Governor should give on dividend plan

By Representative Les Gara

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Gov. Frank Murkowski has presented his position for changing the Permanent Fund dividend formula and how we manage the fund. The Permanent Fund Corp. projects that his plan would result in a $400 smaller dividend than current law provides by 2008 and a $650-$700 smaller dividend than current law over the long term. In fairness, for the first two years his plan would result in a slightly larger dividend than current law. That would change by 2007.

To help foster community discussion, I'll share why I disagree with the governor's plan but how we might build a fair plan that better protects the Permanent Fund and the dividend. Any plan should reinstate state assistance to local communities. Until Gov. Murkowski ended Alaska's Municipal Revenue Sharing program this year -- a move I disagreed with -- the state shared its revenue with local communities so they could hire police officers and firefighters and fund local needs.

At the outset, I need to echo the sentiments you've heard from Former Gov. Jay Hammond. I believe the dividend is crucial to our economy and a wise way to share the state's resource wealth, and I believe the state should look last to Permanent Fund income to solve the state's budget deficit, not first. The unfairness of relying as heavily upon the dividend as the governor proposes is that it takes as much away from a senior citizen or single working parent as it asks from a professional or executive who's just bought a luxury SUV. We should look to fairer options before we do that.

A balanced plan might examine whether we should close oil tax loopholes that the state concedes will leave Alaska's oil companies with roughly $1.3 billion more in clear profits from our North Slope oil this year than the state will receive in total North Slope oil revenue. Simply put, we allow too many tax exemptions at current oil prices but tax too heavily at very low prices when production is less economical. Some of my legislative colleagues have also proposed revenue plans that merit discussion.

But given that the governor has constitutionally limited our fiscal debate to use of Permanent Fund earnings, that's what you'll hear this week.

Gov. Murkowski's plan is as follows. First, he proposes to amend the constitution to allow us to spend 5 percent of the Permanent Fund's value annually. That part, called percent-of-market-value, is less controversial and has been pushed by many over the years.

The controversy comes when we debate how much of that 5 percent, or roughly $1.2 billion, will go to dividends. Gov. Murkowski calls for us to limit dividends to 50 percent of these POMV proceeds and to spend 45 percent on state and 5 percent on local government services (a so-called 50-45-5 split).

According to the Permanent Fund Corp., if we put a bit more into dividends -- roughly 70 percent instead of the governor's proposed 50 percent -- we could maintain dividends at roughly the same amount as current law provides.

This year I and others supported alternatives to the governor's Permanent Fund plan, starting with one by Rep. Harry Crawford, D-Anchorage, to put 80 percent of the POMV proceeds into dividends (a so-called 80-20 split). Another plan would have put roughly 70 percent of that amount into dividends (a 70-30 split). Those plans also required dividends to be at least as large as current law provides. They would have left between $250 million and $375 million and more available for local and state services, and should be considered again.

You'll hear a lot this week about things like 80-20, 70-30 and 50-50 splits and splits that leave 5 - 10 percent of the POMV proceeds available for local governments. Finally, you'll hear many say their plans will put more money into our schools. That argument has been something of a red herring. Most POMV plans, including the governor's, don't require the state to increase school funding at all.

So, governor, I suspect this week will require a lot of give and take. I'm willing to listen, but I have concerns about your plan without some changes.