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**Our Common Wealth for Common Needs:  
The Community Dividend**

**Fairbanks, Alaska Rotary Clubs  
March 5, 1998**

Good afternoon.

I figure I've been coming to Fairbanks for more than 50 years. It is an honor again to appear at this podium. I look forward to another 50! Dr. Wood, I'm sure you do, too!

Whether we've known each other for half a century, or we've met just today, you and I and all of us have something in common.

That something is what we all own in common - the State of Alaska and its many, commonly owned assets.

Possibly you've heard me talk about it before... it is the idea that our commonly owned assets make us the Owner State.

We're different from the other states, like Kansas, because our government can't be just a regulator. We're an owner. We make things happen with what we own. We invest in making our resources accessible. We meet our needs from earnings, not just taxes.

Remember how this all came to be.

We own 103 million acres of land together as a result of statehood. We collect royalties from leasing that land at places like Prudhoe Bay. We also get 90 percent of the revenues from resource development on federal lands.

Up to three miles offshore, we control more coastline than the rest of the United States put together. And we benefit from the development of more than 60 percent of the continental shelf owned by the United States.

One of the big victories of the statehood fight was the right to control management of our fish and game. That's something we don't want to give up.

And finally, we control the Permanent Fund - almost \$23 billion. It was created in the late 1970's to save some of the revenue from our non-renewable resources. But a further public purpose hasn't been determined. The only thing, we do with the revenue so far is distribute the income to individuals.

Now I like cashing my check just like everyone else. But I'm here today to suggest that we need a plan for all of our commonly owned assets - our lands, our seas, our fish and game, and even our Permanent Fund - to make Alaska a better place to live.

The idea I'd like to talk about is a community dividend program.

The proposal is one we've discussed with mayors, legislators, economists at the University. Most people think it can work, but all of them suggest it won't work unless people like you are involved.

So let me explain.

The idea is to keep paying the dividend we are ... we would just hold its growth in place for a time.

We wouldn't touch the principal of the Permanent Fund.

And we wouldn't need to touch the Budget Reserve, the Unappropriated Earnings Account, or any other state program.

What we would do is channel the growth of the Permanent Fund's income to our communities.

You'd get a dividend, and your community would get one too.

In about five to seven years, the dividends would be equal, and then they would both grow.

At the community level, you would decide where and how it is spent.

We would have the means to fix our schools, improve and maintain our roads, and build the amenities that make this country a nice place to live.

Go to Juneau today and you'll find the halls filled with lobbyists.

For the most part, they don't represent special corporate interests. They represent our communities, who are looking for money to meet community needs.

Except for national defense, I think most of what we want from government comes at the local level. It is education, clean and safe streets, clean air and water, and amenities that make our cities and towns a nice place to live.

The opportunity for the Community Dividend comes from the fact that our permanent fund revenue is growing.

The staff of the Fund testified in Juneau last week that we're set to give away as much as \$750 million in dividends next year.

That's at a time when we can't afford a capital budget, statewide, from the - general fund of much more than \$100 million. It's at a time when we are choking our University, and ignoring the fact that we can't develop this state without knowledge, education and research.

And we're increasing the dividend at a time when we're talking about borrowing statewide, to make up for deferred maintenance.

To me, it seems a little selfish. The so-called Permanent Fund mentality is the exploiter mentality - the come to Alaska, make your money and leave mentality.

It just doesn't fit.

I think we need to get back to our roots, and remember why we have a Permanent Fund in the first place. Our right to select 103 million acres of land has a political history. Most people forget Alaska almost became a

state without any land to speak of, with a bill that had passed the House but failed by one vote in the Senate in 1952.

Throughout the 1950's, statehood was basically opposed by a group of conservative Republicans who worried Alaska would just become a larger ward of the federal government.

So the final deal was this: We got the land we got so we could pay the bills the federal government was then paying.

If we recognize and empower our local government through a community dividend program, I believe we will meet that statehood responsibility and end up with Government that is closer to the people of Alaska.

After last week's Venetie decision, empowering our communities under the state umbrella became much more important.

I said it in my first State of the State message last time I was governor: we're one country, one people. Race doesn't divide us. We're all in it together.

It's been suggested to me that each community should vote on what it plans to do with the community dividend. I'd support that, because the Permanent Fund is special.

That dividend would be putting our common wealth to work for common needs.

It would be recognizing the obligations of ownership ... caring for the total.

No matter how rich you are individually - you could all be Bill Gates - individuals alone don't build the things that make a civilization.

Quality of life isn't money in the bank. It's what we do for ourselves, together, to improve the place where we live.

Most politicians I talk to are afraid to even discuss the Permanent Fund, unless it is promising you another check next fall. But in the end, I believe a Community Dividend will be as popular as the individual dividend.

In the same way we plan for our personal Permanent Fund checks to get something, done we need to do, this idea gives our communities ... the places we live and work ... a dividend they can plan on, year in and year out.

Since the Permanent Fund dividend program began in the early 1980's, more than \$6 billion has been made available for dividends.

Can you imagine? Six billion dollars is equal to 6,000 million-dollar projects.

Projections by the staff of the Permanent Fund indicate that under current formulas, more than three times that amount will be made available in the next 15 years. And if the Permanent Fund keeps making the returns it has been recently, there's as much as \$38 billion available for both programs.

Imagine that - 38,000 one million dollar projects over the next 15 years!

In other words, I think we can afford to keep a strong dividend and to establish a community dividend. In fact, when you look at community needs, you wonder how we can afford not to do it.

The University of Alaska alone has a maintenance backlog, last time I checked, of \$160 million. The needs for basic water and sewer in our rural communities were calculated to cost \$1 billion.

This community dividend program could actually save us money.

We often forget much of the current dividend is paid to Uncle Sam. The money we pay out in community dividends will not be taxed like the individual dividend is.

It has been estimated that 15% to 25% of what we pay out in dividends now goes to the federal government. And there is great concern that if we do not give the Permanent Fund a public purpose, the Fund's earnings themselves would be taxed in addition to the dividends-just like any other fund in this country that goes to private benefit.

In other words, a community dividend could help save your individual dividend and the fund itself.

And it sure beats borrowing with one hand to build what we need while we pay ourselves higher and higher dividends with the other.

In this pioneering country, we need to remember that we must allocate resources to capital. It is the common infrastructure -- our roads, schools, harbors -- that bring us the common wealth.

If we choose to reinvest our earnings in our communities, in education, in furthering our assets, we're voting for a future together. If we choose to channel all of our income into individual dividends it's a decision - like the exploiter - that we're just here to make our own pile and retire to warmer climes.

We can make this decision purposefully. Or we can let the status quo continue, and make the decision by default. That's why it's so important we quit making the Permanent Fund dividend the -golden calf- the untouchable issue - of Alaska politics.

I told the mayors I'll keep working on this. But it needs the support of the people, Support for a community dividend is support for a common future, here, together.

Several bills to try this are pending in Juneau. None of them are as simple as I've just laid it out, but they're a start.

There are a series of discussions sponsored by the Alaska Humanities Forum, called Principles and Interest, and that's an opportunity for you to get involved. I hope you'll let your legislators know if you support the idea.

Let me sum up by returning to the subject of our commonly owned assets.

You've heard the story about how we got our 103 million acres. That statehood land grant was the mother lode for the Permanent Fund.

If you look the world over, you'll find that most of the resources of the world are actually owned in common.

In this century, we're just getting control of the commons. Whether it is putting, our fisheries under management, or setting land into the hands of the people who live here in Alaska, we're really at the very beginning, of the world's recognition of the obligations of ownership.

In some places, like Zaire, we saw the commonly owned wealth being used for no common good - it went to buy villas in Europe for an aging dictator.

In Alaska, with the Permanent Fund dividend, we're at the opposite end of the spectrum we may be dividing, our wealth so much that none of the common needs are met either.

I believe the community dividend puts us right where we should be - managing, our commonly owned assets for the benefit of the total. We'd have our cake and eat it too -- a community dividend and an individual dividend would be the best of both worlds.

I'm really looking forward to your questions. Thank you very much for listening today, and having me here.

# # #

**Our Common Wealth for Common Needs: The Community Dividend  
Valley Republicans Mat-Su GOP Forum-- Mat-Su Resort  
May 14, 1998**

Good afternoon.

It's nice to be back in Wasilla. Winter or summer, Ermalee and I love to make this beautiful drive. Senator Green is a good friend, and I consider all of you good friends.

Today, among friends, I wanted to ask a basic question: What kind of Republicans are we?

Are we Republicans who believe in building Alaska? Or are we here to just build our own bank accounts?

Are we Republicans who believe in limited government?  
And if we are, do we still want our government to use what it owns to help make things happen?

Are we Republicans who are wary of government? Maybe we even despise government? Or are we Republicans who believe government is here to do for us together what we can't do alone as individuals?

Are we Republicans who believe in free enterprise? And if we are, do we also believe, like Teddy Roosevelt, that free enterprise left totally free can destroy itself?

I ask these questions today because while we're succeeding as Republicans in cutting government, limiting taxes, scaling back regulation, and protecting the Permanent Fund, we seem to forget about our greater mission here in Alaska.

We're here to build a country. We're not poor, we're only thinking poor. It is time to think rich again.

We own assets in common -- the fish in our seas, the oil, gas, minerals, timber with our lands, the Permanent Fund.

When you own assets in a dictatorship, that's called communism. When you own assets in a democracy, that's called an owner state.

Alaska was born an owner state. We believe in free enterprise, but we can't disbelieve in government.

Here in Alaska, where government owns most of our wealth, we can't just beat up government.

We have to recognize ... and fulfill... the obligations of ownership.

Remember how this all came to be.

Our right to select 103 million acres of land has a political history. Most people forget Alaska almost became a state without any land to speak of, with a bill that had passed the House but failed by one vote in the Senate in 1952.

Throughout the 1950s, statehood was basically opposed by a group of conservative Republicans who worried Alaska would just become a larger ward of the federal government.

They saw we needed roads, power, schools -- and they knew it would cost money.

So the final deal was this: We got the land we got so we could pay the bills the federal government was then paying.

The subsurface resources will always be owned in common. We own 103 million acres of land. We collect royalties from leasing that land at places like Prudhoe Bay.

We also get 90 percent of the revenues from resource development on federal lands.

From these assets, we have the income that runs our government. And we also have the Permanent Fund almost \$23 billion. It was created in the late 1970's to save some of the revenue from our non-renewable resources.

But a further public purpose hasn't been determined. The only thing we do with the revenue so far is distribute the income to individuals.

Now I like cashing my check just like everyone else. But I'm here today to suggest that we need a community dividend program, in addition to our individual dividend, to make Alaska a better place to live.

Let me explain.

The idea is to keep paying the dividend we are ... we would just hold its growth in place for a time.

We wouldn't touch the principal of the Permanent Fund.

And we wouldn't need to touch the Budget Reserve, the Unappropriated Earnings Account, or any other state program.

What we would do is channel some of the growth of the Permanent Fund's income directly to our communities.

You'd get a dividend, and your community would get one too.

In about seven to ten years, the dividends would be equal, and then they would both grow.

At the community level, you would decide where and how it is spent.

Except for national defense, I think most of what we want from government comes at the local level. It is education, clean and safe streets, clean air and water, and amenities that make our cities and towns a nice place to live.

The opportunity for the Community Dividend comes from the fact that our permanent fund revenue is growing.

The staff of the Fund testified in Juneau recently that we're set to give away as much as \$750 million in dividends next year.

And we're increasing the dividend at a time when we're looking to borrow, statewide, to make up for deferred maintenance.

To me, it seems a little silly. The so-called Permanent Fund mentality is the exploiter mentality - they come to Alaska, make your money and leave mentality.

It just doesn't fit.

It is easy to attack government and say, "Cut the budget." But government here has responsibilities other governments don't have.

I hear Republicans running for office who say don't touch the Permanent Fund revenue because government would waste it. That's a Permanent Fund mentality that never would have brought us Prudhoe Bay. It never would have brought us a road to Fairbanks. It never would have built us an Alaska Railroad ... parks in your city ... better schools.

It's been suggested to me that each community should vote on what it plans to do with the community dividend. I'd support that, because the Permanent Fund is special.

No matter how rich you are individually - you could all be Bill Gates - individuals alone don't build the things that make a civilization.

Quality of life isn't money in the bank. It's what we do for ourselves, together, to improve the place where we live.

Most politicians I talk to are afraid to even discuss the Permanent Fund, unless it is promising you another check next fall. But in the end, I believe a Community Dividend will be as popular as the individual dividend.

In the same way we plan for our personal Permanent Fund checks to get something done we need to do, this idea gives our communities ... the places we live and work ... a dividend they can plan on, year in and year out.

Since the Permanent Fund dividend program began in the early 1980s, more than \$6 billion has been made available for dividends.

Can you imagine? Six billion dollars is equal to 6,000 million dollar projects.

Projections by the staff of the Permanent Fund indicate that under current formulas, more than three times that amount will be made available in the next 15 years.

In other words, I think we can afford to keep a strong dividend and to establish a community dividend.

And another thing: The money we pay out in community dividends will not be taxed like the individual dividend is.

It has been estimated that 15% to 25% of what we pay out in dividends now goes to the I.R.S.

Senator Stevens said the other day that if we do not give the Permanent Fund a public purpose, the Fund's earnings themselves would be taxed in addition to the dividends just like any other fund in this country that goes to private benefit.

In other words, a community dividend could help save your individual dividend and the fund itself.

And it sure beats borrowing with one hand to build what we need while we pay ourselves higher and higher dividends with the other.

We can make this decision purposefully. Or we can let the status quo continue, and make the decision by default.

That's why it's so important we quit making the Permanent Fund dividend the golden calf - the untouchable issue - of Alaska politics.

For many politicians, the people running for Governor especially, anything to do with the Permanent Fund is a hot potato.

I think our candidates need to handle some hot potatoes!

That's what leadership is all about, and it's time we got taking care of our common needs -- and improving the quality of life here -- to be part of the agenda.

Republicans used to have the edge on Democrats when we ran on a growth platform. But today, we're running on a "dismantle government" platform. Right or wrong politically, it's not going to make Alaska a better place to live. Any candidate who tackles the quality of life issue well is worthy of our support. And none of them have, yet.

It may take an initiative, coming from the people, to set up a community dividend.

Let me sum up by returning to the subject of our commonly owned assets.

You heard the story about how we got our 103 million acres. That statehood land grant was the mother lode for the Permanent Fund.

If you look the world over, you'll find that most of the resources of the world are actually owned in common.

In this century, we're just getting control of the commons. Whether it is putting our fisheries under management, or getting land into the hands of the people who live here in Alaska, we're really at the very beginning of the world's recognition of the obligations of ownership.

In some places, like Zaire, we saw the commonly owned wealth being used for no common good - it went to buy villas in Europe for an aging dictator.

In Alaska, with the Permanent Fund dividend, we're at the opposite end of the spectrum - we may be dividing our wealth so much that none of the common needs are met either.

I believe the community dividend puts us right where we should be - managing our commonly owned assets for the benefit of the total. We'd have our cake and eat it too - a community dividend and an individual dividend would be the best of both worlds.

I'm really looking forward to your questions. Thank you

very much for listening today, and having me here.

# # #

**Remarks by Walter J. Hickel**

**Guest Editorial -- KTVA Channel 11 -- Anchorage April 6, 1998**

Here's a new idea for Alaska to consider with the income from the Permanent Fund. It's called a community dividend.

It starts with the fact our Permanent Fund comes from resources owned by the state.

Our land was not given to us as individuals. It was given to the state to do the job the federal government had been doing.

From the Fund, we get individual dividends. We enjoy them, but they don't go to meet our common needs.

Now let me ask this: If the state sent a dividend to your community at the same time they send one to **you**, wouldn't Alaska be a much better place to live?

The community dividend would not take from the dividend you now get.

It would help our towns improve our overall quality of life -- with better roads, schools, amenities.

The individual dividend would stay where it is, while the community dividend is established.

Soon, both dividends would be equal -- and they would grow together.

We wouldn't touch the money in the Permanent Fund. There's room in the income to meet the needs of our communities as well as ourselves.

Quality of life isn't money in the bank -- it's the benefit of those things we enjoy together.

The Permanent Fund earnings have never been used for a public purpose. The Community Dividend idea would establish a public purpose that would help us all.

**Remarks by Walter J. Hickel  
Kodiak Alaska Rotary and Lions Clubs October 8, 1997**

Good morning.

I love standing here at the top of the Pacific Ocean.

Kodiak, to me, is surely one of God's jewels. And all of you, especially Mayor Floyd -- Carolyn -- you wear this jewel well.

Carolyn hoped people in Kodiak could hear our proposal to establish a Community Dividend program with the Permanent Fund.

Her timing is great. My dividend this year was deposited Monday, so she knew, I'd have the money for a ticket down!

As you might have heard, after leaving Juneau as your Governor in 1994, I went back to school. We founded an Institute of the North at Alaska Pacific University.

The Institute will focus on management of commonly owned resources -- lands and oceans -- and how democracies respond to the obligations of ownership.

Democratic governments are uncomfortable with the job of creating wealth with their resources. And we've found with the current Permanent Fund dividend program, democracies can get too comfortable distributing wealth also.

In my talk today, I want to start with something we're researching closely about Alaska statehood.

Most of you know that Alaska got the right to select 103 million acres of common land with statehood. Since we're talking about education, here's a quiz for you: do you know why we got that land? Do you know how we got it?

I tell a story about my introduction to politics in Alaska, a time I was a carpenter, in 1952.

Most people forget this, but we were well on our way to becoming a state. A bill to sew our star on the flag passed the House of Representatives in 1951. In 1952, that bill failed in the Senate by one vote.

I took off my overalls after the bill passed the House and went back to Washington. We were going to become a state, but we got just 23 million acres of land, and 20 million acres of that was to be dedicated to education, not to any of our other needs.

It was statehood in name only. It gave us all of the responsibilities but none of the means to get the job done.

I went to Senator Taft, and I told him the bill had to be stopped. I was just a kid, and Bob Atwood -- who was publisher of the Anchorage Times and head of the pro-statehood movement -- made me a villain for doing so.

My point: Congress should just give us what we have, and we would become not just a great state of the Union, but a great country of the world.

Here in Kodiak, you know state and federal money is needed today to build our ports, harbors, bridges, roads, and schools. If we had become a state without the land that gave us Prudhoe Bay, I doubt we'd have half of what we have here now.

In the end, the answer to my quiz question is this. It was a group of conservative Republicans who insisted that Alaska get the resources it did with statehood so that we would have the means to pay our own way.

We got 103 million acres to select, and 90 percent of the revenue from federal lands.

The lands and resources of the state were given to our state government so they could pay the bill the federal government had been paying.

While homesteading was to be encouraged, the resource wealth was not given to be given away.

In fact, since 1921, when the Land Act was passed after the so-called Teapot Dome scandal, there was no way the subsurface resources of this state could be owned by anyone except the government.

Now let's skip forward 40 years. Here we are today, a model of an owner state. We manage our resources for the benefit of the total. Prudhoe Bay, for example, is the best example I know of a commonly owned resource being put to work not for the benefit of a few, but for the many.

In Alaska, we established the Permanent Fund. It has grown now to over \$22 billion, and it is growing still. The money from the Permanent Fund has yet to be used, however, for any public purpose.

Yes, we pay ourselves a dividend. I cash my check just like you. But we don't use the income in any way collectively to accomplish our common mission as Alaskans.

I'm here today to propose a new approach to the revenue -- not the corpus -  
- of the Permanent Fund.

I believe we should keep building the Permanent Fund, and I believe we should continue to pay the dividend. But I also believe we should look down the road at the expected growth of the dividend, and channel some of that money into a new program.

I call that program the Community Dividend.

The idea is this. Two weeks ago in Fairbanks, the Permanent Fund Board invited us all to dinner and announced that we're going to each get almost \$1300 this year.

Suppose that a year or two from now, the announcement is that we'll each get that same amount, and our local governments will also get a check of -- maybe-\$200 per person.

As the revenue from the Fund available for dividends grows, the numbers would soon be equal. My estimate, based on the current returns the Fund is

getting, would put the two checks about equal in seven to ten years. And then income to both dividends would take off and grow together.

In the City of Kodiak, with 7,300 people, a community dividend the size of this year's individual dividend would equal almost \$9.5 million dollars. And the same amount, given your population, could be distributed through the rest of the Kodiak Borough.

By giving a dividend to local governments, we put the money where the people are. Here in Kodiak, if you want to fix your school, you can fix your school. If you want to expand your harbor, you've got the capability. If Akhiok or Old Harbor wants a dock or a boardwalk, they've got the means to do it.

Most important. like the existing dividend program, you're able to plan for it ahead of time.

How often does your town, and every other, have to send someone to Juneau just to get basic funding for maintenance of infrastructure, much less an important capital project?

The hallways in Juneau are crawling with lobbyists, sent there by Alaska's voters, to get money for their cities and towns. It's awful.

The community dividend program would put the decision in your hands.

I've taken this idea to the mayors, to other former Governors, to our current Governor, and to the Legislature. Senator Lyda Green tells us her proposed constitutional amendment would give this idea a chance. And the legislature has a committee looking at deferred maintenance needs all over the state, and funding options.

Ladies and Gentlemen, the state's capital budget for the last few years has leveled out at \$100 million. That's barely enough to make a dent in our needs for maintaining our roads and schools and water and sewer. It means little or nothing to beautification, enhancement of our environment where we live.

The University of Alaska alone has a maintenance backlog, last time I checked, of \$160 million. The needs for basic water and sewer in our rural communities were calculated to cost \$1 billion.

I believe the community dividend program is the most viable funding option to meet our needs. And like your dividend now, it is up to you -- working through your closest level of government, your city and borough -- to decide which capital and maintenance projects use the money.

Let's talk about the money that will be available.

If you've been counting since we started paying dividends in this state, you know that by the end of last year we've distributed over \$6 billion. That's over a 17 year period.

Now the Permanent Fund has estimated how much money will be available to distribute over the next 17 years if the Fund returns a conservative four percent after inflation.

That number is close to \$19 billion -- three times what has been given out in the last generation.

What's more, if the Fund continues to make a return of eight percent after inflation like it does today, over \$38 billion would be available.

The story those numbers tell is this: we will have enough growth in our revenue to keep paying the dividend we are, and to pay communities a like amount in a very short time.

What we often forget about the current dividend program is that much of it is paid directly to Uncle Sam. The money we pay out in community dividends will not be taxed like the individual dividend is.

Finally, in this pioneering country, we need to remember that we must allocate resources to capital. It is the common infrastructure -- our roads, schools, harbors -- that bring us the common wealth.

I believe 25 to 30 percent of state spending should be in capital -- and the community dividend program will get us there. That's not building for the sake of building -- that's meeting our needs and maintaining what we have.

I'm going to close now, because I'm interested in hearing your questions. The most important part of this proposal is that it gets us to a public purpose for the Permanent Fund that meets Alaskans needs, does not inflate the size of government.

You will hear proposals to spend Permanent Fund earnings on state operating programs. There are other proposals to endow education.

But I believe a community dividend will help all those needs. It will fund school facilities, the hardest thing in education to get funded. It will reduce pressure on the property taxes, and the state operating budget.

Furthermore, the community dividend program is most consistent with that story of how and why we got our Alaska statehood lands.

Ladies and Gentlemen: thank you for listening, and I look forward to your questions. There are many politicians afraid to touch the earnings of the Permanent Fund. There are all sorts of "don't touch the Fund" measures headed for next year's ballot.

I believe Alaskans will do better than that.

I think that by keeping the dividend we have, and sharing some of the growth with a community dividend, we've got a great chance to meet our common needs even as we feed our individual desires.

Thank you very much, and please ask questions.

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**Remarks by Walter J. Hickel  
Alaska Municipal League -- Ketchikan  
November 12, 1997**

Good afternoon.

Mayor Floyd, it is a pleasure to see you again.

To you, honorable mayors and others, thank you for having me here.

I was in Kodiak on election day in October. Carolyn's reelection was unanimous. She took it like every other day ... and was hard at work at seven the next morning.

I'll say it was hard work! She had breakfast with me!

The topic was how to do something that is right for Alaska, and not just politically easy.

I'm here to follow up. A year ago I joined your meetings in Anchorage. We discussed the idea of creating a community dividend program.

The idea is this: let's begin to issue a dividend to the communities where people live at the same time we pay a dividend to individuals.

We would fund the program from the continuing growth in permanent fund earnings.

When the community dividend catches up with the individual dividend -- and I think that could happen in seven to ten years-- both dividends would continue to grow together.

The community dividend would be used by your communities, as you see fit, for capital and maintenance projects.

It's that simple.

We took this idea to Governor Knowles and the legislative leadership last February. Then Governor Hammond and I met last spring with a group of

Mayors including Carolyn Floyd, Rick Mystrom, Mike Navarre, Sarah Palin, and Jim Sampson in Anchorage.

Last month, Kevin Ritchie and George Wuerch and I testified before the Legislature's task force on deferred maintenance.

By working together, we've helped focus on the key opportunity.

The fact is, Permanent Fund revenue is growing. It is reflected in the size of our individual dividend, which has grown from \$953 in 1990 to close to \$1300 today.

At the same time, Alaska's general fund and operating budget has fallen dramatically. We're cutting government to try to meet current revenues in Juneau.

When this happens municipalities have just one alternative -to raise property taxes. You know that's not easy.

Suppose you raised property taxes at the same rate the dividend has been growing? You couldn't do it.

The people of Alaska believe in the dividend. But there's something we can't ignore: if the Permanent Fund continues only to support that one program, it could be taxed as having no public purpose.

Suppose you and I had a private oilfield, and got revenue like the state does from Prudhoe Bay. If we set up a fund to make investments and only pay us dividends like the permanent fund, the federal government would tax it.

We'd be taxed twice, before the dividend and after.

That's one reason why we have to make sure the Permanent Fund keeps a public purpose.

Some would make that purpose funding government, or just education. We should pay for the basics of government as we use them. But the earnings from our capital should go into those things the individual can't do -- roads, schools, public buildings, beautification.

The community dividend would be used to go into those things that make Alaska a better place to live.

We're a frontier here -- with a lot of frontier inconveniences. We'll be improving civilization here for a long time, and that relies on capital.

When we became a state, it was clear we couldn't catch up with the rest of the country and pay our own way on taxes alone.

How could a state with a limited number of people, so much coastline, so much land, support itself?

That's why we got 100 million acres at statehood. That's why we fought to keep Alaska from being divided at the Yukon River, so we could select Prudhoe Bay. It was a group of conservative Republicans in Washington who had opposed statehood. They came around to support statehood only if we got the land, the resources, and 90 percent of revenues from resources on federal lands.

The lands and resources **of** the state were given to our state government so they could pay the bill the federal government had been paying.

The resource wealth we got could not be given away.

People -- and our legislators -- are beginning to understand that while it is easy to bash government, statehood gave our governments some pretty big responsibilities.

We're an owner, not just regulators We have obligations of ownership.

Alaska's communities are in the front line in meeting those needs, and they need help. Not only do you provide education and safety, roads and harbors, but you provide the amenities which make this a nice place to live and visit.

Community centers are yours. Parks are yours. Flowers and trees are your responsibility.

You provide for these things with decision-making closest to the people.

Yet you have the same constituents as Juneau and Washington. Your constituents want you to work together.

The argument is we should use our Permanent Fund income collectively, as well as individually, to accomplish our common mission as Alaskans.

We should keep building the Permanent Fund, and not touch the principal.

We should continue to pay the dividend.

But I also believe we should look down the road at the expected growth of the dividend, and channel some of that money into a new program.

That's the idea of the Community Dividend.

You can work out the numbers for your own community.

By giving a dividend to local governments, we put the money where the people are. If you want to fix your school, you can fix your school. If you want to expand your harbor, you've got the capability. If Stevens Village or Old Harbor wants a dock or a boardwalk, they've got the means to do it.

Most important, like the existing dividend program, you're able to plan for it ahead of time.

Senator Lyda Green tells us her proposed constitutional amendment would give this idea a chance, and I'm hopeful Rep. Al Austerman, who has proposed a similar bill, will do the same thing on the House side.

Ladies and Gentlemen, the state's capital budget for the last few years has leveled out at \$100 million. That's barely enough to make a dent in our needs for maintaining our roads and schools and water and sewer. It means little or nothing to beautification, enhancement of our environment where we live.

Our community dividend idea would protect the communities over the long-term, as part of the same constitutional amendment proposed to protect the individual dividend.

Some people have proposed we address our capital and maintenance needs by borrowing.

Borrowing can work to get things started, but we should not depend on borrowing for the long term. It costs so much more. The state climbed out of that hole in the 1980's, and why should we borrow with one hand while we pay ourselves with the other?

If you've been counting since we started paying dividends in this state, you know that by the end of last year we've distributed over \$6 billion. That's over a 17-year period.

Now the Permanent Fund has estimated how much money will be available to distribute in the coming generation if the Fund returns a conservative four percent after inflation -that's half of current returns.

In the next 17 years, close to \$19 billion is available for dividends -- three times what has been given out in the last generation.

What's more, if the Fund continues to make a return of eight percent after inflation like it does today, over \$38 billion would be available.

The story those numbers tell is this: we will have enough growth in our revenue to keep paying the dividend we are, and to pay communities a like amount in a very short time.

What we often forget about the current dividend program is that much of it is paid directly to Uncle Sam. The money we pay out in community dividends will not be taxed like the individual dividend is.

Finally, in this pioneering country, we need to remember that we must allocate resources to capital. It is the common infrastructure -- our roads, schools, and harbors -- that bring us the common wealth.

I believe 25 to 30 percent of state spending should be in capital -- and the community dividend program will get us there. That's not building for the sake of building -- that's meeting our needs and maintaining what we have.

I'm going to close now, because I'm interested in hearing your questions. The most important part of this proposal is that it gets us to a public purpose for the Permanent Fund that meets Alaskans needs, does not inflate the size of government.

Thank you very much, and please ask questions.

# # #

Sunday, December 7, 1997 Anchorage Daily News

## **Use Permanent Fund for common wealth**

Which is more valuable,

Alaska's money in the bank or the land and resources under its belt?  
Our commonwealth is more than what we've saved in the \$22 billion Permanent Fund. Our 103 million acres of land and resources, which provided the money for the Permanent Fund in the first place, is the mother lode.

As owners, we need a strategic plan for all of our assets. The Permanent Fund does much to improve our income individually, - but little to improve our common wealth together. Prudhoe Bay brought us the Permanent Fund. But the "permanent fund mentality, which ignores public needs in favor of just the individual dividend – could prevent us from making Prudhoe Bays.

We do very little to judge our elected leaders on the return they earn for the assets we own as a state. Should we hold our elected leaders to that standard? Can we begin to hold our political managers to some of the same standards we hold for our financial managers? I think we can, and should, several ways

First, we should insist that the Permanent Fund income is used for a public purpose as well as paying dividends. A community dividend program should be set up to pay our communities to improve education, roads, public facilities and beautification. This would take money, away from other state program. It would allow, our communities to better plan for expenditures, just like who know, the dividend is coming. The dividend from our wealth that is used by all of us should be used wisely. I believe this new form of income to communities will do much to get people involved in making Alaska a better place to live.

- Second, we should ask for a better accounting of what happens to our public land and resources. Maybe our land managers' annual report could show where we're earning from what we own, where we're employing from what we own, and put out for public approval the changes necessary to do a

better job. Alaska is a world leader in environmental protection, and we do not presume that every acre we own should be developed. But in the areas we've set out for development, we should be looking for the best return on our assets -the same standard we ask of those who manage the Permanent Fund.

**If we choose to reinvest our earnings in our communities, in education, in furthering our assets, we're voting for a future together**

Third, we should review our regulations and procedures to make sure we do the best job as owners to spur free enterprise to produce more from what we own. In the owner state, government owns the resources - but relies on private industry and the market economy to get resources into production. In 1957, before we became a state, the late Alaska senator Bob Bartlett warned our Constitutional Convention of two dangers from that relationship.

"The first, and most obvious danger," Bartlett said, "is that of exploitation under the thin disguise of development. The taking of Alaska's mineral resources without leaving some reasonable return for the support of Alaska governmental services and the use of all the people of Alaska will mean a betrayal in the administration of the people's wealth. The second danger is that outside interests, determined to stifle any development in Alaska which might compete with their activities elsewhere, will attempt to acquire great areas of Alaska's public lands in order not to develop them." In recent weeks, the state of Alaska has asked Exxon to present a development plan for the resources it leased at Point Thompson. Inherent in that request is the question, justified or not, that Exxon with interests around the world - may not be putting development of its Alaska-based assets first.

Fourth, to improve our, 'common wealth, we need a stronger commitment to research, development and education. Tall, today- about further cutting the University of Alaska is, to me, outrageous. How, can we expect to grow a country based on natural resources if we don't believe and insist upon - an academy dedicated to helping us find value? The discussion under way on the future of the Permanent Fund has large implications for the future of Alaska. If we choose to reinvest our

earnings in our communities, in education, in furthering our assets, we're voting, for a future together. If we choose to channel all of our income into individual dividends, it's a decision - like the exploiter - that we're just here to make our own pile and retire to warmer climes.

I think Alaskans are beyond the exploiter mentality. We're big enough to vote for the future, and we recognize the obligations of ownership.

**Walter, J. Hickel served as governor of Alaska twice and was Secretary of the Interior during the Nixon Administration.**

**Remarks by Walter J. Hickel**  
**Principles and Interests:**  
**The Permanent Fund and Alaska's Future**  
**November 21, 1997 -- Fourth Avenue Theatre -- Anchorage**

Good afternoon.

What a happy day this is when we can discuss what to do with \$20 billion dollars.

I'm not talking about the Permanent Fund itself ... I'm talking about income available to pay out over the next generation.

I favor the dividend approach ... individual dividends and community dividends.

The idea I'd like to discuss is a community dividend program.

Let's issue a dividend to the communities where-people live at the same time we pay a dividend to individuals.

We can fund the community dividend from the growth in Permanent Fund earnings. It will start small.

When the community dividend catches up with the individual dividend -- and that could happen in seven to ten years-- both dividends would grow together.

The community dividend would be used by our communities, as they see fit, for capital and maintenance projects.

It's that simple.

We have a Permanent Fund. It's about time to give the fund a public purpose, besides just paying individuals.

It was Prudhoe Bay that gave us a Permanent Fund, but with today's Permanent Fund mentality, we wouldn't have Prudhoe Bay.

We can't build a country here unless we invest -- in roads, schools, trails, harbors, beautification.

Today's Permanent Fund mentality is "pay me, not "build the country." But Alaska is no longer just a place people come to, make their pile, and retire outside.

I believe Alaskans understand we have long-term needs. The proposal to lock the Permanent Fund dividend in the constitution, tied to a community dividend, can put the Fund to a good, long-term use.

Permanent Fund revenue is growing. We see it in our dividend, which grew from \$953 in 1990 to close to \$1300 today.

At the same time, Alaska's general fund and operating budget has fallen dramatically. We're cutting government to try to meet current revenues in Juneau.

When this happens municipalities have just one alternative -to raise property taxes. And the job of fixing up our country just isn't done.

The people of Alaska believe in the dividend. But there's something we can't ignore: if the Permanent Fund continues only to support that one program, it could be taxed as having no public purpose.

The dividend is taxed now, after you receive it. There's danger we'd be taxed twice, before the dividend and after.

A community dividend program is not taxable.

We should pay for the basics of government as we use them. But the earnings from our capital should go into all those things the individual can't do -- roads, schools, public buildings, beautification.

People -- and our legislators -- are beginning to understand that while it is easy to bash government, statehood gave our state and local governments some pretty big responsibilities.

It is vitally important to remember the real roots of this Fund.

Alaska got the land and revenues it got so we could pay the bill the federal government had been paying.

We're an owner, not just a regulator. We have obligations of ownership.

We should keep building the Permanent Fund, and not touch the principal.  
We should continue to pay the dividend.

Since we started paying dividends, we've distributed over \$6 billion. That's over a 17-year period.

In the next 17 years, close to \$19 billion is available -- three times what has been given out in the last generation.

If the Fund continues to make a return of eight percent after inflation like it does today, there's over \$38 billion available.

Those numbers tell a story: growing revenue will allow us to keep paying the dividend we are, and to pay communities a like amount in a very short time.

Most important, like the existing dividend program, communities could plan for it ahead of time.

Senator Lyda Green tells us her proposed constitutional amendment would give this idea a chance, and I'm hopeful Rep. Al Austerman, who has proposed a similar bill, will do the same thing on the House side.

Ladies and Gentlemen, the state's capital budget for the last few years has leveled out at \$100 million. That's barely enough to make a dent in our needs for maintaining our roads and schools and water and sewer. It means little or nothing to beautification, enhancement of our environment where we live.

I'm going to close now, because I'm interested in hearing your questions. The most important part of this proposal is that it gets us to a public purpose for the Permanent Fund that meets Alaskans needs, and does not inflate the size of government.

Moreover, it takes money away from no existing state program, including the current dividend.

Thank you very much, and please ask questions.

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**Anchorage Daily News— by Walter J. Hickel  
(Published October 13, 1996)**

What are we going to do with \$19 billion?

I'm not talking about the \$19 billion the Permanent Fund. It should keep growing. But if we continue with the present formula, at least \$19 billion in dividends will be paid out from the Permanent Fund by 2015. By December of this year, more than \$6 billion will have been given away already.

That \$19 billion available for distribution could even be larger if the Permanent Fund continues to earn at the current rate. Payments between now and 2015 could be \$38 billion.

The dividend could become a false god -- a golden calf, like in the days of Moses in Egypt. Remember first that the dividend comes from our collective assets -- the land that the state of Alaska owns. We should use some of the income for collective needs.

When Congress agreed to Alaska statehood, it said Alaska's obligations will always be massive because of its small population and vast acreage. There was no way Alaska could support itself on taxes alone.

With the money from the Permanent Fund, we have the ability to meet needs we share collectively. We can do this, and keep a strong dividend program.

Let's start with the basic needs of a young, northern country: schools and roads, drinking water and sewer, power, bridges, airports and docks. A large number of Alaskans don't have these facilities, or they are not up to standard.

We need to think about our kids, and the schools. We're way behind in equipping our schools, and modernizing them for the information age. If we don't address maintenance and upgrading deferred maintenance today, we'll be far worse off ten years from now. Right now, the University of Alaska's deferred maintenance exceeds \$150 million.

The alternative to using some of these earnings is to levy taxes. Is this what Alaskans want?

When I was governor, three years ago, we established a matching grant program. That program is now largely unfunded. In simple terms, a community decides what they want to build -- be it a boardwalk down to the river or a new school. To get the state money, communities must match state expenditures by 10% to 50%, depending on the size of the community.

Whether you are a mother in the PTA, or the mayor of an Alaska community, you should fight for this program. Permanent fund earnings should be used for quality-of-life and down-to-earth capital projects that communities need -certainly not to operate government.

Second, we should remember there is no wealth without production. We cannot just save ourselves rich. We have a Permanent Fund, but we don't have a permanent economy.

In 1914, when Judge Wickersham convinced the federal government to build the Alaska Railroad, its primary purpose was not to make money but to open up the country. It worked.

Other parts of our state need access. The idea of a railroad from near Fairbanks into the Seward Peninsula has been discussed for years. The iron wheel and the rail is the safest environmental way to provide access in the Arctic. The Russians have realized it for a century, and extensions to the Trans-Siberian Railroad continue still.

To provide rail access to the mineral resources of northwestern Alaska might cost \$2-\$3 billion. It would allow some of the trillions of tons of coal on those lands, and other valuable minerals to reach the market. These resources can create new revenue for the Permanent Fund.

The dividend program is very popular. But a permanent, vibrant economy is vitally needed. If Alaska sets the right course now, there is money to serve both masters. If we split the earnings from the Permanent Fund half and half -- to dividends and investments in our state -- fund earnings are growing so fast it would not be long before the dividend is greater than what we're paid now.

The money we split off from the dividend program should not go to the general fund. It should go to a dedicated fund to meet our obligations of ownership. And we'll have much more to show for it.

Before we unconsciously drift into paying out five or ten times the dividends we've paid already, let's make certain the basic needs and obligations of our people and communities are met. The lands we gained with statehood, and the resources with them, were given to Alaska to build an economy. We must recommit ourselves to doing just that.

In Anchorage Daily News, Sunday, July 14, 1996

**The Permanent Fund will not  
create a permanent economy**

By Walter J. Hickel

July 14, 1996

Alaska is a very rich state, but for too long our quality of life has not been greatly enhanced, and our deferred maintenance virtually ignored. And at the same time, Alaska has been saving, billions of dollars, and handing out nearly \$1,000 a year to every Alaskan, regardless of need.

Currently Alaska's Permanent Fund has over \$19 billion dollars--that's \$19 thousand million--and it pays our citizenry about \$600 million a year.

Our state's wealth should not just be measured by how much money we have in the bank. Real wealth is the fine public buildings, the roads, the schools, the beautification, and quality infrastructure that we can enjoy and leave for our children. That is what will attract new businesses to our state. And in my opinion, that is our government's obligation, since we collectively own most of the land.

I believe Alaska should use a portion of our Permanent Fund's earnings and/or cap our dividends to help build and maintain our public infrastructure.

Don't get me wrong, the theory behind the creation of the Permanent Fund was a great idea: to instill a long-range savings plan, and to share the wealth with Alaskans. But sharing the wealth should not mean just handing out money to individuals. We need to share the wealth for the collective good of our people living in Alaska.

My good friend, former governor Jay Hammond may disagree with me that we should never touch the earnings or the dividends. I call Alaska "the owner-state." Hammond has termed Alaska, "the owner people."

We both agree that the fund should continue to grow, the principal should not be touched, and it should be adjusted for inflation each year. And we both agree the resources were given to Alaska.

But, as our Statehood Compact clearly indicates, our public resources were not to be given to individuals, but rather to the state, to provide Alaskans what they could not provide for themselves.

When Congress agreed to Alaska statehood, it said Alaska's obligations will always be massive because of its small population and vast acreage. There was no way Alaska would ever be able to support itself on taxes alone.

Three years ago, the "Matching Fund Grants" program became law. This legislation authorizes municipalities to determine what improvements they want in their community, and come up with a portion of the financing, depending on its size, and revenue-generating capabilities. Smaller villages, for instance, that might want to build a boardwalk to the river would pay 10 percent for their project. Larger communities would pay up to 50 percent. The state would fund the rest.

The philosophy behind the matching fund grant concept is that when a community identifies its priority project, and raises the funds for a portion of the cost, it has a higher stake in the ownership of that project. This idea is the finest form of local government control.

A portion of the earnings from the Permanent Fund, and the Dividends we currently pay to our citizens should be used to enhance the matching fund grant concept.

We can no longer afford to ignore the collective needs and quality of life of our people, for the short term gain of the individual. If we continue on our present course, there will be little improvement in the collective infrastructure needs of our state.

Therefore, it should no longer be considered political suicide for a politician to have the courage to talk about a "collective use" for building and maintaining Alaska using the earnings, or a portion of the Permanent Fund. Instead, we should rally behind the idea. At stake is the quality of life of our state.

The Permanent Fund Dividend will not give Alaska a permanent economy. We cannot save ourselves rich. To have a rich civilization, we need to build a quality of life that is second to none.

Thank you.

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