

February 11, 2002

To the Editor:

While all the fuss about ENRON and terrorism is going on every day, not much attention is paid to the stalwart Permanent Fund. I just want to remind folks what's been happening to it, and what's on the menu for the next election: another constitutional amendment directly concerning the Permanent Fund. The board of the Permanent Fund wants us to pass an amendment to be sure we never spend more than 5% of the earnings of the fund. Basically I think this is sound. Problem is, what if the earnings are negative? Yes, like this past year. Like when we lose money. Notice we still manage to give ourselves a dividend.

The Permanent Fund actually declined in value nearly 2 billion dollars (yikes!) in the past two years. As of today the unaudited value is \$24.5 billion dollars, and in 1999 it was \$26.4 billion, so we soundly lost about 7% over these two years. 2 billion dollars used to be the annual earnings of the fund. Don't hear much about that in the news, do you? Maybe it is nothing to worry about, but I wouldn't want to bet my future on Permanent Fund earnings, judging from the past two years.

These facts should concern us all. First, we clearly need a state personal income tax. It is as certain as any source of revenue the state can muster, and clearly more certain than the Permanent Fund earnings. Second, I think this experience means we ought to be more bold about where we put our investments. Granted, we hire expensive fund managers and fire them if they boggle their chances, and ours. But recently I've heard some fairly influential people, including some Permanent Fund Board members, say we shouldn't use the Permanent Fund to finance such things as gas infrastructure, or bond using the fund as collateral for pipeline development. Is this being safe, or just unwise?

If we had invested in the TAPS line, we'd have made at least 15% on our public ownership of the investment. That's what oil companies expect, demand actually, on their investments. Why shouldn't we? Exxon Corporation is now the sixth largest holding of the Fund, and our stock in Exxon is estimated to be valued at nearly \$147 million (as of 2/11/02). Exxon makes 15% on its Alaskan investments, we invest our Permanent Fund in them, and they refuse to settle a civil lawsuit, which the people of Alaska deserve to have settled, a claim for some 5-10 billion dollars in damages from the Exxon Valdez spill. Just as a matter of principle and to honor our citizens, we should not invest in Exxon. It's time we divested of Exxon, and invested in our own public utilities to handle and deliver our oil and gas, and pay ourselves our own royalties and benefits, all the while building up the Permanent Fund. I don't see any downside in public investment for, and of, the Permanent Fund. It seems a whole lot safer and saner to invest in our own resource future than to invest in corporations and the stock market (I'm thinking ENRON here...). Look what the last two years got us: more losses than the new constitutional amendment would allow us to spend. Has any oil or gas investment in Alaskan infrastructure NOT panned out, so to speak? These are different times, and we have some huge opportunities, which are likely to be

sound investments for the future. Let's look to our own necessities and public ownership and invest in our own wise future.

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