

FROM: Representative Norman Rokeberg
FAX: (907) 269-0117
Telephone: (907) 269-0119

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RE: October Westside Pulse Article

THE FIRST STEP IN A LONG RANGE FISCAL PLAN
By Representative Norman Rokeberg

When your household budget is short, you don't save extra money. The same principal applies to the state budget. Seven of the last ten years, we have had to use our savings (the CBR) to balance the state's budget. That's why we need a long-range fiscal plan and that's why I introduced HB 11, which reduced our savings (Permanent Fund deposits) from new oil fields 50% to 25% in 2003.

The **voters** provided that **25%** of all mineral lease royalties and bonuses were to be deposited into the Permanent Fund (Article IX, Section 15, Alaska Constitution). In 1980, when Alaska was awash in money (revenues totaled \$4.07 billion in FY 81) and saving was logical, the **Legislature** wisely increased amount to 50% for new leases only. In 2003, the Legislature adopted my House Bill 11 that returned to the constitutionally required 25%. Today, our revenues for FY '05 are estimated at \$1,961.1 – and that revenue depends on oil prices averaging \$28.30. While we are currently seeing very high oil prices, how long is that going to last? We are sitting in the catbird seat right now but when HB 11 was adopted, we were facing \$500 million to \$1 billion annual deficits (we still are), taxes on Alaskans were looming, and drastic reductions in our state's spending were taking place.

The formula for deciding the dividend is complex but Alaskans need to keep in mind that the **stock market** has more impact on the Fund than HB 11. For example, in FY 04, the Permanent Fund lost or gained \$130 million in one day 38 times. The formula calls for five year averaging (the current fiscal year plus the previous four). Bad years within those five years will impact this year's dividend.

The impact of HB 11 in FY 04 was some \$99 million was deposited to the general fund and not the Permanent Fund principal. The anticipated impact on your dividend? Preliminary figures are a reduction of (drum roll) **52 cents!** Remember, HB 11 contained a kicker clause that if the estimated reduction was \$20 or more, that the rate goes back to 50%.

Last year our PFD was a little over \$1100. If you looked at the information on your last PFD, you will find that 68% of the total amount came from **additional** appropriations made by the **Legislature** over the last many years. I expect our dividends to be less than last year **but not because of HB 11**. The reduction in dividends will come from the five-year averaging and the **poor market returns** in a number of those years.

HB 11 will only reduce your dividend an average of 52 cents. In addition to allowing increased education funding, the implementation of HB 11 has the effect of putting imposition of individual taxes off into the future.

The “no” to everything people need to realize that the legislators approved increased spending this year because **constituents** requested it (obviously not those who just say “no” to everything). That increase didn’t even please those who say that Alaska is not adequately funding education as evidenced by the recent lawsuit filed in Anchorage. It is time to realize that we can’t have our cake and eat it too – we as Alaskans need to step up to the plate and 52 cents for FY 04 isn’t a lot to ask from Alaskans.