



# Senator Bert Stedman

District A ♦ April, 2004

Twenty-third Legislature Second Session



Dear Neighbor,

It's been my honor and privilege to represent you in the Alaska State Legislature. While each of the communities in Southeast are different, we all want what's best for Alaska and our unique lifestyle. One of the best parts of this job is meeting with you, listening to your concerns and going to work on your behalf. Our state faces a number of significant challenges and I'm grateful for the opportunity to bring your voice to the process. I encourage you to keep calling with your suggestions and advice.

The last three months in Juneau have been fast-paced and exciting. I've been working hard to revitalize our economy, create jobs, fund our schools and improve the transportation infrastructure throughout the district. As chair of the Community and Regional Affairs Committee, I'm well positioned to keep tabs on legislation important to our district.

Unfortunately, our crippling budget deficit overshadows every other issue we face. Despite massive cost cutting, we still have a deficit of nearly half a billion dollars. Alaska simply spends more than it earns, and together we've got to solve this problem. We must generate new revenue from resource development, taxes, the Permanent Fund or some combination of the three. There is no one single measure powerful enough to solve our current fiscal problem. Additionally, I'm advocating the Percent of Market Value (POMV) approach to managing our Fund. Not only is it sound fiscal policy, but it helps secure the long-term strength of the fund.

I'm proud of what I've accomplished in a relatively short period of time, but there is still much to be done. I'm anxious to get back to the district and look forward to visiting with you this summer. Thank you again for giving me your trust, confidence and support.

*Bert*



Senator Bert Stedman

Chair, Community & Regional Affairs

Member:

- State Affairs Committee
- Joint Salmon Industry Taskforce
- Western States Legislative Forestry Taskforce
- Pacific Fisheries Legislative Taskforce

Finance Sub-committees:

- Administration
- Community & Economic Development
- Education & Early Development
- Labor & Workforce Development
- Military & Veterans Affairs

- DISTRICT A**
- Ketchikan
  - Sitka
  - Petersburg
  - Wrangell
  - Pelican
  - Elfin Cove
  - Port Alexander
  - Saxman
  - Myers Chuck
  - Thorne Bay
  - Coffman Cove
  - Hollis



# POMV Takes Center Stage

Percent of Market Value or POMV is a proposal to change the way we manage the Permanent Fund and how we calculate the amount of money available for distribution each year. I strongly support this change.

POMV shouldn't be controversial, but there is a lot of misinformation out there about the concept. Currently, Fund earnings are computed as the average of the prior 5-year's income on the Fund's principal. POMV removes the distinction between principal and earnings and limits the annual draw to 5% of the combined total. Most charitable endowments and other large foundations already employ these concepts. The City & Borough of Sitka has been using POMV to manage their fund with great success.

POMV is not a "raid on the Permanent Fund." The Permanent Fund is protected by the constitution—it's earnings however, are not. In other

words, how to spend the earnings has always been up to the Legislature. Switching to POMV won't change that. But it will generate more predictable cash flow and give us a simpler, more effective way to manage the fund. Capping annual spending at 5 percent will stabilize the income stream and provide for automatic inflation proofing.

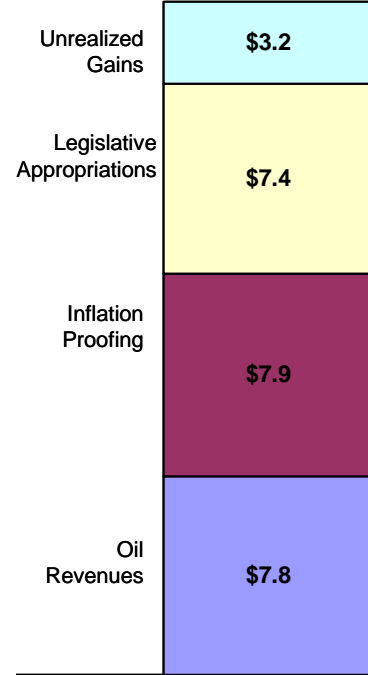
How we spend the 5% earnings distribution is a *separate issue*. Over the years, lawmakers (to their credit) have paid us an annual PFD, allocated \$7.9 billion for inflation proofing and put *\$7.4 billion back into the fund* through special legislative appropriations. But times have changed. Money is tight and the pressure in Juneau to use some of the Permanent Fund *earnings* is real.

I support using a portion of Fund earnings for essential state services. However, we need to improve management of the fund before we consider spending it's earnings. POMV is

a good start. But adopting POMV requires a constitutional amendment and until we convince you of its value, that isn't likely to happen. I hope you'll help me spread the word.

## Permanent Fund Principal

\$26.3 Billion as of 12/31/03



## A Fiscal Plan

Not everyone agrees on how to balance the budget, but they all agree on the facts: we have a \$500 million structural deficit and a dwindling Constitutional Budget Reserve (CBR). The state has spent more than it raised in 11 of the last 13 years. We can't balance the budget with spending cuts alone. Even with high oil prices, we need to raise more money. I'm promoting the following plan:

First, we need to continue developing our natural resources and attract new businesses to Alaska. The more economic development we have, the larger our corporate tax base and greater our resource royalties.

Second, we need to pass a constitutional spending cap. You need confi-

dence that the Legislature will use fiscal discipline when spending your money.

Third, we should use a portion of *earnings* from the Permanent Fund for essential State services. We can do this and still keep our dividend. It seems logical to me that we start with a plan to use half for dividends and half for government. If we calculated this year's PFD using the POMV approach and a 50/50 earnings split, our checks would be around \$1000, but the State would also receive \$650 million for the general fund. That said, the Legislature must retain the spending authority and flexibility they currently have. Neither the exact earnings split nor a dividend guarantee should be enshrined in the constitution.

If we can make these changes, an income or sales taxes wouldn't be necessary at this time and I don't support

either. Taxes take money out of your pocket and suppress economic growth when we need it the most.

We all realize the necessity to pay for essential public services, but I think we can do it in an economically responsible manner.



Rep Peggy Wilson & Senator Bert Stedman discussing legislation at the Capitol



## Our Commercial Fisheries

### *A Vital Economic Engine*

**G**rowing up in Petersburg and Sitka meant spending more than a few summers longlining and seining in Southeast. I understand the vital role commercial fishing plays in our district's economy. A profitable and healthy fishing fleet drives revenue to the community and creates work for our maritime support industries - the hydraulic shops, mechanics, welders, equipment suppliers, electricians and boat yards. I've been working hard to preserve the viability and independence of small business fishermen.

This session I introduced SB 286 to bring tax fairness to fishermen who catch and market their own fish. The bill is part of a coordinated statewide effort to make fresh Alaskan seafood more competitive. SB 286 creates a financial incentive for entrepreneurial fishermen who process and market their own catch, by lowering their Fisheries Business Tax by 2%. Under this

legislation, they will be taxed at the same rate as shore based processors and pay the tax on grounds price, instead of the higher retail price.

In addition to my work with the Salmon Industry Task Force, I helped preserve open access to cod and rockfish fisheries for our fisherman. We successfully excluded Southeast from legislation that creates a moratorium on entries in other areas of the Gulf of Alaska.

To have a competitive maritime industry, we need adequate support infrastructure. Upgrading our harbors and docking facilities is an ongoing priority of mine. There are a number of other infrastructure initiatives also underway—including cold storages, freight consolidation facilities and quality enhancement machinery. Although new capital improvement dollars are unlikely this year, I'm advocating long-term solutions to these

problems. I'll continue to do everything I can to accelerate these efforts and to get your community the resources and support it needs.

The Department of Fish & Game is an important ally in our effort to develop new and underutilized fisheries. They are doing an excellent job on a limited budget. But fisheries management is vital to the long-term health of the resource and we need to

ensure that they stay adequately funded.

Over the past several months I've been fortunate to meet with a number of fishermen and processors throughout the district. I hope you'll continue to share your thoughts and concerns with me and my fisheries aide, Ian Fisk. We look forward to working with you to keep Southeast Alaska's fishing culture vibrant and profitable.



John Wolton/Ketchikan

Harbormaster Lori Kolanko and Senator Stedman inspect the condition of Ketchikan's City Harbor

### Proactive on Important Fisheries Issues

- **Supported SB 273**— to reduce the ASMI board and end the 1 percent Salmon Marketing Tax
- **Supported HB 341**—provides dive fisherman flexibility to tax themselves at different rates
- **Opposed SB 318**—would have prioritized consumptive use of fish and game over commercial use
- Active member of Salmon Industry Task Force
- Helped organize a Fish Caucus to increase the awareness of fishing related issues in the Legislature
- Fighting against Open Ocean Aquaculture in federal waters

## Legislation Senator Stedman Introduced This Session

### SB 286

#### Direct Marketing Fisheries

- Lowers taxes for small boat catcher/processors
- Promotes entrepreneurial valued added fisheries business
- Encourages direct marketing of Alaskan seafood
- Simplifies fisherman's tax reporting

### SB 292

#### Youth Court Funding

- Provides stable funding source for Youth Courts
- Lowers cost of juvenile justice system
- Reduces instances of repeat offenses

### SB 300

#### Attorney's Liens

- Eliminates double taxation of court awarded fees by IRS
- Brings Alaska's lien law into line with the more favorable Oregon statute

### SB 328

#### Forest Receipt Income

- Allocates federal timber receipts to communities within the Tongass
- Ensures State disbursement procedures are in line with Federal requirements

### SB 346

#### Masters, Mates & Pilots

- Affirms the vital role MMP plays in our Marine Highway System
- Fast tracks the monetary terms of new contract



April 2004 ♦ Proud to Serve Southeast Alaska ♦



### Tell Me What You Think.....

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Senator Stedman meets with members of the Sitka Legislative Delegation

We're on the web at

[www.akrepublicans.org/stedman](http://www.akrepublicans.org/stedman)

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