

Why it is time for a POMV and putting HJR 23 in perspective

by Michael Chambers

Whether we like it or not, over the last 4 years, the Alaska legislature has been incapable of lowering the footprint of government even when the majority of Alaskans are aware that there are substantial, excessive, unaccountable expenditures. Creating a multitude of "**money buckets**" have also encouraged a much higher degree of money shuffling and laundering. Most people understand something is wrong but they are generally unaware the degree this fraud and excess has risen to.

As a result of this accepted financial unaccountable climate, because there is no political will in Juneau to reduce the budget, the legislature has recently blown through \$14.5 billion in the Constitutional Budget Reserve (CBR) to cover their excess spending instead of dealing with the real issues of deficit spending.

Adding insult to injury, we currently have an **extremely liberal** governor who has done everything possible to promote grabbing more of the citizens money in order to sustain and grow even more government. Certainly he has shown that the only thing he can cut is your PFD. **Candidate Walker sang a different tune.**

Now we are transforming onto another page of government spending. Everyone realizes that the Earnings Reserve Account (ERA) must be utilized to subsidize government going forward. Governor Hammond spoke of this years ago where he talked about replacing finite oil wells with infinite money wells to fund government. He proposed a 50/50 split of the ERA with 1/2 going to government and 1/2 going directly to the people through a PFD payout.

The essential challenge is that government, from 2005 to 2014 grew at an unsustainable rate so today there is not enough money in the "50%" to maintain the level of government we currently have which brings us full circle to the inability of government to retool it's programs into a smaller footprint of efficiency and financial accountability. Currently there are way too many legislators on both sides of the aisle who believe they must protect our economy by promoting waste and fraud through government services. They use this excess to buy votes to go back to Juneau and wreck more havoc. They make you think

that basic services like Public Safety and snow plowing would take dramatic hits with the slightest reduction. But when we look at these two departments we find that the Department of Public Safety has **funded over 80 positions each year for over a decade which are never filled**. The Department of Transportation's budget grew **149%** from 2005 to 2014 with very little increase in road surface to maintain. Upon closer inspection of their budget, it's obvious they are managing properties, buildings and boats for 10% of the population instead of roads.

So where are we?

Since we have no options going forward but to begin tapping into the Earnings Reserve, we have to look at the Earnings Reserves which comes from a 5 year average of the profit of the principal of the Permanent Fund. Because the Permanent Fund is invested in capital markets, it fluctuates up and down even with a 5 year average. This is why the PFD has historically fluctuated over time because it somewhat reflects the free market.

So given this fluctuation, if government should attempt to design a budget on 1/2 of the Earnings Reserve each year, it would be virtually impossible for our legislature, based on their nature, to design a consistent balanced budget. Given this, it would only be a very short period of time before legislators would look for stability in their revenue sources and calls for income tax, sales taxes, and consumptions taxes would elevate substantially more than they are today in order to stabilize their excessive appetites.

Today, financial reality dictates that government could not pay its current bills based on the resources it already has plus 1/2 of the Earnings Reserve. This is precisely why a multitude of representatives are promoting plans which change the funding formula to a 30/70 split in order to maintain the financial mess which past, and this present legislature has, and is producing. **Even today, I will bet anyone a big juicy hamburger that the current excessive operating budget will not be reduced in any meaningful way this session** even when we are still spending an excess of \$2 billion and the state is in a recession! Legislators know that if push comes down to shove, they still can capture the **other half of your dividend**. After all, they know what is best for you!

Going forward:

The only option we have going forward is to adopt some form of a POMV plan preferably in the State Constitution. The best argument for this is that it would give a consistent payout each year which would be predictable. If a POMV plan were designed around 4.5% and then be divided in half between government revenues and a PFD payout, each side would receive approximately \$1.5 billion each year with consistent increases as the corpus of the Permanent fund grew. On the citizens side, this would mean a PFD around \$2,300.00. On the government side, this would give a yearly revenue account to government around \$3.5 billion. Currently, this would be approximately \$800 million short of a balanced budget.

Balancing a budget:

Prior to designing a 4.5% POMV, if the government transferred \$4 billion of the \$16 billion in the Earnings Reserve Account (ERA) over to the Constitutional Budget Reserve account (CBR) this would give the government a CBR account of \$6.5 billion to make up deficit differences. The remainder of the ERA would be dumped into the Corpus of the Permanent Fund and protected from future greedy legislative paws. Additionally, a .5% component on the POMV designated to go directly to the CBR would assist in replenishing the CBR deficit draws. This would not fund the entire deficit but it would **buy time until we elected a governor who would get serious about a government budget out of control.** If this POMV were created, the total draw would be 5% and the Permanent Fund Board would have continuity so they could manage the assets of the Permanent fund without wild fluctuations of legislative ad hoc draws.

HJR 23:

HJR 23 happens to be the current POMV model which is currently in House Finance. Majority leader Chris Tuck introduced the original legislation. The only problem with his original legislation was the split of 33/67. Other than that, it was a clean POMV resolution. Over this past weekend, Representative Paul Seaton, the **champion of income tax legislation**, grabbed the resolution and amended it into a mess. The end result caused the original sponsor of the resolution, Representative Tuck to remove his name from sponsorship and all other cosponsors followed suit. You could hardly blame them when you looked what

Representative Seaton did to the legislation. **Representative Seaton knew exactly what he was doing and the result was obvious in public testimony on Monday, March 12th.** Unfortunately, the entire Alaskan population who testified spend the majority of time vehemently opposing his amendments which were disgusting at best. **Representative Seaton played the crowd like a professional conductor and the snake oil salesman he is.** The opportunity to lock the PFD into the Constitution with a 50/50 percentage was lost in his **hogwash.** As this is the only legislation either sides of the legislature will hear this session regarding protection of the PFD in the Constitution, I can only hope that amendments will come forth within the House Finance committee and eventually on the House floor if it gets there to design a clean POMV bill which will draw 5% and give 50% to the citizens of Alaska protected in the State Constitution.

It is my hope that the House can send a clean bill over to the senate. **I am under no illusions that the senate is remotely interested in protecting the PFD on an equal basis with the citizens of Alaska.** this legislation has ZERO chance being heard on the senate floor but it would definitely shine the flashlight on the sewer rats. It is called representative democracy, and I for one wish to identify how each representative would vote. I am not alone. Citizens all over Alaska wish to count their vote. **They count ours to get there. It is time we reciprocate and have the opportunity to count theirs.**

Going forward:

My final thought is this. The first investment the citizens of Alaska could make would be purchasing the finest red line pen they could find, and sending it to our newly elected **conservative governor** to encourage liberal use on massive questionable budget items way too numerous to list.

Re-elect Bill Walker as governor and you can kiss this entire narrative goodbye.