The Alaska I helped build is under attack

Vic Fischer, Anchorage Daily News, April 19, 2019

As one of the founders of Alaska statehood, I am appalled by Gov. Mike Dunleavy’s proposed budget, which drastically cuts funding for K-12 education and the university, and slashes health services for 213,000 Alaskans, half of them children. It reduces support for seniors and undermines the taxing authority of local governments across the state.

The Alaska that I helped to build is under attack. When we wrote Alaska’s Constitution in 1955-56 and achieved statehood in 1959, we established a structure of state and local government to provide essential services. Now, 60 years later, the ideals of statehood and our constitution are under assault by Gov. Dunleavy and his people.

Alaska had education programs before statehood, and Pioneer Homes since 1913. We supported the University of Alaska, which has been preparing young people to advance Alaska’s economy since 1922. The state shared income with local governments since the 1960s. These are not new services; they are foundational infrastructure.

That is how government invests in its young to strengthen our future. That is how we strove to improve the quality of life for Alaskans to be healthy, educated and able to participate in community life.
If enacted, the governor’s proposed budget, legislation and constitutional amendments would radically transform Alaska into an impoverished state. Here are just a few examples of his terrible proposals.

Public Education Article 6, Section 1 of the Alaska Constitution states, “The Legislature shall by general law establish and maintain a system of public schools open to all children of the State and may provide for other public educational institutions.” Several court cases have articulated the responsibility of the state of Alaska to pay for education services throughout Alaska.

The governor’s budget reduces the per pupil appropriation for K-12 schools. This reduction would force school closures across the state and create K-12 class sizes in excess of 40 students. This proposal would make a mockery of our constitutional language and longstanding case law regarding the state’s responsibility for public education and access for all children.

Adding insult to injury, the governor’s attorney general claims that private school vouchers could potentially be used by parents to send their children to sectarian and religious schools – a clear violation of the constitution.

The largest proposed reductions have fallen to Medicaid, which provides health coverage for seniors, children and people with disabilities. Half of the beneficiaries are children. A Medicaid cut of $714 million puts 77,000 Alaskans at risk without health insurance. Perversely, Alaska would lose $465 million of federal matching funds.
Since 1913, Alaskans have maintained Pioneer Homes because we value our elders and are willing to give them a helping hand when they near the end of their lives. The governor’s proposal shifts the cost of care for seniors to the seniors in the Pioneer Homes. The cost to individuals could increase as much as 140 percent.

Basic human decency and our longstanding Alaska values call us to defeat such proposals.

Alaska’s constitution established the University of Alaska as the state university, continuing its role as the institution of higher learning since 1922.

The governor’s budget would cut state university funding by 41 percent, effectively requiring elimination of programs and closure of multiple university campuses.

We cannot have an educated and capable workforce, or solid economic growth, without a strong university. The governor and his advisers may not value our university, but Alaskans do and always have.

The administration assertion that the constitution only establishes a state university, but does not require its funding, is simply ludicrous and not worth responding to.

Article 10 of the Alaska Constitution established the structure of local governments. The boroughs and municipalities are part of the state structure and share responsibilities with the state government.
The governor’s proposal would confiscate hundreds of millions of dollars of local revenue from both fish harvests and pipeline infrastructure, shifting the tax burden onto local homeowners.

Dunleavy also proposed to cut school bond reimbursements to local governments for school construction bonds. Local governments cannot afford this cost shift, and the result would be unprecedented cuts in funds for education, which will force drastic increases in local taxes and reduction of services.

It is unclear whether the governor understands the details of his budget proposals, whose development was outsourced to an appointee from Michigan named Donna Arduin. Neither Ms. Arduin nor the governor have demonstrated any real understanding of the constitutional, economic and social impacts of their radical proposals.

Not surprisingly, Alaskans across the political spectrum have reacted with outrage toward the budget and related proposals. It is important to note that Mr. Dunleavy did not campaign on these proposals, but sprung them on Alaskans after getting elected by promising voters a windfall Permanent Fund dividend. He was not given a charter to destroy everything we have built since statehood and before.

Our state’s future really hangs in the balance: Do we protect our state’s constitutional ideals, our economy, our social fabric and the public institutions that have grown our state for decades? Or do we allow this governor and his appointees to liquidate the wealth and undermine the foundations that Alaskans have worked so hard to establish?
The Alaska Constitution gives the power of appropriation to the legislative branch. The cuts proposed by the governor will result in economic recession. If cuts are required, I ask the Legislature to please moderate their size and their effect on the less fortunate.

Alaska has financial resources garnered from the development of the natural resources located on Alaska’s 104 million acres of land. We also have untapped capacity to raise additional revenue to pay for needed government services. We have a revenue problem. Many Alaskans are willing to help pay for our public services, as we did for many decades.

Lastly, Gov. Dunleavy’s three proposed constitutional amendments tie the hands of future Legislatures facing issues that are unknown to us. Follow the model of the constitution. Allow them to grapple with the problems of the day. Reject the proposals.

Let’s remain true to our Alaska ideals and reject the governor’s proposals. I urge you to stand up in defense of Alaska and its future!

**Vic Fischer** is the last living delegate of the Alaska Constitutional Convention, 1955-56. He also served in the Territorial House of Representatives, 1957-58, and the State Senate, 1981-86. He was the founding Director of the Institute of Social and Economic Research at the University of Alaska. He lives in Anchorage.

He’s also a founding member of Alaska Common Ground.
Last month a group of representative community members and economic experts organized by Alaska Common Ground met with an audience in Anchorage to discuss “The Costs of Alaska’s Economic Roller Coaster.” It was an enthusiastic and civil discussion, peppered with questions from an engaged audience and moderated by John Tracy. These people clearly loved Alaska and cared about its future prosperity.

They all emphasized that we were at a turning point in the state’s history and should take a long-term view to achieve fiscal stability. New sources of state revenue were essential. Most reasonable cuts have already been taken. There was also consensus that moderate dividends should be continued. During the discussion Tracy asked the audience for their opinions by a show of hands. Most supported all points of consensus. Video of the discussion can be reviewed online.

This month, Alaska’s new governor, Mike Dunleavy, also chose fiscal stability as the focus of his budget plan. But
Dunleavy’s proposals are radically different from those of the Anchorage community leaders. He takes new revenue totally off the table. Faced with the looming fiscal shortfall, Dunleavy would cut $1.8 billion from the budget, eliminating state funds for programs that people rely on and have been developed with years of effort.

On the other hand, he would spend about $1.8 billion for supersized dividends. Sen. Natasha von Imhof, chairwoman of the Senate Finance Committee, has aptly referred to Dunleavy’s supersized dividends as the “elephant in the room.” When questioned about this plan, Dunleavy’s spokespeople say he wants to let Alaskans decide how to spend the money, not government.

Unfortunately, this answer ignores the fact that government – accomplishing together what we cannot do as individuals – is essential to life in a functioning community. Try driving across town when the streetlights aren’t working to clarify this concept.

Dunleavy’s cuts are wide-ranging, but many reduce services to those who are poor or live in small communities and would be unlikely to speak up. When asked about the proposed cuts to maintenance of airstrips in small remote communities, the governor’s spokesperson replied, “We can’t be all things to all people.” Tell that to someone with appendicitis.

Alaskans pay for governmental services at the municipal level, but only minimally at the state level. Across the U.S., per capita broad-based state tax revenues are about $2,600 for all the states. In Alaska, the figure is about $540. John Tracy asked the audience at Alaska Common Ground if they would be
willing to pay $2,600 in state taxes. To his surprise, most raised their hands that they would. Taxes should and could be set to spare those with low to moderate incomes, and to tax people who earn in Alaska but reside Outside.

The Legislature has been questioning Dunleavy’s spokespeople on many fronts. A recent exchange involved his move to switch from state-run to private prisons. Would a business whose profit depends on the length and amount of incarceration implement programs that cut the need for incarceration? It should be concerning that the governor chose Wildwood Correctional Center for initial cutting. Wildwood is the prison that had started to implement innovations in prison management from Norway and Ireland that reduced post-release crime by as much as 20 percent, as seen in the documentary “Breaking the Cycle” on Netflix.

Alaska’s legislators are up against a challenge. The governor has veto power over all bills, and our Constitution (Article 2, Section 16) requires an affirmative vote of three-fourths of the Legislature to override a veto of a budget-related bill.

If the legislators want to counter the governor’s plans for Alaska, they will need to work together.

But, it’s possible. Last year’s Legislature successfully worked across the aisle to adopt SB 26, establishing the percent-of-market-value (POMV) endowment system for sustainable annual draws from the Earnings Reserve Account, the spendable part of the Permanent Fund. This year, through a similarly united effort, the Legislature could pass a new bill establishing the annual apportionment of POMV funds between
dividends and other governmental costs. If enacted early this session, there would be time for the governor’s expected veto, and for the Legislature to override his veto.

The act should be effective immediately. It would convert Sen. von Imhof’s “elephant in the room” into a manageable reality, protecting the dividend for future generations and leaving part of the state’s current revenue available for state government. The Legislature could then proceed to pass a reasonable budget including needed programs and the new revenue measures necessary to fund them. The public would appreciate it!

Janet McCabe and her family have lived in Alaska since 1964. Her education and experience are in community planning with a specialty in population projection. She is actively involved in several nonprofit organizations, including Alaska Common Ground and Commonwealth North.


The Costs of Alaska’s Economic Roller Coaster

Janet McCabe, opinion piece in the Anchorage Daily News, January 27, 2019
With more of a rumpus than a clear public mandate, legislators must study, learn and think independently as statesmen and stateswomen, and work across the aisle.

Alaska Common Ground invites you to a public forum on “The Costs of Alaska’s Economic Roller coaster” on Jan. 27 from 4 p.m. to 6 p.m. at the 49th State Brewing Co. in Anchorage. A panel of community leaders and ISER economist Mouhcine Guettabi will present their different perspectives on the costs of instability, possible solutions and their vision of Alaska’s future. Do join us and ask questions. Alaska Common Ground forums are free, and everybody is welcome and encouraged to attend.

Read the full article at the Anchorage Daily News here.

Costs of Alaska’s Economic Roller Coaster

Sunday, January 27th, 4 – 6 pm
49th
State Brewing Co
717 W 3rd Ave, Anchorage
We’ve been here before. Petroleum revenues have benefitted Alaska greatly, but these revenues are highly volatile and largely at the whim of global forces beyond state control. Alaska Common Ground recognizes that to achieve a strong and stable economy our state will need an ongoing income stream large enough to pay for essential state governmental services. This event will examine the costs of a start-and-stop economy and the benefits of a stable source of state income.

Senator
Lisa Murkowski invited to open the discussion: Serving Alaskans by Working Across the Aisle

Panelists’ Perspectives: Moderated by John Tracy

- Business – Angela Libal, Owner, Title Wave Books
- Banker – Joe Schierhorn, Chairman, President & CEO, Northrim Bank
- Labor – Ryan Andrew, Business Representative, IBEW Local 1547
- Municipal – Larry Persily, Former Chief of Staff, Kenai Borough
- Rural – Greg Razo, VP Government Relations, CIRI
- Service – Mark Schneiter, Schneiter & Moad CPAs

Economist Response:
Mouhcine Guettabi, UAA ISER
There will be time for your questions
Pizza and beverages available for purchase

Cosponsored by the Anchorage Public Library and the League of Women Voters of Anchorage

Alaska’s Fiscal Reality

Ready to delve into Alaska’s fiscal issues? Here are the slides from House Speaker Bryce Edgmon’s presentation to AFN in October. We’re looking to host a discussion on the issues raised by this information.

[Click on this link to check out the slides.](#)

The Salmon Initiative: Beyond the Rhetoric

Thursday, October 4th, 7 – 9 pm
49th State Brewing Company

Wondering how to vote on ballot measure 1 in the general election this November? We held an event discussing the pros
and cons of this ballot measure. You can find out more about this event and watch the video or listen to the audio here.

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**Member Survey Results**

Thanks again to all of our members and guests who attended Alaska Common Ground’s 2018 Annual Meeting in April and to our members who participated in our recent membership survey. Both provided an invaluable opportunity for us to hear how you think we are doing and what topics you would like us to feature in the future.

Housing, fiscal policy, criminal justice reform, oceans, food security, and the upcoming ballot measures were among the ideas discussed. Additionally, this word cloud shows what our members highlighted as most valuable to them about their experience with ACG, from our neutrality, to staying informed on important issues.

[Alaska Common ground survey 2018 results](#)
The Alaska Legislature needs to pass POMV – now

Janet McCabe, ADN opinion piece, April 10, 2018

It’s crunch time in Juneau. Legislators need to pull together and accomplish the essentials!

Next November, most legislative seats plus the governor will be up for election. That fact underlies much of the thinking in Juneau today, intensifying pressure to finish this session’s work and start campaigning.

Legislators are frustrated with their own inability as a group to compromise and reach agreement. Constituents complain — those who rely on the dividend to feed their families or stave off foreclosure, as well as business owners feeling the slowdown of economic recession.

If, as in the past, the value of the Permanent Fund trends upward, the Earnings Reserve will grow and payouts for state operations and dividends will increase.

I urge the Legislature to pass a POMV statute this session, and to cap this achievement by also passing a proposal to stimulate the economy that was developed by Sheldon Fisher, Alaska’s clearheaded and sensible commissioner of Revenue.

His concept, embodied in House Bill 331 and Senate Bill 176, merits full consideration as a way to generate employment in the oil service industry, and pay existing debt without additional cost to the state.

As background, recently the Legislature eliminated the tax credit incentives for new development by small oil companies. They were no longer affordable. But that action left us with previous contractual agreements that must be paid. The state
has been repaying these obligations gradually, as allowed by law, but banks will not make loans to the small oil companies based on distant state payments. North Slope and Cook Inlet projects have been shutting down and employment in the oil service sector is declining.

State bonding to make immediate payments on Alaska’s existing debt to small oil companies would provide them with cash needed to employ oil service businesses and restart stalled projects. Yet the state’s bonding obligation could be paid gradually. The state will negotiate with the companies for a discount to cover interest on the bonds, making the state’s cost the same or less than under existing obligations. This is a win-win proposal, putting people back to work in a lagging sector of the economy.

Enacting a statutory POMV system in 2018 is still the primary step toward fiscal stability needed this session, but adding legislation that stimulates the economy, as proposed by Commissioner Fisher, would cap this achievement. With both measures, the 30th Alaska State Legislature could go home with a well-deserved sense of accomplishment.

The memorable statement: “No man’s life, liberty or property are safe while the Legislature is in session” was written in 1866 by Gideon John Tucker. Possibly, he was exaggerating!

Janet McCabe and her family have lived in Alaska since 1964. Her education and experience are in community planning with a specialty in population projection. She is actively involved in several nonprofit organizations, including Alaska Common Ground and Commonwealth North.
How is The State Dealing With the Shortfall in Pension Systems?

UAA ISER Publications

April 9th, 2018
A new paper by Cliff Groh, in collaboration with ISER faculty, looks at how the state government has dealt so far with a very big problem: the state’s two largest retirement systems for public employees don’t have enough money to cover future costs of pensions and benefits for state and local employees when they retire. Since discovering the shortfall in 2003, the state has made special contributions of nearly $7 billion to the retirement systems.

But analysts believe it will take billions more dollars in the coming years to balance the funds. That poses a major challenge for the state, in this time of big budget deficits, as well as for local governments, which also need to help pay for the unfunded liability.

To learn more about what the state has done—and might do—to deal with the pension shortfall, download the full paper, History and Options Regarding the Unfunded Liabilities of Alaska’s Public Employees’ and Teachers’ Retirement Systems, or the summary.

If you have questions, get in touch with Cliff Groh at cliff.groh@gmail.com.
Thanks, Anchorage Daily News, for asking the public to express opinions on the Permanent Fund, the Permanent Fund Dividend, and the plan for annual “Percent of Market Value” draws from the Permanent Fund that would provide for both government services and dividends (POMV).

In answer to ADN’s request, here are some highlights from Alaska’s history as a state that may provide guidance for the future. After all, one definition of insanity is making the same mistakes repeatedly and expecting different results.

Surprisingly, unexpected disasters have been instrumental in breaking the grip of major economic recessions in the past. Both the 1964 earthquake and the 1989 Exxon Valdez oil spill occurred during serious recessions. Expenditures to recover from both disasters injected enough money into the economy to overcome the economic doldrums. We never hope to be “lucky” again because of disaster, but the lesson is clear that recovery from a recession can be boosted by spending. Cuts in spending have an opposite effect.

There is no doubt that Alaska is now in a recession. The two recent times since statehood when the rate of population growth declined are the late 1980s and today. According to the Department of Labor and Workforce Development, Alaska’s unemployment rate is currently the highest in the nation. Also, like the 1980s, crime rates have soared, especially for theft. Ask businesspeople you meet how they’re doing, and they may say things like “there’s nothing out there” or “I’m just hanging on.”
Uncertainty increases recession by slowing business investment.

The Legislature could address uncertainty and help stabilize the economy by enacting legislation establishing a disciplined POMV process for spending. This system — the same system as that used by many major corporations to protect endowments — has been recommended by the Alaska Permanent Fund Corp. since 2003.

Given the need to stabilize the economy, it is alarming to hear that some legislators are planning to bypass the discipline imposed by POMV, and simply adopt a budget that would spend directly from the Earnings Reserve Account of the Permanent Fund. Legislative spending needs the restraint of POMV to provide stability and protect the dividend.

A look at Alaskan history gives a clear warning of what could happen without spending sidebars. In 1969 when Alaska received a fiscal windfall of $900 million from the oil field lease, legislators competed to fund new projects in their districts. If one district got approval for a library or a community hall, other districts needed similar things. Some economic development projects were clearly boondoggles.

Public alarm at the rapid spending, together with leadership from Gov. Hammond and wise legislators like Hugh Malone, resulted in the constitutional amendment that created the Permanent Fund in 1976. Four years later Hammond urged legislators to adopt a bill creating Alaska’s Permanent Fund Dividend program. He wanted to the give the public a vested interest in protecting the Permanent Fund, and to assure that both rural and urban communities benefited from Alaska’s new oil wealth.

Alaskans received their first dividend checks in 1982. This was fortunate timing, but it did not prevent the recession that occurred because of a fall in oil prices, and expiration
of the $900 million construction boom.

The state income tax had been repealed in 1980, and the shortage of funds for essential state services led to further cuts in employment which, in turn, added to the negative ripple effect. The recession was severe.

Hammond ultimately realized that the only solid protection for Alaska’s dividend program was an ongoing source of state income. In 2004 at the Conference of Alaskans in Fairbanks he argued strongly for an income tax, saying his biggest mistake as governor was not to have vetoed the bill repealing the income tax in 1980.

A year later, Gov. Jay Hammond died, having made an enormous contribution to Alaska by leading the establishment of the Permanent Fund and the Permanent Fund Dividend. He was a Republican who saw the big picture, perhaps Alaska’s greatest governor.

Read the full article here.