Alaska faces huge short-term and long-term budget problems, and the Permanent Fund is at the center of both.

Author: James Brooks | Anchorage Daily News | December 20, 2021

Note: You can read the article on the ADN site here. Board member Cliff Groh is quoted as part of this article.

Shortly before his death in 2005, Jay Hammond concisely expressed his vision for the Alaska Permanent Fund.

“I wanted to transform oil wells pumping oil for a finite period into money wells pumping money for infinity,” the former Alaska governor wrote.

For the first time since the Permanent Fund was created in 1976, the state of Alaska is seriously considering a step away from that vision. Gov. Mike Dunleavy has proposed spending billions from the fund to pay for a $5,000 stimulus in 2021. Such a stimulus is badly needed, economists say: Unemployment is high, thousands of Alaskans aren't caught up on their rent and many residents don’t have enough to eat.

That stimulus would have a long-term cost. The Permanent Fund’s investment earnings now account for over 70% of state revenue. Spending more from the fund means less money to invest and bigger deficits in the future. In turn, that would mean more tax increases and cuts to services.

The debate between short-term needs and long-term needs is expected to consume the opening months of next year’s legislative session because Dunleavy is requesting action by
March.

To short-circuit that argument, some state experts are suggesting a third way: Short-term spending now, but an agreement on future tax increases to reduce deficits in the long run.

In 2018, lawmakers passed a bill that created an annual transfer from the Permanent Fund to the state treasury, and that money has kept the state afloat even as oil tax revenue has crashed.

In the fiscal year that starts July 1, oil will provide 19% of the state’s revenue, the lowest figure since 1960, according to state projections and historical figures kept by the nonpartisan Legislative Finance Division. The annual transfer from the Permanent Fund will account for 71% of the money the state spends on schools, roads, health care and other services.

Because the Permanent Fund is now so important to state revenue, lawmakers have taken extraordinary efforts to follow the 2018 law, even if it means cutting the Permanent Fund dividend in the process. (This year, state tax revenue has dropped so much that Alaska will likely have a small deficit even with no dividend.)

Many lawmakers have kept $100 billion as a target in their minds.

If the Alaska Permanent Fund reaches $100 billion, an average of $5 billion per year would flow from the fund to the treasury under the 2018 law, enough to pay for services and a small dividend.

If the fund keeps growing, the transfer would grow as well, keeping pace with inflation and services needed as the state’s population grows. The state could keep running without a sales tax, an income tax or higher taxes on oil companies.
The problem is getting to $100 billion.

On Nov. 30, the fund stood at $73 billion, and the Permanent Fund’s tentative forecasts indicate it will not reach $80 billion until 2030. Less than two weeks after the fund hit $73 billion, Dunleavy suggested his $6.2 billion spending plan.

The fund has enough money to pay for the plan — its value has risen significantly this year — but the governor’s proposal is about double the spending limit approved by lawmakers in 2018 and would drop the fund’s value.

“What the governor is proposing is that we take nearly 10% of the fund in one fell swoop, which I think will result in a significant loss to the overall value of the Permanent Fund, and that extreme whack at the fund, it will most certainly affect the future,” said state Sen. Natasha von Imhof, R-Anchorage.

The fund has earned an average of 6.44% annually over the past five years. Spending an extra $3 billion this year would cost the state over $1.9 billion in missed earnings over the next 10 years.

“How do you get to $100 billion if you take 10% of it in one fell swoop?” von Imhof said.

“As a realistic matter, it might make it impossible to get there,” said Rep. Zack Fields, D-Anchorage.

Since 1976, the fund has been capitalized by oil revenue, mostly from Prudhoe Bay, and Fields said Alaskans shouldn’t expect another Prudhoe Bay.

“I mean, you don’t want to plan on wishful thinking. I hope that happens, that would be great. But, you know, you don’t want your whole future to be contingent on that,” he said.

Others say the crisis happening now is more important than what might happen in the future.
Short-term needs

“Providing cash to people right now is probably one of the most efficient and effective ways to help reduce hardship,” said LaDonna Pavetti, vice president for family income support policy at the Washington, D.C.-based Center on Budget and Policy Priorities.

This week, the center analyzed U.S. Census Bureau data collected in the last week of November and the first week of December. It found that more than a third of Alaska adults are having problems paying for their normal household expenses. Almost 1 in 5 aren’t caught up on their rent. And more than 1 in 10 say their household doesn’t have enough to eat.

Alaska had 23,500 fewer jobs in November 2020 than it did in November 2019, according to figures published this week by Alaska Department of Labor and Workforce Development.

“If there was ever a good time to give people a chunk of money, it’s today,” said Ed King, an economist who formerly worked for the state Office of Management and Budget but now operates a private firm.

Announcing his proposed budget on Dec. 11, Dunleavy said, “Alaskans and the private sector need assistance now. Businesses that have been devastated, and Alaskans that are suffering, will benefit from immediate action by the legislature placing money into the people’s hands by March.”

The governor’s proposal calls for a $1,900 payment — costing about $1.2 billion — in the spring. A second payment, expected to be above $3,000, would come after the state’s new fiscal year starts July 1. It would cost about $2 billion, according to Permanent Fund Corp. estimates.

“I think it’s necessary, perhaps even prudent, to tap some portion of the Permanent Fund to stabilize economic activity,” said economist Mouhcine Guettabi of the Institute of Social
and Economic Research at the University of Alaska Anchorage.

Pavetti suggested that a payment targeted at the poorest Alaskans might be more cost-effective. Dunleavy has proposed a payout through Alaska’s Permanent Fund dividend.

That would help him fulfill a 2018 campaign pledge to support the old formula the state used for the annual Permanent Fund dividend. The state hasn’t followed that formula since 2016, but it still remains law. The governor has proposed changing the law to a smaller payout, if Alaskans approve the change in an advisory vote.

“I believe the governor’s FY22 budget approach strikes a reasonable balance between immediate needs of our neighbors who have been struggling for much of this year and the longer-term concerns of stabilizing Alaska’s economy and protecting and growing the Permanent Fund for the future,” said Rep. Cathy Tilton, R-Wasilla. “Obviously, I would much prefer if we didn’t have to strike that balance and make those choices.”
The problem is that even with the governor-endorsed formula change, the state still projects deficits — more than a billion dollars each year through 2025, and diminishing to just under $700 million by 2030.

Long before then, the Permanent Fund will be out of spendable money.

**Economists suggest a middle way**

Earlier this year, Anchorage attorney Cliff Groh, one of the authors of Alaska’s 1982 Permanent Fund dividend law, wrote a lengthy strategy that could provide a path to balancing the state’s short-term and long-term needs.

In brief, Groh’s strategy involves an overdraw from the Permanent Fund this year but also passing a tax that would
take effect in 2022. Revenue from the tax would offset the investment losses from the overdraw and make Dunleavy’s proposed new dividend formula practical.

Economists have separately endorsed similar ideas.

“In an ideal world, we would be ‘overdrawn’ in the fund but at the same time setting the course for either future taxes or some sort of revenue that’s going to balance the budget,” Guettabi said. “That doesn’t seem to be the case – we have one part of the equation but I’m not sure we have the other one quite yet.”

Groh prefers an income tax over a sales tax, and the Alaska Department of Revenue has previously said that it would take time to set up an income tax.

“What the Department of Revenue says is that it takes about 18 months, and that’s a fact,” Groh said.

The time needed to set up a tax would reduce its impact: Alaska would have time to rebound from the pandemic-caused recession before the new tax begins.

“That’s kind of what I hope comes out of this whole conversation: We don’t just solve a (short-term) problem, we also address the long-term, and we start working towards a solution,” King said, not referring specifically to the Groh plan. “So if you know it’s going to take at least a year to start generating revenue, you need to start having those revenue conversations a year before you need them, which is now.”

Dunleavy’s 10-year fiscal outlook acknowledges the possibility. Starting July 1, 2023, it lists more than $1 billion in undefined “other revenue sources.”

“Over the next two years Alaska’s economy will rebound from the pandemic-induced recession and as soon as fiscal year 2023
may be healthy enough to bear additional revenue measures,” the outlook states.

Any new taxes, changes to the Permanent Fund dividend formula or overdraws from the Permanent Fund must first be approved by the Alaska Legislature.

Neither the House nor Senate have selected leaders so far. The legislative session begins Jan. 18.

About this Author

James Brooks


Oh, for bipartisanship

Vic Fischer | Anchorage Daily News | November 18, 2020

In the wake of a tumultuous election season, now is a good time to seek a model of political goodwill that has been sorely missing from our state since Gov. Mike Dunleavy took office two years ago. It’s amazing how extreme partisanship has infected the most recent round of campaigning, giving rise to vicious divisiveness, mean advertising, smearing of reputations, twisting of facts and outright lies.

It wasn’t always so, at least not in Alaska.

When I came to Alaska 70 years ago, I rapidly became part of
my community, Anchorage, and got to know people throughout the territory – village Natives, sourdoughs, bank presidents, bureaucrats, veterans like me, and the like. Parties existed, elections were held, and extremism was very rare. Imagine: in the 1950s, one Territorial House of Representatives had 21 Democrats and 3 Republicans, and two years later, we had 20 Republicans and 4 Democrats in the House (or some such extremes). As you can see, party allegiances were pretty fluid.

Far more important was the ability of people to work together. The fight for statehood is a perfect example. The official Alaska Statehood Committee was chaired by Republican Robert Atwood, appointed by a governor who was a Democrat, and consisted of legislative and business leaders of both parties. We became a state because we could work together.

Take Alaska’s Constitutional Convention of 1955-56. I sat there for 90 days next to Barry White, a Republican businessman. He had been president of a citizen’s lobby for statehood that we had helped organize, and I was vice-president. We were the best of friends.

The convention was totally nonpartisan. It had a firm rule: Political parties were not allowed to even be mentioned on the convention floor. And we functioned extremely well under such a rule.

Alaska’s Legislature has functioned for many years on a bipartisan basis. It has been particularly successful when we had a governor who could work with legislators regardless of their party. Bill Egan, Wally Hickel and Jay Hammond are excellent examples of such governors.

Let us hope that Alaska may yet experience a new era of bipartisanship as we put the 2020 election behind us and prepare for a new legislative session. That would be the foundation for successfully serving all Alaskans, rather than just special interests.
Vic Fischer served in Alaska’s territorial Legislature and its state Senate. He is the last living member of the group of 55 men and women who wrote Alaska’s state constitution. He is a founding member of Alaska Common Ground.

Read the full article here.

Peril’s, Possibilities, and a Path: Alaska’s flight to somewhere

By Cliff Groh
Cartoons by Peter Dunlap-Shohl
Graphic Assistance by Quentin Bidwell and Nathan Bradford
October 2020

Long Version Flight to Somewhere
Note from Cliff Groh

I have researched, written about, and given speeches over decades about Alaska’s public finances. Since circumstances have deteriorated even with all my efforts as well as those of others, I decided to move beyond writing op-eds and giving PowerPoint presentations to work with a cartoonist and specialists in graphics to prepare this booklet on Alaska’s fiscal crisis and the options to address that crisis.

This booklet aims to help increase understanding, dispel fantasy, and fight dishonesty and folly. It also expresses my values. At the end I offer a plan.

In the appendices, there is a glossary of key terms plus an Alaska fiscal timeline and notes on the sources for the numbers used in this graphic booklet.

Will America’s Democracy Die?

Most of us have lived our lives in the freedom of American democracy. It has never occurred to us that a democracy as enduring as ours could be weakened and die. But history has shown otherwise. In their 2018 best-selling book, “How Democracies Die,” authors Steven Livitsky and Daniel Ziblatt present examples of conditions that have allowed other democratic countries to succumb to dictators.

Early in this history, the loss of democratic government was characterized by rapid governmental takeover, the most notorious being Adolf Hitler’s seizure of Germany. More recently, gradual erosion of democratic practices and safeguards are making nations around the world vulnerable to would-be dictators.

When democracy disappears slowly, people become tolerant of practices that would have shocked them in earlier times — lying to the public, for example. Attacks on institutions that guard democracy frequent precede takeover by a dictator. The court system is weakened, the free press threatened, and the rule of law and constitutional separation of powers are disregarded.

But the most significant factor weakening democracy is buildup of rigid hatred between political parties and allegiances. To quote their book, “When democracy has worked, it has relied upon two norms that we often take for granted — mutual tolerance and institutional forbearance. Treating rivals as legitimate contenders for power and underutilizing one’s institutional prerogatives in the spirit of fair play are not written into the American Constitution. Yet without them, our constitutional checks and balances will not operate as we expect them to.”

How might these observations play out in America’s Nov. 3 election?

President Donald Trump’s most adamant supporters have been in
states where traditional manufacturing jobs have been lost. Now the pandemic has compounded existing hardships in these states. Business closures necessary to prevent the spread of COVID-19 have widened the gap between the “haves” and “have-nots”.

Joe Biden and Kamala Harris recently visited Raj Chetty, an economist specializing in the data of economic inequality. He showed them that, among jobs missing because of the pandemic closures, 80% were held by the lower-paid half of American workers. In contrast, those in the upper half were already recovering from the pandemic-induced recession.

The resentment felt by voters in the Rust Belt is understandable. They and many of our fellow Americans are facing homelessness this winter. These are extremely hard times for people who were already struggling. They have gravitated to Trump, despite his flaws, because they saw no hope in the status quo.

But Biden is not the status quo. His genuine concern for the plight of ordinary Americans is obvious. In campaigning, he stops to talk with people one-to-one. He wants to rebuild the middle class, “the backbone of this nation”, starting with access to affordable education so that “everyone can have the skills they need to succeed.” His plans include spending $775 billion to build the nation’s caregiving system, creating jobs for millions, especially women and people of color, and providing universal pre-school education.

He is the ultimate un-Trump, someone who can bring us together – all Americans, regardless of party affiliation. At the conclusion of the Sept. 29 debate, he looked straight at us and said, “I’ll be a president, not just for Democrats, but for all Americans.”

As a speaker, he is not strident and overconfident. Rather he is what he is – a modest, decent, capable guy who will put in
the hard work to improve the lot of ordinary Americans. And he would bring to the office a wealth of knowledge and wisdom from eight years as Vice President for President Barack Obama and from his 36 years in Congress as a U.S senator for Delaware.

Biden was a member of Congress at a time when Congressmen of different parties prided themselves in their friendships. Though they disagreed, they were often able to pass needed legislation by working together and finding a mutually acceptable compromise. It was as though they heeded the words of Justice Ruth Bader Ginsburg, “Fight for the things that you care about, but do it in a way that will lead others to join you.”

In comparison, look at Trump. As President Obama said, “He’s shown no interest in putting in the work; no interest in finding common ground; no interest in using the awesome power of his office to help anyone but himself and his friends; no interest in treating the presidency as anything but one more reality show that he can use to get the attention he craves.”

Add to this Trump’s support for white supremacists and his cruelty to children.

Most of us have pledged “allegiance to the flag of the United States of America and to the republic for which it stands, one nation, indivisible, with liberty and justice for all.” Many organizations, Rotary Clubs for example, open meetings with the pledge.

Our allegiance to the flag will help us decide how to vote.

So come on Americans, grasp this thistle strongly! On Nov. 3, your vote can help save our democracy. This could be our last chance to vote.

Janet McCabe has a master’s degree from Harvard’s Kennedy School of Government and is a member of Alaska Common Ground.
She and her husband, David, have lived in Alaska for most of their lives.

Alaska’s Fiscal Future: Goal, Problem, and Options

AK Common Ground – Fiscal Options 8-2020 Print version

THE GOAL

We want Alaska to be a place where all people have an opportunity to thrive, our children will choose to live, existing businesses will flourish, new enterprises are started, poverty is reduced, and the environment is protected. To achieve this, we need quality services provided by the State of Alaska, including decent education, transportation, public safety, justice, and more.

Senator von Imhof and others describe AK’s fiscal future, Dec 2019

THE PROBLEM

In the spring of 2021, amidst the severe economic downturn caused by the global COVID-19 pandemic, the Alaska Legislature will face the biggest budget crisis in the state’s history.
**Reserves Depleted**—Although the State of Alaska’s spending has fallen by 43 percent in the past eight years, years of deficit spending have drained reserves used to cover budget shortfalls. The State of Alaska depleted its remaining emergency reserve—the Constitutional Budget Reserve (CBR)—to such a low level that the Alaska Legislative Finance Division has predicted it is unlikely that the CBR will have sufficient cash to cover appropriations beyond Fiscal Year 2021, the current fiscal year.

**Unsustainable Deficits**—Even with the traditional budget kept flat and without paying a Permanent Fund Dividend (PFD), next spring’s Legislature faces a budget deficit of about $270 million for the fiscal year starting July 1, 2021. This figure is likely to increase due to lower revenues and higher expenditures caused by the pandemic. If PFDs were paid based on the original formula adopted in the 1980s, the State would have a budget deficit of over $2 billion each year forward. With or without a PFD, balancing the State’s budget will require either a new source of revenue or budget cuts far surpassing those that were initially proposed last year by the Governor.

Presentation from Pat Pitney, Director of Legislative Finance Division, and ACG Board member Cliff Groh, May 4, 2020

**POSSIBLE SOLUTIONS**

The size of the State of Alaska’s budget deficit and the lack of reserves means that some combination of the following will be needed.
1. *Continued spending from the Permanent Fund Earnings Reserve Account (Earnings Reserve).* The Earnings Reserve is the portion of the Permanent Fund that receives earnings from the Fund. For the last three fiscal years the Earnings Reserve has been used to pay for the State of Alaska’s outlays—including the PFD—and is providing more than 70 percent of the revenues for the budget this year. The PFD has been the State’s largest program except for K-12 education. State budget experts agree that continued spending from the Earnings Reserve within the limits of current state law is sustainable. However, overdrawing from the Earnings Reserve beyond the limit set out in current law would significantly reduce the State’s ability to use the Earnings Reserve to help balance the budget and pay Dividends in the future.

Discussion of spending the earnings reserve, Feb 2020

2. *Raising oil taxes.* Oil was the primary source of state government revenue from the mid-1970s until the past few years, but the peak of Alaska’s oil production has passed while the price of oil has dropped well below previous highs. The oil tax initiative by itself, if approved, would not raise enough money to cover the current level of government services, but it would help. Regardless of the initiative, the Legislature could also address changes to oil taxes.

Discussion of oil taxes, Feb 2020

3. *Instituting broad-based taxes such as an income or sales tax.* Alaska is the only state in the country that has no form of broad-based tax. An income or sales tax adopted in 2021 would not generate revenue until 2022 at the
Discussion of broad based taxes, Feb 2020

a. A state income tax financed much of the State’s budget before the arrival of revenues from the North Slope. For most of that time, the state’s income tax was based on a percentage of the federal income tax. If the same system were reinstated, those who pay no federal tax would pay no state tax, and those who do pay federal taxes would pay state taxes on a sliding scale. Those who earn money in Alaska but live elsewhere would also pay taxes on Alaska-earned income. In 2017 the House of Representatives passed an income tax proposal that was estimated to yield $700 million per year when fully implemented, but the proposal failed to pass the Senate.

b. A statewide sales tax could be structured to raise as much as an income tax. To many this seems preferable to an income tax because individuals control their spending. But sales taxes hit those with the least income the hardest. In incorporated areas that currently have a sales tax, a statewide tax would impose a second layer of taxation of sales.

4. Drastically cutting spending on services provided by the State of Alaska. As stated in the problem summary above, even a zero-PFD budget that keeps spending on traditional services flat leaves a deficit of about $270 million for the next fiscal year alone. With savings in the reserves gone and revenues expected to grow slowly, the deficits are expected to get larger over time. Closing that deficit by relying on budget reductions would have significant negative impacts on schools, the
University of Alaska, public safety, highways, ferries, the courts, health care, social services, and more. Alaska would become a less attractive place to live and do business, and people would leave, severely hurting the state economy.

Discussion of budget cuts, Feb 2020

5. **Diversify and expand the state's economy.** This is a long-term proposition. Economic growth and diversification require an educated and trained workforce, and for that a strong University of Alaska is particularly important. The lack of a broad-based source of tax revenue cripples Alaska’s ability to provide the additional schools, transportation, public safety, and other services from the State that are required by population increases that accompany new development. New resource development (including mining) does not generate anywhere near the amount of revenue as oil, which has a very different set of economic factors.

Economic effects discussion, Jan 2019

6. **Obtaining more federal grant funding.** Federal grants related to COVID-19 relief would likely be one-time funding and thus a short-term fix for Alaska’s fiscal crisis. Depending on the amount and allowed uses of federal COVID-19 relief funding, this could provide a partial fix short term. Federal grants are for specific purposes and probably would not cover most of Alaska’s operating costs. Most federal grants require a matching share from the state.

7. **Borrowing from the federal government, banks, or other lenders.** Borrowing is traditionally used for capital
improvements such as transportation facilities, school buildings, and other structural development or repair. Alaska has a backlog of capital projects and often such spending stimulates a lagging economy. Borrowing for operating expenses, however, is merely making future generations pay for services we receive today and adds to the State’s long-term debt. Without measures that improve the State’s credit rating, any borrowing would be costly.

8. **Using money from the Permanent Fund principal.** The Permanent Fund was meant to turn Alaska’s depletable short-term oil wealth into a legacy for future generations. Spending from the Permanent Fund principal defeats that purpose. The principal of the Permanent Fund cannot be spent without an amendment to the Alaska Constitution, which would require a majority of Alaskans voting “Yes.”

[i] In this paragraph and the rest of this paper “the budget” refers to the Unrestricted General Fund (UGF). Revenue projections come from the Alaska Department of Revenue and spending projections come from the Alaska Legislative Finance Division. Unless otherwise stated, the spending projections assume the laws on the books (including paying Dividends under the statutory formula developed in the 1980s) as well as spending limited to inflation

[ii] The Permanent Fund includes the constitutionally protected principal or corpus (that cannot be spent without a vote of Alaskans) and the Earnings Reserve. The Earnings Reserve receives revenue from the whole Permanent Fund, including the Earnings Reserve. The amount that can be spent each year is established by law as a percent of market value
(POMV) of the whole Permanent Fund. Annual revenue from the POMV is projected to grow. This growth hinges on the Legislature staying within the spending limits of the amounts allowed under the law establishing the POMV system. In FY 2020, the POMV draw from the Earnings Reserve was $2.9 billion. In FY 2021, $3.09 billion is available.

Alaska’s Fiscal and Economic Situation: Even More Dire

Pat Pitney and board member Cliff Groh gave a presentation on: Alaska’s Fiscal and Economic Circumstances: Even More Dire. Pat Pitney is the Director of the Alaska Legislative Finance Division, the State of Alaska’s non-partisan fiscal scorekeepers. Pitney previously served as the Director of the Office of Management and Budget during Governor Bill Walker’s tenure, and worked as a Vice Chancellor for Administrative Services at the University of Alaska Fairbanks before that. At age 18, she won a gold medal in the Olympics in the air rifle.

Slides from the presentation:

AK Common Ground 5-4-20 – Pat’s slides
Alaska Common Ground 4 May 2020 – Cliff
Moving from protests to productive action

Author: Janet McCabe | Opinion | Anchorage Daily News | Sunday, June 21, 2020

In Alaska, the outpouring of public protest about George Floyd’s death by asphyxiatiion was heartfelt and far-reaching, as it was throughout the rest of our nation, and here, there was one big positive; it was peaceful. There was no destruction of property.

On May 30, traffic going down Northern Lights Boulevard was slowed by young people racing ahead of cars and stepping out into the street waving their protest placards. The dynamism was contagious. Drivers beeped and waved back expressing approval and support. No doubt the moment was enhanced by the break from the social isolation imposed by the pandemic. But the shared support for Black Lives Matter was palpable.

The next weekend in Palmer, 1,400 young people gathered to express their outrage. They had been joined by others in the Mat-Su region as well as a contingent from Anchorage.

To take a statewide view, the peaceful protests extended throughout Alaska to communities, large and small, most populated by people of several different races. There has never been a social movement in Alaska quite like the protests of these last few weeks!

This amount of protest and its youthful, diverse composition is vastly different from what happened during the days of
Martin Luther King when protesters were predominantly African American adults. This time in Alaska and elsewhere protesters were of many races. And they were young! In Anchorage, the initial organizer who filed for the permit was a 17-year-old high school boy. In Palmer, the filer was an 18-year-old girl.

As former President Barack Obama has urged, now is the time to turn protest into productive actions to prevent more wrongful death.

Ours is a country founded on noble goals. To respect and respond to the protesters, we should remember our ideals and act accordingly. In 1776, a time of kings and emperors, the signers of the July 4 Declaration of Independence risked hanging for treason when they pledged “that all Men are created equal, that they are endowed by their Creator with certain unalienable Rights.” Ninety years later, it took the Civil War and the death of as many as 850,000 Americans, including Abraham Lincoln, to rededicate our nation to these truths.

Taking the knee shows love for our country and the noble goals of our founding fathers. Doing so says America can do better! A wide swath of the country believes this. A recent national poll shows that 84% of Americans believe the peaceful protests are justified. No doubt this includes many members of the police. Among the most powerful images of the protests are police officers and protesters taking the knee and giving each other a fist bump.

Living up to our national ideals takes ongoing work. In Anchorage, Partners Reentry Center, run by Partners for Progress, Inc., has achieved positive results in coordination with the Anchorage Police Department and the Alaska Department of Corrections.

Alaska Natives are the racial group that is most disproportionately incarcerated in Alaska.
release from prison, they are stranded in the unfamiliar urban setting of Anchorage. In response, Partners Reentry Center sponsored a self-help group of Alaska Natives who, among other productive projects, have worked with the Anchorage police chief to help introduce new police cadets to Anchorage. Since 2017, this effort has blossomed to include regular panel discussions with the police and representatives of the many different cultures in Anchorage — Hispanic, Polynesian, Filipino, African American, Alaska Native and more.

But probably, the single most effective way to give the nationwide protest a productive response is by voting on Nov. 3. The current president has never looked beyond himself to realize, in the words of President Abraham Lincoln, that government is “of the people, by the people and for the people.”

It is important to elect people who can create and maintain good government. This is crucial at all governmental levels. All people care about the future of their children. That is a good starting point for finding common ground to solve the crisis of social justice that was so starkly revealed by the recent protests.

To move from protest to progress, exercise your precious right to vote!

Janet McCabe chairs Partners for Progress, Inc. and is a member of Alaska Common Ground. She and her husband, David, came to Alaska in 1964.
Alaska Common Ground
Statement 6-4-20

The events of this past week, sparked by the murder of George Floyd, have shined an undeniable spotlight on the systemic racism in this country. We, the Board of Alaska Common Ground, stand in solidarity with Black lives. We stand against the legacies of racism and violence that have attempted to silence Black and Indigenous voices, and all People of Color, for generations throughout this country including Alaska.

For 30 years Alaska Common Ground has committed to a just society and sustainable democracy by bringing together people of diverse backgrounds and perspectives. Here on the Indigenous land on which all Alaskans live containing two of the most diverse zip codes in the nation, we can imagine no more important time to provide a forum for such dialogue and to amplify the voices who have historically been left out of these conversations.

The weight of these past several months as we navigate a pandemic is immeasurable. Alaska was already facing economic challenges never before seen, and the coronavirus immediately propelled us to the brink of our economic cliff. It also exposed the enormous inequalities prevalent in our society.

Then last week, starting in Minneapolis, this weight intensified to a fever pitch across our country. The pain, hurt, and anger are undeniable and direct results of the deep injustices that have existed for generations in our society, including here in Alaska.

We are living in a historical moment. Generations will look back and reflect upon the role we each played during these crucial and defining moments. We believe that legitimate reform and policy changes are necessary for us to move forward
united as one country and one state. Alaska Common Ground is committed to working with our community to be a part of the solution.

Our community must stand together as one against racism and injustice. We look forward to working with you to build a better country and a better state, not only for ourselves but also for our future generations.

The Alaska Common Ground Board

Dick Mylius (Chair), Katie Dougherty, Alyssa Bish, Janet Bidwell, Cliff Groh, Mary Lu Harle, Bill Hall, Hannah Laird, Janet McCabe, Stephanie Nichols, Helen Nienhueser, John Parsi, Peg Tileston, Danielle Williams and Program Coordinator, Kari Gardey.

Not Your Ordinary Fiscal Crisis


In the shadow of the COVID-19 pandemic and a consequent worldwide recession, Alaska legislators have self-isolated in Juneau, communicating with the public remotely. This is an abnormal and worrisome time. We want them to complete the essential work of the session and be able to go home.
But they should not quit until they agree on an affordable amount for the Permanent Fund dividend and give the dividend a dependable and stable future so it will grow as the Permanent Fund does.

Using the 40-year-old statutory formula to calculate the amount of the dividend, the Legislative Finance Division has projected that the state’s budget deficit for the upcoming fiscal year will exceed $1.5 billion. Many of us have trouble visualizing a number that large. As a current example, take the governor’s proposal to raise $100 million from a state lottery. It would take 15 lotteries in a single year to raise $1.5 billion and close the fiscal gap.

Without action this session, $1.5 billion will be drained from the Constitutional Budget Reserve (CBR). That’s the state’s emergency rescue account, separate from the Permanent Fund. Budget analysts say the CBR should always be at least $2 billion. But unless legislators cure the fiscal crisis this session, the CBR will be reduced to $500,000, one quarter of the needed amount.

What if COVID-19 does strike with a vengeance, or climate change increases food insecurity in villages, or next summer the forest fires we saw last year become overwhelming? Life is far too uncertain for the state to drain its emergency rescue account.

Recently, in recognition of the urgency of the fiscal crisis, the Trustees of the Alaska Permanent Fund Corporation, normally an apolitical group, added their voices to a growing chorus (Resolution 20-01). On March 5, Craig Richards, chairman of the Trustees, announced that payments from the
Permanent Fund earnings are endangered. He recommended “that the State put in place a structure that minimizes that risk before a series of bad market events result in payment shortfalls.”

That warning was on March 5. Since then, the stock market has tumbled and a worldwide recession is looming.

The root of the problem as set forth by the Trustees is the conflict between (1) the statute that set the amount of the dividend 40 years ago, and (2) the percent-of-market-value statute adopted in 2018 to provide the state with sustainable annual revenue from the Permanent Fund Earnings Reserve Account. If the market falls repeatedly, Permanent Fund earnings would be reduced to the point where “we couldn’t fund the government and we couldn’t fund people’s dividends.”

The Trustees’ warning came with some useful advice, offering the legislature realistic solutions. The first of which was: “Transform by constitutional or statutory amendment, the Alaska Permanent Fund and the (Permanent Fund) Earnings Reserve Account into a single fund and limit the annual draw to the fund’s long term real return.”

House Joint Resolution No. 31 would do just that, using a constitutional amendment to combine the two parts of the Permanent Fund. Annual payments to the general fund follow the system adopted by the legislature in 2018 by passing SB 26. That bill established a percent of market value (POMV) system putting annual draws from the Permanent Fund on a sustainable system like that used by many institutions to manage large endowments.
Senate Bill 26 was just in time. Oil revenues dropped to $2 billion in 2018, but the POMV draw from the Permanent Fund (Earnings Reserve account) provided $2.9 billion, reversing a long decline in total state revenue.

Now, in implementing the Trustees’ proposal, the Legislature should pick up a piece of unfinished business from 2018. In developing SB 26, the 30th Legislature had intended to include language establishing a percentage for the dividend so it would be a stable ongoing amount of the POMV draw. But they had bogged down because, at that time, a few legislators still supported the traditional formula.

Now that the state is facing an immediate fiscal crisis specifically caused by a supersized dividend that would drain our emergency rescue account; now that the Trustees of the Alaska Permanent Fund Corporation have warned the legislature about effects of a “series of bad market events”; now that the size of the traditional dividend threatens the future of the dividend itself – now is surely the time to give the dividend a stable and affordable place in Alaska’s fiscal future. The dividend should grow as the Permanent Fund grows. This can be done by statutorily resetting the amount of the dividend, so it is a percentage the annual POMV payment.

Last December at Commonwealth North’s traditional pre-session luncheon, House Speaker Bryce Edgmon and Senate President Cathy Giessel both emphasized their wish to “communicate, collaborate and compromise.” Giessel quoted from President John F. Kennedy’s first inaugural address. Even more memorably, she quoted former U.S. Sen. Ted Stevens: “To hell with politics. Let’s do what’s right for Alaska.”
Janet McCabe is a member of Alaska Common Ground and Commonwealth North. She has a master’s degree in urban planning from Harvard’s Kennedy School of Government, and has been following Alaska’s fiscal future since she and her husband came to Alaska in 1964.

Read the piece in the ADN here.

What Kind of Alaska do we want?

A packed crowd gathered at the 49th State Brewing Company on December 10, 2019 for Alaska Common Ground’s fiscal forum entitled What kind of Alaska do we want? How do we get there? The discussion featured Senator Natasha von Imhof, Co-chair of the Senate Finance Committee; Anchorage Mayor Ethan Berkowitz; CIRI Government Relations Vice President, Greg Razo; Institute of Social and Economic Research economist, Mouhcine Guettabi; and Atwood Chair at the UAA Department of Journalism, Larry Persily. Thea Agnew Bemben of Agnew::Beck moderated. The goal of the event was to increase public knowledge and understanding of the realities of Alaska’s financial situation, and of potential measures to achieve a positive fiscal future.
Senator von Imhof launched the forum with a well-illustrated dose of reality (see her presentation slides here). “We are at a crossroads!” she said. Alaska cannot stay solvent if the state continues to pay dividends at, or even close to, the current statutory amount. She wants the legislature to find middle ground for all spending and establish a spending cap. Though she believes there are still government inefficiencies to be corrected, she noted that “It takes time and focus and energy to find more efficiencies...large cuts have to be walked back.”

She and other panelists highlighted the fact that Alaska’s primary source of revenue for government spending is now through management of the Permanent Fund as an endowment under Senate Bill 26. State revenue from this source now exceeds revenue from petroleum production, and, based on current projections, will continue to do so. The statute established 5.5% as the percentage of the market value available from the Permanent Fund this year. Next year it will be 5%. Other endowment systems were studied, and percentages were carefully gaged and set to protect the principle of the fund.

Greg Razo noted that Alaska’s public spending must recognize the food insecurity in villages where part of the economy is subsistence hunting, fishing, and gathering.
Climate change is threatening this ancient and traditional part of Alaska’s economy.

Mayor Berkowitz described how once generous state assistance to Anchorage has been reduced over the years to a pittance. Now the state does not even clear sidewalks on state roads within the municipality. He sees great potential to build the earnings of the Permanent Fund by investing more money in it. The Mayor advocated dividing the growing “percent of market value” earnings three ways to establish an ongoing percent for municipalities, for state services, and for dividends.

Mouhcine Guettabi and Larry Persily took the lead in emphasizing the economic value of quality of life and the fact that attracting people and economic development to Alaska depends greatly on having good state educational systems, transportation, and other public services. Persily concluded by telling people to look at the math, face reality, and find the revenues to build the secure and prosperous state that we want. All speakers noted that establishing ongoing fiscal predictability and stability would be an economic stimulant. The need for new revenue sources, such as taxes, was mentioned frequently in describing a positive fiscal future for our state.

The event was audio recorded by Alaska Public Media, livestreamed on Facebook, and video recorded by
Jenson Hall
Creative. You can watch the video here. Co-chairs of the planning committee for this forum were Janet McCabe and Cliff Groh. Cliff Groh has written a series of articles for the Anchorage Press on Alaska’s fiscal issues. You can read one here. If you want to read them all, search for Cliff Groh at anchoragepress.com.