

Permanent Fund Isn't Broke: Why Fix It? By Rich Seifert

Ralph Seekins used your editorial page (1/11/2004), to tell us why the new POMV system would be "good" for (us) Alaskans, and good for the Permanent Fund. This always makes me very suspicious. As a legislator, Senator Seekins should give us the full story. But he didn't. Seekins says there are three advantages to a POMV plan. His list is:

1. POMV provides a predictable annual payout. Ok, true. But it also encourages the legislature to rely MUCH more on Permanent Fund income to fill the general fund obligations. And worse, it does so without any accountability for how it's spent. The legislature would be guaranteed this percentage of the value of the Permanent Fund regardless of anything else: regardless of major economic recessions, regardless of several bad years of stock market or economic downturn. What just happened in the past three years?

2. It assures that the Fund will continue to be inflation-proofed. This is clearly not true. If money is extracted at 5% regardless of whether any earnings accrue, the first year the fund has no earnings there won't be any inflation proofing, because there won't be any earnings with which to inflation-proof. How could it be otherwise? This also means principle will be spent in bad years. This is not possible (since it is unconstitutional) under the present Permanent Fund arrangement.

3. It improves the fund's earning potential by eliminating the possibility of political interference. This is really a reach. The present system has done a good job of isolating the Fund from political manipulation, even though the board is politically appointed. Seems to me that if the legislature gets 50 or 60% of the payout of the earnings each year (under the POMV proposal) suddenly it becomes much more politically controlled, by the legislature! The POMV proposal would politicize the fund, as well as put the distribution of the Permanent Fund earnings more directly in control of the legislature. There is an inherent motivation in the POMV arrangement for the legislature to continually press for a lower Permanent Fund Dividend distribution to keep more of a reserve for the budget, and to keep taxes from being instituted. It will ultimately become a "lower your PFD or you get taxes" political football. I promise! Just watch if it passes. But I doubt it will. Legislators are naive to think the voters would change the constitution if it has any perceived effect on their PFD. And I've shown here how that is pretty much inevitable. But you should not take my word for it. On Sunday January 11, the News-Miner also published an insert called "Alaska's Bottom Line". A good piece, but the really important item is at the bottom of page 11. It should have gotten top billing. It's by Tom Moran, entitled, "Studies show pros, cons of taxes". This concise piece puts all the objective information together and concludes all the reasonable points. An income tax is better for Alaskans than either a sales tax or the POMV Permanent Fund change. The reasons are all based on fairness and responsibility. An income tax (graduated) is better for families, taxes some 16% of all income that is earned by nonresidents (Commonwealth North finding), and is deductible from federal income taxes. The only thing the feature piece doesn't mention is an equal sharing tax on oil (home.gci.net/~oilwatch/west1). This is the great equalizer in our fiscal options. I would vote for a POMV option if, and only if, at the same

time the legislature established an income tax, and placed a Windfall Equal Sharing Tax on oil profits. That way we all share responsibly in Alaska's future. But, if we established both the income and Windfall Equal Sharing taxes, would we even need the POMV change to the Permanent Fund? It's the word Permanent that I keep coming back to. What does Permanent mean anyway?