue Forecast.

\*\* Earnings reserve appropriated to Fund principal by the Legislature July 1, 1987

\*\*\* Transferred to principal from earnings reserve account per AS 37.13.145(d).

\*\*\*\* Note: The GF income minus the dividends equals \$ available for government.

**CREMO PLAN WITH DOR LOW-CASE, \$0 TRANSFER FROM BUDGET RESERVES, PLUS ERA, 9% TOTAL RATE OF RETURN AND 6% INFLATION, AND WITH A \$1,000 PER CAPITA DIVIDEND CAP**

as of November 30, 1993

| GROWTH OF FUND PRINCIPAL                        |                  |                |                           |                    |                |                            |
|---|------------------|----------------|---------------------------|--------------------|----------------|----------------------------|
| FY  | FY Begin Balance | Appropriations | Dedicated State Revenues* | Inflation-Proofing | FY End Balance | Inflation-Proofing Surplus |
| 78  | 0                |                | 54                        |                    | 54             |                            |
| 79  | 54               |                | 84                        |                    | 139            |                            |
| 80  | 139              |                | 344                       |                    | 483            |                            |
| 81  | 483              | 900            | 385                       |                    | 1,769          |                            |
| 82  | 1,769            | 800            | 400                       |                    | 2,969          |                            |
| 83  | 2,969            | 400            | 421                       | 231                | 4,021          |                            |
| 84  | 4,021            | 300            | 366                       | 151                | 4,838          |                            |
| 85  | 4,838            | 300            | 368                       | 235                | 5,741          |                            |
| 86  | 5,741            |                | 323                       | 216                | 6,281          |                            |
| 87  | 6,281            | 1,264 **       | 170                       | 148                | 7,864          |                            |
| 88  | 7,864            |                | 418                       | 303                | 8,585          |                            |
| 89  | 8,585            |                | 228                       | 360                | 9,173          |                            |
| 90  | 9,173            |                | 267                       | 454                | 9,894          |                            |
| 91  | 9,894            |                | 435                       | 559                | 10,888         |                            |
| 92  | 10,888           |                | 338                       | 477                | 11,703         |                            |
| 93  | 11,703           | 5 ***          | 315                       | 362                | 12,385         |                            |
| 94  | 12,385           | 5              | 209                       | 376                | 12,975         |                            |
| 95  | 12,975           | 5              | 209                       | INCOME             | 13,189         |                            |
| 96  | 13,189           | 5              | 2,979                     |                    | 16,173         | 2,337                      |
| 97  | 16,173           | 5              | 1,788                     |                    | 17,966         | 1,074                      |
| 98  | 17,966           | 6              | 1,812                     |                    | 19,784         | 1,027                      |
| 99  | 19,784           | 5              | 1,686                     |                    | 21,475         | 617                        |
| 0   | 21,475           | 6              | 1,513                     |                    | 22,994         | 369                        |
| 1   | 22,994           | 6              | 1,366                     |                    | 24,366         | 154                        |
| 2   | 24,366           | 6              | 1,239                     | 201                | 25,812         | 165                        |
| 3   | 25,812           | 6              | 1,124                     | 448                | 27,390         | 231                        |
| 4   | 27,390           | 7              | 1,010                     | 712                | 29,118         | 309                        |
| 5   | 29,118           | 7              | 891                       | 982                | 30,999         | 380                        |
| 6   | 30,999           | 7              | 773                       | 1,260              | 33,039         | 451                        |
| 7   | 33,039           | 7              | 675                       | 1,339              | 35,060         | 335                        |
| 8   | 35,060           | 8              | 598                       | 1,410              | 37,076         | 233                        |
| 9   | 37,076           | 8              | 539                       | 1,477              | 39,100         | 143                        |
| 10  | 39,100           | 8              | 490                       | 1,544              | 41,143         | 63                         |
| Cumulative Totals Projected For FY 1994 - 2010: |                  |                | 18,410                    | 9,749              |                | 7,887                      |

| USE OF FUND INCOME |               |                    |              |              |                |    |
|--------------------|---------------|--------------------|--------------|--------------|----------------|----|
| Net Income         | Distributions |                    |              | Reserves     |                | FY |
|                    | Dividends     | Inflation-Proofing | General Fund | Add (Delete) | FY End Balance |    |
| 2                  |               |                    |              | 1            |                | 78 |
| 8                  |               |                    |              | 7            |                | 79 |
| 32                 | 12            |                    |              | 12           |                | 80 |
| 150                | 28            |                    |              | 28           | 59             | 81 |
| 368                | 71            |                    |              | 71           | 185            | 82 |
| 471                | 108           | 231                |              | 110          | 110            | 83 |
| 530                | 175           | 151                |              |              | 203            | 84 |
| 658                | 217           | 235                |              |              | 206            | 85 |
| 1,021              | 303           | 216                |              |              | 501            | 86 |
| 1,069              | 391           | 148                |              |              | 529            | 87 |
| 789                | 424           | 303                |              |              | 62             | 88 |
| 868                | 460           | 360                | 4            |              | 44             | 89 |
| 916                | 487           | 454                | 4            | (30)         |                | 90 |
| 1,030              | 489           | 559                | 4            | (24)         |                | 91 |
| 1,036              | 488           | 477                | 5            | 64           |                | 92 |
| 1,226              | 532           | 362                | 5            | 320          |                | 93 |
| 1,061              | 553           | 376                | 5            | 122          | 1,087          | 94 |
| 1,238              | 587           | 528                |              | 118          | 1,205          | 95 |
| 1,283              | 614           | 647                | 2,520        |              |                | 96 |
| 1,491              | 661           | 719                | 2,390        |              |                | 97 |
| 1,649              | 706           | 791                | 2,349        |              |                | 98 |
| 1,944              | 799           | 1,074              | 2,352        |              |                | 99 |
| 2,095              | 889           | 1,150              | 2,331        |              |                | 0  |
| 2,232              | 988           | 1,218              | 2,253        |              |                | 1  |
| 2,355              | 1,079         | 1,281              | 2,154        |              |                | 2  |
| 2,486              | 1,167         | 1,347              | 2,038        |              |                | 3  |
| 2,629              | 1,239         | 1,420              | 1,917        |              |                | 4  |
| 2,787              | 1,311         | 1,501              | 1,804        |              |                | 5  |
| 2,958              | 1,388         | 1,589              | 1,698        |              |                | 6  |
| 3,146              | 1,471         | 1,686              | 1,807        |              |                | 7  |
| 3,333              | 1,560         | 1,783              | 1,923        |              |                | 8  |
| 3,520              | 1,653         | 1,881              | 2,043        |              |                | 9  |
| 3,708              | 1,750         | 1,980              | 2,164        |              |                | 10 |
| 39,914             | 18,412        | 20,970             | 31,748       |              |                |    |

REALIZED RATE OF RETURN ASSUMPTIONS:

|               | Nominal | Inflation | Real  |
|---------------|---------|-----------|-------|
| FY 94:        | 7.71%   | 2.98%     | 4.73% |
| FY 95 - 98:   | 8.37%   | 4.00%     | 4.37% |
| FY 99 - 2010: | 9.00%   | 5.00%     | 4.00% |

\* Department of Revenue Fall 1993 Low-Case Revenue Forecast.

\*\* Earnings reserve appropriated to Fund principal by the Legislature July 1, 1987.

\*\*\* Transferred to principal from earnings reserve account per AS 37.13.145(d).

CREMO PLAN WITH DOR LOW-CASE, \$0 TRANSFER FROM BUDGET RESERVES PLUS ERA, 0% TOTAL RATE OF RETURN AND 5% INFLATION

### Traditional vs. Cremo Budgeting

| Column 1  | Column 2                  | Column 3  | Column 4        | Column 5                                 | Column 6                           | Column 7            | Column 8                  | Column 9                  | Column 10           | Column 11                                    | Column 12                               |        |
|---|---------------------------|---|-----------------|--|------------------------------------|---------------------|---------------------------|---------------------------|---------------------|--|---|--------|
| Non-dedicated<br>Petroleum &<br>Interest Revenues | Non-petroleum<br>Revenues | Net GF<br>Unrestricted<br>Revenues<br>(Columns 1 + 2) | PFC<br>Dividend | Traditional<br>Budget<br>(Columns 3 + 4) | Cremo<br>Budget<br>(Columns 7 + 8) | Cremo<br>Withdrawal | Non-petroleum<br>Revenues | Traditional<br>PF Balance | Cremo<br>PF Balance | Net<br>Withdrawal<br>(Cols. 7 - 1/Avg. Bal.) | Withdrawal<br>Percentage<br>(Geometric) |        |
|   |                           |   | 589.0           |  |                                    |                     |                           | 13,777.0                  | 14,998.00           | FY95   |   |        |
| FY95  |                           |   |                 |  |                                    |                     |                           |                           |                     | FY96   |   |        |
| FY96  | 1,553.8                   | 262.3   | 1,816.1         | 619.0                                    | 2,435.1                            | 2,434.2             | 2,171.9                   | 262.3                     | 14,489.0            | 15,873.70                                    | FY97                                    | 16.40% |
| FY97  | 1,582.6                   | 270.2   | 1,852.8         | 656.0                                    | 2,508.8                            | 2,389.8             | 2,119.7                   | 270.2                     | 15,304.0            | 16,894.73                                    | FY98                                    | 14.83% |
| FY98  | 1,595.2                   | 278.3   | 1,873.5         | 683.0                                    | 2,556.5                            | 2,329.9             | 2,051.6                   | 278.3                     | 16,161.0            | 18,101.73                                    | FY99                                    | 13.41% |
| FY99  | 1,477.6                   | 286.6   | 1,764.2         | 747.0                                    | 2,511.2                            | 2,264.1             | 1,977.5                   | 286.6                     | 17,370.0            | 19,387.46                                    | FY00                                    | 12.13% |
| FY00  | 1,321.0                   | 295.2   | 1,616.2         | 806.0                                    | 2,422.2                            | 2,202.1             | 1,906.9                   | 295.2                     | 18,633.0            | 20,678.26                                    | FY01                                    | 10.97% |
| FY01  | 1,187.9                   | 304.1   | 1,491.9         | 869.0                                    | 2,360.9                            | 2,147.7             | 1,843.6                   | 304.1                     | 19,956.0            | 21,995.06                                    | FY02                                    | 9.92%  |
| FY02  | 1,070.5                   | 313.2   | 1,383.7         | 935.0                                    | 2,318.7                            | 2,094.4             | 1,781.2                   | 313.2                     | 21,345.0            | 23,359.14                                    | FY03                                    | 8.97%  |
| FY03  | 975.9                     | 322.6   | 1,298.5         | 1,006.0                                  | 2,304.5                            | 2,039.4             | 1,716.8                   | 322.6                     | 22,806.0            | 24,789.89                                    | FY04                                    | 8.11%  |
| FY04  | 873.3                     | 332.3   | 1,205.5         | 1,066.0                                  | 2,271.5                            | 1,983.2             | 1,650.9                   | 332.3                     | 24,342.0            | 26,296.18                                    | FY05                                    | 7.34%  |
| FY05  | 767.4                     | 342.2   | 1,109.7         | 1,129.0                                  | 2,238.7                            | 1,927.6             | 1,585.4                   | 342.2                     | 25,955.0            | 27,879.13                                    | FY06                                    | 6.63%  |
| FY06  | 660.7                     | 352.5   | 1,013.2         | 1,194.0                                  | 2,207.2                            | 1,873.8             | 1,521.3                   | 352.5                     | 27,651.0            | 29,543.57                                    | FY07                                    | 6.00%  |
| FY07  | 572.7                     | 363.1   | 935.8           | 1,261.0                                  | 2,196.8                            | 1,976.5             | 1,613.4                   | 363.1                     | 29,438.0            | 31,154.35                                    | FY08                                    | 6.00%  |
| FY08  | 504.0                     | 374.0   | 877.9           | 1,330.0                                  | 2,207.9                            | 2,083.1             | 1,709.2                   | 374.0                     | 31,322.0            | 32,724.90                                    | FY09                                    | 6.00%  |
| FY09  | 452.6                     | 385.2   | 837.8           | 1,402.0                                  | 2,239.8                            | 2,191.4             | 1,806.2                   | 385.2                     | 32,977.0            | 34,269.18                                    | FY10                                    | 6.00%  |
| FY10  | 410.4                     | 353.7   | 807.1           | 1,477.0                                  | 2,284.1                            | 2,298.9             | 1,902.2                   | 396.7                     | 34,702.0            | 35,796.14                                    |   | 6.00%  |

Traditional assumes low-case Fall '93 DoR Revenue Forecast and Permanent Fund Corporation December 31, 1993 Forecast, low-case

Cremo assumes same DoR Revenue Forecasts, PFC earnings assumptions,

10 year transition, and PFC assumptions on Earnings Reserve balance

### Traditional vs. Cremo Budgeting

| Column 1  | Column 2                  | Column 3  | Column 4        | Column 5                                 | Column 6                           | Column 7            | Column 8                  | Column 9                  | Column 10           | Column 11                                   | Column 12                               |
|---|---------------------------|---|-----------------|--|------------------------------------|---------------------|---------------------------|---------------------------|---------------------|---|---|
| Non-dedicated<br>Petroleum &<br>Interest Revenues | Non-petroleum<br>Revenues | Net GF<br>Unrestricted<br>Revenues<br>(Columns 1 + 2) | PFC<br>Dividend | Traditional<br>Budget<br>(Columns 3 + 4) | Cremo<br>Budget<br>(Columns 7 + 8) | Cremo<br>Withdrawal | Non-petroleum<br>Revenues | Traditional<br>PF Balance | Cremo<br>PF Balance | Net<br>Withdrawal<br>(Cols. 7 - 1/Avg. Bal) | Withdrawal<br>Percentage<br>(Geometric) |
|   |                           |   | 589.0           |  |                                    |                     |                           | 13,777.0                  | 14,998.00           | FY95  |   |
| FY95  |                           |   | 619.0           | 2,435.1                                  | 2,434.2                            | 2,171.9             | 262.3                     | 14,489.0                  | 15,873.70           | FY96  | 4.67%                                   |
| FY96  | 1,553.8                   | 262.3   | 1,816.1         | 2,508.8                                  | 2,389.8                            | 2,119.7             | 270.2                     | 15,304.0                  | 16,894.73           | FY97  | 3.76%                                   |
| FY97  | 1,582.6                   | 270.2   | 1,852.8         | 2,556.5                                  | 2,329.9                            | 2,051.6             | 278.3                     | 16,161.0                  | 18,101.73           | FY98  | 2.98%                                   |
| FY98  | 1,595.2                   | 278.3   | 1,873.5         | 2,511.2                                  | 2,264.1                            | 1,977.5             | 286.6                     | 17,370.0                  | 19,387.46           | FY99  | 3.07%                                   |
| FY99  | 1,477.6                   | 286.6   | 1,764.2         | 2,422.2                                  | 2,202.1                            | 1,906.9             | 295.2                     | 18,633.0                  | 20,678.26           | FY00  | 3.37%                                   |
| FY00  | 1,321.0                   | 295.2   | 1,616.2         | 2,360.9                                  | 2,147.7                            | 1,843.6             | 304.1                     | 19,956.0                  | 21,995.06           | FY01  | 3.53%                                   |
| FY01  | 1,187.9                   | 304.1   | 1,491.9         | 2,318.7                                  | 2,094.4                            | 1,781.2             | 313.2                     | 21,345.0                  | 23,359.14           | FY02  | 3.58%                                   |
| FY02  | 1,070.5                   | 313.2   | 1,383.7         | 2,304.5                                  | 2,039.4                            | 1,716.8             | 322.6                     | 22,806.0                  | 24,789.89           | FY03  | 3.50%                                   |
| FY03  | 975.9                     | 322.6   | 1,298.5         | 2,271.5                                  | 1,983.2                            | 1,650.9             | 332.3                     | 24,342.0                  | 26,296.18           | FY04  | 3.46%                                   |
| FY04  | 873.3                     | 332.3   | 1,205.5         | 2,238.7                                  | 1,927.6                            | 1,585.4             | 342.2                     | 25,955.0                  | 27,879.13           | FY05  | 3.42%                                   |
| FY05  | 767.4                     | 342.2   | 1,109.7         | 2,207.2                                  | 1,873.8                            | 1,521.3             | 352.5                     | 27,651.0                  | 29,543.57           | FY06  | 3.39%                                   |
| FY06  | 660.7                     | 352.5   | 1,013.2         | 2,196.8                                  | 1,976.5                            | 1,613.4             | 363.1                     | 29,438.0                  | 31,154.35           | FY07  | 3.87%                                   |
| FY07  | 572.7                     | 363.1   | 935.8           | 2,207.9                                  | 2,083.1                            | 1,709.2             | 374.0                     | 31,322.0                  | 32,724.90           | FY08  | 4.23%                                   |
| FY08  | 504.0                     | 374.0   | 877.9           | 2,191.4                                  | 2,083.1                            | 1,709.2             | 374.0                     | 31,322.0                  | 32,724.90           | FY08  | 4.23%                                   |
| FY09  | 452.6                     | 385.2   | 837.8           | 2,239.8                                  | 2,191.4                            | 1,806.2             | 385.2                     | 32,977.0                  | 34,269.18           | FY09  | 4.50%                                   |
| FY10  | 410.4                     | 396.7   | 807.1           | 2,284.1                                  | 2,298.9                            | 1,902.2             | 396.7                     | 34,702.0                  | 35,796.14           | FY10  | 4.71%                                   |

Traditional assumes low-case Fall '93 DoR Revenue Forecast and Permanent Fund Corporation December 31, 1993 Forecast, low-case

Cremo assumes same DoR Revenue Forecasts, PFC earnings assumptions,

10 year transition, and PFC assumptions on Earnings Reserve balance

## FORUM

## Alaska still has a shot at long-term prosperity

Of my years as governor, both my greatest regret and gratification relate to creation of the permanent fund.

Gratitude, that Alaskans elected to constitutionally mandate the fund. Regret, that we fell short of creating as large a fund as we should have.

Even my original "Alaska, Inc." proposal (which would have created a constitutionally mandated, dividend-dispersing fund into which would go 50 percent of all lease, bonus, royalty and severance tax dollars) would have failed to meet my often-stated objective of transforming oil wells into "money wells" pumping in perpetuity.

To fully meet that objective, we should have done precisely what Anchorage attorney Roger Cremo has been crusading for since 1970 when the state got its first oil bonanza of \$900,000,000. At that time, Roger and some of then-Gov. Miller's Cabinet urged the governor to put all that \$900 million into an investment account. Recognizing the legislature would never forego the opportunity to spend much, if



JAY  
HAMMOND

not all, of that initial bonanza, Gov. Miller agreed to try to put half into such a fund. Regrettably, only a handful of us then in the legislature supported his efforts. Instead, the \$900 million was quickly exhausted.

Belatedly recognizing the wisdom of putting all the oil money into a fund, most legislators swore that should we again receive a bonanza, we'd not use it for instant gratification. Yet when the oil pipeline gushed more billions into our laps, once more prudence was sluiced aside and I could find few who would even support the

Alaska Inc. concept, though it was but half as restrictive (and prudent) as what had been proposed to Gov. Miller in 1970.

Instead of a constitutionally mandated, dividend dispersing Alaska Inc. type fund, the legislature chose to create a "semi-permanent" fund by simple statute. Into this fund was to go, not 50 percent of all lease, bonus, royalty and severance taxes, but only 25 percent. Severance taxes were excluded and no mention was made of a dividend.

Convinced a statutorily created fund would be invaded the first time the legislature wanted some money, I vetoed the measure and demanded the public be allowed to vote on whether the fund should be placed in our constitution.

Having worked, unsuccessfully, since the mid '60s (when I was manager of Bristol Bay Borough) to sell the Alaska Inc. concept, it was very painful to have to veto the first piece of legislation which even came close to that idea.

Later, after the public voted the fund into our con-

stitution, I again proposed a dividend program. Legislative reluctance to even bring the dividend bill out of committee was finally overcome by assurances that should they fail to at least bring the bill up for a vote, they'd be called back into special session the day after adjournment and all who attempted to bury the bill in committee should expect to see their "goodies" excised from the budget.

When some offended legislators charged me with issuing unseemly threats which bordered on "blackmail," I happily acknowledged that was precisely what I was doing, though I preferred the term "graymail."

After all, I assured them, no one would be punished for voting against the dividend bill, only for failing to bring it to the floor for a vote. Apparently, suspicion that I'd not keep that promise persuaded them to not only disgorge the bill from committee, but pass it almost unanimously. Any resentment I might have had relating to their apparent lack of confidence in my integrity cooled in the

breeze created by those subsequently rushing to come aboard as alleged "prime sponsors" of the dividend program.

But all that is history and what satisfaction as may be derived from creation of the permanent fund pales by contrast to what we could have had were we to have put all natural resource revenues into a fund from the beginning.

Only about 11 percent of our oil wealth (and none from fish, timber, or minerals) flows into our \$12 billion permanent fund. Had we placed all of our resource wealth into such a fund since 1970; earned income on par with the existing permanent fund; retained fund earnings and withdrawn but 7 percent of the fund's value each year, that fund would now contain over \$62 billion, according to Mr. Cremo's projections.

It would be pumping over \$4 billion annually into state coffers — more than enough to fund current government state spending and pay a dividend. Most importantly, it would be producing a steadily increasing and

reasonably predictable revenue stream, thereby avoiding anticipated, traumatic revenue shortfalls and increased taxes.

At the governor's recent economic summit, Mr. Cremo gave a most convincing account of how we could still do what we should have done years ago. At least he convinced me and many of the too few who got to hear him.

I urge the governor to diligently explore his proposal. If he is as persuaded as I that such a plan may be our best hope for the future economic health and stability of Alaska, I hope he will, in turn, persuade the legislature to at least bring it up for a vote — even if a little "graymail" is required to do so.

Should he succeed, I predict that some years hence, rather than being condemned for failure to set us on course, the governor may well be canonized.

( ) Jay Hammond was governor of Alaska from 1974-1982.

## FORUM / LETTERS

# We can indeed stabilize Alaska economy, starting in '94

By ROGER CREMO

We Alaskans can count many blessings, but the most important one is that our state government's revenues are enormous. In the last dozen years they have amounted to more than \$40 billion, plus billions in federal grants. They fund state services and public works, and they subsidize local government. They make an income tax unnecessary and provide us with half a billion dollars in cash every Christmas. Yet the situation is intolerable.

There is an economic problem that overshadows all else. The economy is unstable. It can thrive for several years, but inevitably it fails, with disastrous consequences. People leave in droves, thousands who remain are without jobs, property values plunge, and homes and businesses are lost to foreclosure and bankruptcy. Even the banks go broke.

The reason for this condition of boom or bust is that the state's revenues fluctuate. When they're high, as they were from 1980 to 1985, public spending creates a demand for goods and services that makes the economy expand. When the revenues decline, the state has to cut its spending, as it did in 1986 and probably will have to do again soon. Then the economy contracts.

The revenues fluctuate because they come mainly from the sale and taxation of natural resources. They rise and fall with production and world price.

We need sustained state spending. But the revenues are unpre-



dictable, at least in the long term, so we don't even know what amount of spending is sustainable. If we are ever to achieve stability, however, we must determine that amount. And it has to be the highest amount that is sustainable, because the economy depends heavily on state spending. After all, wealth in Alaska is in the natural resources and the state owns them.

In order to determine how much of the natural resource revenues can safely be spent each year and to prevent the legislature from spending more than that, the state's financial system must be redesigned. But not by the legislature. Only the people have the power to change the system, and that's done by amendment to the constitution. If it were otherwise, the legislature could define its own authority.

A proposed new system attacks the problem by putting all natural resource revenues where they can't be appropriated — in the Alaska Permanent Fund. There they would be invested and the income reinvested.

But the legislature must have money for the operation of the state government and for purposes that it deems appropriate, such as aid to cities and "dividends." So money in some amount would have to be transferred from the perma-

nent fund to the general fund. The amount, of course, should be the highest sustainable amount.

The unpredictability of natural resource revenues makes it impossible to determine a sustainable level of spending. The shift to investment securities makes it possible.

A couple of assumptions must be made. One has to do with the return on investment of the permanent fund, and the other, the rate of inflation. An average rate of total return of 10 percent a year, which is lower than the corporation has achieved thus far, should be attainable with good management. And an average inflation rate of 4 percent a year, which is higher than the historical average, can be used.

With the fund increasing 10 percent in value annually from investment and decreasing 4 percent from inflation, it follows that an amount equal to 6 percent of its value could be withdrawn from the fund every year. The only other factor affecting the size of the fund would be the deposit of natural resource revenues. Regardless of how much it varied from year to year, that deposit would cause the withdrawal amount to increase continually.

The proposed system does work. Had it been adopted in 1970, the year after the state leased the North Slope for \$900 million in bonuses, state spending would have continued to rise when the oil price dropped to \$10 a barrel in 1986. The support that state spend-

*Had the proposed system been adopted in 1970, state spending would have continued to rise when the oil price dropped to \$10 a barrel in 1986. The support that state spending provides for the economy would have continued, averting the economic disaster we experienced. And today we would be enjoying substantial increases in state spending rather than the anticipated decline.*

ing provides for the economy forecast, natural resource revenues would have continued, averting the economic disaster we experienced. And today we would be enjoying substantial increases in state spending rather than the anticipated decline. are somewhat predictable for the short term.

Since we have chosen not to have a constitutional convention for at least a decade, the only available method for restricting the authority of the legislature is to ask the legislature's permission. If granted (in the form of a resolution passed by a two-thirds majority of the house and the senate), the people would vote on the proposed constitutional amendment. All of that could happen in 1994.

Conversion to the new system requires that at the outset the permanent fund be built up by adding available reserves. Then, during a transitional period of 10 years, the withdrawal percentage factor must be higher than the permanent factor of 6 percent. For that reason substantial oil revenues are needed during the transitional period, but not more than what has been forecasted by the Department of Revenue. Although, ironically, we must rely on that

Roger Cremo is an Anchorage lawyer.

# Cremo plan can save the dividend fund

A strange thing happened as I was filling out my permanent fund dividend application. An old Rolling Stones tune came on the radio, the one that goes, "This could be the last time. This could be the last time. May be the last time, I don't know ... Oh, no ... OH NO!"

This eerie occurrence prompted a reflection on the future of the dividend. Will it soon be under attack? How long can it last?

In fact, it is under assault as you read these words. Gov. Hickel's suggestion, in his state of the budget speech, that dividends be capped is but the opening salvo in the siege. The future of PFDs is bleak, unless something is done — quickly. More on that later.

There are a lot of powerful people who don't like the dividend program for a variety of reasons.

Calvinist conservatives think it's morally wrong for the government to distribute money to people who have done nothing to earn it. Better to spend the money on roads, bridges, dams, ports and airfields, in the hope of attracting private investment to projects that would not otherwise be feasible.

Some liberals object to the fact that it's not needs based. The needy get dividends, and that's OK. But well off Alaskans also get checks they could easily do without, and that's not fair.

The socialist left doesn't even want the poor to get a dividend. It's so often spent inappropriately. It would be far better for the government to keep the money, and distribute benefits instead of cash.



## FRITZ PETTYJOHN

Our congressional delegation — Ted Stevens in particular — has complained that the dividend program makes it more difficult for them to obtain special goodies for Alaska. Sen. Stevens delights in bringing home not just slabs of bacon, but entire pork bellies — occasionally even the whole hog! He resents anything that interferes with his handiwork.

Certain state legislators, especially grizzled veterans who have brought home millions of dollars of pork over the years, have never liked the dividend program. They can't take personal credit for the dividends their constituents receive. And getting such credit is the only reason some of them are tolerated by their voters.

Other legislators know they're incapable of serious spending cuts. They also know they can't tax their way out of the mess they're in, and that tapping reserve accounts is only a stopgap. They need money, and they'll go after the dividend after a simple process of eliminating the alternatives.

*Over the past dozen years they've received \$4.5 billion that would have otherwise been gone with the wind. They'll almost surely prevail again — this year. But soon — very soon — the pressure on the dividend will be overwhelming.*

The people have prevailed, and kept their dividend, despite all this opposition in the past. Over the past dozen years they've received \$4.5 billion that would have otherwise been gone with the wind. They'll almost surely prevail again — this year. But soon — very soon — the pressure on the dividend will be overwhelming.

Under the current system, the legislature simply can't cut spending and raise taxes enough to cover the ever widening fiscal gap. PFDs will have to go.

Unless.

Unless the current system is changed. If the constitutional amendment devised by Anchorage attorney Roger Cremo is adopted, there's a chance the people can save their dividend.

The annual revenue stream created by this amendment (along with tax hikes or spending cuts totaling \$60 per year, per capita) is enough to finance a stable operating budget, a small capital budget, and a dividend program at the current level.

Under this proposal there's no guarantee the legislature would fully fund dividends.

There's no such guarantee today. A future legislature could, just as the current legislature could, abolish PFDs and increase state spending by \$500 million.

But under the Cremo plan, they wouldn't be forced to do it. They'd have a way to keep the dividends, if they wanted to.

Voters could extract blood oaths from legislative candidates not only to keep the permanent fund dividend program intact, but to take its financing up as their first order of business.

Each session, early funding of PFDs — long before squabbles over the relative size of operating and capital budgets, and before fights over the mix of spending cuts and tax increases — would be the legislators' chance to honor their commitment to the people.

Dividends can be saved, and with them the permanent fund itself. The proprietary interests Alaskans have in the fund are fueled by dividends. Take them away and the fund won't be far behind.

□ Fritz Pettyjohn is a lawyer from Anchorage who has served in both houses of the Alaska Legislature.

1/2/94

FORUM / LETTERS

# Legislators have dim hope of overcoming Fiscalgap

Sometimes, before things can get any better, they first have to get a lot worse.

How poorly must Alaska's political system perform before fundamental change is possible? Very possibly, the answer to that question may come in the 1994 legislative session.

The problem facing state government is quite simple, really. This year, and in future years, there's a fiscal gap of about \$1 billion. In other words, the state of Alaska is now spending about \$1 billion more per year than it's taking in.

As they prepare to grapple with this dilemma, our solons operate under some severe handicaps. A partial list includes:

1. A governor who seems to believe all that's required is the power of positive thinking. According to Walter Hickel, Alaskans must, above all, "think rich." I am not making this up.

To those who don't share



**FRITZ  
PETTYJOHN**

the governor's galactic vision, a big part of the answer to Fiscalgap is cutting spending. Meaningful cuts can't really be accomplished by the legislature alone, however. It's the nature of the beast. When the legislature is faced with an administration hostile to significant reductions in the cost of operating state government, it's virtually impossible for it to make the cuts.

Even if the governor did decide to exercise the leadership Alaska's constitution vests in him, he'd have a tough task. Neither a Republican nor a Democrat, Hickel has no built-in base of support in the legislature. In the past, he's pursued a curious policy of cultivating his enemies and taking his friends for granted. This record will work against him. And, with his re-election something of a long shot, he has some of the problems of a lame duck leader.

2. Fear and loathing between House and Senate. House Speaker Ramona Barnes and Senate President Rick Halford have trouble being in the same room together, much less communicating. Under normal circumstances this would be a problem. This year it could be a calamity. Faced with an indifferent and rudderless administration, close cooperation between House and

Senate will be required. Good luck.

3. A Senate majority with problems. The Jacko problem. An 11-member organization — no votes to spare, every member with a veto. A united, bitter fractious minority. Senators who are mightily embarrassed by last year's spending spree, and determined to somehow rehabilitate their reputation as fiscal conservatives. Jockeying in preparation for the fight for leadership posts in the next organization.

4. A House majority with incipient problems. With two-thirds of them freshmen, last year's majority pretty much did what Speaker Barnes told them to do. As these new lawmakers look ahead to their first campaign for re-election, they'll be much less likely to march in lock step.

5. The sanctity of the permanent fund. It's extraordinarily difficult to imagine a way out of Fiscalgap that

doesn't involve using the money in the permanent fund's earnings reserve account. In the past, this has been taboo — big time. By spending what the people perceive as permanent fund money, legislators will expose themselves to the wrath of the voters. This issue alone could cost them a whole lot of elections. And they know it.

6. A whole bunch of legislators promised the voters they'd never support new or higher taxes unless major reductions in the operating budget were made first. With such reductions highly unlikely, raising taxes to deal with the Fiscalgap will prove extremely difficult.

In light of all of the above, 1994 promises to be the session from hell. As it winds down, legislators will know their constituents will be saying of them, "What's wrong with those people?"

But because things will likely be so bad, there is a

chance for change. The constitutional amendment proposed by Anchorage attorney Roger Cremona is by far the most comprehensive, practical and politically feasible way to handle Fiscalgap. Legislators may come to believe the voters will forgive them their sins if they pass it. It's the last best hope for the '94 session.

There is a fly in the ointment, however. If one legislator, or group of legislators, seeks to take personal credit for the Cremona amendment, the effort could be doomed by political jealousy. Here's hoping the legislators who believe in this solution are able to resist the temptation to use it for self-aggrandizement.

□ Fritz Pettyjohn, an Anchorage lawyer, served in both the state Senate and the state House of Representatives.

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# Herewith a way to slay the fiscal dragon

11/21/53

According to UAA's Scott "Jeremiah" Goldsmith's letter to the editor, Roger Cremo is a charlatan — a Rumpelstiltskin claiming to weave gold from straw.

For years Professor Goldsmith has paced the halls of his ivory tower, wearing a hair shirt, forehead smeared with ash, direly warning all that judgment day was nigh, that Alaskans must renounce their profligate ways. "Repent!" he's cried, "Or dread Fiscalgap will devour us all!"

Alas, few have paid heed to his prophecy, and the fearsome dragon does, in fact, now stalk the land.

While most politicians ignored the Professor of the Fevered Brow, Anchorage attorney Cremo committed a far more grievous sin. Working independently, far from the sacred halls of Academe, he's devised a way to slay beast Fiscalgap.

Here's how, in a nutshell. From now on, have all the state's resource revenues deposited into the permanent fund. Additionally, put all the money in all reserve accounts in the fund.

In year one of the plan, withdraw 20 percent of the fund. To this \$2.8 billion add the \$300 million from conventional state revenues, and the legislature has enough for running state government at current levels, a small capital budget, and dividends. Over 10



**FRITZ  
PETTYJOHN**

years, gradually reduce the annual withdrawal out of the permanent fund from 20 percent to 6 percent. At the same time, increase revenues from conventional sources by 12 percent a year (\$36 million in year one).

Over the 10-year phase-in period, the funds available to the legislature decline from \$3.1 billion to \$2.9 billion. This assumes each year, for a decade, they cut state spending by \$20 million, in nominal terms. At the same time, they'd have to eat the inflation factor, estimated at 4 percent a year. Any given legislature would always be free, of course, to cut spending more or less, increase revenues from conventional sources more or less, or some combination thereof. During the same 10-year period, the value of the permanent fund grows to \$35 billion.

Aside from taming Fiscal-

gap, this plan has a number of attractive features. It captures all future windfalls, and thus dampens Alaska's tendency to boom-and-bust economic cycles. Long-term planning becomes feasible. Budgeting would be based on hard numbers, as opposed to the whimsical guess work of today. Massive, sudden cuts in government services are avoided.

Contrary to the howls of Goldsmith, this is not magic. It is a practical and realistic way to handle Fiscalgap, while also making the permanent fund truly permanent.

Goldsmith proposes, instead, that a succession of governors and legislatures voluntarily cooperate to gradually reduce spending and increase revenues. Based on past performance, this expectation is self-delusion.

Mr. Cremo has been trying to interest Alaska politicians in his constitutional amendment for a number of years, without much success. Next year may be different. Fiscalgap finally has them cornered.

In the past, when threatened by this dragon, our legislators have behaved like certain native peoples of remote New Guinea. Instead of an airplane, they erected a crude replica of an oil derrick. To the sound of sacred drums they ran round and round this totem, chant-

ing "O-pec! O-pec!" Remarkably, this technique has occasionally proved effective, coinciding with spikes in world oil prices. But while you can run, you can't hide, from Fiscalgap.

When the 18th Alaska Legislature approaches adjournment next May, the carnage may resemble the final scene of a Shakespearean tragedy. Solons will know the public's reaction to this spectacle of political bloodletting, and will be looking for a way to make amends. After all, most of them will be campaigning for re-election next summer.

What better way to expiate their offenses than by allowing the people to vote on a constitutional amendment that saves the permanent fund and puts Alaska on the road to fiscal probity? It would be a bipartisan act of statesmanship that occurs no more than once in a generation. And it might get a lot of them re-elected. Gov. Hickel is reportedly opposed to this idea (it's not "thinking rich"), but governors have no formal role to play in the passage of constitutional amendments.

You may say I'm a dreamer. But I'm not the only one.

□ Fritz Pettyjohn, an Anchorage lawyer, served in both the state Senate and the state House of Representatives.

11/7/93 ADN

Roger Cremo

# Change fund, slay 700-pound deficit gorilla

For years the gorilla sat quietly in the corner, his big brown eyes calmly surveying the frolic of Alaska politicians raging on about him. He made no move. He knew his day would come.

The few who've tried to pull him into attention were derided as party poopers. We'll ignore him, and maybe he'll just go away!" the pipsy revelers assured one another.

But he hasn't gone away. Lurching ceaselessly on bananas (which in this conceit represent the fall of oil production on the North Slope) he's gotten bigger and bigger. Now, at 700 pounds, this huge, hairy beast can be ignored no more. Sadly, the party's just about over.

Each pound of the great ape represents a million dollars of state spending in excess of revenue. The governor's preparing the next operating budget at the current level, or about \$2.4 billion. An additional \$100 million is needed for a minimal capital budget and a supplemental budget. State revenue is projected at around \$1.8 billion. The difference, or deficit, of \$700 million is the gorilla that before long will put an end to the festivities.

Unless, of course, Dame Fortune intervenes. There could be a \$700 million windfall in the form of tax and royalty settlements with the oil companies. Or civil war in Russia could push oil prices up to \$25 a barrel. Such things have happened before, and could happen again. But we'd be fools to bet on it.

Don't count on big cuts in the operating budget, either.



**FRITZ  
PETTYJOHN**

And don't expect an income tax. Both require 21 votes in the House and 11 in the Senate. The votes aren't there.

What we can expect is a huge draw on reserve accounts — including the permanent fund's reserves. There's enough in them to get through one more year — but only one — of spending as usual.

So it is that the governor, and legislature, elected a year from now will be faced with a fiscal dilemma of enormous proportions. The gorilla could be swollen to 900 pounds by then, given further declines in North Slope production.

With no reserves to fall back on, where will they come up with \$900 million? A state income tax would only bring in \$350 million or so. Where can they get the rest?

Answer: the permanent fund.

The fund earns close to a billion dollars a year. Under current law, about half those earnings are plowed back into the fund, as inflation-proofing. The other half goes

*If the 1995 Alaska Legislature stops inflation-proofing the (permanent) fund and spends the money instead, it could continue the dividend program and also avoid big spending cuts.*

out as dividends. If the 1995 Alaska Legislature stops inflation-proofing the fund and spends the money instead, it could continue the dividend program and also avoid big spending cuts.

The permanent fund would still continue to grow, in nominal terms. As long as oil is being produced, the constitutional amendment that created the fund will require mandatory contributions to it. But in real, inflation-adjusted dollars, the value of the fund will soon begin to fall. The North Slope bonanza that created the fund also caused huge state spending — spending that could eventually devour it.

A few years after 1995 the legislature will need even more permanent-fund money, so they'll put a cap on the amount of the dividend. And a few years after that they'll eliminate it.

This scenario could be avoided by adopting a version of a constitutional amendment devised by Anchorage attorney Roger Cremo. Under his plan, all re-

source revenues and reserve accounts are deposited into the permanent fund. Then, in the first year, a big chunk — as much as 20 percent — of the fund would be withdrawn and available for dividends and the state budget. Throughout the decade, and forevermore, all resource revenues would continue to be deposited into the permanent fund.

Busts, and booms, in state spending would be eliminated. Each legislature would know how much would be available to spend. And the permanent fund would be secure — and permanent.

There's only one way our legislature will allow the people to vote on such an amendment next year — as an act of atonement for their inability to come to terms with the financial realities facing the state of Alaska.

Don't hold your breath.

Fritz Pettyjohn, an Anchorage lawyer, served in the state Senate and state House of Representatives.

Peninsula  
Clarion  
Jan 12, '94

## Time to give new budget plan a try

Alaskans who think talk of the state budget crisis is just another "wolf" cry may soon be in for a rude awakening.

Kenai Peninsula Borough Schools Superintendent Robert Holmes perfectly summarized the situation now facing not only the school district, but the borough and municipalities when he said: "We just flat out have fewer dollars to deal with."

What that means, on the borough level, is a hike in property taxes is possible. For peninsula schools, it likely means not filling some new teaching positions, as well as cutting funds for equipment, textbooks, library aides, food service and field trips. Soldotna is discussing a sales tax hike from 3 to 3.5 percent to make up a predicted budget shortfall.

For everyone, fewer state dollars means changes are inevitable.

The state's current budget situation points out how the system is flawed. How can you have a stable state economy when the price of oil, the primary factor in figuring the budget, fluctuates as much as it does? The answer is you can't.

A new way of figuring the budget, however, could eliminate the roller coaster budget rides the state now experiences. When there's lots of money around, the state tends to spend as much as is possible. When there's not, everyone scrambles to cut what can be cut and make ends meet. At best, it's not an efficient way to finance the state's business.

Under a plan getting lawmakers' attention all the state's resource revenues would go into the Permanent Fund and the Legislature would receive a set percentage of the fund's annual earnings to pay for the cost of operating government.

Proponents say the proposal — known as the "Cremo Plan," after the Anchorage attorney who devised it — would give legislators a more reliable and predictable amount of money to spend.

It's a sound idea; one that deserves more than discussion. The current system of financing state government isn't working, and the Legislature desperately needs to try something else.

Otherwise, Alaskans can expect more of the same, spend-spend-spend in the fat years and cut-cut-cut in the lean. And, if the experts' crystal ball is correct, there are a lot more lean years ahead as oil production declines.

If the Cremo Plan can stop the roller coaster budgets of the past and present, it's time to hop on for the ride.

## App Clintor

By TERENCE HUNT  
AP White House Cor

WASHINGTON  
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# Resolution seeks change in state spending

by Hal Spence  
Staff Writer

A proposal for an amendment to the Alaska Constitution that would completely overhaul the way the state spends money is gaining support among municipal governments on the Kenai Peninsula.

Its chief proponent, Anchorage attorney Roger Cremo, was in Homer on Monday to pitch the idea to the Homer City Council, which later voted to support a resolution asking the Alaska Legislature to put the amendment on the ballot. Last week, the Kenai Peninsula Borough and the city of Kenai each adopted similar resolutions.

The proposal is as simple as it is far-reaching, Cremo said. Based on the premise that the state's economy will continue to depend on revenue generated by the exploitation of natural resources and that that revenue stream tends to fluctuate, Cremo proposes to place all resource revenue into the Alaska Permanent Fund, rather than into the state's General Fund as is done currently.

A fixed percentage of the Permanent Fund would be withdrawn each year to cover state spending needs. Cremo said such a system would provide continually increasing revenue levels and an economy which would not fluctuate.

"The problem is our economy is utterly unstable and it always has been," Cremo said.

The existing state spending system, he said, leads to a boom and bust economy — a high demand for services when revenues are plentiful, followed by crunch-time when the money flow slows down. To achieve a stable

economy, the state must find a way to spend at sustainable levels. That can be done, Cremo said, by not spending resource revenues directly, but rather by first converting them into revenues that don't fluctuate.

Putting all resource revenue into a giant Permanent Fund bank account which is then invested — as the Permanent Fund is now — would create a stable state spending source.

"Logically, the first thing to do is to take the money away from the Legislature" and "put them on an allowance," he said.

The amount Cremo proposes be withdrawn from the fund each year would be tied to the average rate of return on investments over the previous three years, adjusted for the current rate of inflation. He suggested that percentage could be around 6 percent per year after a 10-year transition period that would initially require a much higher withdrawal level, and a good measure of belt-tightening by the Legislature.

Assuming voters pass the amendment, the 1996 Legislature would need 20 percent of the Permanent Fund to pay for government services. That percentage would decrease each year until 2005 when it would bottom out at 6 percent.

During the transition, state spending would fall slowly from an initial high of around \$3.1 billion in 1996 to a low of \$1.9 billion in 2006. Thereafter, the actual dollar amount the 6 percent would represent would rise by about \$200 million per year as the Permanent Fund itself grew.

Cremo said meeting the 2005 deadline would require state lawmakers to cut state

spending to meet the coming fiscal gap, something they face even under the present system.

There is likely to be a lot of resistance to such a radical change, Cremo said. For one thing, state lawmakers have been reluctant in the past to put amendments on the ballot. Another fear is that the new system would eliminate the popular annual dividends the Permanent Fund now provides Alaska residents.

Cremo said the new system would continue to set aside \$500 million a year for dividends, roughly what covered the dividend payments this year.

The proposed amendment to Article XV of the constitution would set aside revenues from the sale of natural resources and from taxes on resources produced or on reserve, on property used in exploration, production or transportation of resources, and on income from production or transportation of resources. These moneys would constitute the Alaska Permanent Fund and would be invested for long-term capital appreciation, he said.

The amendment also would require that the assets of the Budget Reserve Fund, itself created by a constitutional amendment in 1990, and the Permanent Fund Earnings Reserve Account be added to the Permanent Fund.

A public corporation would be created to manage the fund. It would be governed by a seven-member board of directors comprised of Alaska residents appointed by the governor with the consent of the Legislature. Four would serve for six years, three for four years.

## Resolution gets council nod

Homer City Council members voted unanimously Monday night to ask the state Legislature to let voters decide the fate of the "Cremo Amendment," even though some said they're skeptical it would work and others said they'd personally vote against it.

Roger Cremo, the Anchorage banking attorney who has written the amendment, presented it to the council Monday night. It would place all revenue generated from resource exploitation into the Permanent Fund, rather than into the state's General Fund, and use a percentage of the interest income to pay for state government. The idea is to create a stable source and rate of funding.

Councilman Mike McHone said he'd like to put the idea to the voters and get people thinking about other creative solutions to the state's money dilemmas. "I like the sound of it. It's a good shaker-upper," he said.

Councilman Dennis Leach said while he hasn't decided whether or not he's personally for it, he thinks it would spell the end to the Permanent Fund dividend program. Cremo said it wouldn't affect the program.

Jack Cushing, another councilman, predicted that the premise of touching the state's much-loved Permanent Fund would turn people against the Cremo amendment. He said the 90 percent of state natural resource revenues that aren't going into the present Permanent Fund now should go into a second "permanent fund" for state operating costs.

Budget postponed

Anchorage Daily News  
Letters to the Editor  
July 29, 1993

### **Proposal may be a winner -**

In a recent Compass piece attorney Roger Cremo advanced an imaginative proposal to revamp Alaska's economic system. It is hoped his plan will be reprinted in other state newspapers and given publicity on local TV and radio talk shows as well. Perhaps the Daily News will consider reprinting the essay on the editorial page. Thorough statewide examination and discussion is needed before the legislature reconvenes. Mr. Cremo may have a winner!

— *Mary E. Schenker*

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■ **MORE LETTERS** Readers write. B-8

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ADN 12/18/93  
**Roger Cremo is the answer**

It's a sad state of affairs when our legislature can't read the laws it writes and unconstitutionally spends \$924 million. But it adds insult to injury for Sen. (Rick) Halford, et al. to spend additional money filing a frivolous lawsuit with no intent to stop the spending. Any first-year law student knows what an injunction is and how to use it. It would be very appropriate and perfectly within the jurisdiction of the court to issue an injunction ordering the state not to spend this money until the constitutional budget reserve was made whole. Yet no injunction was sought. Why?

Being of sinister mind, I believe there's a concerted effort afoot to spend all reserves so the governor can get his way and cap the dividend at \$750 and then tax us on it.

The upcoming legislative session could prove to be the most devastating in our history if we let it. These same people are going back into seclusion in Juneau with a lame-duck attitude because of their \$924 million faux pas last session, and we could see a repeat of this budget or worse, the price of oil notwithstanding.

It's time to impose fiscal responsibility upon government. Roger Cremo's Money Reservoir Plan takes the guesswork out of budgeting and stabilizes the entire process. We need a resolution passed to put this on the 1994 ballot.

Invest the time to call or write our legislators or spend time filling out another tax form every year. The choice is ours.

— *Meivin L. Schaub*  
*Sterling*

Anchorage Daily News  
Letters to the Editor  
December 29, 1993

— JOHN TINSOP

## **Cremo plan forces tax issue**

Matthew Scully says that the revenue system Roger Cremo proposes is lacking something — that it doesn't give people an incentive to keep the bureaucrats from spending too much.

Although he deserves credit for being concerned about spending, Mr. Scully should learn more about the proposed system. Actually, it does what he wants it to do and more. It takes the existing reserves, and all of the oil revenues from now on, completely out of the control of the legislature. The money goes into the permanent fund. And the income that the fund generates from investments remains in the fund.

Of course, money has to be taken out of the fund each year to run the government, pay dividends, etc., but the amount is limited to a fixed percentage of the fund's value. And we — not the legislature — establish the percentage. About the only other money that the legislature could spend is what it can get by taxing us — exactly the problem that Mr. Scully wants the legislature to be faced with.

Since the 1970s the legislature has been spending at an unsustainable level. The new system will bring spending down to a sustainable level.

— Leslie MacLellan

**SJR**

**46**



U. S. Department  
of Transportation

Alaskan  
Region

222 W. Seventh Avenue  
Anchorage, Alaska  
99513-7587

Federal Aviation  
Administration

February 18, 1994

Mr. Gene Burden  
Tesoro Alaska Petroleum Co  
3230 C Street  
Anchorage, Alaska 99503

Dear Mr. Burden:

The enclosed flyer is a sample of one we designed to distribute at the aviation safety seminars the Federal Aviation Administration sponsors around the state. We feel it is necessary to have some type of a long term education program on the blue fuel issue.

Please feel free to reproduce and distribute it as you see fit. If you are interested in developing a joint effort to address the safety concerns, please feel free to call upon Bill Missal or me.

Sincerely,

*Joette Storm*

Joette Storm  
Public Affairs Officer

# FUEL ALERT

**SOME DIESEL FUELS AND  
KEROSENE HOME HEATING  
PRODUCTS ARE BEING TREATED  
WITH DYE WHICH PRODUCES  
COLORS SIMILAR TO AVIATION  
GASOLINES.**

When dyed, colors may range from light blue, green or red, through purple or black depending on the fuel and the dye added.

THE FAA IS CONCERNED THAT THESE FUELS MAY BE MISTAKEN FOR AVIATION GASOLINE, ESPECIALLY WHEN STORED IN SMALL CONTAINERS.

PILOTS ARE CAUTIONED TO USE APPROPRIATE IDENTIFICATION PROCEDURES TO ENSURE THAT PROPER FUEL IS BEING USED IN AIRCRAFT.

# FUEL ALERT

# FISCAL NOTE

STATE OF ALASKA  
1994 LEGISLATIVE SESSION

BILL NO. SJR 46

Revision Date: February 22, 1994 Dept. Affected: None  
 Title: "Requesting the United States Congress to BRU: n/a  
Provide a Waiver for nontaxable diesel fuel sold in AK" Component: n/a  
 Sponsor: Senator Halford, Pearce, Jacko, Donley, Taylor, et al.  
 Requestor: Senate State Affairs Committee COMPONENT SERIAL NO. ---

Expenditures/Revenues (Thousands of Dollars)

| OPERATING EXPENDITURES | FY 95 | FY 96 | FY 97 | FY 98 | FY 99 | FY 00 |
|------------------------|-------|-------|-------|-------|-------|-------|
| PERSONAL SERVICES      |       |       |       |       |       |       |
| TRAVEL                 |       |       |       |       |       |       |
| CONTRACTUAL            |       |       |       |       |       |       |
| SUPPLIES               |       |       |       |       |       |       |
| EQUIPMENT              |       |       |       |       |       |       |
| LAND & STRUCTURES      |       |       |       |       |       |       |
| GRANTS, CLAIMS         |       |       |       |       |       |       |
| MISCELLANEOUS          |       |       |       |       |       |       |
| TOTAL OPERATING        | -0-   | -0-   | -0-   | -0-   | -0-   | -0-   |
|                        |       |       |       |       |       |       |
| CAPITAL EXPENDITURES   | -0-   | -0-   | -0-   | -0-   | -0-   | -0-   |
|                        |       |       |       |       |       |       |
| CHANGE IN REVENUES ( ) | -0-   | -0-   | -0-   | -0-   | -0-   | -0-   |

FUND SOURCE (Thousands of Dollars)

|                          |     |     |     |     |     |     |
|--------------------------|-----|-----|-----|-----|-----|-----|
| 1002 Federal Receipts    |     |     |     |     |     |     |
| 1003 GF Match            |     |     |     |     |     |     |
| 1004 GF                  |     |     |     |     |     |     |
| 1005 GF/Program Receipts |     |     |     |     |     |     |
| 1006 GF/MHTIA            |     |     |     |     |     |     |
| Other                    |     |     |     |     |     |     |
| TOTAL                    | -0- | -0- | -0- | -0- | -0- | -0- |

Estimate of any current year (FY94) cost: \$ ---

POSITIONS

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| PART-TIME |  |  |  |  |  |  |
| TEMPORARY |  |  |  |  |  |  |

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Portia Babcock, Committee Aide Phono: 465-4522  
 Division: Senate State Affairs Committee Date: February 22, 1994  
 Approved by: Senator Loren Leman, Chair Date: February 22, 1994  
 Agency: Senate State Affairs Committee

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8-LS1714E ✓  
Cook  
3/2/94

CS FOR SENATE JOINT RESOLUTION NO. 46( )  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
EIGHTEENTH LEGISLATURE - SECOND SESSION

BY

Offered:  
Referred:

Sponsor(s): SENATORS HALFORD, Pearce, Jacko, Donley, Taylor, Phillips, Kelly, Frank, Lincoln, Little, Kerttula, Miller

A RESOLUTION

1 Requesting the United States Congress to provide a waiver for nontaxable diesel  
2 fuel sold in Alaska from the requirement that it contain a dye additive.

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

4 WHEREAS the Omnibus Budget Reconciliation Act of 1993 changed the point of  
5 collection of the federal highway tax and, effective January 1, 1994, requires dyeing of diesel  
6 fuel that is exempt from the federal diesel fuel tax; and

7 WHEREAS a regulation of the Internal Revenue Service requires dye to be added to  
8 nontaxable diesel fuel in the state; and

9 WHEREAS the use of diesel fuel for taxable purposes in Alaska is substantially below  
10 that used in the rest of the United States; the State of Alaska has determined that less than five  
11 percent of all diesel fuel sold in the state is sold for taxable purposes for use in on-road  
12 vehicles and recreational boats, which means that 95 percent of the diesel fuel in Alaska will  
13 have to be dyed; and

14 WHEREAS compliance with the requirement imposes a special hardship in rural  
15 Alaska in that the ability to meet the requirement in some rural areas is threatened due to the  
16 logistical limitations of available tankage and controls; and

1           **WHEREAS** in a state in which there is a high per capita usage of private aircraft, the  
2 dye requirement poses a particular problem for private aircraft users in that the dyed diesel  
3 is very similar in color to one or more fuels, which could lead to inadvertent mixing or  
4 substitution of fuels and increases the probability of improper fuel handling and potential for  
5 accidents, serious bodily injury, or death; and

6           **WHEREAS** the Federal Aviation Administration is very concerned about these serious  
7 public health issues and associated safety risks: and

8           **WHEREAS** the penalties for failure to comply with this legislation can be very high;  
9 and

10           **WHEREAS** there is no indication of any tax fraud in the state related to the improper  
11 use of nontaxable fuel for taxable purposes;

12           **BE IT RESOLVED** that the Alaska State Legislature urges the United States Congress  
13 to take appropriate action to assure the elimination of the safety threats imposed by the current  
14 requirement that nontaxable diesel fuel offered for sale in Alaska be dyed by providing a  
15 waiver of the requirement.

16           **COPIES** of this resolution shall be sent to the Honorable Al Gore, Jr., Vice-President  
17 of the United States and President of the U.S. Senate; the Honorable Robert C. Byrd, President  
18 Pro Tempore of the U.S. Senate; the Honorable Thomas S. Foley, Speaker of the U.S. House  
19 of Representatives; the Honorable Lloyd Bentsen, Secretary of Treasury; and to the Honorable  
20 Ted Stevens and the Honorable Frank Murkowski, U.S. Senators, and the Honorable Don  
21 Young, U.S. Representative. members of the Alaska delegation in Congress.

**SJR**

**50**

House of Representatives  
State of Michigan

36TH DISTRICT  
STATE REPRESENTATIVE  
ALAN L. CROSEY  
STATE CAPITOL  
LANSING, MICHIGAN 48913  
(517) 373-1778

COMMITTEES  
JUDICIARY  
EDUCATION  
LABOR  
CORRECTIONS

November 23, 1993

Thank you for your interest in Michigan House Concurrent Resolution No. 185. This resolution requests the Michigan Attorney General to file a lawsuit in the U.S. Supreme Court on behalf of the Vietnam War era Michigan POW/MIAs. The Attorney General told me that we need at least two or three other states to join with us before we file the lawsuit.

Enclosed with this letter is a copy of the Michigan resolution. I would suggest that you use this resolution as a basis for a resolution in your state. Obviously you would change the names of the people to those who are POW/MIA status in your state. Your resolution should end by requesting that your state join with Michigan in pursuing this issue in front of the United States Supreme Court.

Enclosed with the resolution are the following items:

1. A newspaper article about the Michigan resolution entitled "Supreme Court to Hear POW Issue".
2. An Associated Press story about a retired Russian military officer who saw American POWs from the Korean conflict being held in the Soviet Union.
3. A memorandum dated September 7, 1993 concerning a new document found in the files of the Soviet military intelligence which states that the number of American aviator POWs in Communist Vietnam was 735 and that they had only published the names of 368 American aviators. The same document on a different page it states again that they have published the names of 368 American flyers.
4. A three page report and a 25 page report to the Central Committee of the Communist Party of the Soviet Union.
  - a. The second page of the three page report says the total American POWs in North Vietnam was 1205, of which 671 were taken prisoner in North Vietnam, 426 in South Vietnam, 43 in Laos and 65 in Cambodia. There were 767 aviators among the prisoners, three of which went through training for space flight and 15 of which have more than 4000 flight hours each. There is also a breakdown by rank of the prisoners. The United States government did not know the precise number of POWs. The North Vietnamese Army kept this information in strict secrecy.
  - b. The report attached to the three page report is approximately 25 pages long and goes into greater detail, starting on page 17, about the North Vietnamese exploitation of the American POWs.

5. Several memoranda from John Dean Holstein, one of the investigators for the Senate Select Committee, concerning the ordering of the document destruction by the chairman of the Senate Select Committee on POW/MIAs. Mr. Holstein and the other investigators were very upset that certain documents that should have been filed in the Senate were destroyed instead.
6. The oral briefing introduction given to the Senate Select Committee on Prisoners of War on April 8, 1992. This briefing is approximately 19 pages long. Page 18 states the investigators' conclusion:

**THE INTELLIGENCE INDICATES THAT THE AMERICAN PRISONERS OF WAR HAVE BEEN HELD CONTINUOUSLY AFTER OPERATION HOMECOMING AND REMAIN IN CAPTIVITY IN VIETNAM AND LOAS AS LATE AS 1989. THE INTELLIGENCE INDICATES THAT NO AMERICAN PRISONERS OF WAR HAVE SURVIVED IN CAMBODIA.**
7. A memorandum to Senator John F. Kerry and Senator Bob Smith from Dr. Joseph Douglass. This is six page "sensitive" memorandum gives a synopsis of the information that Dr. Douglass had been able to glean from Jan Senja, a Czechoslovakian defector who was a Major General and had direct contact with Soviet intelligence operations of the highest sensitivity. Major General Senja's information is highly explosive. He is currently working for the Department of Defense.
8. A transcript of Dr. Douglas' statement at the National Alliance of Families press conference this July. The Defense Department prohibited Major General Senja from speaking at this press conference held in Washington.
9. A brochure from Task Force Omega that gives a synopsis of much of the evidence that the POWs are still being held. While I am not supporting any single POW/MIA group over the others I am enclosing this brochure to give you some of the evidence that has been uncovered in the past.
10. Newspaper article entitled "Dealing With The Haunting Legacy".

The evidence is clear. POWs still being held either by the Communist nations of Southeast Asia or former Communists nations throughout the rest of the world.

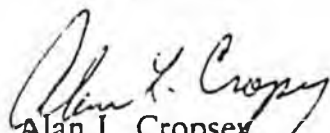
It is extremely important that this lawsuit move forward. President Clinton has already allowed the IMF to give loans to Vietnam. Even though the U.S. still has a trade embargo in effect, American businesses are allowed to participate in the building of Vietnam using these IMF loans.

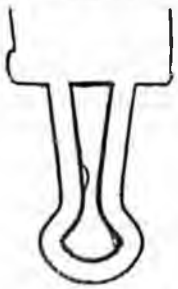
Unless the American people demand that the POW issue be resolved, I believe full normalization with Vietnam will take place later this year. Vietnam and Loas have held on to the POWs to use them as pawns in getting aid from the United States. If Vietnam's relationship with the United States is normalized and aid flows to Vietnam without the release of the POWs, Vietnam and Loas have no further use for the POWs. In fact, the POWs would become a liability to Vietnam and would probably be killed.

I strongly urge you to have your legislature pass a resolution joining with Michigan asking that our United States Supreme Court hear this issue. If the U.S. Supreme Court allows the states to have standing to bring this lawsuit, then we would demand discovery of government documents that have not been released to the public.

Please do all you can and keep me informed.

Sincerely Yours,

  
Alan L. Cropsey  
State Representative



ICF  
 2-7-94  
 asked who - behind the  
 HJR push?  
 crosses the  
 P.O. Box 8-2977  
 Fairbanks, Alaska 99708  
 04 January, 1994

The Honorable Jeannette James  
 Alaska State Legislature  
 State Capitol, Pouch V  
 Juneau, Alaska 99801-1182

Dear Mrs. James:

For many veterans and families of servicemen, the Viet Nam war is a wound that has yet to heal. We were sent to do our government's bidding, but without the support of the nation, expressed in a formal declaration of war. We won the battles, but the war was lost. And the government that specifically instructed us that, if captured, to hold out, because it would secure our release -- that government has turned its back on hundreds of Americans "Missing in Action" or known to be "Prisoners of War". Of the more than 3,700 Americans known or suspected of being in enemy hands, fewer than one-sixth were returned during Operation Homecoming. Less than three weeks later, the United States government summarily declared all the other POW/MIA's in Southeast Asia dead, though it had extensive information to the contrary.

Our own government administratively buried the men we left behind -- or tried to. Various POW/MIA families and veterans groups knew that available evidence did not support the government's official position, and asked for "the rest of the story". What they got, instead, was a series of special commissions, Congressional hearings, and "fact-finding" trips which demonstrated what has been described by a former National Security Council Intelligence Chief as "a mindset to debunk", within the government. Whenever new evidence of American POW/MIA's would come to light, the "standard of proof" ante would be raised. The government conspicuously avoided having to take meaningful action on the issue.

Nevertheless, the public consciousness became aroused, through well-documented publications such as those listed on the attached "References" page and through more general articles in publications such as Reader's Digest (1/93), Airman (2/93), Parade (5/30/93), and VFW (9/93).

Recent news media coverage of the POW/MIA issue has focussed almost exclusively on the return of "remains" (the Viet Nameese are known to have stockpiled and catalogued over 400 sets - most not yet returned), and on the "excellent cooperation" of the Viet Nameese communist government in resolving remaining cases. (Only two sets of remains were identified during all of 1992, and only one set in 1993, through early December.) We're being told the United States should lift its trade embargo -- its last leverage on the Viet Nameese government -- so that American firms can prosper by freely doing business there (with one of the poorest countries in the world). Proponents of this position choose to ignore the likely fate of POW/MIA's, who would no longer be valuable to the Viet Nameese as political bargaining chips but rather would become serious liabilities, if discovered.

04 January, 1994

Before Americans consider doing business with Viet Nam, we need to bring our men home -- both those who remain alive and those dead of whom the Viet Nameese government could readily give an accounting.

In a fresh approach to obtaining release of more complete information on POW/MIA cases, so that pressure can be brought to bear for their return, the Michigan State Legislature last session passed a resolution enjoining their Attorney General to petition the United States Supreme Court, under Article III, Section 2 of the Constitution. Their resolution asks the other states to join the action.

Enclosed is a copy of Michigan's House Concurrent Resolution No. 185, with the text highlighted to show the minimal changes necessary for it to become the text of a resolution of our own Alaska Legislature. With it are copies of letters dated 9/30, 11/17, and 11/23/93 from Rep. Alan Cropsey with attachments containing supporting documentation from a variety of sources.

Alaska has two POW/MIA's; they are

|                     |      |                |
|---------------------|------|----------------|
| Anderson, Thomas E. | USMC | from Spenard   |
| Koslosky, Howard M. | USN  | from Anchorage |

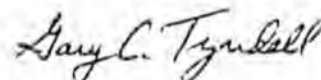
(Col. Floyd W. Richardson, USAF, from Anchorage, was listed as MIA on 3/03/67. His remains were returned 12/15/88.)

I respectfully request your sponsorship and support of a similar resolution by the Alaska House of Representatives, this session. The same request is being made to the Senate, through Senate President Rick Halford (copy attached). Copies of the Michigan Resolution and these cover letters are also being sent to local veterans organizations, asking them to express support for the resolution. If you would like additional information or have any questions, please call me at 488-1433 (evenings) or 451-2218 (days).

Please help close this chapter of American history with honor.

Thank you.

Very truly yours,



Gary C. Tyndall

Enclosures: As stated

cc(w/ resolution): Rep. Ramona Barnes, Speaker of the House  
 Rep. Gene Therriault, District 33  
 Rep. Richard Foster, Co-Chair, Military & Veterans Affairs  
 Rep. Eldon Mulder, Co-Chair, Military & Veterans Affairs

04 January, 1994

REFERENCES

First Heroes, Rod Colvin, Irvington Publishers, New York, 1987

Kiss the Boys Goodbye, Monika Jensen-Stevenson & William Stevenson,  
Plume/Penguin Books, New York, 1991

The Bamboo Cage, Nigel Cawthorne, U.S.Veteran News & Report, Kinston, N.C., 1991

The Men We Left Behind, Mark Sauter & Jim Sanders, National Press Books,  
Bethesda, MD, 1993

We Can Keep You Forever, (VHS), BBC/Lionheart Television & Landreth Associates,  
1987

Americans Abandoned, (VHS), American Defense Institute & Global Communications,  
1992



## THE AMERICAN LEGION

DEPARTMENT OF ALASKA  
519 WEST 8TH AVENUE, SUITE 208  
ANCHORAGE, ALASKA 99501  
(907) 273-3598 Headquarters  
(907) 273-0041 Fax Number

File HJR 51  
Folder  
**George Sterbenz**  
Department Commander  
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Alternate NEC  
2323 First Avenue  
Ketchikan, Alaska 99901

**Dean C. Hill**  
Department Adjutant  
519 West 8th Avenue, Suite 208  
Anchorage, Alaska 99501

February 23, 1994

The Honorable Jeannette James  
Alaska State Capitol  
Capitol Building, Room 501  
Juneau, Alaska 99801-1182

Dear Representative James:

I was recently sent a copy of House Joint Resolution No. 51 and, as a Vietnam veteran, felt very proud of you as I read it.

As you may or may not know, our National Headquarters took a firm stand against lifting the embargo against Vietnam until we had a full accounting of those POW/MIAs left behind. Unfortunately, it appears that our President bowed to the pressure of big business.

I want you to know that you have our deepest gratitude for your efforts on HJR 51. It may seem a cold and lonely place you have opted to stand; however, I believe I can speak on behalf of the over 70 thousand veterans of this state when I say we are standing beside you.

I took the liberty of FAXing a copy of the resolution to our National Headquarters last week. Today, I received a call from a member on *The American Legion Magazine* staff. He wanted your full names and intends to put an article in the next issue addressing your efforts on HJR 51. That magazine goes to over 3,000,000 members living in every state of the Union and in many foreign countries. Perhaps your request to have other states join in the suit will be answered through that article.

Once again, thank you.

Sincerely,

Dean C. Hill  
Department Adjutant

cc: Rep. Gene Therriault  
Rep. Ed Willis

THE AMERICAN LEGION  
DEPARTMENT OF ALASKA

PHONE 278-8598  
FAX 278-0041

March 2nd, 1994

The Honorable Jeannette James  
Alaska State Capitol  
Capitol Building, Room 501  
Juneau, Alaska 99801-1182

Dear Representative James:

On Friday, February 25th, I talked briefly with Representative Ed Willis. During that discussion, Ed indicated someone had expressed doubts to him about the accuracy of some of the information provided in HJR 51. Ed asked if I was aware of a knowledgeable authority at our National Headquarters who could review the Resolution. He said his primary concern was to save the Legislature from any embarrassment for voting on a Resolution containing incorrect support clauses.

I FAX'd a copy of the updated House Joint Resolution No. 51 (MLV) to John Sommer, Jr., the American Legion's Executive Director of Administration in Washington D.C. John is our National Headquarters' in-resident expert on Vietnam issues. Should you like to talk to him, his number is (202) 861-2711.

I asked John to read over the Resolution and let me know if there were any changes he would suggest that would improve the accuracy of the statements contained therein. John just called and recommended the following.

PAGE ONE:

1. In the 2nd WHEREAS (line 9), change to read, " WHEREAS the implied United States government position is that all ..."

2. In the 3rd WHEREAS (line 12), change the spelling of the General's last name from Kwong to Kwang.

PAGE TWO:

1. In the 2nd WHEREAS, (line 5), change to read, "...to the public, yet individuals within the federal ...".

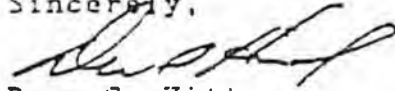
2. In the 5th WHEREAS, (line 16), change to read, "...not actively searching for remaining Americans; and".

Stating he presumed the WHEREAS statement addressing the two missing and unaccounted for servicemen from Alaska was correct, Mr. Sommer indicated the remainder of the statements reflected factual information.

I have sent copies of HJR 51 to all Posts within the State and intend to address the American Legion, Department of Alaska's support for this Resolution at our next Department Executive Committee meeting to be held in Palmer, Alaska on March 10th.

Once again, thank you for your continued Veterans' support and submission of this most important Resolution.

Sincerely,



Dean C. Hill  
Department Adjutant

cc: Rep. Therriault  
Rep. Willis  
Rep. Martin  
Rep. Mulder  
Rep. Larson  
Mr. John Sommer, Jr., American Legion Executive Director of  
Administration



## THE AMERICAN LEGION

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Anchorage, Alaska 99501

March 21, 1994

The Honorable Jeannette James  
Alaska State Capitol  
Capitol Building, Room 501  
Juneau, Alaska 99801-1182

Dear Representative James:

On March 10th, 1994, The American Legion, Department of Alaska's Executive Committee voted unanimously on behalf of its 9,000 members to support passage of HJR 51.


Our National Headquarters, representing over three million veteran Legionnaires, has adamantly opposed lifting the embargo against Vietnam for several years. As a Vietnam veteran and an Alaska resident, I felt a deep sense of pride in our great state when I became aware of HJR 51, sponsored by yourself, and co-sponsored by Representatives Therriault, Mulder and Martin.

The federal government has all but given up trying to obtain an accounting for over two thousand Americans missing in Southeast Asia. However, passage of HJR 51 will let them know Alaska will never rest until we have an accounting for our own.

Our National Headquarters has taken a keen interest in HJR 51. They indicated they intend to address it in the next copy of the *LEGION* magazine, going to those three million members mentioned earlier. Perhaps passage of HJR 51 will become contagious and start grass roots movements in the other states. I believe it will.

I am asking that you consider only two things when you have an opportunity to vote on HJR 51: What if Thomas E. Andersson, USMC, or Howard M. Koslosky, USN, were your own father, son, brother or neighbor? And, don't we owe this to those missing Alaskans and their families?

For God and Country,

  
George P. Sterbenz  
Department Commander

# Alaska State Legislature

REPRESENTATIVE  
JEANNETTE JAMES

P.O. Box 56622  
North Pole, Alaska 99705  
(907) 465-0862

House District 34



White House  
State Capitol  
Juneau, Alaska  
99801-1182  
(907) 465-3745

## House Of Representatives SPONSOR STATEMENT

2/3/94

HJR 51

### **Requesting the Governor to file suit against the U.S. and others over POW/MIA'S from Alaska**

There is continuing controversy concerning the presence of American servicemen, who were listed as Prisoners of War or Missing in action and may be being held against their will in the Southeast Asian nations of Vietnam, Laos, and Kampuchea (formerly Cambodia).

The United States government has stated that all of our Prisoners of War have been returned from Vietnam. A top secret Vietnamese report, dated 1972, by General Tran Von Kwong, Deputy Chief of Staff for the North Vietnamese Army, reported that in September of 1972 Hanoi held 1,205 American prisoners. Only 591 American Prisoners of War have been released under the 1973 Peace Settlement.

There are two missing and unaccounted for servicemen in Southeast Asia from Alaska.

I request that the Alaska Legislature hereby require the Governor of the state of Alaska, on behalf of the people of the state of Alaska, to file in the United States Supreme Court a cause of action against the government of the United States. Including the Department of Defense and the intelligence agencies, and also against the ambassadors or other public ministers and consuls of the governments of Vietnam, Laos, Kampuchea, Russia, and China, alleging violation of civil rights of the people of Alaska. Especially alleging the violation of the right to life, liberty and the pursuit of happiness of the following named citizens of the State of Alaska, **Thomas E. Anderson, U.S.M.C. Spenard** and **Howard M. Koslosky U.S.N. Anchorage.**

## Yeltsin Drops a Bombshell

Russian President Boris N. Yeltsin, raising the possibility that U.S. military personnel missing since the Vietnam War might still be alive, inadvertently re-opened a painful chapter in the nation's history.

It was a bolt from out of the blue. Yeltsin, while traveling to his summit with President Bush, told NBC News on June 15 that American prisoners of war (POWs) from the Vietnam War might still be held in the former Soviet Union.

"We don't have complete data and can only surmise that some of them may still be alive," Yeltsin said through an interpreter. "That is why our investigations are continuing. Some of them may have ended up in psychiatric asylums."

For lawmakers and the family members of 2,200 men still listed as missing in action (MIAs) from the Vietnam War, the disclosure triggered a whirl of emotions—hope that some MIAs could have survived the war, dread over their possible conditions after two decades in a Soviet gulag. U.S. officials immediately began scrambling for evidence.

The revelation also came several months after a spate of widely publicized photographs purporting to show U.S. military personnel still in captivity in Southeast Asia, which also spurred hopes among the families of MIAs.

But those hopes were dashed when Pentagon investigators determined the photos to be fraudulent.

President Bush dispatched Malcolm Toon, former U.S. ambassador to the Soviet Union and the co-chairman of a joint Russian-U.S. commission on POWs/MIAs, to review evidence compiled by Russia. But some Defense Department officials, while vowing that the government would fully investigate Yeltsin's statement, reportedly were skeptical of his claim.

The select committee, meanwhile, acted on separate reports that an American from the Korean War was being held near the Ural Mountains in Russia. Kerry said June 17 that the panel's Moscow-based investigator was traveling to the area to investigate the matter.

### Personal Diplomacy

Yeltsin's disclosure initially threatened to overshadow the purpose of his visit: Instead of talking to policy-makers about aid and arms control, he was peppered with questions about MIAs.

The bombshell prompted some lawmakers to call for a delay in congressional action on the administration's aid proposal for the former Soviet republics, at least until the story could be checked out.

Sen. John McCain, R-Ariz., perhaps the most famous POW from the Vietnam War, said June 16 that Congress should not move on the aid package "without obtaining a complete report on President Yeltsin's statement."

Through some personal diplomacy, Yeltsin managed



to assuage McCain and other anxious members. Following his triumphant June 17 speech to a joint meeting of Congress, during which he vowed quick action to resolve the issue, Yeltsin asked to meet privately with McCain.

The senator was impressed. "He looked me right in the eye and said 'look, I guarantee this, and I will get this done,'" McCain said after his brief

meeting with Yeltsin. "I can't ask anything more than that."

McCain indicated that he would not oppose the aid on the basis of his concerns.

Sen. John Kerry, D-Mass., chairman of the Senate Select Committee on POW/MIA Affairs and a Vietnam veteran, reacted cautiously to Yeltsin's statements, indicating that the Russian president had only mentioned the possibility that Americans could be alive.

But Kerry acknowledged that the notion of Americans being held in Soviet psychiatric hospitals is "disturbing to everybody."

And while the select committee sought to clarify Yeltsin's statement, it also became embroiled in presidential politics when undeclared candidate Ross Perot refused a request from the panel to testify about his efforts to search for MIAs and POWs in Vietnam.

In a June 16 letter to Kerry, Perot said he feared that in the current political climate, his appearance "could become a rerun of the Judge [Clarence] Thomas/Anti Hill hearings."

But the committee decided against issuing a subpoena to the popular Perot. Instead, Kerry said he would "give him a call. There's no sense of confrontation with the committee. I want to emphasize that."

### A Simmering Issue

Bush said on June 17 that, in light of Yeltsin's pledge to return any captured POWs to their families, he hoped "that matter has been disposed of." But the sensitivity of the POW-MIA issue — as well as Yeltsin's sometimes confusing statements — appear likely to keep it simmering.

Yeltsin told reporters after his address to Congress that a presidential commission he established to review reports of American POWs had reviewed the archives of the KGB and the former Communist Party.

"Amongst the 22,554 names that the commission has so far investigated, there were names of the American prisoners of war in Vietnam, which the Vietnamese at that time transferred to the former Soviet Union," he said.

But in a June letter to the Senate panel, Yeltsin used the same figure as the number of American POWs repatriated by Soviet troops after World War II.

And in that letter he said "no date are as yet available" on American prisoners being transferred to the Soviet Union from Vietnam during the war.

—Carroll J. Doherty

## ADDRESS TO CONGRESS

# 'There Will Be No More Lies,' Yeltsin Vows to the Nation

*Russian pledges action on POWs, asks American support,  
saying 'there is no alternative to reform'*

*On June 17, Russian President Boris N. Yeltsin addressed a joint meeting of the House and Senate. Following is the Reuter transcript of his remarks, delivered through an interpreter. (Story p. 1812)*

Mr. Speaker, Mr. President, members of Congress, ladies and gentlemen:

It is indeed a great honor for me to address the Congress of the great land of freedom as the first ever, over 1,000 years of history of Russia, popularly elected president, as a citizen of the great country which has made its choice in favor of liberty and democracy.

For many years, our two nations were the two poles, the two opposites. They wanted to make us implacable enemies. That affected the destinies of the world in a most tragic way.

The world was shaken by the storms of confrontation. It was close to exploding; close to perishing beyond salvation.

That evil scenario is becoming a thing of the past. Reason begins to triumph over madness. We have left behind the period when America and Russia looked at each other through gun sights, ready to pull the trigger at any time.

Despite what we saw in the well-known American film, "The Day After," it can be said today, tomorrow will be a day of peace, less of fear and more of hope for the happiness of our children.

The world can sigh in relief. The idol of communism, which spread everywhere social strife, animosity and unparalleled brutality, which instilled fear in humanity, has collapsed.

It has collapsed never to rise again. I am here to assure you, we will not let it rise again in our land.

I am glad that the people of Russia have found strength to shake off the crushing burden of the totalitarian system. I am proud that I am addressing you on behalf of the great people whose dignity is restored.

I admire ordinary Russian men and women who, in spite of severe trials, have preserved their intellectual integrity and are enduring tremendous hardships for the



Addressing Congress June 17, Yeltsin vowed to account for any American POWs in the former Soviet Union.

sake of the revival of their country.

Russia has made its final choice in favor of a civilized way of life, common sense and universal human heritage. I am convinced that our people will reach that goal. There is no people on this earth who could be harmed by the air of freedom. There are no exceptions to that rule.

Liberty sets the mind free, fosters independence and unorthodox thinking and ideas. But it does not offer instant prosperity or happiness and wealth to everyone. This is something that politicians in particular must keep in mind. Even the most benevolent intentions will inevitably be abandoned and committed to oblivion if they are not translated into everyday efforts.

Our experience of the recent years has conclusively pointed that out. Liberty will not be fooled. There can be no coexistence between democracy and a totalitarian state system. There can be no coexistence between market economy and powers who control everything and everyone.

There can be no coexistence between a

civic society, which is pluralist by definition, and communist intolerance to dissent. The experience of the past decade has taught us: Communism has no human face. Freedom and communism are incompatible.

You will recall August 1991, when for three days Russia was under the dark cloud of dictatorship.

I addressed the Muscovites who were defending the White House of Russia. I addressed all the people of Russia. I addressed them standing on top of the tank whose crew had disobeyed criminal orders.

I will be careful with you. At that moment, I feared. But I had no fear for myself. I feared for the future of democracy in Russia and throughout the world. Because I was aware what could happen if we failed to win.

Citizens of Russia upheld their freedom and did not allow the continuation of the 75 years of nightmare. From this high rostrum I want to express our sincere thanks and gratitude to President Bush and to the American people for their invaluable moral support for the just cause of the people of Russia.

Last year citizens of Russia passed another difficult test of maturity. We chose to forgo vengeance and the intoxicating craving for summary justice over the fallen colossus known under the name of the CPSU (Communist Party of the Soviet Union).

There was no replay of history. The Communist Party citadel, next to the Kremlin, the Communist Bastille, was not destroyed. There was not a hint of violence against Communists in Russia. People simply brushed off the venomous dust of the past and went about their business.

There were no lynch law trials in Russia. The doings of the Communist Party over many years have been referred to the constitutional court of the Russian Federation. I am confident that its verdict will be fair.

Russia has seen for itself that any delay in strengthening the foundations of freedom and democracy can throw the society far back. For us the ominous lesson of the past is relevant today as never before. It was precisely in a devastated country, with an economy in near paralysis, that

Bolsheviks succeeded in building a totalitarian regime, creating a gigantic war machine and an insatiable military-industrial complex.

### Economic and Political Reforms

This must not be allowed to happen again. That is why economic and political reforms are the primary tasks for Russia today. We are facing the challenges that no one has ever faced before at any one time.

We must carry through unprecedented reforms in the economy, which over the seven decades has been stripped of all market infrastructure; lay the foundations for democracy; and restore the rule of law in the country that for scores of years was poisoned with political strife and political oppression.

We have no right to fail in this most difficult endeavor, for there will be no second try, as it sports. Our predecessors have used them all up. The reforms must succeed.

I am given strength by the support of the majority of the citizens of Russia. The people of Russia are aware that there is no alternative to reform, and that this is very important.

My job, as everybody else's in Russia, is not an easy one. But in everything I do, I have the reliable and invaluable support of my wife, and of my entire large family.

Today I am telling you what I tell my fellow countrymen: I will not go back on the reforms. And it is practically impossible to topple Yeltsin in Russia. I am in good health, and I will not say "uncle" before I make the reforms irreversible.

We realize our great responsibility for the success of our changes, not only toward the people of Russia but also toward the citizens of America and of the entire world.

Today the freedom of America is being upheld in Russia. Should the reforms fail, it will cost hundreds of billions to upset that failure.

### Now Arms Treaty

Yesterday we concluded an unprecedented agreement on cutting down strategic offensive arsenals. They will be reduced radically in two phases, not by 30 or 40 percent, as negotiated previously over 15 years. They will be slashed to less than one-third of today's strength — from 21,000 nuclear warheads on both sides down to 6,000 to 7,000 by the year 2000. And it has taken us only five months to negotiate. And I fervently hope that George Bush and myself will be there in the year 2000 to preside over that.

We have simply no right to miss this unique opportunity, the more so that arms and the future of Russian reforms designed to make impossible any restoration of the totalitarian dictatorship in Russia are so dramatically interrelated.

I am here to say that we have the firm determination and the political will to move forward. We have proved that by what we have done.

It is Russia that has put an end to the imperial policies and was the first to recog-

nize the independence of the Baltic republics.

Russia is a founding member of the Commonwealth of Independent States, which has averted uncontrolled disintegration of the former empire and the threat of a general interethnic blood bath.

Russia has granted tangible powers to its autonomous republics. The treaty of federation has been signed, and our nation has escaped the fate of the Soviet Union.

Russia has preserved its unity. It was Russia that substantially slowed down the flywheel of militarization and is doing all it can to stop it altogether.

I am formally announcing that, with out waiting for the treaty to be signed, we have begun taking off alert the heavy SS-18 missiles targeted on the United States of America.

And the defense minister of Russia is here in this room to confirm that.

Russia has brought its policies toward a number of countries in line with its solemn declarations of the recent years. We have stopped arms deliveries to Afghanistan, where the senseless military adventure has taken thousands of Russian and hundreds of thousands of Afghan lives.

With external props removed, the puppet regime collapsed.

We have corrected the well-known imbalances in relations with Cuba. At present that country is one of our Latin American partners. Our commerce with Cuba is based on universally accepted principles and world prices.

### An End to Double Standards

It is Russia that once and for all has done away with double standards in foreign policy. We are firmly resolved not to lie any more, either to our negotiating partners, or to the Russian or American or any other people.

There will be no more lies — ever.

The same applies to biological weapons experiments and the facts that have been revealed about American prisoners of war, the KAL 007 flight and many other things. That list could be continued.

The archives of the KGB and the Communist Party Central Committee are being opened.

Moreover, we are inviting the cooperation of the United States and other nations to investigate these dark pages.

I promise you that each and every document in each and every archive will be examined in order to investigate the fate of every American unaccounted for. As president of Russia, I assure you that even if one American has been detained in my country, and can still be found, I will find him; I will get him back to his family.

*(sustained applause)*

I thank you for the applause. I could see everybody rise.

Some of you who have just risen here to applaud me have also written in the press that until Yeltsin gets things done and gets all the jobs done, there should be no Freedom Support Act passing through the Congress.

Weil, I don't really quite understand you, ladies and gentlemen. This matter has been investigated, and is being investigated. Yeltsin has already opened the archives, and is inviting you to join us in investigating the fate of each and every unaccounted American.

So now you are telling me: first, do the job, and then we shall support you in passing that act. I don't quite understand you.

We have made tangible moves to make contact between Russia and foreign business communities much easier. Under the recent legislation, foreign nationals who privatize a facility or a building in Russia are given property rights to the plot of land on which they are located.

Legislation on bankruptcy has been recently enacted.

Mandatory sale of foreign currency to the state, at an artificially low rate of exchange, has been ended.

We are ready to bring our legal practice, as much as possible, in line with world standards, of course on the basis of symmetry with each country.

We are inviting the private sector of the United States to invest in the unique and untapped Russian market. And I am saying: Do not be late.

### U.S. Policy

Now that the period of global confrontation is behind us, I call upon you to take a fresh look at the current policy of the United States toward Russia, and also to take a fresh look at the longer-term prospects of our relations.

Russia is a different country today. Sometimes the obsolete standards brought into being by a different era are artificially imposed on new realities.

True, that equally applies to us. Let us together, therefore, master the art of reconciling differences on the basis of partnership, which is the most efficient and democratic way.

This would come naturally both for the Russians and the Americans. If this is done, many of the problems which are now impeding mutual advantageous cooperation between Russia and the United States will become irrelevant, and I mean legislative frameworks too.

It will not be a wasteful endeavor. On the contrary, it will promote a more efficient solution of your problems, as well as of ours. And of course it will create new jobs, in Russia as well as in the United States.

History is giving us a chance to fulfill President [Woodrow] Wilson's dream, namely, to make the world safe for democracy.

More than 30 years ago, President [John F.] Kennedy addressed these words to humanity: "My fellow citizens of the world, ask not what America can do for you, but what together we can do for the freedom of man."

I believe that his inspired call for working together toward a democratic world is addressed above all to our two peoples: to the people of the United States and to the people of Russia.

the people of Russia.

Partnership and friendship of our two largest democracies, in strengthening democracy, is indeed a great goal.

Joining the world community, we wish to preserve our identity, our own image and history, promote culture, strengthen moral standards of our people.

We find relevant the warning of the great Russian philosopher, Berdyaev, who said to negate Russia in the name of humankind is to rob humankind.

At the same time, Russia does not aspire to change the world in its own image. It is the fundamental principle of the new Russia to be generous and to share experience, moral values and emotional warmth, rather than to impose and curse.

It is the tradition of the Russian people to repay kindness with kindness. This is the bedrock of the Russian lifestyle, the underlying truth revealed by the great Russian culture.

Free and democratic Russia will remain committed to this tenet. Today, free and democratic Russia is extending its hand of friendship to the people of America. Acting on the will of the people of Russia, I am inviting you, and through you, the people of the United States, to join us in partnership in the quest for freedom and justice in the 21st century.

The Russo-American dialogue has gone through many a dramatic moment. But the peoples of Russia and America have never gone to war against each other. Even in the darkest periods, our affinity prevailed over our hatred.

In this context, I would like to recall something that took place 50 years ago. The unprecedented war, world war, was waging. Russia, which was bleeding white, and all our people were looking forward to the opening of the second front. And it was opened, first and foremost, thanks to the active stance taken by President [Franklin D.] Roosevelt and by the entire American people.

Sometimes I think that if today, like during that war, a second but peaceful front could be opened to promote democratic market reforms, their success would be guaranteed early.

The passing by Congress of the Freedom Support Act could become the first step in that direction.

Today legislation promoting reforms is much more important than appropriation of funds.

May I express the hope that the United States Congress, as the staunch advocate of freedom, will remain faithful to its strategic course on this occasion as well.

Members of Congress, every man is a man of his own time. No exception is ever made for anyone, whether an ordinary citizen or the president. Much experience has been gained; many things have been reassessed.

I would like now to conclude my statement with the words from a song by Irving Berlin, an American of Russian descent: God bless America, to which I add, and Russia. ■

## JOINT NEWS CONFERENCE

# Bush, Yeltsin Announce Accord On Speeding Arms Reductions

*Following is the Reuter transcript of the joint announcement June 16 by President Bush and Russian President Boris N. Yeltsin on the new strategic arms agreement and on the POW/MIA question. Yeltsin spoke through an interpreter.*

**PRESIDENT BUSH:** Let me just say that I'm pleased to announce that President Yeltsin and I have just reached an extraordinary agreement on two areas of vital importance to our countries and to the world. First, we have agreed on far-reaching new strategic arms reductions, building on the agreement reached with Russia, Ukraine, Kazakhstan and Belarus. Our two countries are now agreeing to even further dramatic strategic arms reductions substantially below the levels determined by START [Strategic Arms Reduction Treaty].

We have agreed to eliminate the world's most dangerous weapons, heavy

months

Our ability to reach this agreement so quickly is a tribute to the new relationship between the United States and Russia and to the personal leadership of our guest, Boris Yeltsin.

In the near future, the United States and Russia will record our agreement in a brief treaty document that President Yeltsin and I will sign and submit for ratification in our countries.

President Yeltsin and I have also agreed to work together, along with the allies and other interested states, to develop a concept for a global protection system against limited ballistic missile attack.

And we will explore a senior group — or we will establish a senior group — to explore practical steps toward that end, including the sharing of early warning and cooperation in developing ballistic missile defense capabilities and technologies.

This group will also explore the development of a legal basis for cooperation, including new treaties and agreements, and possible changes to existing treaties and agreements necessary to implement the global protection system.

That group is headed by [State Department Policy Planning Director] Dennis Ross for the United States [and] will first meet in Moscow within the next 30 days.

In conclusion, these are remarkable steps for our two countries, a departure from the tensions and the suspicions of the past, and a tangible, important expression of our new relationship. They also hold major promise for a future world protected against the danger of limited ballistic missile attack.

### Yeltsin Responds

**PRESIDENT YELTSIN:** Mr. President, ladies and gentlemen, I'd like to add a few words to what President Bush has just announced here.

What we have achieved is an unparalleled and probably an unexpected thing for you and for the whole world. You are the first to hear about this historic decision, which has been reached today after just five months of negotiations. We are in fact meeting a sharp, dramatic reduction in the total number for the two sides of the number of nuclear warheads, from 21,000 to 6,000 or 7,000 for the United States of America and Russia.

Indeed, we have been able to cut over those five months of negotiations the total number of nuclear warheads to one-third, while it took 15 years under the START treaty to make some reductions.

This is an expression of the funda-

**"With this agreement, the nuclear nightmare recedes more and more for ourselves, for our children and for our grandchildren."**

—President Bush

ICBMs [intercontinental ballistic missiles], and all other multiple-warhead ICBMs, and dramatically reduce our total strategic nuclear weapons.

Those dramatic reductions will take place in two phases. They will be completed no later than the year 2003 and may be completed as early as the year 2000 if the United States can assist Russia in the required destruction of ballistic missile systems.

With this agreement, the nuclear nightmare recedes more and more for ourselves, for our children and for our grandchildren.

Just a few years ago, the United States was planning a strategic nuclear stockpile of about 13,000 warheads. Now President Yeltsin and I have agreed that both sides will go down to 3,000 to 3,500 warheads, with each nation determining its own force structure within that range.

And I'd like to point out that this fundamental agreement, which in earlier years could not have been completed even in a decade, has been completed in only five

AO432 -----

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RUSSIAN IDENTIFIES MARINE MISSING FROM KOREA AS SOVIET PRISONER IN 1960S  
BY ROBERT BURNS

ASSOCIATED PRESS WRITER

WASHINGTON (AP) -- A RETIRED RUSSIAN MILITARY OFFICER HAS RAISED FRESH QUESTIONS ABOUT WHETHER SOME U.S. SERVICEMEN CAPTURED IN THE KOREAN WAR MAY HAVE BEEN IMPRISONED IN THE FORMER SOVIET UNION.

VLADIMIR MAKPOVICH MALININ, A 74-YEAR-OLD RETIRED COLONEL AND SENIOR OFFICIAL OF THE SOVIET MVD, OR INTERNAL SECURITY AGENCY, HAS TOLD U.S. OFFICIALS THAT PHOTOS OF A MARINE MISSING IN KOREA MATCHED THE LIKENESS OF A MAN HE HAD SEEN IN A SIBERIAN PRISON CAMP IN THE 1960S.

UNTIL NOW THE U.S. GOVERNMENT HAS SAID THERE WAS NO CREDIBLE EVIDENCE THAT ANY AMERICAN SERVICEMEN WERE TRANSFERRED TO THE FORMER SOVIET UNION FROM KOREA. RUSSIAN OFFICIALS, AND BEFORE THEM OFFICIALS OF THE SOVIET UNION, HAVE CONSISTENTLY DENIED THAT ANY SUCH TRANSFERS OF PRISONERS TOOK PLACE DURING THE WAR.

IN AN INTERVIEW AT HIS HOME WITH MEMBERS OF A JOINT U.S.-RUSSIAN TEAM ON AUGUST 28, MALININ SAID THAT WHILE VISITING THE COMMANDER OF A PRISON IN THE SIBERIAN CITY OF MAGADAN IN THE 1960S, HE NOTICED THE UNUSUAL SIGHT OF A MAN IN PRISON CLOTHES WALKING BY HIMSELF IN A LARGE CIRCLE AROUND THE EXERCISE AREA.

"MALININ SAID HE ASKED THE COMMANDER ABOUT THIS, AND WAS TOLD THAT THE MAN WAS A U.S. SPY WHO HAD JUST BEEN TRANSFERRED FROM A CAMP OF THE GULAG TO THE PRISON," ACCORDING TO AN OFFICIAL U.S. GOVERNMENT SUMMARY OF THE INTERVIEW, OBTAINED WEDNESDAY.

THE MAN, ACCORDING TO MALININ'S PHOTO IDENTIFICATION, WAS MARINE CORPS SGT. PHILIP VINCENT MANDRA, AN INFANTRYMAN CAPTURED DURING AN ENCOUNTER WITH CHINESE FORCES IN NORTH KOREA ON AUG. 7, 1952. HE INITIALLY WAS LISTED AS MISSING IN ACTION BUT IN JANUARY 1954 THE U.S. GOVERNMENT DECLARED HIM DEAD. HIS BODY WAS NEVER RECOVERED.

IN THE INTERVIEW, MALININ WAS SHOWN A LARGE NUMBER OF PHOTOGRAPHS OF AMERICAN SERVICEMEN UNACCOUNTED FOR FROM THE 1950-53 KOREAN WAR. HE PICKED OUT TWO: ONE OF MANDRA IN KOREA BEFORE HIS DISAPPEARANCE ON THE BATTLEFIELD AND THE OTHER A COMPUTER-ENHANCED PICTURE OF WHAT MANDRA WOULD LOOK LIKE TODAY AT AGE 62.

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U.S. OFFICIALS CONSIDER MALININ'S TESTIMONY TO BE CREDIBLE.

A COPY OF A VIDEOTAPE OF THE INTERVIEW WITH MALININ IS BEING PROVIDED TO THE RUSSIAN GOVERNMENT. THE TAPE ITSELF IS BEING SENT TO U.S. INVESTIGATORS IN WASHINGTON.

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MS. MANDRA SAID WEDNESDAY SHE HAS KEPT ON HER WALL A LETTER RECEIVED FROM PRESIDENT EISENHOWER IN 1954 EXPRESSING SYMPATHY FOR HER BROTHER'S DEATH. SHE WAS THRILLED TO BE TOLD THERE IS NEW EVIDENCE HE WAS NOT KILLED AND WAS SEEN ALIVE AS RECENTLY AS 1966.

"I'M FRAYING AND HOPING THE PENTAGON WILL FOLLOW UP" AND PRESS THE RUSSIAN GOVERNMENT FOR ACCESS TO RECORDS THAT COULD REVEAL HER BROTHER'S FATE, SHE SAID.

MALININ MADE HIMSELF KNOWN TO THE U.S.-RUSSIA JOINT COMMISSION ON POWS BY ANSWERING A NEWSPAPER ADVERTISEMENT SEEKING INFORMATION

On September 2, 1993, the Russian side of the U.S. - Russian Joint Commission on POW/MIAs provided Ambassador Malcolm Toon, the U.S. co-chairman of the Commission, a document possibly related to U.S. POWs held in Vietnam. The document came from the files of the GRU -- Soviet military intelligence.

According to an unofficial translation, the document states that the total number of American aviators held captive at the time was 735, but that only 368 names were made public. According to the document, the 368 aviator POWs were to be released when the U.S. agreed to withdraw from South Vietnam, and the remainder were to be released when the U.S. withdrawal was completed.

The document, in the Russian language, purports to be a portion of comments made during the 20th Plenum of the Vietnam Workers Party in late 1970 or early 1971.

The material received from the Russians consists of a title page and two pages of text from a lengthier document (remaining text not provided to the U.S.). An additional, unrelated note was also provided. The note, dated February 6, 1973, and signed by CPSU official I. Ognatov, is in fact an addendum to the September 1972 speech attributed Tran Van Quang, known as the "1205 document," and is unrelated to this document.

At the time the "1205 document" appeared, the U.S. Government committed to continue searching for further information relating to our POW/MIAs. Ambassador Toon's August 28 trip to Moscow, which led to the discovery of this new document, is evidence of this commitment.

This new document has not been analyzed. The Department of Defense can not speak to its authenticity, or the accuracy or validity of its information until it has undergone a thorough review by the intelligence community.

The unofficial translation from the Russian language version of the document and the unrelated note received at the same time are attached.

-END-

# **CORRECTION**

**THIS DOCUMENT  
HAS BEEN REPHOTOGRAPHED  
TO ASSURE LEGIBILITY**

ADRIJ

R. W. FM US-RUSSIA-FOWS 09-16 0724

FM US-RUSSIA-FOWS, 700

RUSSIAN IDENTIFIES MARINE MISSING FROM KOREA AS SOVIET PRISONER IN 1960S  
BY ROBERT BURNS

ASSOCIATED PRESS WRITER

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# Supreme Court to Hear POW Issue

...ies of American  
... didn't come  
... from Vietnam  
... the Clinton  
... ration smuggle  
... e communist  
... ithout a fight.

BY THE STAFF

MIKE BLAIR

House is being hauled  
...reme Court for violat-  
... rights of American  
... IAs that it abandoned  
... nists at the end of the

...ll be a landmark case,  
...orney General Frank  
...g suit in the Supreme  
...g the U.S. government,  
... the Department of De-

sense and the nation's intelligence  
agencies, with failure to account for  
Michigan's 72 POWs and MIAs still  
missing and unaccounted for from  
the Southeast Asian war.

The state's action is being taken as  
allowed by Article 3, Section 2 of the  
U.S. Constitution, which allows a  
state to by-pass lower federal courts  
in bringing actions against the federal  
government.

The section states: "In all cases af-  
fecting ambassadors, other public  
ministers and counsels, and those in  
which a state shall be a party, the  
Supreme Court shall have the original  
jurisdiction."

#### OTHERS ACCUSED

In addition to the U.S. government  
and its agencies, the state will also  
charge in the suit "ambassadors or  
other public ministers and consuls of  
the governments of Vietnam, Laos,

7 Kampuchea (Cambodia), Russia (former  
USSR), (Red) China, Australia,  
Canada, and France, alleging viola-  
tion of civil rights of the people of  
Michigan, especially alleging the viola-  
tion of the right to life, liberty, and  
the pursuit of happiness" of the 72  
Michigan servicemen who were left  
behind at the end of the war.

The action by Attorney General  
Kelly was precipitated by a concu-  
rent resolution unanimously passed  
by the Michigan Legislature and in-  
troduced by State Rep. Alan Cropsey.

Although the resolution calling for  
the attorney general to take the ac-  
tion was non-binding, Kelly immedi-  
ately indicated that he would com-  
mence the maneuver in the Supreme  
Court.

Specifically, the Michigan resolu-  
tion calls for the release by all of the  
accused of all documents relating to  
Michigan's POWs and MIAs.

The resolution also calls for "the  
sister forty-nine states of the United  
States of America . . . to join in this  
action on behalf of their state and  
the citizens of their state who are  
being held in captivity in Southeast  
Asia."

Copies of the resolution are to be  
sent to the clerks of all of the legisla-  
tures of the other 49 states.

According to Paul E. Rifenberg, a  
Niles, Michigan, POW-MIA activist,  
citizens of other states interested in  
getting the action initiated in their  
states can use Michigan resolution  
HCR 186 to present their state legis-  
lators to use as a model for drafting  
similar legislation.

They can contact Rep. Cropsey by  
writing to the Michigan House of  
Representatives in Lansing and re-  
quest a copy of the resolution or by  
calling his legislative office at 517-  
373-1778.

517-373-1778

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WAR-ERA CONFLICTS.

MS. MANDRA SAID SHE WAS TOLD MALININ SAW MANDRA AT THE PRISON IN 1963 AND 1966.

'ACCORDING TO MALININ, HE WAS TOLD THAT PRISONERS WHO WERE SENT THERE WERE NOT INTENDED EVER TO RETURN (AND DID NOT RETURN),' THE U.S. SUMMARY REPORT SAID.

THE REPORT ALSO SAID MALININ TOLD U.S. INVESTIGATORS IN THE INTERVIEW THAT WHILE IN MAGADAN IN THE 1960S HE WAS TOLD BY A KGB OFFICER THAT FOUR AMERICANS WERE IN A HOSPITAL A FEW MILES SOUTH OF A PRISON CAMP AT SUSUMAN, WHICH IS ROUGHLY 200 MILES NORTH OF MAGADAN. NO OTHER DETAILS ON THIS WERE PROVIDED.

REP. PETER KING, A NEW YORK REPUBLICAN WHOSE DISTRICT INCLUDES FARMINGDALE, SAID HE AND OTHER MEMBERS OF THE NEW YORK DELEGATION INTEND TO PRESS PRESIDENT CLINTON AND RUSSIAN PRESIDENT BORIS YELTSIN TO PURSUE ANY AVAILABLE DOCUMENTS ABOUT MANDRA.

APNT-09-16-93 0029CDT

5.

Informal translation of page 1:

NOTE

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To document No. 38995 of 1 December 1972

The instruction was OBE'd by the development of the situation.

Comrade Katushev, K.F. was informed.

Director of Section of a Division of the CC CPSU

(I. Ognatov)

6 February 1973

ENC 2

undertake a preemptive blow at our rear, he achieves a massive advance in the theater of military activity.

Our losses from the enemies aerial activities are great. Nevertheless, the enemy does not have the power by air attack alone to cause us such losses as would have fatal effects for us. But if the enemy, using his diversionary forces (and also other troops) undertakes an invasion of the North, we will suffer great losses. Therefore, we should raise our alertness, oppose all moves by the aggressors, because, in our opinion, the enemy can make such an invasion with land forces and marines with the strong support of aviation and the fleet. We presuppose that the enemy will not attempt to invade not all the territory of North Vietnam, but only those regions where there are important lines of communication leading into Laos, Cambodia and South Vietnam. In addition to accomplishing its military goals, the enemy is counting on putting political pressure on us through its invasion, to demoralize the nation, force it to refuse to carry out the battle to free the South.

Now I would like to settle on one more question -- about American aviator POW's. The total number of American aviator POW's in the DRV is 735. As I have already said, we have published the names of 168 aviators. This is our diplomatic step. If the Americans agree to the withdrawal of all their troops from South Vietnam we will, as a start, return to them these 168 people. And when the Americans withdraw their troops we will return to them the rest. In connection with the above, the question of American aviator POW's has great importance for us.

On the whole, speaking of the situation in South Vietnam, I would like to underline that it is favorable to us, although we have met with serious difficulties. We will try to do all that is required of us to achieve even greater successes in South Vietnam.

In Cambodia, after the reactivation of negotiations on 18 March 1970 and the entry of U.S.-Saigon troops onto her territory

1.

informal translation of page 2:

GENERAL STAFF OF THE ARMED FORCES OF THE USSR  
Main Intelligence Directorate

Top Secret

Copy No. \_\_\_\_\_

REPORT  
OF KHOANG ANYA, SECRETARY OF THE CENTRAL COMMITTEE P  
THE WPV AT THE XX PLENUM OF THE CC WPV AT THE END OF  
DECEMBER 1970 - BEGINNING OF 1971

(Translation from Vietnamese)

(handwritten note: indecipherable "p. II, 18")

Moscow - 1971

0937(?)

large quantity of the enemy. Together with this, we avoided large losses on our part. This was also a great victory for our strategic line.

Now, another question. When we published the names of 368 American fliers, shot down and captured on the territory of the SRV, opportunists began to say that this was a concession to the Americans. This is not correct. It is not a concession, but a political blow aimed at Nixon. We have achieved much through this. Opportunists also say that we are making concessions to the Americans at the negotiations in Paris. This is also untrue. Our line at the negotiations is correct.

In this fashion, we are as a whole following a correct line, although we do allow as that there may have been some errors. But the opportunist grouping grasps at these minor errors in order to prove that the entire course of our party is mistaken. Its members say that we are afraid of difficulties and sacrifices. This is not true. We do not fear sacrifices and difficulties, but you need to take something else into account as well -- our people have carried out a constant military struggle for 25 years. During that time very many people have died. If we truly were afraid of sacrifices and difficulties, as the oppositionists state, we would not have started the armed battle against the Americans. But it is necessary to see the link between victories and losses and objectively evaluate the situation.

For us, naturally, there are mistakes on military questions in South Vietnam, Laos and Cambodia, in questions of the economic construction of the SRV, in questions of raising the level of well-being of the population. We are particularly worried by the question of raising the the living standard of the people. It is necessary to take into account that in this sense our abilities are limited for now, and that therefore this problem has not been solved. And in addition to everything else, the opposition helps prevent us from solving it.

We clearly see all the mistakes of the oppositionist grouping, and at this plenum we have carefully analyzed their views and will wage a decisive fight with them. We recognize they have the right and possibility to admit their mistakes and correct them. Then they can again serve the party and nation.

[TFR 116-1]  
Top Secret  
Copy No. 1

(stamp 'TsK KPSS  
1 Dec 72 38995  
SUBJECT TO RETURN  
TO THE GENERAL SECTION  
OF THE TsK KPSS')  
(handwritten '15 Dec 72')

TsK KPSS (Central Committee of the Communist Party  
of the Soviet Union)

I am reporting:

Translation of the report of the Deputy Chief of the General Staff, Vietnamese People's Army, General-Lieutenant Chan Van Quang (Tran Van Quang), at the Politburo session, TsK PTV (Central Committee of the Workers' Party of Vietnam), 15 September 1972.

This report outlines the measures which are being carried out by the leadership of the Democratic Republic of Vietnam (DRV) in South Vietnam to develop opportunities for cooperation with and for recruitment of representatives of the Saigon government and army to the side of the Patriots. With this in mind, contacts have been established and meetings conducted with several civilian and military leaders, to include generals Ngo Din' Dru (Commander, 2nd Regional Corps), Nguyen Khan and Syong Van Min' (former leader of the Saigon administration), Khoang Guan Lam (former Commander, 1st Regional Corps) and others.

According to the speaker, during these meetings many of the generals have spoken against the Thieu (Thieu) regime and against the U.S. policy of "Vietnamization", have acknowledged the major victories of the Patriotic forces and also agreed to be part of the future coalition government for South Vietnam. The leadership of the DRV is convinced that even though they have anticommunist views, such people will be able to greatly assist the Patriots in overthrowing the Thieu dictatorship and in forming a coalition government.

Tran Van Quang has presented the contents of the plan "Ba Be" which is planned for execution in South Vietnam. This plan envisions the resolution of a number of tasks, the principal one of which is the physical extermination of the reactionary leaders

Dear comrades!

I reported to you earlier about the situation which has developed, about the fundamental characteristics of the past stage of our people's conflict against the American imperialists. I will dwell on the main tasks of the people and the army of North and South Vietnam which were proposed by the 23rd Plenum of the TSK PTU.

These tasks once again confirm our resoluteness to attain victory. This is a very correct course for our party and people in the contemporary stage of conflict. We have already worked out measures for realizing the resolutions of the 23rd Plenum of the TSK. We will also dwell on a number of the Supreme Command's and the Government Defense Council's positions, in which an evaluation of our victories gained over the period from 30 Mar 72 to the present is given.

The military situation for us is developing favorably on all fronts. A number of profound changes which took place in the military situation demanded that we develop a necessary point of view for solving all issues which come up during the war. Several meetings between us and the US aimed at developing measures on resolving the Vietnam issue have already taken place.

We have decisively rejected a number of proposals put forth by the American side. With assistance from a number of countries, there should have been secret meetings in Paris and in other places aimed at drawing up a solution to the Vietnam issue. Such meetings took place. They once again testified to the deranged nature of the proposals put forward by the American side. As previously, we have maintained our position, the essence of which includes the following: if the US truly wants to resolve the Vietnam issue, then above all else it must refuse to support the Nguyen Van Thieu regime, and only afterwards will we engage in a discussion about a cease fire. This demand is the main tenet in our conflict against the American imperialists.

If Nixon continues adhering to his policy of "Vietnamization" of the war and desires to leave the present Saigon Government of Thieu in power, then the peace negotiations between us and the US will not yield any results.

Hence,  
Keep back  
POWs.

During our general offensive on the fronts of South Vietnam, Laos and Cambodia, the progress which we have attained in implementing our strategic and tactical line [direction, orientation] was clearly evident.

I earlier analyzed the activity of our command, elucidated the great victories we have attained and I also explained the shortcomings and mistakes that we made during the general offensive. The lessons we learned from analysing the mistakes we made were also discussed. I stated all of this to the Politburo in order to work out a direction for solving the fundamental principal problems.

Today I will report a number of positions regarding expanding the scope of our future offensive.

We organized meetings with South Vietnamese representatives aimed at preparing a solution of the military and political issues in South Vietnam according to the Politburo's and State Defense Council's plan, we organized meetings with South Vietnamese representatives. These meetings have great significance for us, and we are affiliating several of our plans with them [South Vietnamese representatives]. A number of our comrades have met with representatives of the South Vietnamese authorities, and it can be said that we have succeeded in winning their sympathy at these meetings. We were able to exchange ideas not only orally, but also in written form during these meetings and contacts. This gave us the opportunity to draw definite conclusions. Recently, we have conducted a similar meetings with representatives of the Saigon authorities and South Vietnamese political figures.

First, we will dwell on meetings with General Ngo Dinh Dru<sup>B</sup>. Earlier Ngo Dinh Dru was listed as a candidate for president of South Vietnam and battled with Nguen Van Thieu and Nguen Kao Xi for this post. Ngo Dinh Dru is a prominent South Vietnamese capitalist and well-known political figure. He occupied the post of chairman of the upper chamber of the Saigon Parliament and during the Ngo Dinh Diem government, he was a senator in the upper chamber. Ngo Dinh Dru, in his own opinion, is a nationalist. He speaks

<sup>B</sup> Commander of the 2nd Regional Corps of South Vietnam, General-Lieutenant (GRU's note).

against American troops on South Vietnamese territory, and also against several policy positions conducted by the Saigon authorities. At the same time, he is characterized as a reactionary, an enemy of communism. Afterwards, as Ki and Thieu attained victory in the presidential elections, the latter undertook all measures to take revenge on General Dzu. Dzu used the pre-election campaign to criticize the Saigon regime and to undermine its security. He spoke against American troops on South Vietnamese territory, for which he was subjected to bitter attacks from Nguen Van Thieu. General Dzu was forced to leave the political arena after 9 months under pressure from Thieu. Afterwards, General Dzu became an even greater enemy of Nguen Van Thieu and his government. This is why we tried to attract this person to our side.

Despite General Dzu remaining an enemy of communism, his relations with Nguen Van Thieu and the present Saigon alignments, and also our meetings with him have allowed him to see the nature of the Americans and the present face of the Saigon Government.

We sent one of our comrades from the Supreme Command to Saigon for meetings with General Dzu. At the meeting, which lasted 3 hours, General Dzu agreed to enter into a future coalition government and spoke out against the policy of "Vietnamization" of the war carried out by Nixon and also against the Nguen Van Thieu clique. During this meeting he also stated that he will fight against Nguen Van Thieu's clique and Nixon's present designs.

Now, we see well how significant changes have taken place in General Dzu's life and way of thinking. He is already not the same ardent anticommunist. In his views, now prevail those features such as the conflict against Nixon's policy of "Vietnamisation" of the war and against Nguen Van Thieu's clique which he considers as fascist and as expressing the interests of the financial oligarchy which is against freedom and independence. And, finally, General Dzu is for the expansion of democracy and freedom over the entire territory

of South Vietnam. These are the main national traits of General Dzu, which correspond to our present course. This is why we are attempting to attract General Dzu to our side and why we entered into contact with him. After the first meeting, there were recently three other meetings during which he spoke his opinions. During these meetings, we understood what kind of major changes took place in his way of thinking and in the position he has taken and in his approach to solving the problem.

Thus, we can ascertain that these meetings and contacts with General Dzu had very good results. Recently, General Dzu requested to meet with one of the prominent leaders of the NFO (National Liberation Front) of South Vietnam. We are now busy preparing for the upcoming meeting between General Dzu and Khyuin' Tan Fat. This meeting will be conducted secretly in order to insure the fulfillment of our main principles because we understand that this new person expresses contradictions - he is among those in the Saigon Government whose number is growing every day.

The second person is Nguen Khan' who earlier occupied the prime minister post for three years after the overthrow of Ngo Din' Diem. Nguen Khan' is a representative of the army. Earlier he served in the French Army; now he is a prominent South Vietnamese capitalist whose capital is invested in various foreign enterprises, especially in France. Nguen Khan' is a representative of the new trend. This is why we have entered into contact with him. These contacts took place in Paris, where we have conducted 5 meetings.

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Nguen Khan' maintains constant contact with military circles in the Nguen Van Thieu government. After being removed from his post, he left the country, but periodically returns to Saigon where he engages in political activities in the capacity of an emigree representative.

In summarizing the five meetings, we noticed in Nguen Khan the following: first, as regards the ruling faction he believes that Nguen Van Thieu is a dictator and fascist who is not capable of being the head of the government. Khan' considers the present government to be rotten to the core; second, he is against the bombing of North

Vietnam; third, while criticizing the Nguen Van Thieu faction, he speaks against the participation of Saigon troops in combat actions on Cambodian territory. He believes that the threat of disintegration has arisen over the Saigon Army, that it has poor morale and combat spirit. Nguen Khan' speaks for the establishment of a new government which would have authority with the people and which would carry out a nationalist policy, while receiving foreign aid. These are the views of Nguen Khan'. He says nothing about his feelings toward the policy of "Vietnamization" of the war. This is explained, first of all, by his connections with military circles. Therefore, we are not striving to directly attract him to our side. Presently, Nguen Khan' is maintaining connections with the current Saigon generals.

The third person is Zyong Van Min', who also represents the military circles. Previously, he occupied the prime minister post after Nguen Khan', and was then sent out of the country as an ambassador. The political views of Zyong Van Min' differ from the political views of Nguen Khan'. This is first expressed in Zyong Van Min' speaking out against Nixon's policy of "Vietnamization" and for the independent solution of internal problems by the Vietnamese without US interference. He believes that the US should carry responsibility for drawing out the Vietnamese War and for its consequences. He subjects the Vietnamese policy of Nixon to sharp criticism, and also the policy carried out by the current Saigon Government. These are very good political views. He speaks against Thieu's clique, considering it to be pro-fascist, anti-democratic and not capable of carrying out the leadership of the country. These are the main political views of Zyong Van Min'.

As a result of these contacts with Zyong Van Min', we have attained an important victory, forcing him to reflect. He also met with Nguen Tkhii Bin' several times in Paris. At these meetings, Zyong Van Min' felt that he as before was close to the Fatherland and that he is Vietnamese. This is why he began to conduct this great work with us and with the intelligentsia and military circles located outside of the country, with the aim of entering into a coalition government and in the hope of solving the Vietnamese issue

on the basis of conducting consultations and negotiations between the various political factions of South Vietnam. This is Zyong Van Mia's desire.

The fourth person is the former emperor Bao Daj. At one time the possibility existed that the former emperor would have been behind us. But, under pressure from reactionary factions after the August revolution, he was forced to emigrate to France. As before, Bao Daj holds great influence amongst the political figures in the Kyang-Chu and Tjoa-Txien Provinces, and also in the city of Gyeh, the ancient capital of Vietnam. This is why we moved to make contact with Bao Daj. We are not hoping that Bao Daj becomes a part of the coalition government, but to attract him to our side is to attract his supporters in the regions where he has influence. As a result of the meetings conducted, we clarified that Bao Daj will come out against the presence of American troops on the territory of South Vietnam, and also criticizes Ngyen Van Tkhieu's existing regime. Bao Daj is also calling for all of the political factions to create a free, neutral, peace-loving government that would resolve the tense situation that has taken form in the country. This is why we entered into contact with Bao Daj and are trying to attract him to our side. We hope that he, in turn, will work with his people in a plan for securing peace and freedom for our country.

The fifth person is General Ngyen Van Vi who earlier occupied the post of Minister of Defence of South Vietnam. Tkhieu removed him from his post for disorder and chaos in the army's financial affairs. The real reason, however, for Ngyen Van Vi's retirement was the series of serious defeats that the puppet army has suffered. From Ngyen Van Tkhieu's viewpoint, the military circles responded to this move with a specific reaction. We also had contacts with General Ngyen Van Vi which allowed us to understand his political position. He thinks that the US will certainly suffer defeat in this war and that a war in Vietnam is not the responsibility of the American Army. This is why Ngyen Van Vi is also coming out for the creation of a coalition government in order to resolve the Vietnam issue through peaceful negotiation between all of the political factions of South Vietnam.

Same regions that Gen Ngyen Van Quang occupied

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Nguyen Van Vi is also coming out against Nixon's "Vietnamization" of the war. Such are the basic political views of General Nguyen Van Vi. We scored a great victory at the meeting with him; we received his agreement to take part in a coalition government to resolve the Vietnam issue through peaceful negotiation between all of the political factions of South Vietnam. Nguyen Van Vi also officially recognized the victories won by the National Liberation Front of South Vietnam, i.e. our victories.

As concerns our contacts within the South Vietnamese governing apparatus, it is fitting to mention here the letter from Nguyen Kao Xi addressed to our address. In the letter, he lays out his views on the route to a resolution of the Vietnam problem.

I have reported to you today on the contacts with all of these people so that you would know how the Politburo's instructions on the recruitment of these people to our side is being carried out.

The strong protest from their side is a result of a growth of contradictions within Nguyen Van Tkhieu's clique and of contradictions of Nixon's "Vietnamization" of the war. We can use these contradictions to improve the situation in South Vietnam, to resolve the issue in our favor, and the agreement of these people to enter into a coalition government will precisely go in our favor. In addition to a resolution of the issue by military means on the battlefields of South Vietnam, we have engaged in contacts with several South Vietnamese political figures, who may be able to join the ranks of a coalition government. As a result of these contacts we have gained an understanding of the political views of these people and have expressed our point of view on ways to resolve the Vietnam problem.

These contacts with people who occupy high stations, prominent military and political figures, ministers and senators of the upper and lower chambers of the Saigon parliament give the basis for making the following conclusions:

1. They are against the present regime of Nguyen Van Tkhieu, considering that, Nguyen Van Tkhieu's clique is dictatorial, pro-fascist, rotten and not

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capable of carrying out the leadership of the country under the situation that has developed in South Vietnam at the present. They also think that if the US withdraws its troops from South Vietnam and stops aiding the regime, the government would instantly fall to pieces.

2. The majority of them are against Nixon's "Vietnamization" of the war, against the broadening of the bombing of North Vietnam, and think that Nixon does not want to resolve the Vietnam issue or the Indochina issue as a whole.

3. They consider that the National Liberation Front has recently scored enormous victories on the military, political and diplomatic fronts. They recognize that on the military front we were able to win over extensive heavily populated regions. They also recognize the National Liberation Front's great success with the strengthening of the army, the increase in its combat ability and leadership level, the improvement in cooperation between the branches of service and many other areas.

In the provinces and in many towns amongst the people who occupy less important positions in the state apparatus, we also tried to win over this category of people to our side. It is possible to say that they are also ready to aid in the creation of a coalition government. They are also against the policy of "Vietnamization", against Nguan Van Tkhiu's clique and want to resolve the Vietnamese issue on the basis of a cessation of war.

Thus, on the orders of the Politburo we have been preparing to conduct meetings with various categories of the South Vietnamese population, aimed at resolving the South Vietnamese issue through peaceful negotiations between all of the political factions of South Vietnam. As a result of the contacts that have taken place to recruit these people to our side, conditions have presented themselves so that these people will be able to aid us in the creation of a coalition government and in the overthrow of Nguan Van Tkhiu's dictatorial regime. We see that we have chosen the correct course. This is also clearly indicated in the resolutions of the 23rd Plenum of the Central Committee.

In other words, we should recruit these people to our side, and bring them into the coalition government so that we

can use them to our favor in the diplomatic and political plan. In order to create a base for the successful resolution of the issues that stand before us, we specifically want to bring into the coalition government those people who earlier worked in the South Vietnamese state apparatus and held or are holding at the present a high post in the power structure.

If we are successful in resolving these issues, we will be concluding a mammoth case on which we will again report to the Politburo so that you are well informed on these issues and have formed a plan of action for mission completion. Thanks to these meetings, we are able to know who supports us and who is against us in South Vietnam. We have also worked out a new plan for the realization of our new intentions in South Vietnam and now know which representatives of the present South Vietnamese power apparatus are in favor of the war.

The meetings and contacts which we initiated were conducted with complete equality of rights and helped us recruit representatives of all strata of South Vietnamese society to our side. This is our grandest victory, won in the course of these contacts with the aim of resolving the Vietnamese issue.

Thus, thanks to these contacts we understand which part of the population considers the course we are taking to be just, i.e. we have exposed all of those who are against Nixon's politics for the prolongation of the war, against Nguyen Van Thieu's clique and will join with us in the creation of a coalition government.

In addition to the military issues, this is one of the problems we are trying to resolve. We are therefore conducting these meetings and contacts directed at the resolution of political and diplomatic problems.

With the goal of realizing these aims, the Supreme Command, in conjunction with the Governmental Council of Defense, has developed directives for the army to prepare and conduct the "Ba Ba" plan, which is scheduled to be executed in October. The "Ba Ba" plan provides for the resolution of a number of problems. Four hundred and six individuals were sent to execute the plan in South Vietnam. These individuals had gone through sufficient preparation and

Ba Be goes  
back to 1945  
August  
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well armed. Earlier these people worked in the South Vietnam government apparatus. After the August revolution, during the resistance war against the French Colonials, these people were left behind by us to active work with the enemy and therefore enter into the staff of various organs of the Saigon government apparatus. Prior to departure for South Vietnam, we prepared and armed them well for the fulfillment of the "Ba Be" plan.

The basic tasks of the "Ba Be" plan are:

- elimination of all people; who are stubborn and oppose our course; who occupy leadership positions in the realm of the province-level and above; a full paralyzation of the wills of these people;

- conduct of activities for carrying out disruption in the Saigon government apparatus in the realm of province and lower with the goal being the [installation] of new people at the next shift of this apparatus. We are attentively observing the people who oppose us and our decision with regards to this group must be very serious and firm. This matter occupies an important place in carrying out the "Ba Be" plan. We must have lists of these people and full dossiers on them beforehand to conduct preparatory training in carrying out the plan in order to quickly do away with them and ruin their order;

- search and acquire materials testifying to the crimes of the Americans and their puppets with regards to the Vietnamese people, so that during opportune conditions we may accuse them of the perpetration of these crimes by means of publishing the materials.

These are the three basic missions of the people for carrying out of the "Ba Be" plan. As for the time of completion, general opinion is that it will be completed simultaneously with Plan TS-6 (Chuong Shen-6)\*, that is, in the month of October. This plan must be well carried-out in order to influence the course of the Paris Peace talks on Vietnam and the development of conditions in the near future. This is a very important task, the decision of which may help us carry out a more successful attack on the front, the pace of development of which we need to increase in order to achieve great victories in short amounts of time. Therefore the "Ba Be" plan is already being implemented and we are continuing the training of people to realize it.

\* Plan TS-6 - a military action plan of the VPA in South Vietnam with a focus on the basic strengths in the Quach region (GRU note).

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necessary to understand that the outcome of the coming battle depends upon the solution of these important questions. It is necessary to attain a clear understanding among the generals of the fact that the Thieu regime never will employ popular support and cannot exist. Such are the fundamental questions which we should resolve in the near future.

From the utterances of the generals set forth above, we see that the situation is developing in a direction favorable to us. We can bring into being Plan "BA BE," but for this we should expand the net of communications and connections with people who will carry out Plan "BA BE," in order to obtain from them all necessary materials. We should likewise search for ways to establish connections with officers and officials of the Saigon government. This matter occupies a significant place in the implementation of Plan "BA BE." The Supreme Command and Ministry of State Security discussed all matters related to successful implementation of this plan and levied new tasks upon the commands of the combat zones responsible for implementation of this plan. We successfully deployed and recovered our forces in all regions and now are conducting the final work in order to complete preparatory measures for this Plan by September 30th of this year. In comparison to other plans, the preparation of Plan "BA BE" is developing well. Such a plan we will foremost ring into being on the territory of South Vietnam. In the course of its realization we will acquire experience which can help us counter the designs of the enemy at the front.

However more cruel the bombings and barrages of the enemy may become, so much greater the victory we should grasp at the front, just such victories aid realization of Plan "BA BE." With the implementation of this plan we join great hopes, especially in accelerating the pace at which the offensive at the front develops, of which I reported to you above. The favorable development of the situation will be a huge and significant factor in collapse of the military designs of the USA and of the puppets at the front in South Vietnam. We must thwart the thickheaded and treacherous plans of the enemy, successful carrying out of Plan "BA BE" will indeed help us to grasp new victories. These victories will have great strategic significance in implementation of Plans TS-6 and

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Plan 8-6, which were topics above.

The goal of Plan 'BA BE' is introduction of division into the ranks of the enemy and lowering of his will to resist. Successful implementation of Plan 'BA BE' will help us to attain successes at the Paris negotiations on Vietnam. The closer is victory, so much more clearly will appear the treacherous designs of the Nixon-Kissinger-Laird clique, and likewise of the puppet government of Nguyen Van Thieu. Therefore implementation of Plan 'BA BE' will be a great step in the resolution of many issues in the current situation. Because of this, its significance is so great.

For successful realization of this plan we should as soon as possible deploy our forces, in order to approach implementation of this plan in the month of October in accordance with indicated deadlines.

In the Paris negotiations on Vietnam we have met in recent days with a series of difficulties. These difficulties are explained by the fact that Nixon being stubborn as before and is trying above all to achieve a military solution of the issue and only then to move to settlement of political issues, which exercises great influence on the course of development of the situation in Vietnam. As a result of the exchange of opinions in the private meetings with Nixon's advisor, Kissinger, we understood that Nixon as before is being stubborn on settling the situation which is developing today in Vietnam. To attain settlement we should conduct careful preparation to counter Nixon's designs. Let him understand: if he does not renounce this war, then precisely the USA will suffer defeat in it. However, Nixon is being stubborn in continuing aggressive war and maintaining the status quo. That is why we think, that with the USA taking such a position, peaceful solution of the Vietnamese question is not possible. We see that the USA obstinately continues aggression, while Nguyen Van Thieu as before holds to his insolent position. That is why we are filled with resolution to carry out Plan 'BA BE,' the realization of which will be a turning point in the settlement of the situation at the front.

This would be our first military thrust on the front aimed at resolving the complicated political issue at the present stage.

I) Plan 8-6 -- Plan for military operations in the Saigon region (footnote of the GRU)

In addition to these issues, in accordance with the instructions from the Politburo, I will also report to you today on American POWs captured on the various fronts of Indochina.

The work with American prisoners of war has always been within the field of vision of the Politburo and has been reflected in its decisions, such as decision No. 21 DST dated 23 Mar 71, and decision No. 31 B dated 4 Apr 72. Both of these decisions concern the issues of exploiting these American POWs captured during the war. This disturbs the public opinion of the whole world and of the US. There are various thoughts on the American POW issue. Some of these are correct, others are not, but even among us there are a number of comrades whose opinions differ from the opinion of the Politburo. These comrades are not taking into consideration the particulars of the developing situation nor the inherent difficulties in their judgements. These opinions harm us in our search for methods of resolving the American POW issue.

Dear comrades! The American POW issue is very complex. The peoples of the world [world opinion] and the peoples of our fraternal socialist nations [allied popular opinion] as well as our [people] want to know the exact number of POWs located in North Vietnam. Allow me to inform you specifically on this matter. We have captured a very large number of American POWs on the fronts of Indochina since the time that the US introduced their troops into Vietnam, escalated the air war against North Vietnam, and expanded the total scope of their aggression by spreading this aggression onto the territories of Laos and Cambodia. At first, the number of American POWs was not large and world public opinion paid little attention to them. The number of American POWs in North Vietnam grew day by day after 8 Aug 65 when the US imperialists started massive air bombing and off-shore bombardment by the 7th fleet of the territory of North Vietnam, and after having expanded their aggression onto the territories of Laos and Cambodia. The number of American POWs in the DRV has not been made public to this day. We have kept this figure secret. At today's Politburo session, I will report to you, Comrades, the exact number of American POWs.

[TYR 136-6]  
(handwritten '201')

The total number of American POWs captured to date on the fronts of Indochina, i.e. in North Vietnam, South Vietnam, Laos and Cambodia, comprises 1205 people. Of them, 671 people were captured in North Vietnam and 143 aviators (were captured) in South Vietnam. This means the total number of aviators, and saboteurs (special operations) (American advisors on diversionary ships and divers), captured on the territories of North and South Vietnam comprises 814 people. In addition, from other categories of American servicemen in Indochina, we have captured 391 people, including: 283 in South Vietnam, 65 in Cambodia and 43 in Laos; 814 and 391 comprise 1205 people.

Here is more data on the 1205 POWs.

We have captured 624 American aviators in North Vietnam, to include 7 colonels, 85 lieutenant colonels, 183 majors, i.e. the total number of senior US Air Force and Navy officers comprises 275 people. The 624 American aviators include 3 astronauts, i.e. three people who have completed the necessary training for space flight, for instance, Jim Katto, who was captured in the vicinity of Hanoi. This figure also includes 15 US Air Force aces having more than 4000 flight hours each: Norman Klarvicko, Karmet, Jim Intist Shasht and others. This is the specific data on American aviators captured in North Vietnam.

Among the other 47 prisoners captured in North Vietnam, there are 36 advisors of diversionary detachments who were inserted in the border region between the DRV and Laos; 10 diversisionists who were conducting reconnaissance of our main transportation routes from helicopters and reconnaissance ships; and several seamen who abandoned their ships that we damaged and whom we picked up. Therefore the figures 624 and 47 add up to 671.

In South Vietnam we have captured 143 US aircrew members, mainly helicopter aviators and some jet aviators.

Among the 391 American POWs captured in South Vietnam, Laos and Cambodia, we have 9 colonels, 19 lieutenant colonels and 52 majors. The remaining officers are captain and below,

as well as American enlisted soldiers.

Thus in summary, I want to remind you again that the 1205 American POWs presently in prisons of North Vietnam include:

- 624 aviators captured in North Vietnam;
- 143 aviators captured in South Vietnam;
- 47 diversionists and other American servicemen captured in North Vietnam;
- 391 American servicemen of other categories, which includes 283 captured in South Vietnam, 65 in Cambodia, and 43 in Laos.

All of them are presently in prisons in North Vietnam. Currently we have 11 prisons where American POWs are held. We used to have 4 large prisons, however after the American attempt to free their POWs from Kha-Taj [Son Tay] we expanded this number to 11. Each prison holds approximately 100 POWs.

Seven Air Force colonels captured in North Vietnam and nine colonels of various branches of service captured in South Vietnam, Laos and Cambodia (16 officers in all) are being held together; through them, we are attempting to gain an understanding of the current situation which has developed in the American Army, extract the material and information we need, and determine our position toward them.

We are also holding 104 American lieutenant colonels in one location and are attempting to extract information - secret information about troop dispositions and information concerning the US Defense Department from them.

We have 235 majors concentrated in two locations.

Thus we have dedicated special prisons for senior officers of the American Army: one for colonels, one for lieutenant colonels and two for majors. The rest of the POWs, captain and below, were placed in other prisons.

A few words about the political views and attitudes of American POWs.

There are 368 POWs who have progressive attitudes.

They understand very well that this war is unjust and unpopular on their part. They condemn the American administration and express a strong protest against this war. We will be able to release these 368 POWs first, if as a result of the struggle of the progressive peoples of the world, including the American people, a favorable international environment will develop, forcing Nixon to move toward a resolution of the political issue. We are carrying out work with this category of POWs to explain to them the aggressive nature of the war being conducted by the Nixon administration and the nature of the Nguyen Van Thieu regime, and also to make them understand the unjust character of this war which is inflicting great damage on the American people. One can assert that this group of POWs is progressive in their political views.

There are 372 of the POWs who hold neutral views, i.e. their political outlook is not fully progressive, yet not too reactionary. We plainly see that they still do not clearly understand the role of the American administration in unleashing the aggressive war in Indochina.

The remainder of the POWs hold reactionary views. In spite of the work carried on to explain to them the real state of things, they have not changed their reactionary views.

The following is a summation:

1205

- 368 POWs holding progressive views can be released first;
- 372 POWs hold neutral positions;
- 465 POWs hold reactionary views.

All the POWs among the senior officers hold reactionary views, i.e. they do not condemn Nixon, they do not protest his policies, and they distort our course of action. We understand that these officers come from rich families. Their reactionary views are precisely a result of this.

We well understand that the American POW issue has great significance for the resolution of the South Vietnamese problem. We must continue propagandistic and educational work with the American POWs, leading to their understanding

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SENATE SELECT COMMITTEE ON POW / MIA AFFAIRS  
INTERNAL MEMORANDUM

TO: File

FROM: Jon D. Holstine

SUBJECT: Events surrounding document destruction

DATE: April 21, 1992

On April 9, 1992, the Vietnam/Laos investigative team operating in SRB-78 provided a briefing, at the instructions of the Senate Select Committee's staff director, for Senate Staff Designees of Members of the Select Committee, previewing the material which the Vietnam/Laos team planned to present to the Committee Members the following day. The contents of the briefing were set forth in a paper prepared by John McCreary. It explained our approach, the purpose of the display map, and the numbers represented on the map, as well as the inferences and conclusions of the investigators from the intelligence material which went into the briefing. These were presented as the intelligence findings of the investigators at that date and time.

There were a limited number of copies of the Gaines Report (a classified DIA document), of the unclassified SI report, which had been highlighted for easy use/reference by the Senators, and of the briefing paper. In each case there were 15 copies; one each for 12 members and one each for Frances Swenig, Bill Cochran, and Dino Carluccio. It was the plan of the investigating team that all these materials would remain in SRB-78 to protect the security and integrity of the materials and briefing at least until after the presentation to the Senators occurred. Mr. McCreary called for all copies of each item to be returned. It turned out that some copies of the SI report and of the intelligence briefing paper were not returned before the designees left after the briefing. This was not immediately apparent until the briefing for the Members took place the following day. No copies of the classified Gaines report were

On Thursday, April 9, 1992, the investigators met with several of the Members of the Select Committee and other staff in S-407 to brief their results. Early in the meeting one copy of the Wednesday briefing paper was produced by Senator McCain, who referred to it as he addressed the Chair. There was one copy of the SI report which, it turned out, was in the possession of Carter Pilcher, Senator Brown's designee, who had retained it the evening before. No copies of the Gaines Report had been taken

out of SR3-78 until the Vietnam/Laos investigators carried them to S-407 for the briefing. The copy of the intelligence briefing in the possession of Senator McCain was returned to the Vietnam/Laos investigators at the conclusion of proceedings. Chairman Kerry instructed that the proceedings of the day were to be closely held, lest someone conclude that the Committee had reached a decision on the intelligence, and that the intelligence briefing paper was to be controlled also. He was very specific and adamant that the contents of the briefing were not to go out of the room.

Shortly after the Vietnam/Laos team returned with their materials, including the SI report copies and the copies of the Gaines Report, Frances Zwenig called to instruct the team to collect all copies of the intelligence briefing paper for transmission in a burn bag to Senate Security for destruction; Barry Valentine was to accomplish the delivery. A check of copies of the briefing paper revealed that only 14 copies were to be found. A telephonic check with Frances Zwenig led to the recovery of the copy from the office of Senator Kassebaum. At about 1800 hours the copies were sealed in a burn bag and locked in Barry Valentine's safe against delivery the next day to Senate Security for destruction. On April 10, 1992, Mr. Valentine made his delivery and received a receipt from Senate Security noted "received for destruction".

Friday, April 10, was a comp time day of sorts authorized by Senator Smith. The following week Mr. Hendon, on reflection, was quite concerned that he had participated in the improper destruction of Select Committee documents -- namely the intelligence briefing paper copies -- which concern was shared by Mr. McCraary. When aired in a meeting with Bill Codinha, Chief Counsel of the Select Committee on Wednesday April 15, the problem was not immediately obvious to Mr. Codinha. His first reaction was that it was no problem because no one was aware what had happened. He made no mention of any record copy having been set aside. Mr. Hendon made clear that he would welcome a special prosecutor to investigate the case, if that would be necessary to clear him of any wrongdoing in the case. My personal reaction was one of shock, because I had not until then come to realize the problem that was set forth by Mr. Hendon. It was clear in the subsequent conversation that a) there was a problem and b) Mr. Codinha was not prepared to acknowledge it.

The following day there was a considerable amount of pulling and tugging over the staff director's desire for the Vietnam/Laos team to prepare a "portable version" of the cluster map for the CODEL to use in Indochina. For a variety of reasons this was problematic. Mr. Carluccio passed on Senator Smith's wishes that the Staff Director's instructions were not to be complied with; the Vietnam/Laos team followed Mr. Carluccio's direction. At the same time Senator Smith communicated to Senator Kerry his concern about the destruction of documents.

Late Thursday, April 16, at a meeting in his office, Senator Kerry announced that the question of document destruction was "moot", because a copy had been placed in Senate Security. This was obviously news to most; Mr. Codinha had not mentioned an extant copy at 2:30 Wednesday afternoon.

Subsequently, after the meeting had adjourned and I returned home, I recalled seeing Frances Zwenig's signature on the sign-in sheet at Senate Security moments before we returned to work there Thursday afternoon. She had been there for about one minute. Later it was established that she had delivered a sealed envelope for her personal file.

April 21, 1992

MEMORANDUM FOR THE RECORD

SUBJECT: Document Destruction

1. Discrepancies concerning the destruction of Staff documents on 9 April 1992 prompted John McCreary, as Alternate Security Manager and author of the briefing text, entitled "Intelligence Briefing," to conduct further investigations into the disposition of the 15 copies of the Intelligence Briefing text.

2. Following a presentation of the Staff Intelligence briefing for the Staff designees on 8 April 1992, the Staff Director ordered that no copies of the briefing text should be removed from SRB-78. Both the Staff Director and the Deputy Staff Director returned their copies to the briefers and helped gather copies from the Designees. The Chief Counsel refused to use a copy during the briefing and did not have one in his possession at any time. A count of the copies following the briefing for the Staff designees indicated that two copies had been removed without authorization. One of these surfaced in the hand of Senator McCain during the 9 April 1992 briefing for the Select Committee.

3. Following the briefing to the Select Committee on 9 April, the Staff Director told the Staff to collect all copies of the briefing text held by the investigators and to deliver them to Mr. Valentine, the Security Manager, for destruction. She also directed that all computer files be purged. When informed that at least one copy was missing, the Staff Director assured Mr. McCreary that she did not have a copy, having left hers in SRB-78 on 8 April, but that she would ask the Designees whether they had kept any copies and to return them and opined that a copy might be in the office of Senator Kassebaum. Subsequently, the Staff Director informed Mr. McCreary that she had located a copy in the office of Senator Kassebaum and directed that Mr. Valentine pick it up, which he did. She also asked whether McCreary had received Senator McCain's copy of the briefing text which he displayed during the briefing. McCreary replied that Senator McCain's copy was in Mr. Valentine's hands. The copies received from both Senators Kassebaum and McCain had had their staples removed, raising the possibility that additional copies had been made. Nevertheless, Mr. McCreary believed that all copies of the document in the possession of the investigative staff plus all that could be retrieved in response to the query of the Staff Director had been accounted for. They were given to Mr. Valentine for destruction on 9 April, as ordered. On reflection, McCreary recalled that the 15 copies were in addition to the original printed copy which McCreary delivered in person to Mr. Valentine. Thus, at least one copy of the briefing text remained unaccounted for.

4. What prompted further investigation was Senator Kerry's statement during a Staff meeting at 162130 EDT April 1992 that all extraneous copies had been destroyed but that the original was deposited in the Office of Senate Security. Mr. McCreary was concerned about accountability for the documents because he personally had delivered the original to Mr. Valentine for destruction. The stated presence of the original report in the Office Senate Security was at variance with the orders the Staff Director gave to

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McCreary and with Mr. McCreary's personal accounting of the original. This raised several possibilities concerning a lack of accountability for documents ostensibly destroyed but possibly removed without authorization or copied without authorization.

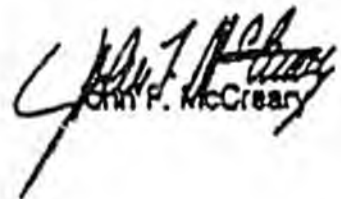
5. On 19 April 1992, while conducting a routine inventory of files in SRS-78, John McCreary found the original of a receipt signed by the Office of Senate Security for 15 copies of the briefing text ordered destroyed on 9 April. The receipt (attached) is dated 10 April 1992 and states "received for destruction."

6. On 201200 EDT April 1992 McCreary in the company of Mr. Taylor asked Mr. DiSilvestro whether 15 copies of the document in question had been destroyed as indicated on the receipt. Mr. McCreary informed Mr. DiSilvestro that he (McCreary) had been ordered on 9 April 1992 to deliver to Mr. Valentine for destruction all copies of the document and to purge all computer files. Mr. McCreary accomplished these tasks in the presence of Mr. Valentine. McCreary wondered how the original could now be deposited in the Office of Senate Security and asked whether anyone had brought up a copy of that document during the week.

7. After conducting an investigation, Mr. DiSilvestro informed Mr. McCreary that the 15 documents were destroyed by shredding on 10 April 1992 in the presence of Mr. Valentine. Mr. DiSilvestro also stated that the Staff Director had arrived (a check of the Access Log indicated at 161307 EDT April 1992) after lunch and gave to Pat a sealed envelope to be held for the Staff Director's eyes only in the Office of Senate Security. (FOR THE RECORD: This event took place about an hour after the Staff was informed that Senator Smith had sent to Senator Kerry a memo stating his concern about document destruction.) McCreary asked to see the envelope to determine whether it contained a copy of the intelligence briefing text.

8. DiSilvestro stated that he could not ethically open the document. Nor could he provide a copy of the Access Log for 16 April 1992. He was asked to retain for the record a copy of the Access Log to the Office of Senate Security which also showed the departure of the Staff Director exactly one minute after her arrival. Mr. DiSilvestro advised that if the "Eyes Only" document was a Committee document, it must be made available to both the Democratic and Republican members.

9. A check at the Office of Senate Security on 21 April 1992 indicated that no member of the Committee or of the Staff had requested the Office of Senate Security to log in and to assign a control number to a document bearing any resemblance to the intelligence briefing text. The files of the Select Committee held by or under the control of Office of Senate Security contain no document bearing any resemblance to the intelligence briefing text.

  
John P. McCreary

April 27, 1992

MEMORANDUM FOR: VICE CHAIRMAN, SENATE SELECT COMMITTEE ON PRISONERS OF WAR AND MISSING IN ACTION

FROM: John F. McCreary

SUBJECT: Legal Misconduct and Possible Malpractice in the Select Committee

1. As a member of the Virginia State Bar, I am obliged by Disciplinary Rule DR-1-103(a) to report knowledge of misconduct by an attorney "to a tribunal or other authority empowered to investigate or act upon such violations." Under Rule IV, Paragraph 13, of the Rules for the Integration of the Virginia State Bar, this obligation follows me as a member of the Bar, regardless of the location of my employment, for as long as I remain a member of the Virginia State Bar. Therefore, I am obliged, as a matter of law and under pain of discipline by the Virginia State Bar, to report to you my knowledge of misconduct and possible prima facie malpractice by attorneys on the Select Committee in ordering the destruction of Staff documents containing Staff intelligence findings on 9 April 1992 and in statements in meetings on 15 and 16 April to justify the destruction.

2. The attached Memoranda For the Record, one by myself and another by Mr. Jon D. Holstine, describe the relevant facts, which I summarize herein:

a. On 9 April 1992, the Chairman of the Senate Select Committee, Senator John Kerry of Massachusetts, in response to a protest by other members of the Select Committee, told the Select Committee members that "all copies" would be destroyed. This statement was made in the presence of the undersigned and of the Staff Chief Counsel who offered no protest.

b. Later on 9 April 1992, the Staff Director, Frances Zwenig, an attorney, repeated and insured the execution of Senator Kerry's order for the destruction of the Staff Intelligence briefing text. I personally delivered to Mr. Barry Valentine, the Security Manager for SRB-78, the original printed version of the intelligence briefing text. I also verified that the original was destroyed by shredding in the Office of Senate Security on 10 April 1992, along with 14 copies.

c. On 15 April 1992, the Staff Chief Counsel, J. William Codinha of Massachusetts, when advised by members of the Staff about their concerns over the possible criminal consequences of destroying documents, minimized the significance of the act of destruction; ridiculed the Staff members for expressing their concerns;

4. I believe that the foregoing facts establish a pattern of grave legal misconduct - possibly including orders to commit a crime, followed by acts to justify and then to cover-up that crime. Even absent criminal liability, the behavioral pattern of the attorneys involved plays fast and loose with the Canons of Legal Ethics and establishes that one or more of the attorneys on the Select Committee are unfit to practice law. I am obliged to recommend that this report be filed with the appropriate disciplinary authorities of the State Bars in which these attorneys are members.

*John F. McCreary, Esq.*  
John F. McCreary, Esquire

May 3, 1992

MEMORANDUM FOR: VICE CHAIRMAN, SENATE SELECT COMMITTEE ON PRISONERS OF WAR AND MISSING IN ACTION

FROM: John F. McCreary

SUBJECT: Possible Violations of Title 18, U.S.C., Section 2071, by the Select Committee and Possible Ethical Misconduct by Staff Attorneys

1. Continuing analysis of relevant laws and further review of the events between 8 April and 16 April 1992 connected with the destruction of the Investigators' Intelligence Briefing Text strongly indicate that the order to destroy all copies of that briefing text on 9 April and the actual destruction of copies of the briefing texts plus the purging of computer files might constitute violations of Title 18, U.S.C., Section 2071, which imposes criminal penalties for unlawful document destruction. Even absent a finding of criminal misconduct, statements, actions, and failures to act by the senior Staff attorneys following the 9 April briefing might constitute serious breaches of ethical standards of conduct for attorneys, in addition to violations of Senate and Select Committee rules. The potential consequences of these possible misdeeds are such that they should be brought to the attention of all members of the Select Committee, plus all Designees and Staff members who were present at the 9 April briefing.

2. The relevant section of Title 18, U.S.C., states in pertinent part Section 2071. Concealment, removal, or mutilation generally

(a) Whoever willfully and unlawfully conceals, removes, mutilates, obliterates, or destroys, or attempts to do so, or, with intent to do so takes and carries away any record, proceeding, map, book, paper, document, or other thing, filed or deposited with any clerk or officer of any court of the United States, or in any public office, or with any judicial or public officer of the United States, shall be fined not more than \$2,000 or imprisoned not more than three years, or both. (June 25, 1848, ch. 645, 62 Stat. 795)

3. The facts as the undersigned and others present at the briefing recall them are presented in the attached Memorandum for the Record. A summary of those facts -- and others that have been established since that Memorandum was written -- follows.

a. On 8 April 1992, the Investigators' Intelligence Briefing Text was presented to Senior Staff members and Designees for whom copies were available