

THE SPENDING PLANS PROPOSED BY ALASKA'S GOVERNOR AND HOUSE OF REPRESENTATIVES, BOTH REQUIRE NEW TAXES TO BALANCE THE STATE'S BUDGET.

"40-30-30"

The Alternative to New Taxes

The Senate Majority — opposed to new taxes until government spending is more in line with existing revenues — has proposed a Plan by which current and future State Budgets can be balanced without imposing new taxes on Alaskans.

Bipartisan Support

Co-sponsored and passed by three-fourths of the Senate's Democrats and Republicans; endorsed by such economic opposites as former Governor Jay Hammond and business columnist Millet Keller; the Senate's plan does much more, however, than make new taxes unnecessary. It also saves large amounts of Permanent Fund monies; assures that Permanent Fund "inflation proofing" and Dividends will continue; and creates a new Budget Reserve Fund for the State to use — within limits — if oil prices and revenues go down again.

Most important, for the same reason that Governor Hammond vetoed 1975 legislation to create a Permanent Fund — insisting on a Constitutional Amendment instead — the Senate would have Alaskans — not politicians — vote to decide how the Fund's earnings should be used.

The Senate's proposal is called "40-30-30" for how it would utilize annual Permanent Fund earnings.

The "40-30-30" Plan

In 1976, when Alaskans voted to create the Fund, the last sentence on the Ballot read:

"All income from the Permanent Fund shall be deposited in the General Fund unless otherwise provided by law."

Since then, laws were passed to create the Dividend Program, and to "inflation-proof" the Fund's principal. Today, the undistributed earnings remaining go into a Permanent Fund Reserve Account. These funds are the major focus in Juneau this year, and early in the session, **Governor Cowper became the first Alaska Governor to propose Legislation to spend these Permanent Fund earnings on Government operations.**

The Senate agrees that some of these reserve funds are necessary to balance State Budgets, but only in a way that stabilizes State spending, does the least harm to the Fund's principal and continues the Dividend and inflation proofing programs.

The "40-30-30" plan does all this, at less cost to the Fund, and without new taxes. If adopted, "40-30-30" would achieve these advantages by:

1. Allocating 40% of earnings to Dividends (37.1% in FY87); 30% to "inflation-proof," (15% in FY87), and 30% to a new "Budget Reserve Fund."
2. Setting a Spending Limit, so State Budgets can not exceed a previous year's budget by more than 5%, (adjusted for population/inflation), without a vote of the people.
3. Create the Budget Reserve Fund, which the Legislature can use **only if State Revenues are insufficient** to fund the Annual Budget within the Spending Limit.

Because excess Budget Reserve Funds could not be touched except in emergencies or by voter approval, the Fund would grow into a new revenue/earnings base to give Alaska the financial cushion it needs. **"40-30-30" also requires 50% of all State Revenues above the spending limit to go into the Budget Reserve Fund and 50% into the Permanent Fund itself.**

Alaska's Choice

The Senate's "40-30-30" plan addresses the major revenue spending debate facing Alaska and offers a clear alternative to the Governor's proposal to "choose new taxes or repeal Permanent Fund Dividends." More, it lets Alaska voters, not politicians, resolve how their Permanent Fund's earnings should be used.

As presented to the Legislature, the Governor's plan to balance the budget through 1987, 1988, and 1989, would take \$845 million from Permanent Fund earnings, reduce Dividends, and reduce the Fund's principal by more than \$500 million by 1989. In addition, the Governor would impose a new Personal Income Tax, a new Oil Tax, and a new Motor Fuel Tax on Alaskans, at the same time.

But what if the Governor does not get his new taxes? (The Senate has refused even to consider a Personal Income Tax at this time.) Then, his Spending Plan will require \$1.343 billion from the Permanent Fund's earnings! Dividends will shrink by \$185.00 and the Permanent Fund's principal will be diminished by almost \$1 billion by 1989!

In comparison, "40-30-30" doesn't pit Permanent Fund Dividends against a Personal Income Tax. Rather, it assures **Dividends will continue**; it provides a Fund principal **almost one billion dollars larger** than the Governor's plan. It creates a Budget Reserve Fund to cover revenue shortfalls — within controlled spending limits; and most importantly, **the "40-30-30" plan will not require new taxes.**

The Senate believes these differences are nothing less than clear Constitutional choices Alaskans must decide at the ballot box. **The Senate proposes that Alaskans resolve this debate by putting "40-30-30" on the ballot as a Constitutional Amendment to put the Permanent Fund's earnings — including the Dividend and inflation proofing programs — beyond the reach of politicians.**

Who Paid for this Ad?

You did. The Senate spent about \$7000 of its Leadership Fund for this unusual Citizens Advisory: (about \$.03 per voter). We assume the authority and we accept the responsibility for providing a comprehensive description of a complex issue.

If communicating is a primary responsibility for elected officials in a Representative Democracy, the same can be said of Citizenship. In neither case, can communication be always and solely delegated to commercial media; editorially and economically, they have their own limitations.

The largest Bipartisan Senate Majority in Alaskan history trusts this extraordinary communication will attract your attention, thought and participation in a vital government decision, at a very critical time. Please let your government have the benefit of your opinion.

At stake may be nothing less than direction of our State's economic future.

This message comes from the Senate Leadership.

Jan Falks, President
Rick Halford, Majority Leader
Dick Eliason, Rules Chairman
Jack Coghill, Caucus Chairman
Don Bennett and John Binkley, Co-Chairman Finance

All of the following Senators either voted for or sponsored the Legislation known as "40-30-30."

Abood	Duncan	Fischer	Josephson
Bennett	Eliason	Halford	Sturgulewski
Binkley	Fahrenkamp	Hensley	Uehling
Coghill	Falks	Jones	Zharoff