

Alaska State Legislature  
House of Representatives  
Minority Leader



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Representative Ethan Berkowitz  
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News from Juneau

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**Berkowitz Bulletin**  
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The House Majority recently introduced what they call the "Healthy Alaska Plan". They deserve credit for their courage. While awaiting the spreadsheets detailing the fiscal implications, I attended a House Finance Committee hearing to learn what I could. Salient points include:

- A new account, known as the Alaska Income Account (AIA), would be established in the permanent fund. As the successor of the current earnings reserve account, the AIA would act as an endowment for funding state government and permanent fund dividends.
- All income from the permanent fund would be deposited in the AIA.
- All monies in the Constitutional Budget Reserve (CBR) would be deposited in the AIA.
- As an endowment, 5.25% of the AIA's value would be transferred each year from the AIA to the General Fund. 42% of those funds would be used for permanent fund dividends.
- PFD's for 1999, 2000, and 2001 would be set at \$1,000. According to the plan's projections, the PFD would increase to approximately \$1,600 in 2020.

Analysis of any plan is complicated by the varying assumptions upon which plans are based. Some of the assumptions associated with the "Healthy Alaska Plan" include:

- No growth in "General Government Expenditures" (this does not seem practical to me).
- Unspecified new revenue (taxes) in excess of \$100 million by Fiscal Year 2002.
- New oil revenues (I assume from undiscovered fields) in excess of \$120 million by FY 2009.
- An 8.25% average return on permanent fund investments, which would require changing asset allocations from the current equity level of 50% to approximately 68%.
- Annual population growth of 1.1%.
- Annual spending increases of 1.4% in "essential" areas of state government such as: K-12 education, University of Alaska, police services, and road maintenance.

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I believe any Alaskan could find innumerable ways to criticize this plan, and that is part of the process. I look forward to hearing what you like about the “Healthy Alaska Plan” and what you would change. As more hard data is made available, I will try to share it with you. In the meantime, the web site with more information is:

<http://www.akrepublicans.org/prporter105081999.htm>

The House Finance Committee’s schedule on this plan is:

- Tuesday evening (5/11) – presentation by the Department of Revenue and Permanent Fund Board
- Wednesday evening (5/12) – scheduled groups/organizations testimony
- Thursday evening (5/13) – general public testimony
- Committee approval by Friday (5/14) or Saturday (5/15)

Be sure to keep me posted, events are moving quickly as we draw closer to the scheduled May 19 adjournment.

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