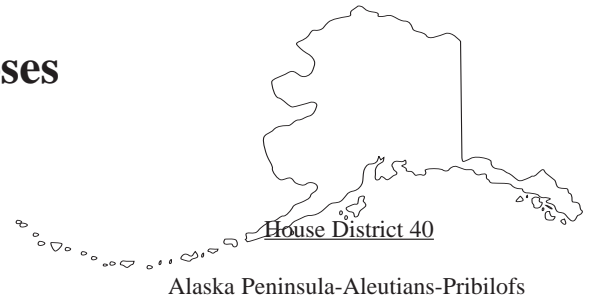




Representative Carl E. Moses

Legislative Session Report Alaska State Legislature

August 2000



The Time is Now for a Municipal Dividend Program

The current state budget situation presents us with yet another chance to review in detail the structure of our financing methods, and hopefully make some needed and beneficial changes. Since we do not forward fund our state budget, that is, basing next year's expenditures on this year's revenues, I see no alternative but to make substantial changes in the way we currently plan expenditures, given continued declining oil production and therefore, revenue.

If we accept the fact that there are continuing budget shortfalls and if we acknowledge the fact that there exist several possible recommendations to solve the problem, then we can focus on solutions. No potential solution will suit everyone, however, it is incumbent upon interested parties to participate in the public discussions and ultimate legislative action to keep Alaska on a sound, fair, and practical fiscal path.

Recognizing a budget shortfall and yet little public enthusiasm for taxes or changes in the Permanent Fund structure, but also recognizing the difficulty in making large and substantial cuts to the state operating budget, what are we to do? There is at least one idea with merit

which can solve basic service concerns and that idea is the concept of a Municipal Dividend program. It is a proposal which can address as many or as few of the budget problems as may be desired. The key characteristics of this program are fairness, predictability, and fiscal responsibility, since it confines itself to passing from the state to local government units, responsibility and funding for services we in the legislature continually hear are not being adequately funded.

If you are familiar with the individual Permanent Fund Dividend program, then you have an idea of how the Municipal Dividend program would work. Based upon strict criteria and local population figures, surplus earnings from the Alaska Permanent Fund would be available for appropriation to Alaskan municipalities, large and small, after providing for inflation-proofing and for calculating individual Permanent Fund dividends. There ultimately would be some impact on the size of the individual dividend, however, any plan advanced to address our budget shortfall will cost individuals in one way or another. Currently, the Permanent Fund Corporation estimates no impact on the individual dividend in the first five years, and less than \$40.00 in ten (10) years. That's why I emphasize that the time is upon us to make responsible, major changes in the way we devise our annual budget, and this municipal dividend plan is a strong component. The focus of the idea is to provide municipalities funds with which to perform basic local services such as police, VPSO, fire, EMTs and road maintenance. Anyone who ever grumbled about the poor condition of local streets, lack of maintenance for schools, or inadequate health facilities, for example, should embrace this plan as a way to address such problems with the focus on local control.

Another value of the Municipal Dividend program, and one addressing the immediate state fiscal shortfall, would be the reduction or elimination of some programs within the state Operating Budget, funded with General Fund dollars. Shifting responsibility away, from state to local government and shifting funding away from the General Fund to the Permanent Fund's surplus earnings would reduce the fiscal gap and embrace local government priorities.

In the continual debate over what purpose to finally put earnings of the Alaska Permanent Fund to work, this proposal could give the Fund a concrete objective, that of helping provide basic services to citizens of the state, through their local government. I doubt there is a municipality in this state which would refuse a more stable and predictable stream of income, such as the proposed Municipal Dividend program would provide. The common perception of the Fund was for it to eventually offset the decline of revenue from our oil resources. That time has certainly arrived. In addition, it is well known that the Internal Revenue Service will eventually look to tax the Permanent Fund directly if no clear public purpose is finally officially determined for the Fund. With the individual PFD already being federally taxed via personal income taxes, this Municipal Dividend proposal could likely thwart any such proposal for taxation of the earnings of the Fund.

Concerning the current fiscal challenge before us, a Municipal dividend program, such as I have introduced (HB 137), along with that of Senator Tim Kelly (SB 304), could be part of a long-term solution. It offers the chance to reduce General Fund spending and provide a more reliable way of funding many essential local government operations in a time when assistance to local governments has been haphazardly diminished. I believe the time has come to simultaneously address several statewide fiscal issues in great need of being brought to finality, with a plan, which could be positive component of a long-range fiscal policy.

Sincerely,
Representative Carl E. Moses
House District 40

Quote: "There is no hope, no future, no agenda for Alaska, if your only ideology, if your only philosophy, if your only cause is to cut the budget." – Governor Walter Hickel, 1994

FY 2001 District 40 CAPITAL APPROPRIATIONS (in thousands)

Aleutians East Borough:

Akutan underground pipeline replacement	\$ 25.0
Cold Bay city park development	25.0
new generator bldg.	300.0
False Pass public safety / clinic bldg. construction	25.0
King Cove lagoon bridge & airport access road	1,250.0
harbor house, phase 2	25.0
Nelson Lgn water system improvement plan	100.0
water system improvement plan	25.0
Sand Point airport rescue & firefighting truck	55.0
airport snow removal equipment	355.0
bldgs. for snow removal equipment, etc.	2,000.0
heavy equipment parking pad	25.0
sanitary landfill, phase 4	1,190.0

Bristol Bay Borough:

King Salmon airport rescue & firefighting equipment	22.0
Naknek / KS BBB Fisherman's Dock engr. & design work	30.8

Lake & Peninsula Borough:

Chignik port facilities	25.0
Chignik By airport access road	535.0
Chignik Lg bulk fuel system upgrade	500.0
Egegik clinic construction	25.0
Igiugig sanitation road	325.0
landfill access project	13.1
Iliam/Nondal airport paving & fencing	6,600.0
airport snow removal equipment	152.0
Nondalton new dump truck purchase	38.0
Nondalton Road work & fencing at dump	12.2
Ivanof Bay landfill water quality study & prelim. design	125.0
airport master plan	350.0
Kokhanok airport resurfacing & lighting	2,500.0

Newhalen community facilities & equip	25.0
Pedro Bay solid waste landfill construction	1,206.1
bridge replacement	500.0
school renovation/reloc/reconstr	1,557.7
Perryville corps match funding - harbor feasibility study	102.1
Pilot Point fuel farm upgrades	25.0
Prt Alsworth landfill water quality prelim. feasib. study	75.0
Port Heiden airport rescue & firefighting equipment	340.0
runway resurfacing & safety area rehab.	4,100.0
community facilities & equip	25.0
Ugashik equipment acquisition	13.1

Municipalities

City of Atka bulk fuel system upgrade	1,000.0
community facilities & equip	25.0
City of St. George water & sewer system planning study	225.0
Zapadni Bay water tank restoration	25.0
City of St. Paul Lukanin Street lights, east	25.0
City of Unalaska E. Point / Ballyhoo Road rehabilitation	5,850.0
airport safety improvement	3,700.0
airport snow removal equipment	170.0
community park	102.6
Adak (City) incorporation grant	50.0

Unincorporated:

Nikolski multipurpose room addition	57.3
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DISTRICT TOTAL

\$ 40,237.9

FFY CDBG ASC Review - FEB 00

Akutan clinic renovation	139.3
A.E.B./Nelson Lagoon community hall construction	200.1
False Pass clinic construction	200.1

Power Cost Equalization:

House Bills 446/447 both passed the Legislature this session. These bills were introduced at the Governor's request. The bills address a long-term solution to funding PCE. The plan utilizes the sale of the Four Dam Pool facilities to create a **PCE Endowment Fund**. (Similar to the PFD program, the PCE Endowment would use *only* the interest earnings to fund the annual PCE program.) The funds derived from the sale of the Four Dam Pool will NOT fully fund the annual \$15.7 million PCE program. Considering this fact and wanting to secure a stable long-term funding source for the PCE program, the House added \$100 million dollars from the state's Constitutional Budget Reserve. The combination of funds from the sale and the CBR draw into the PCE Endowment Fund will fully fund the annual PCE program by the year '2004.'

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House Bill 138: For the third consecutive Legislature, (19th, 20th, and 21st) I introduced a bill which taxed individuals and fiduciaries incomes. The main intention and a very important one, is to *raise revenue* for the State of Alaska. By the year "2005," the state will be facing a fiscal gap exceeding \$1 billion dollars and our ability to draw funds from our savings (CBR) will be gone or zero-ed out. The time is long overdue for us, as citizens of this great state, to take a long hard look at our financial future.

House Bill 138 would have implemented a state income tax upon the taxable income of every resident, nonresident and part-year resident individual and fiduciary in the state. It allowed 100% deductible credit on the amount of any real and personal property paid to a municipality within the state.

I realize that many individuals, including myself, do not like the idea of an income tax. While I can certainly understand this feeling, it is my belief that an income tax is only one component of many that need to be implemented; such as, increased motor fuel taxes, employee head taxes, business & corporate taxes. *Even then*, we would have to use some of the Permanent Fund surplus earnings to balance the budget in the year "2005" or before.