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## **SENATOR JERRY MACKIE**

### **ALASKA STATE LEGISLATURE**

**For Immediate Release: January 18, 2000**  
**Contact: Senator Jerry Mackie (907) 465-4925**

### **Mackie Proposes Fiscal Remedy to Balance Budget**

(JUNEAU)— Sen. Jerry Mackie (R-Craig) introduced SJR 33 today which proposes an amendment to the state constitution changing how permanent fund earnings are used. If approved by the voters in the November 7, 2000 general election, there would be a one-time payment from the fund of \$25,000 to every Alaskan eligible for the dividend and the dividend program itself would terminate. All future earnings would then be available to protect the fund from inflationary effects and to balance the budgets of state government operations.

Mackie said, "It is estimated that 590,000 Alaskans would be eligible for the payout, costing approximately \$14 billion dollars. That would leave about \$12 billion for the Permanent Fund Corporation to continue managing. With earnings averaging at 10%, \$1.2 billion would be available for inflation proofing and balancing the budget now and in the future."

The \$25,000 payout amounts to about 13 years accumulation of dividends, averaging \$1900 per year. To be eligible for the payout, one would need to be a state resident for one year prior to January 1, 2001. This means that the payout cannot act as an incentive for new people to move to the state.

Mackie stated he is convinced that the 83% negative vote in last September's special election means that the public will not allow erosion of the dividend or any future uses of the permanent fund for government. It stymies any effort to realistically address the budget gap. Mackie said, "Something like this may be the only thing the public may be willing to consider."

He noted that the Permanent Fund was intended to be used for new revenue when oil revenues declined. Mackie stated, "Decreasing oil production and revenues have been the state's biggest budget problem for much of this decade. The Republican leadership has responsibly reduced state government costs for the last four years to help narrow the gap. In my view, there is absolutely no way to avoid a fiscal crisis in the near future without the ability to use some of the permanent fund earnings."

Mackie also noted his plan would not require an income tax, state sales taxes, increased business or corporate income taxes, or increases in user fees.

Mackie acknowledged that some would consider his plan somewhat radical. In response he said, “If someone can offer a different plan that balances the budget, would get the necessary votes in the legislature, and be approved by the people, I would love to see it.”

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Senator Mackie’s comments are available by calling the Actuality Line at 1-800-478-6540.

**MEMORANDUM**

DATE: January 18, 2000  
TO: Senator Mackie  
FROM: Jim Kelly  
Director of Communications  
SUBJECT: **APFC Financial Projection**

You have asked the Alaska Permanent Fund Corporation (APFC) to do a financial projection using certain assumptions which you provided.

You asked us to draw down all Fund income and as much principal as necessary in order to pay each Alaskan a \$25,000 dividend in 2001. You have also asked us to assume that all Fund income in subsequent years would be used first to inflation-proof Fund principal, and the balance then would be transferred to the General Fund. You asked us to assume that the Fund earned a rate of return of 8%, 10% and 12%. Based on these assumptions, the table below indicates the amount of income in millions of dollars that would be transferred to the General Fund each year beginning in 2002:

<b>Year</b>	<b>8%</b>	<b>10%</b>	<b>12%</b>
2002	588	884	1,200
2003	615	923	1,252
2004	642	962	1,304
2005	671	1,004	1,360
2006	699	1,046	1,416
2007	729	1,090	1,474
2008	759	1,132	1,530
2009	788	1,176	1,580
2010	817	1,219	1,646
<b>TOTALS:</b>	<b>6,308</b>	<b>9,436</b>	<b>12,762</b>

You have also asked our estimate of per capita dividends for the projection period, based on the status quo. These numbers appear in the following table:

2000	1,888.77
2001	1,900.53
2002	1,877.56
2003	1,772.58
2004	1,695.11
2005	1,768.48
2006	1,828.57
2007	1,894.01
2008	1,962.86
2009	2,034.48
2010	2,108.06
<b>TOTAL:</b>	<b>20,731.00</b>

Senator, I should point out that the rates of return you have asked us to assume – 8%, 10% and 12% – are in excess of what the APFC expects to earn given current Fund asset allocation and capital

market assumptions. In addition, these projections represent only our best estimate of the median case; actual performance will vary with market volatility.

PLEASE NOTE THAT THE CORPORATION NEITHER SUPPORTS NOR OPPOSES ANY PROPOSED CHANGES TO THE CURRENT USE OF FUND EARNINGS, EXCEPT AS THEY MAY RELATE TO THE PROPER EXERCISE OF THE TRUSTEES' FIDUCIARY RESPONSIBILITIES AS REQUIRED UNDER THE PRUDENT INVESTOR RULE.

cc: APFC Acting Executive Director  
APFC Director of Finance