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## **POMV looking lifeless**

**SPECIAL SESSION: Legislators expect to go home after just 3 days.**

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JUNEAU -- Gov. Frank Murkowski's push for a public vote on using Alaska Permanent Fund earnings for state services appeared dead in the Legislature's special session, with lawmakers expecting to call it quits and head home this afternoon.

"At this point, I don't believe there is any hope," House Speaker Pete Kott, R-Eagle River, said on Wednesday night.

Earlier that day, a top Republican senator had declared Murkowski's plan to be on the rocks and offered his own competing proposal to solve the state's looming budget crisis.

That evening, just two days into the special session called by Murkowski, House Republicans met behind closed doors to discuss whether to quit the session. They decided to wait and see whether a tobacco tax increase could pass. But Kott said that unless there is an unexpected turn of events, his plan is to adjourn before noon so lawmakers can fly home this afternoon.

Murkowski ordered the Legislature to Juneau for the special session with the main purpose of taking up his Permanent Fund plan. But Fairbanks Republican Sen. Gary Wilken, co-chairman of the Senate Finance Committee, said Wednesday that the governor's plan doesn't have enough votes to even make it out of his committee.

The Senate rejected a version of the Murkowski plan during the regular session that ended in May. Nothing has changed since, Wilken said. He said Murkowski should have checked on support for his idea before calling the special session.

"I've scratched my head as to just why it is that we are here," Wilken said.

He made his remarks after presenting the committee with his alternative. Wilken proposes that the state, riding high on record oil prices, do nothing this year about its long-term budget problems. As the state's budget deficits return, Wilken suggests that the Legislature use its existing power to tap both Permanent Fund earnings and the state's budget reserve, without a public vote.

He argues that would shrink the dividend checks a lot less than Murkowski's plan.

The governor's plan, known as the percent of market value or POMV, would amend the state constitution to manage the fund like an endowment. He proposes to take 5 percent from the total value of the fund each year and give half to dividends and the other half to government services. It requires a public vote, and Murkowski wants the Legislature to put it on the November ballot.

Kott has said the state House planned to wait and see what the Senate does. So Wilken's Finance Committee likely will decide POMV's fate.

Also Wednesday, a House committee killed Murkowski's controversial rewrite of workers' compensation laws.

There was one bit of good news for the governor; the state Senate passed his proposed \$1-per-pack increase in the tobacco tax. The measure goes to the state House, where it appears to enjoy rank-and-file support but faces the reluctance of key House leaders who could kill it.

The governor also isn't giving up on his Permanent Fund plan.

"As long as they are here we don't think things are dead," said his spokesman, John Manly.

The Republican governor proposed to protect dividends in the state constitution and also guarantee the annual checks would not drop below \$1,000. He also said his constitutional changes would last just for a decade and then come up for another public vote.

But the idea of guaranteeing a dividend in the constitution has turned off Republican legislators, who argued the check shouldn't rank with basic human rights. And it hasn't won the support of Democrats, who want the dividend in the constitution but want to provide a bigger check.

Legislators have listened with little enthusiasm to Murkowski aides.

"I don't hear anything I haven't heard before," Anchorage Republican Sen. Ben Stevens, the majority leader of the state Senate, told the governor's budget chief after a round of presentations.

Several Republican senators complained Murkowski didn't talk to them before the special session and instead focused on selling his plan to local government officials and chambers of commerce. Murkowski has called on the public to pressure lawmakers to get behind his plan.

But legislators on both sides of the aisle said they haven't felt pressure from their constituents to support the governor's plan. Senate Republican leaders showed more life when talking about Wilken's alternative plan Wednesday than they have since returning to Juneau earlier this week.

Wilken wants the Senate to pass a nonbinding resolution in support of his idea. That looked unlikely, but he said, "My purpose is to show that there is a better way."

The state has spent, on average, about \$350 million more each year in recent years than it has brought in. Record high oil prices mean there is little shortfall this year.

But Wilken said prices are sure to drop and the deficits will return. His idea is for the Legislature to cover half of each year's deficits from the \$1.95 billion Constitutional Budget Reserve and the other half from the investment earnings of the \$27.5 billion Permanent Fund.

The size of the annual deficits would determine the effect of his approach on dividend checks. But, Wilken said, his best estimate is that his plan would lower the size of each of the annual checks by just \$32 after five years and \$120 after 10 years.

The best guess of Permanent Fund officials is that the governor's plan would reduce

the size of dividend checks by several hundred dollars over the long term, depending on the fund's investment earnings.

Wilken said his plan would keep the state's budget reserve alive until 2014. He hopes new oil and gas development dollars will flow by then.

Democrats in the Legislature were skeptical of Wilken's idea. But several of his fellow Republicans seemed interested.

Murkowski's budget chief, Cheryl Frasca, argued that Wilken's proposal would run down the budget reserve, which the governor says should keep at least \$1 billion to absorb swings in oil prices and guarantee state cash flow.

She said that a few years of really low oil prices could kill the entire reserve, under Wilken's proposal, and his calculations are based on an assumption the state will not increase spending over the next decade. She said that is not realistic because of rising costs.