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Governor offers guarantee for use of permafund

Murkowski proposes a dividend of \$1,000 in return for using fund to balance budget

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Gov. Frank Murkowski wants to make a deal with the Legislature and Alaska voters:

Use some of the \$27.7 billion Alaska Permanent Fund to balance state books and in return, eligible Alaskans would get a dividend of at least \$1,000 each year.

It was the latest appeal from the Republican governor who has called the Legislature back to a special session on the state's fiscal problems. The special session begins Tuesday.

Murkowski wants lawmakers to put his plan to a statewide vote in the Nov. 2 general election. And a guaranteed dividend gives it the best chance for success, he said.

Earlier this year, the House narrowly approved a plan to split some annual permanent fund earnings between government and dividends.

But the plan unveiled by Murkowski on Wednesday includes a guarantee written into the state's constitution.

"I think you are seeing a desperate administration throwing out ideas, hoping something sticks," said House Minority Leader Ethan Berkowitz, D-Anchorage.

Murkowski also turned up the heat on lawmakers if they are unable to close a state budget "gully" in the billions over the next several years despite high oil prices.

The state would not take on any new debt without a balanced budget plan, Murkowski said.

That move puts in peril a massive \$236 million road and school construction package that lawmakers had been considering. Administration officials said the fate of such a package rests with the permanent fund plan.

Murkowski wants lawmakers to also pass a constitutional amendment that would cap growth in state spending at about 3 percent annually.

Both of these measures failed when the Legislature adjourned May 12 despite intense wrangling between the GOP majority and minority Democrats.

House Majority Leader John Coghill, R-North Pole, said the governor's new plan makes a solution more elusive.

The House was able to find agreement on a so-called "percent of market value" plan to make as much as \$1.3 billion available from the fund.

But many House Republicans, including Coghill, were opposed to any constitutional guarantee that dividend checks would continue to flow.

"I'm not going to put the right of a dividend next to the right to bear arms or the right of free speech," Coghill said. "To put it there is just a misuse of the constitution in my view."

In the 20-seat Senate, the permanent fund plan mustered only five votes. That is well short of the two-thirds majority needed to put it before voters.

Murkowski said the state's bond rating is at risk if lawmakers do not find a solution this year to the state's chronic shortfalls.

Since taking office, Murkowski has vetoed more than \$200 million in state spending including a popular municipal assistance program.

He said the latest proposal is a sensible solution that would allow the state to begin to close its budget hole and provide needed funds for local governments.

Under the plan, the "percent of market value" proposal would be in the state constitution along with a formula giving half of the available money to dividends. Another 45 percent would go to state government and 5 percent would go to local governments.

It would mean an estimated \$563 million for state coffers and potentially another \$63 million to local governments.

Dividends to eligible Alaskans could go higher than \$1,000 depending on how much is available each year from the fund, but they would not go lower.

Because it requires a supermajority vote, the proposal would also require Democratic support to pass.