



## Senator Con Bunde

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Dear Neighbor:

The second session of the Twenty-third Alaska State Legislature is in progress. While each of the communities in Senate District P, from Eagle River to Whittier, is different from its neighbors, all have two things in common – we all want what’s best for Alaska and for our unique lifestyles. I am proud to represent you, and I will continue to do my best to honor the trust you have placed in me. In addition to representing your views in the Legislature, I view my job as part ombudsman for my constituents. So if you have a problem with a state agency, please contact me. I’ll do my best to help you solve it.

The one issue that affects every other challenge in Alaska is the budget deficit. I have, therefore, devoted this letter and survey to that issue. Please take the time to read the information below and return the survey. If you have concerns or questions about any other issues, please contact me. I’ll be happy to hear from you.

### **The Percent of Market Value Plan (POMV)**

The proposed POMV plan would change how the earnings from the Permanent Fund are calculated and automatically provide for inflation proofing. The purpose of this change is to ensure that dramatic changes in the stock market and other investments of the Fund have less effect on Fund earnings. The Permanent Fund Corporation has recommended this change for several years. More predictable earnings would be good for Alaska for two reasons.

First, under the current system, the amount of the Permanent Fund Dividend (PFD) has been and is expected to remain extremely volatile in response to changes in the stock market. It’s even possible there could be no PFD at all, as very nearly happened in 2003. However, if POMV is put on the ballot and approved by voters, that volatility would end. The Permanent Fund Corporation’s experts say that PFDs would never drop below \$1,000, and would grow to more than \$1,300 in a decade.

Second, I have heard from many constituents who believe essential services need a steady funding stream. A predictable and steady amount of earnings *could* make it possible – *if Alaskans agree* – to use some of the earnings to pay for essential state services such as education.

For those two reasons, I am inclined to support the POMV plan. Please research the issue and let me know what *you* think by returning the enclosed survey. Detailed information is available at [www.apfc.org/pomv/index.cfm](http://www.apfc.org/pomv/index.cfm).

## Use of Some Earnings for State Services

While the POMV plan would make it more likely that the Fund would generate excess earnings -- money left over *after* PFDs and inflation proofing -- that could be used to help pay for essential state services, the POMV plan is a *separate issue* from use of the earnings.

Our current situation is this. Government has no money of its own. It simply collects money from its citizens and natural resources and then redistributes it to pay for services. We have a deficit of nearly one-half billion dollars that is growing despite massive cuts and loss of basic services. While the state must always use public monies wisely and efficiently, the majority of people I have talked to (in and out of the Legislature) agree we cannot balance our budget by cutting spending alone. We need new revenue. We have six sources of potential revenue that I have studied carefully during my eleven years in the Legislature:

- 1) **Resource development**, such as significant new oil and gas developments. While the Legislature is continuing its work to develop Alaska's resource wealth, it will take 10-12 years to develop the income necessary to plug the deficit in our state budget.
- 2) **An income tax**. Any broad based tax takes money out of the economy. They also tend to involve more people in how the state spends money. However, a progressive income tax would likely, according to Legislative Finance and the history of income taxes nationwide, get 80% of the money from only 20% of the people.
- 3) **A sales tax**. A sales tax, while difficult to implement fairly and without negatively impacting local communities' tax structures, would generate greater participation among Alaskans and from non-residents than would an income tax.
- 4) **Increased corporate taxes**. While I agree that corporations must pay their fair share, it is also true that any measure that would diminish a corporation's profits would also diminish Alaska's attractiveness as businesses decide whether to come to Alaska or expand their presence. I would prefer to increase the number of businesses in Alaska to add jobs and diversification to our state.
- 5) **Earnings of the Permanent Fund**. Use of the earnings is certainly controversial. It involves Alaskans' trust in their legislators and finding the right share between PFD payments and paying for essential state services.
- 6) **A combination of the above**.

I have also listened to your views closely. Based on my study and your feedback over the years, I have and will continue to advocate for the following **Four-Step Plan**:

- 1) **Continued work to develop our natural resources and attract new businesses to Alaska. The more economic development we have, the greater the corporate tax base.**
- 2) **A constitutional spending cap to give the public confidence that the Legislature will use fiscal discipline when spending the public's money.**
- 3) **Use of a portion of the earnings of the Permanent Fund for essential state services. This would create the widest possible public participation in state government spending, and**
- 4) **If necessary, a state sales tax, so that the greatest number of both residents and non-residents would contribute to state services.**

## Survey Questions

1. **Would you approve the POMV plan?**

\_\_\_ Yes

\_\_\_ No

2. **Would you support use of a portion of the earnings of the Permanent Fund for essential state services?**

\_\_\_ Yes

\_\_\_ No

3. **Please check the state services you use on a regular basis and/or believe to be essential enough to deserve funding from the Permanent Fund's earnings.**

\_\_\_ K-12 Schools or University

\_\_\_ Troopers, Courts, Prisons

\_\_\_ State Roads, Airports, Ferries, Ports/Harbors

\_\_\_ Services to Promote Business and Employment

\_\_\_ Air, Water, and Environmental Quality

\_\_\_ Fishing, Hunting, Wildlife Issues

\_\_\_ Senior, Children, and Disability Services

\_\_\_ National Guard, Homeland Security, Emergency Services, Veterans' Services

\_\_\_ Agriculture, Mining, Forestry, Oil & Gas, State Parks

4. **Please advise me of your thoughts regarding other issues of importance to you or ways in which I can serve you more effectively.**

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## **Legislative Updates**

Every week or so, I send Legislative Update e-mail messages with information about issues of interest to Senate District P. If you would like to receive these e-mails, please check the box below and print your name and e-mail address. Examples of previous updates and my privacy policy may be found at [www.akrepublicans.org/bunde/dis-bunde.php#District](http://www.akrepublicans.org/bunde/dis-bunde.php#District).

**I would like to receive Legislative Update e-mails to keep in touch with what's happening in the Legislature. I understand that my name and other private information will be kept confidential.**

Name: \_\_\_\_\_

E-mail: \_\_\_\_\_

