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**Name: Finance and taxation – Erickson, Frank Murkowski, Wohlforth,
Comments: Cowper, Mrs. Nordale, Gallagher, White, Jim Rode.**

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A speaker says that some other person has a businessman's viewpoint that is different from his, but from the viewpoint of discussion, they might hear from George Cooper. Another man says that they will have a break after the last panelist, Frank Murkowski, who was the commissioner of economic development.

Another man [Murkowski] says that he has an observation on non-discrimination clause of their constitution that provides for equal taxation. It appears that they have some inequities occurring in Alaska because of it. In Anchorage and Fairbanks, outside people come in and buy large segments of downtown areas [unclear] speculation. There is no way of enforcing development of some of the areas. Some other states have a differential on taxation between residents and non-residents and some of them have a different rate of taxation too in that they tax unimproved property higher than improved one. The speaker suggests putting that on a list to consider in the next constitutional convention.

2:16 They are very dependent on outside capita for development on Alaska and they would like to have some control over Alaska's destiny. As far as the permanent fund is concerned, the speaker took a part on a lease sale in 1969 when the attitude in Alaska was the one of utopia. The common man couldn't think that the state could go through \$900 million dollars and they were talking about eliminating state income tax. There was talk about establishing a permanent fund and various organizations in the states spoke on behalf of it. That didn't happen and now the money is gone.

Now they are facing the same situation with money they get from the pipeline. Texas operates a permanent fund for their state universities and now the legislature would like to touch that money but they can't. Texas university program is quite successful and it's based on the concept of permanent fund in action.

4:05 The speaker feels like the application of a permanent fund is a sound one. Substantial amount of the \$900 million dollars has been going to the administration costs. The speaker feels that the permanent fund capita should be directed toward renewable resources, tourism included, because they need some form of revenue once the non-renewable resources are gone.

The speaker wonders if the permanent fund can be applied in such a way as to lower the cost of living in Alaska and says that he thinks there are some ways it could be done. They are going to be one of the largest oil and energy producing states in United States but their consumer energy costs are considerably higher than that of the other states that produce oil. Perhaps the state could take 20% less royalty to the general fund with the provision that the refinery would reduce their price to the oil companies in order for the consumers to have lower cost of energy. That concept of permanent fund has an application because their track record speaks of the necessity of permanent fund.

6:50 A man's voice thanks Frank and explains that permanent fund is that 25% of all mineral [unclear] royalties. Single proceeds, [unclear] will be paid unto the fund. The fund would only be used for income producing investments permitted by law. They are wondering what is meant by income producing investments, but permitted by law means that legislative session will describe the method, manner and means of making the investments.

The speaker says that they are taking a short break and opening the discussion after that.

9:09 Another man's voice asks Mr. Cooper, who was a delegate, to give any remarks he might have. He says that he'd like to correct one [unclear] that was made [unclear talking] at least 25%. During the constitutional convention, one of the most constantly referred subjects was that they must not legislate through the constitution.

There's the question of whether they will amend the constitution to allow dedication of funds. If they will amend the constitution to allow that, would they earmark funds of at least 25% from royalties from natural resources, bearing in mind that in future, any movement of the percentage figure or addition of a source of funds would require a constitutional amendment. They have to protect themselves from that.

12:23 A man's voice thanks Mr. Cooper and invites members of the audience to ask questions hoping that people will introduce themselves. Catherine Nordale has

a comment. [Unclear talking.] Catherine says that their talking is opening a door that was closed and that studies show that states like Michigan had only 17% revenue available for general fund appropriation. Education fund is astronomical in Texas and the state needs many [other] things without being able to touch that fund.

Nordale thinks that if they did that, someone would want to dedicate percentages of the [Alaska?] money for different purposes which would [unclear] authority of the legislature that should be able to handle state money. [Unclear talking.] Perhaps they will need the money in case there's another earthquake.

15:00 A man thanks Nordale and says that he'd like to ask a proponent of the fund to respond. A man's voice says that the legislature thought they would [unclear] the bill and that's how they approached the subject. The governor originally vetoed the permanent fund, saying that it was unconstitutional.

He doesn't believe that everything out of legislature's hands is good but he thinks that there's a great deal to be said about [unclear] Mrs. Nordale expressed.

Another man says that in last few years, the legislature has created [unclear] programs that have operating fund. They are legitimizing what the legislature had seen fit in the programs in the state. They should operate from a different fund than from which salaries are paid. Currently, they have almost 200 million dollars for permanent [unclear] in their books. If they had a crisis in Anchorage, they couldn't use that money because it's already going toward loan programs. [Unclear talking.]

17:42 A man says that one could sell those things. [Unclear conversation.] They aren't worth \$100 cents over a dollar of course, but [unclear]. [Unclear talking.]

A man asks for more comments.

A man's voice asks why it isn't worth it. [Another speaker explains something unclear. Unclear talking and discussion.]

Another man says that when the legislature created the veteran's loans fund, it created subsidy for today's people. It also created small business loans made by the state, but the man doesn't want to comment whether that is good or bad. [Unclear talking by another voice.]

19:59 Another man says that their constitution is a good one compared to that of many other states. [Unclear talking.] Yet another man says they can't constitutionalize [unclear] or [unclear]. He's not sure that he's going to be able to answer "your" question [unclear talking]. They are concerned about a flood of

money coming in to the state [unclear] 20-30 years and then disappear. The man proposes a giant savings account. [Unclear talking.]

The man asks if the income [unclear] is all that valuable for them. \$2 billion dollars with 7.5% interest is 150 million dollars per year. They are spending 661 million dollars a year. The man wonders if, to achieve that income, it's worth taking that \$2 million dollars permanently away from [unclear]. [Unclear talking.]

24:41 [Unclear] doubts that profit making possibilities are wiping out the current debt, but says that it could be a one-time expenditure that might permanently benefit all Alaskans. [Unclear talking. Discussion.] They will be searching for places to spend it and [unclear] spend it. [Unclear talking.] [Unclear discussion.]

26:06 Another man says that he's met the idea of using permanent fund to return state's debt a several times, and he doesn't think it passes economic muster. The state currently [unclear] 6.5% [unclear] the money market with 7-8% and at the time of the North Slope account, 10%. If they have extra \$100 million dollars, they should invest 10% and pay debt with 6% because when they make the difference between 6 and 4 [percent?], they lose money. [Unclear discussion and talking about the University of Texas.]

Montana, Wyoming and New Mexico are natural resource oriented states that also have permanent funds. They get royalties and [unclear]. In New Mexico, they put money in banks and let them make all the decisions. [Unclear.] 30% of the deposits from the state were made up of state and local subdivision that's now down to 15 [percent]. Economic growth has made the state's banking system independent of the government which is a noble cause.

30:23 The state of Montana rehabilitates coal lands with the income from the fund. The money is used to make the used up coal land back into a proper resource and the speaker thinks that that's good use for the money that come from non-renewable resources.

Wyoming has dedicated money for [unclear]. Those are the permanent funds in United States.

Alberta has a permanent fund with coal. They have soft and hard loan programs. Soft loans are for the soft areas of the economy where people don't know the true economics but where they expect [unclear]. Other part of the money, the hard loan, is a business transaction. It could be used in support for apartments.

32:20 If they look at world society and where Alaska falls in that class, they'll find that adequate funding of state or province is a normal commercial transaction and if one looks at more mature economy, one finds that deposit structures in those economies have more [unclear] deposits that are [unclear]. They should invest in permanent fund in long term. It makes no sense whatsoever to invest it in commercial banking field. He sees that permanent fund is complementary for banking system and they are not in competition at all.

He thinks that when they have something [revenue from nonrenewable resources] that is going to run out at some point, they need to see what the appropriate disposition is. It might be appropriate so set it when it comes in so when it runs out, there is nothing left [?]. Another option is to set a portion of it aside so that when it fails, there's something for the future generations. There's the wonderful aspect of money that it accumulates in interest compounds etcetera. [Unclear.]

35:18 A man's voice addresses Mr. Chairman and says that he has a slightly different angle. They are really saying something about state agency. Historically, the legislature's budget hasn't varied from that submitted by government except for only 2% except that in 1971, they came to \$900 million for the first budget year.

Governor has an access to media, being a single voice instead of 60 and he has unity in his administration. He has access to so-called experts and there's a tremendous momentum from the part of senior civil servants who [unclear] by how fast their agency is growing and how [unclear] they have.

[Unclear.] Compound rate is 26% per year and they have a case of spending rising green revenues and that has been going on [unclear] 50. The great advantage the executive has in making [unclear talking and discussion].

37:22 A woman introduces herself as [Unclear] Rehnquist and she says that the statements of state spending were contradictory and asks if there's a way to reconcile what was being said. A man's voice says that there's a conflict. The other man was talking in real terms. After one adjusts the growth of population and rising prices, spending – per capita – has leveled off. One explanation is that they have caught up with a back wall of unmet needs and the other one is that they are running out of money. Another explanation is rapid inflation and that the budget just seems to go up by multiples of \$100 or \$150 million.

Another man says that the legislature was satisfied with constituency that went up by multiples of 15 million even if real changes were zero.

Another man says that the public will tolerate level spending in real per capita terms. They will have to take in account the effects of population growth and how new people affect the prices. That people accept level public services doesn't mean that they wouldn't want more [unclear].

39:32 15,000 new people have been added to state and local government payroll since 1969 and they have brought with them their families, adding another 4-5,000 people.

A woman's voice [Rehnquist?] says that according to the man's argument, because state budget goes up so much, [unclear] should be approved. [Unclear talking.]

Another man says that another argument is that a barrel of oil [unclear] dollars but it's a one-shot deal. They are capturing that equivalent dollar value as [unclear]. He didn't want to disagree with Mr. Wolf at all but he wanted to raise a point that there's a possibility that the momentum of legislature comes from agencies and not from legislature.

Yet another man's voice says he sees some mystified faces and he [unclear]. Another man says he's not arguing that, but wondering if they should be doing all the things that they are doing. [Unclear talking and discussion.]

44:09 A man says he's been a member of legislative budgeting and [unclear] committee and had access to audits that were conducted periodically in various state agencies, and he thinks that there are instances of abuse. He's sure there's some of that in private sector too. Anybody who can look at the pipeline as it has developed over past 3-4 years has said that waste is confined to public sector [unclear].

There is a great myth that the executive branch is trying to [unclear] legislature down while legislature is trying to spend everything there is. People can't wait to find a government agency that is storing away a few million dollars that they shouldn't have and they discovered an instance of that a few weeks ago.

There is a public perception that the legislature is wasteful and they shouldn't be entrusted with public funds. It's probably cyclical and has to be dealt with, but the man is sure that that will be one of the main reasons of [unclear]. [Unclear talking.]

46:28 A man has a question about saving for the rainy day by means of a permanent fund and he wonders what other methods were explored for putting money aside and if there were any that seemed good. The man says that even if the

permanent fund was set up by statute and not by constitution, it's still in the public eye [unclear]. [Unclear talking.]

[End of the recording.]