

ORAL HISTORY 2016-17-01

Governor Steve Cowper

September 14, 2016

Old University Park School, Fairbanks, Alaska

Leslie McCartney, videographer

Rick Seifert welcomed people to his course "The History of the Permanent Fund." He explained the outline of the course and introduced Steve Cowper.

Steve Cowper said it is interesting to come back and be a historical artifact. He left Anchorage and went down to Texas to get a job. He ended up working in Africa and was asked by the World Bank to contribute to a publication. He wrote a chapter on the historical account of the Permanent Dividend Fund. The editors couldn't believe that Juneau was the capital of Alaska so they put down Anchorage as the capital. He thought that a lot of people present in the room had an idea of the unique importance of state government.

Cowper talked about the state receiving 900 million dollars for oil leases at a time when the state fund was \$121 million. The pipeline didn't get started until about 1974 and was not finished until 1977. By 1974 the \$900 million was gone. In 1974 there was a group of younger legislators elected. There were about eight or nine people who were in their twenties. He served in office in 1975-1976 and thought it was a remarkable experience. He went to Mike Bradner and asked to be on the Finance Committee and he was appointed. The Committee was a good mix of ages. He didn't know anything about the Legislature. He didn't have an office or staff. They had the most important issues that would ever appear in the state of Alaska before or since. They had no staff, a secretarial pool of three, a staff person for the speaker and the Rules Committee had a staff person. That meant all the legislators had to read the bills. Terry Gardiner wrote what was considered the top criminal code in America. There were the usual conflicts. Hugh Malone was from Kenai and was the chairman of the Finance Committee. Very quickly a leadership based on ability was apparent. They started running legislation through that was needed by Alaska. This was a different world with money coming in compared to previous times.

Towards the end of the session Jim Rhode who was working for Hugh Malone suggested a trust that Keith Miller had originally wanted. Hugh Malone thought they should do this. They went to Hammond and he liked the idea. The original bill said that they will save up the money and when it generates money they would spend it. Someone didn't like that idea because they thought the next legislature would come along and spend the money. The Senate had this in mind. The legislature spent all the money before the end of their session. Malone told Cowper to solve this. The oil companies had money. He and Willard Bowman met with oil company representatives. They ended up with a bill that had the oil companies giving them a loan to tide them over until 1977 when the pipeline was finished. Willard Bowman told the oil companies they had a bill that would pay back the oil companies and they wanted the oil companies to agree to it. If they didn't agree with it then they weren't going to pay them back. The oil companies agreed. The money got them through to 1977. Hammond said they had to have a constitutional amendment and they did. He read a section of the bill – "At least 25% of all mineral

lease rentals, royalties, royalty sales proceeds, payments and bonuses received by the state shall be placed in a permanent fund the principle of which shall only be used by those income producing investments specifically designated by the law. All income from the permanent fund shall be deposited in the general fund unless otherwise provided by law." It was passed by a very large majority in the 1976 election. Then the legislators realized that they had to fill in the details. They decided to purchase U.S. government bonds which at that time were earning 13.5%. In 1977-78 they talked about what had to be done, but didn't pay much attention to it and in 1978 he was gone. In 1978 he was the state lobbyist for the Alaska lands bill in Washington. Hammond and the Legislature decided to put together a panel. They said the oil prices were high and they would never go down. They didn't think they would ever need the money for government. Seifert interjected this was during the Iranian oil crisis. They were told to give the money away. Jim Rhode liked the idea and Malone liked the idea and the governor liked it. And that is what happened. Cowper said he opposed it all the way, but he was in Washington. The money began to build and the first dividend was in 1982. The state income tax was also eliminated that year, too. In spite of everything the experts said the price of oil went down in 1986. He chose that time to become governor. He was in office until 1990 and everything got straightened out. There was another war in the Middle East and oil prices shot up. The Exxon Valdez oil spill also happened during this time and brought in large wages. The economy in Alaska was the best in history.

Cowper said towards the end of the 1990 session they created the budget reserve. This got rid of the problem of the state revenue going up and down. They asked the legislators and they objected. At the end of the session they ran the budget reserve through. One person from Kenai wanted a bridge and it was approved so he would vote for the reserve. It was passed and it helped quite a bit. He tried to get a permanent fund set up for the school systems. He needed a two-thirds vote and one certain person told him he would vote for it and then didn't. He was the one vote that caused it to go down.

Cowper said people get a few thousand a year from the dividend. It has done a lot for the state particularly in rural Alaska. He said that the purpose that the people who actually created the permanent fund were looking for was to have enough money left over when the oil went away to have enough money to run the government and have low taxes. That is what they thought they were going to get. Now it is an entitlement. He told a story about overhearing someone in Santa Barbara, California boasting about getting money from the Alaska Permanent Fund and never having lived in Alaska. People knew this was going on. He said they had a bill to solve this problem and it was defeated by some. It is estimated that ten percent of the money is going to criminals. He talked about the value of having Governor Walker in office at this time. Cowper said in the middle of all this Alaska has to have a government. The state government is the backbone of the whole state. He said oil and gas in Alaska has a limited future. The price of oil is not going back to 100 dollars and the LNG market in Asia is very dicey. People don't want an income tax and there is a Legislature who won't do anything. He watched a program about the senator from Nikiski and he made sense about what needed to be done. The Legislature has to fix the problem. There is enough money in the budget reserve to last as long as two years. He thinks the Legislature is playing with fire. Even though he is in Texas he still cares about Alaska. He said permanent fund earnings will have to be used. This was its original plan by the ones who created it.

Siefert said they are trying to get on Talk of Alaska with Cowper. He talked about other financial plans by other countries such as Norway. Cowper said Dave Rose made the permanent fund work like it does. He

recommended in Africa to set up a permanent fund and not do the dividends. He commented about Norwegian's fund.

Someone from the audience commented about reading Rose's book. Comments about permanent fund and dividends. Cowper said there is a law that states the Alaska Legislature has to put the money into an earnings fund and some percentage of that gets put into a dividend fund. It doesn't state how it goes out. It has to be appropriated by the Legislature. The governor wants to put half of it into the permanent fund.

Dermot Cole asked about the state having subsurface rights and the idea that the dividend fund keeps the people vigilant. Seifert said there is the 1999 era when there were sieges on the permanent fund. There was an effort to cash it out. There was a vote on it by the public. Cowper said Jim Rhode said they have to protect the fund and the way to do it is to give people some of it. It didn't originate with Malone and Hammond. Cole wanted to know if this is to state individual rights because we were denied subsurface rights. Cowper said it isn't a right. The law is the law. The law says the Legislature must appropriate the money. He said there is only 20 percent of the money right now needed for the government. He said government is in bad repute everywhere. If Alaska is going to get out from under that then people need to back Governor Walker. Cowper said he is right and understands it. He said we have the ability to get out of the problem.

Charles Gallagher commented about the abandonment of the state income tax. Cowper said the experts said they didn't need to have an income tax. Jay Hammond questioned getting rid of the income tax. He said he brought up the idea of income tax in 1986 and 87. People didn't think about the income tax going away.

A comment from the audience about the time of the vote to abolish the income tax and Dick Randolph's comment about what would happen after the oil ran out. Dave Norton asked about getting Alaska back to a bi-partisan/non-partisan government. Cowper said working together across party lines is gone. He said we may not have the best system for the 21st Century. There is talk about very powerful executive branches and also there has been a vast reduction in the powers of legislative branches. He thinks it is a critical time in the country. There's also the wholesale murder of nature and the state of the world.

Anna Plager commented about not hitting home with the Alaska electorate. She said it will hit people in their pocket. She asks who will be buying homes in the next five years when everyone flies the coop when Alaska goes down financially. She thinks people need to be rattled this way. Cooper said it is true. He said you don't want to come to people with a totally negative message. It is his opinion that the state government and government workers are good. There's a lot of talk about bureaucrats, but most of the ones he knew were dedicated workers.

Siefert said Hickel compared the state of Alaska to Conoco. Hickel said we needed the employees to make the state work and it wouldn't be advantageous to cut the government.

An unidentified person said he was an auditor. They used the permanent fund list for his work. He was surprised with the number of out of state addresses there were on the list. Another person commented about legislatures not being truthful with their constituents about cutting government. He recommended going to KFAR to talk.

Seifert thanked Steve Cowper.