

SCOMM

#9:195

Structures, Tools and Guidelines

EFFORT	TASK REQUIREMENTS
<u>Legal Analysis</u>	
.Preliminary	Define "permanent" and "income producing" (market ROI? over-all vs. project? income to fund or individuals?).
.Final	Refine above plus defining "prudent person," inflation, reserve accounts, & put into fund (greater than 25% - can it be withdrawn, interest (can it be withdrawn)?
<u>Fund Management Activities</u>	
.General	Critique of present enabling legislation overview of CDC, Development Banks, State Banks, credit unions, consumer coops, etc. - traditional goals.
.Interim	Refinement of above including a comparative evaluation, pros & cons, implications, relationships to State goals, general selection criteria, test strategy with types of investments.
.Final	More detailed and analytical evaluation of selected management fund strategies including analysis of practicality, conflicts, with existing legislation, implications, political considerations (special interest groups).
<u>Fund Management Structure</u>	
.Preliminary	For selected management alternatives, investigate structural make-up potentials-control, organization, operating procedures, accountability, performance evaluation, flexibility to change, safety and maintenance of fund
.Final	Refinement of above, including investment criteria, staffing, funding, location (centralized or regional), pilot projects requirements, sunset concept

Dept. of Revenue
Legal Division (LAA)
Peter McDowell
DPDP
Dept. of Interior

P.F. Staff

Goals and Objectives

EFFORT	TASK REQUIREMENTS	Actors & Activities	P.F. Staff
<u>Summary of Background Information</u> .Public Forum .SIAC .Misc.	What has been said; what directions were given; what can't be determined; what problems were highlighted (comprehensive, absence of back-up material); what can back-up material provide? Summary of SIAC consultant inputs, future plans, coordination possibilities. Prior consultant advice; legislative/staff points of view and information; types of investments, management, results, performance of other major investment efforts in Alaska (e.g. Native Corporations).	Public Forum (DPDP) Jack Krase CCBT Rowan McGinnis June Spencer Portola Inst.	
<u>Legislative Report - Public Forum Report</u>	Generate reports including back-up information and tabloid-ready questions.	Rowan Poll (June 1)	

Investment Planning and Impact

			P.F. Staff
<u>General Implications</u> .Broadbrush .Analytics	Think piece on potential impact of fund on Alaska, in-state vs. out-of-state investments; efficiency of capital markets, loan vs. direct expenditures. Analytical evaluation of above-impacts on population, per capita income, and growth.	DPDP Legislative Research DNR ISER	
<u>Investment Studies</u> .General .Interim .Final	Overview of investment opportunities, sectoral and regional analyses, State programs, evaluation (in terms of market return/viability) Refinement of above, including rationale, criteria for project selection, measures of success, long-term implications, sensitivity analyses, specific investments comparative evaluations Effort is an on-going responsibility of fund managers	ISER - M.A.P. Revenue - Revenue Model Econ. Dev. - Impact Model Alaska Inc. (Covington/Burling.)	
<u>Fiscal Planning</u> .Initial .Preliminary .Final	Definition of fiscal tools (loans, bonds, CIP, Renewable Resources Revolving Fund, general fund, etc.) strengths and weaknesses. Short- and long-term possible expenditure patterns combined with alternative revenue projections. Investigate size of "surplus" in general fund, implications for Permanent Fund contribution, context for evaluating alternative uses of earnings moving the financing of government expenditures to a recurring basis. Continuation of above.		

Alaska State Legislature

Representative
CLARK GRUENING
940 Tyonek Drive
Anchorage, Alaska
99501

907-274-2446



Chairman
SPECIAL COMMITTEE ON
THE ALASKA PERMANENT FUND
Chairman
WAYS and MEANS SUBCOMMITTEE
Member
FINANCE COMMITTEE
LEGISLATIVE COUNCIL

House of Representatives

POUCH V JUNEAU 99811

May 1, 1978

Mr. Glenn A. Olds
President
Alaska Methodist University
Anchorage, Alaska 99504

Dear Glenn:

I appreciate very much your continued interest in the permanent fund and other crucial issues which affect us all. I am enclosing for your review the version of the House permanent fund organization which passed the House 34-6 on March 23 and an executive summary of that bill. I believe the House organizational design will allow the greatest flexibility and productive management of the principal of the fund. The question that remains to be addressed is the use of the income and whether that income ought to be dedicated to any particular endeavor. Because of your interest, I am also enclosing a copy of CS for HB 722 which establishes an Alaska council on science and technology. It occurs to me now that the bill is almost ready for vote on the House floor, that perhaps a similar council ought to be established for the humanities or that the scope of the council in HB 722 should be expanded to include the humanities.

I appreciate your comments on the Battelle Institute. Having reviewed some of their research projects, I have been most impressed with the competence of that organization. I do not believe however, that additional modeling by Battelle of some of the strategy or organizational design for the permanent fund would be available in time for consideration before the end of this session. Nevertheless, should a prudent investment organization evolve for the permanent fund, continuing information on investment strategy, goals and uses and dedication of earnings from the permanent fund will be necessary in the future.

Cordially,

A handwritten signature in cursive script, reading "Clark Gruening".
Representative Clark Gruening

Enclosures
CG:jl

Alaska Methodist University

Anchorage, Alaska 99504

Office of the President
907-276-8181

April 15, 1978

Representative Clark Gruening
House of Representatives
Pouch V
Juneau, Alaska 99811

Dear Clark:

You have my earlier comments on the permanent fund.

You might be interested that I have had my students in my Master of Liberal Arts course on "moral values in a changing world" address this as one of the critical issues. Joe Wiley, Executive Vice President of Carrs and Malcolm Roberts did an extraordinary job in tackling it; and it occurs to me that you might want to be in touch with them on some of their ideas.

The purpose of this note is to draw your attention to Battelle Institute of Columbus, Ohio, which I think may provide one of the most exciting models for some of your thought. When it was founded years ago, a brilliant young inventor noted that there was no institutional support for the creative or inventive in our kind of society. They were sustained by kings and princesses but no one was really paying attention to how to keep alive this continuing recycling resource, which in many ways is more critically important than virtually any other resource we have. Battelle Institute was designed as a profit making - non-profit organization whose profits were plowed back into the release and liberation of these kinds of activity.

Battelle Institute, now with headquarters in Columbus, Ohio, and offices all over the world, is one of the largest most creative and vigorously involved in tackling some of the most urgent problems of human survival: including energy, housing, planning, and the rest.

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House of Representatives

POUCH V JUNEAU 99811

MEMORANDUM

RE: ADL Study
TO: Reps. Malone & Gardiner
FROM: Rep. Gruening
DATE: May 5, 1978

Attached is a copy of a March 22, 1978 letter from Mr. Hurley of ADL stating that the addendum to the main ADL study "Economic Development in Alaska" was done in lieu of task 5 of the original proposal. Task 5 was not done - "...we will not be completing the development of investment criteria for the fund since our earlier work and our report suggest this step will not be necessary." To the contrary, the report and addendum (\$7.4 billion in capital needs for candidate industries) show that investment criteria are absolutely necessary. I did not approve redefinition of task 5 nor approve the addendum study as required by free conference intent.

At Hugh's urging, I wrote ADL asking for a response to the unanswered questions (letter attached). According to Peter Bushre of Revenue, who has taken Edenso's former position, the bottomfish industry feasibility study is part of the redefined task 5 which will not exceed \$14,500.

Attached is a draft copy of the proposal which will have some of the same deficiencies the original ADL study has. Edenso is now in San Francisco talking to ADL and the final ADL proposal for bottom fishing is being developed. I suggest we contact ADL and Edenso (Hyatt House 415 398-1234) and get a meaningful study done.

Alaska State Legislature

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House of Representatives

POUCH V JUNEAU 99811

May 1, 1978

Mr. Malcom Roberts
630 W. 4th Ave
Anchorage, Alaska 99501

Dear Friend Malcom,

Glenn Olds, in a recent letter to me shared the fact that you and Joe Wiley participated in his Master of Liberal Arts course on "Moral Values in the Changing World" and discussed the permanent fund as one of the critical issues. I have been most impressed with President Olds and hope to have an opportunity to hear from you the ideas that developed out of the course with Mr. Olds. As I mentioned in our recent telephone conversation, I hope that you will be able to raise questions and discuss with me any aspect of the House or Senate proposals for the permanent fund and the results of our public participation effort used to establish the policy basis for our legislation.

Hope that we will both have the opportunity to take a little time to beat each other at tennis this summer.

Cordially,

A handwritten signature in cursive script, appearing to read "Clark", written over a horizontal line.

Representative Clark Gruening

CG:jl

Alaska State Legislature

SPECIAL COMMITTEE ON
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528 W. 5TH, SUITE 270
ANCHORAGE, AK. 99501

[POUCH V, JUNEAU, AK. 99811]
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MEMBERS

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REP. TERRY GARDINER, V. CHMN.
REP. E. J. HAUGEN
REP. RUSS MEEKINS
REP. BILL MILES
REP. LEO SCHAEFFER
REP. RICK URION

House of Representatives

TO: Myrt Charney
FROM: Clark Gruening
DATE: 3/22/78
RE: Tom Singer

Tom Singer, now employed by the Renewable Resources Subcommittee of the House Permanent Fund Committee, will be continuing with the House Permanent Fund Committee when the Renewable Resources Funding runs out as Administrative Assistant to the Committee.

This will be effective upon the full depletion of funds from RRF. Pay rate is \$ 68 per day.

A handwritten signature in cursive script that reads "Clark Gruening".
Representative Clark Gruening

Will A Gibbs
Box 445
Eagle River, Ak 99547



Rep Clark Gruening
Pouch V
Juneau, Ak 99811

March 1, 1978.
Dear Rep Gruening, I feel the bulk of the permanent fund should be available for secured loans in Alaska. It is doubtful if the legislature, individually, collectively or any combination thereof, has the expertise to trade in securities. We had a taste of that out of the 900 million. There are many deserving Alaskans possessing both brains & brawn for worthwhile development, that would benefit & improve the quality of life for other Alaskans, if financing was available at reasonable rates. Respectfully, Will A Gibbs

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House of Representatives

POUCH V JUNEAU 99811

March 15, 1978

Ms. Nell A. Gibbs
Box 445
Eagle River, Alaska 99577

Dear Ms. Gibbs:

Thank you for the note expressing your views on the permanent fund.

The House Committee on the Permanent Fund, of which I am Chairman, has passed out a committee substitute for HB 596 setting up the structure for permanent fund investments.

Under this bill, the Alaska Permanent Fund Corporation is created to invest five-sixths of the permanent fund monies. The management of the fund is entrusted to a board of trustees at least one of which "shall have recognized competence and wide experience in finance, investments or other business management related field". These trustees are not legislators or governmental employees, but are selected for their expertise in the investment business. The term securities includes both stocks and bonds. Investment in stocks is strictly limited in CS HB 596.

The other one-sixth of the revenues would be available from the Alaska Enterprise Investment Corporation for "financially sound small and medium scale productive private enterprises and community development projects in the state for which sufficient capital is not available on reasonable terms".

The Alaska Enterprise Investment Corporation is likewise not managed by the legislature nor are its funds invested by legislators.

I hope this responds to some of your suggestions. I have enclosed an copy of CS HB596 for your information and please feel free to contact me if you have any questions.

Cordially,

Clark Gruening
Representative Clark Gruening

CG:jl

Alaska State Legislature

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465-4925



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REP. LEO SCHAEFFER
~~REP. FRANK J. MURPHY~~
Rep. Joe Hayes

House of Representatives

March 16, 1978

To: Members of the House Committee
on the Alaska Permanent Fund

From: Chairman Clark Gruening

RE: Meeting with Arthur D. Little

There will be a meeting with representatives of Arthur D. Little at 1:30 PM on Tuesday, March 21 in the Treasury Conference Room, 11th floor of the State Office Building to discuss their sectoral analysis of the economic potential of the Alaskan economy.

If you are interested you are invited to attend.

A handwritten signature in cursive script, reading "Clark Gruening".

Representative Clark Gruening



Official Business

Alaska State Legislature

House of Representatives

Office of the Speaker

Pouch V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

TO: Representative Clark Gruening
FROM: Hugh Malone
DATE: March 8, 1978

Attached are a list of cities who are having the Department of Revenue (Jim Edenso) speak on the Alaska Permanent Fund. Some of the cities don't have him scheduled but would like to have him come.

HM:sf

CHAMBER OF COMMERCE LUNCHEONS
WITH DEPARTMENT OF REVENUE

YES

Ketchikan	No date
Kodiak	No date - maybe March 23 or 30
Seward	April 7, with Sterling
Anchorage	Already
Fairbanks	Already
Kenai	Already

NO

Barrow
Cordova
Homer
Kotzebue
Nome
Petersburg
Soldotna
Valdez
Wrangell

Alaska State Legislature

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465-4955



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REP. E. J. HAUGEN
REP. RUSS MEEKINS
REP. BILL MILES
REP. LEO SCHAEFFER
~~REP. XXXX XXXX~~

Rep. Joe Hayes

House of Representatives

February 9, 1978

Jay S. Hammond, Governor
State of Alaska
Pouch A
Juneau, Alaska 99811

Dear Governor Hammond:

The House Special Committee on the Alaska Permanent Fund introduced on January 11, 1978 House Bills 595 and 596 as its proposal for enabling legislation for the Permanent Fund. The Committee introduced on January 25, 1978 House Bill 682 making certain amendments to the Alaska Renewable Resource Development Fund.

The Committee has held public hearings in Anchorage, Fairbanks and Juneau on these bills and will begin mark up on HB 595 and HB 596 Tuesday, February 14, 1978. If there are any specific amendments or changes you wish to suggest we would appreciate receiving them by Friday, February 17, 1978 so that they may be considered before these bills are reported out.

Cordially,

A handwritten signature in cursive script that reads "Clark Gruening".
Representative Clark Gruening

ROBISON, McCASKEY, REYNOLDS & FRANKEL

A PROFESSIONAL CORPORATION

ATTORNEYS AT LAW

921 WEST SIXTH AVENUE

ANCHORAGE, ALASKA 99501

TELEPHONE

AREA CODE 907

279-7431

PAUL F. ROBISON
KENNETH McCASKEY
ROBERT H. REYNOLDS
MARVIN S. FRANKEL
RANDALL E. FARLEIGH
WILLIAM L. CHOQUETTE
THOMAS WALDOCK
JAMES M. BEJDELL
ALBERT C. SIMMONS
WILLIAM VAN DOREN

2 February 1978

Clark Gruening, Representative
Chairman
Special Committee on Alaska Permanent Fund
Pouch V
Juneau, Alaska 99811

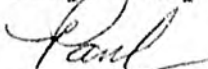
Dear Clark:

Thank you for your letter and final report of your House Special Committee on the Permanent Fund. I observed that you conscientiously put in a great deal of time over many months and obviously much more than I observe, and you tried to keep the public informed and get its input.

It's a big undertaking and I have no specific suggestions. I will be receiving copies of all bills as introduced and if I have any comments which I think are worthy of your attention I will certainly pass them on.

Best wishes throughout the session. Also, congratulations on the new dimensions in your life.

Very truly yours,


Paul F. Robison

PF'R/MW

Alaska State Legislature

SPECIAL COMMITTEE ON
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(907) ~~XXXXXX~~

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REP. E. J. HAUGEN
REP. RUSS MEEKINS
REP. BILL MILES
REP. LEO SCHAEFFER
~~REP. JOE HAYES~~
Rep. Joe Hayes

House of Representatives

Answer mailed

February 16, 1978

Mr. Paul F. Robison
Robison, McCaskey, Reynolds & Frankel
921 West Sixth Avenue
Anchorage, Alaska 99501

Dear Paul:

Thank you for the letter of encouragement! We have just completed our public hearings and are holding work sessions in preparation to passing HB 595, HB 596 and HB 682 out of Committee soon.

As always, your comments on these bills or on any of the many issues facing this legislature are welcomed.

Cordially,

Representative Clark Gruening

MEMORANDUM

TO: Myrt Charney
FROM: Clark Gruening
SUBJECT: Jo Ann Lesh

Effective January 23, 1978, I have hired Jo Ann Lesh as the secretary for the House Special Committee on the Alaska Permanent Fund at the rate of \$54 per day.


Representative Clark Gruening

January 23, 1978

SPECIAL COMMITTEE ON
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REP. BILL MILES
REP. LEO SCHAEFFER
REP. RICK URION

House of Representatives

January 16, 1978

Mr. Martin Pihl
Ketchikan Pulp Company
P. O. Box 1619
Ketchikan, Alaska 99901

Dear Martin:

Enclosed please find copies of the Committee's final report and legislative proposals; the Committee is sending them to those persons and organizations with an interest in the Alaska Permanent Fund. If you have comments or suggestions on the legislation, please send them to the Committee at the above address.

In addition, we anticipate filing a bill on the Renewable Resources Development Fund soon and plan to mail it to you for your review.

If you wish to address the Committee in person, we will hold public hearings in Anchorage, Fairbanks and Juneau late this month or early next month.

Cordially,

Clark Gruening
Representative Clark Gruening

CG:pt
encls.

copies sent to ~~sent~~ Mike's list.

Public notice

M E M O R A N D U M

To: Mike Doogan, A.A.
House Permanent Fund Committee

From: Kathy Brown *KB*
House Finance Committee

Date: November 18, 1977

Subject: Permanent Fund Questionnaire

Attached to this memo, you will find the results of the House Permanent Fund Survey. We received twenty-nine responses and, as you will see, they defy categorization. There appear to be as many different responses as there were questionnaires.

Since there were so few, I've simply listed the responses to each question. The order of the responses listed is consistent throughout the report to provide continuity in following "the plan" proposed in each questionnaire.

WHAT INVESTMENT PROPOSALS DO YOU SUGGEST AND HOW IS IT INCOME PRODUCING FOR THE PERMANENT FUND?

- * Real estate and business loans within Alaska. Financing for municipal improvements.
- * That the Fund be split, and the majority of it be used for research into other nonrenewable resources, and what's left be invested in the development of renewable resources such as fisheries, logging, etc. The profits of the discoveries would be placed directly back in the Permanent Fund.
- * Was impressed by the possibilities/ alternatives suggested in the booklet "The Role of the Permanent Fund in Alaska's Future." My top priority would be loans or bond guarantees for municipalities for capital improvements.
- * 60% - 75% to finance hydroelectric power (i.e. Wantana and Devil's Canyon) and promote agriculture in Susitna, Tanana and Yukon Valleys - Rest of fund in high-yield, low-risk, "money market" investments.
- * A broadly diversified investment program with up to 20% in small technological development firms -- particularly in the fields of energy, communications, aero-space and agriculture.
- * Funds should be banked to produce interest.
- * The Permanent Fund and its income should reflect flexibility both in how it is invested and how it is spent. Perhaps a percentage should be invested outside, but I would see Alaskans getting any advantage in the choice. Increased "in Alaska" activity producing something better than subdivisions - like encouraging agriculture where feasible. Training and education for meaningful employment in appropriate ways, development of renewable resources.
- * Diversified investments - i.e. 50% invested in securities (preferably in-state), 25% utilized for loans to develop renewable resources such as fisheries programs and agricultural programs, and 25% directly benefiting Alaskans for small business and home loans. Income earned by Permanent Fund investments should be designated by law as funding for community development projects.
- * Innovative investment to stimulate and develop agriculture - growing of crops and freezing and canning of same to feed Alaskans.
- * Principle: Solid, very low-risk bonds, securities, etc.
Interest: Investment within the state, loans, etc.
- * U.S. Treasury notes.
- * Permanent Fund means permanent. Invest in blue chip, AAA, stocks and bonds.
- * Loan guarantee program for all types of loan transactions. Fees from transaction (perhaps interest overrides) would produce income.

- * Securities with highest return yet with least risk, keeping in mind inflation, deflation, liquidity, etc.
- * Stocks and bonds handled by New York, San Francisco, Chicago or European investment houses.
- * Balanced portfolio of stocks, professionally managed for high income.
- * None of the above. Return should be optimized through the best interest of our best renewable resource - people. Projects employing people, which are locally built and ultimately paid for should be encouraged.
- * Low to moderate interest loans of moderate amounts for enterprise development in rural Alaska. Invest surplus (if any) in bonds or other secure instruments.
- * Invest in hydroelectric or other power from renewable sources. Invest in moving the capital. When completed, they will all be a part of the Permanent Fund.
- * Provide loans to Native Corporations or Native Cooperatives to build fish processing plants, fishing vessels, beam trawlers, factory ships.
- * Alaska is a natural resources state and the Permanent Fund should be invested in things that will assure economic development of these resources over the long-term. The State should invest in a railroad to the interior and loans to individual prospectors.
- * 1. High-yield, low-risk securities.
2. Loans for small businesses, homes and to municipalities for capital improvements.
- * a.) Invest in blue chip or other secure stock outside of Alaska.
b.) Invest in renewable resource industries in Alaska.
- * Makes available 7 1/2 % loans to the timber industry, mining, fishing and chemical-petroleum industries.
- * Profitable development projects of all kinds which will benefit the Alaskan economy within Alaska.
- * Use up to 25% of the Permanent Fund to finance or assist federal financing of basic community facilities such as - community meeting and convention centers. Public piers, etc., at low interest. (6%)
- * Invest part or all monies within the State of Alaska for growth of Alaska.

* I suggest a guideline for fund manager for a minimum:

50% U.S. Government securities.

25% Alaska municipal bonds (with bonding limitations) and state bonds. Balance - blue chip and Alaska investments in resource development. Limit fund for agriculture development and exclude fish hatcheries.

* Purchase bonds marketed by Alaska Power authority to build hydro- and geo-thermal electric generation facilities.

2. WHAT OBJECTIVES ARE ACHIEVED BY YOUR PROPOSAL?

- * Alternate source of financing for state residents.
- * With a discovery of more oil or other nonrenewable resources, it would provide more jobs for all Alaskans, not just the fishermen in Southeast Alaska. But not to exclude them, the other segment of the Fund could be used to support the fishing industry. Interest from the Fund could be available to all Alaskans as loans for any profit-making venture within reason. This being all Alaska's monies, it should be used as such, and not just to state subsidize fisheries.
- * Needed services provided, - facilities upgraded, expansion of community services. Example - hydroelectric project in Sitka.
- * Develop in areas of renewable resources for broader economic base - cheaper power in the future and less dependence on outside food sources. Rewards would be long-term.
- * Some of these companies might be brought to Alaska, providing some highly skilled jobs and taxes. The only things Alaska can export competitively are natural resources and brains. This would marry the two to some extent.
- * Fiscal responsibility.
- * People who live here can receive a bigger share of the efforts of the Government they help pay for. I don't like to see the long-term efforts of people go down for lack of interest and incentive by State government. These same businesses or industries could help when the oil supply diminishes.
- * Diversified investments maximize the income from at least half of the fund while still utilizing half for more direct benefits and opportunities to citizens and businessmen. The fund would be utilized to develop Alaskan economy and resources.
- * Jobs for Alaskans. (may even utilize prisoners) Wise use of resources - land, water. Less dependence on the lower '48 for food.
- * The Principle will never be touched and will be available for many generations; the interest will be a regular income to the State to encourage tax-producing industries and state growth.
- * Security of investment.
- * The Fund will be permanent. If it goes to loans, it will be lost. The earnings can they be used for more risky use.
- * Generate capital flow into Alaska from traditional institutions. Would create pyramid income effect as reserves could be invested to generate income. Provide capital for rural areas (outside Anchorage) where investors are difficult to find and needs greatest.

- * 1. Assurances that the Fund would be, in fact, permanent.
- 2. Availability of capital for investment guarantees, public and private, that meet rigorous investment criteria. E at least the normal market rate of return for either short or long-run considerations.
- * Protection of the Fund thereby assuring it is permanent.
- * Maximum low-risk income. Income to be applied to tax reduction on all income taxes -- goal is zero income tax.
- * Self-help, motivation and pride plus a turn over of \$'s (in-state) which are ultimately returned to the Fund.
- * 1) a. Promote gradual development in rural Alaska over a long period of time.
- b. Increase the tax base in Rural Alaska thereby reducing the tax burden on the rest of the State
- c. Will promote local government autonomy by increasing local self-sufficiency.
- d. Will diversify the economy both in terms of sources of income and geographic location.
- 2) a. Will maximize yeild on money not allocated to rural development compensation for the low yeild from rural development loans.
- * It will provide power for sale to homes, business and industrial users for many years after the gas and oil has been depleted. This will provide income so you could call it a part of the Permanent Fund.
- * Provide employment to Natives with emphasis on Alaskan control of fisheries out to the 200 mile limit. Do not loan money to fishing corporations with foreign capital in excess of 25%.
- * Perpetuation of mineral and energy exploration and assurance of an economic outlet if anything is found; continued return to the State in form of taxes, rents, etc.
- * High earnings to provide money for loans which will benefit individual Alaskans.
- * a.) Maximizes income from Fund without stimulating undesirable growth within the state.
- b.) Favors establishment of stable economic base for future.
- * Ongoing high standard of living, coupled with full employment for the year-round residents of our state.
- * Reasonable rate of return on the loans but with low risk.
- * Finance for community development of public facilities necessary to develop recreation and travel industry.

* Keeping our money working for Alaskans, develop our natural resources, mining, fishing, oil, gas and electrical powers.

- * 1. Fund security against the track record of the legislature "blowing" all current and future revenue.
- 2. Assistance to communities in securing funding without bonding commissions and at fair interest rates.
- 3. Avoid present panacea concept of fish hatcheries.

* This is an investment in renewable resources as requested by majority of Alaskan Forum participants - the electric energy produced can be used to electrify Alaska Railroad and future mass transit systems as well as provide the type of cheap power that does not degrade the environment.

3. WHAT OBJECTIVES ARE AVOIDED BY THIS PROPOSAL?

- * Diversification to sources outside of Alaska would not be emphasized.
- * It avoids squandering of monies rightfully belonging to Alaskans, and "keeps it in the family." Unemployment rates would not increase, as jobs would be provided by the research and discovery of any non-renewable resources, and Alaska would flourish on the revenue of these.
- * Loans and bonding would be in areas of low interest and higher risk - less quick return on money.
- * None that are readily apparent.
- * Pork barrel projects. Small loans to private citizens. Special interest groups such as alcoholics.
- * We might not get all the "bucks" we could get. Quality of life is worth more than dollars in the bank. Anything we do to help people help themselves is useful.
- * May not immediately be profitable cash-wise.
- * No continual politics to face on principle; all the good expected from use of principal can be obtained by use of the interest but at a slower rate (and maybe with more forethought).
- * Waste and/or loss of funds resulting from legislative "pork barrelling."
- * The tax base and earnings from Fund will be adequate to fund the State's needs. More stimuli will be detrimental. Too much expansion does lower the unemployed figures.
- *
 1. Security of PF is provided for.
 2. Direct governmental competition with private sector.
 3. Excessive supply of money at the regional level.
- * Development of Alaska economy, giving politicians more "play money."
- * Frittering Fund away by uneconomic investments to achieve social, not economic objectives.
- * Not enough space.
- *
 - 1.)
 - a. No immediately realizable benefit to urban (majority) population.
 - b. Will not contribute to short-term development of Alaska, but will tie up potential short-term resources for long-term objectives.
 - 2.)
 - a. Sacrifices greater utilization of Permanent Fund dollars for immediate development purposes.

- * It will create employment. Then the employed people can pay for their homes and borrow money from the banks with good credit. It will prevent subsidizing a lot of projects that help to cause inflation.
- * The objective of this proposal is to avoid dominance of Alaskan fishery by foreign countries.
- * (None of significance.)
- * Little risk of big investment losses.
- * Does not directly affect Alaskan economy.
Does not maximize income to Fund.
- * Slow the growth of government, provide maximum employment, and orderly harvest of our resources.
- * None.
- * Source of income for the Permanent Fund would be less than provided for by pure commercial placement of investment.
- * Avoids the hazard of high risk actions by politicians, Arlon Tussing and fund managers. Avoids Alaska credit rating falling below New York City rating.
- * This proposal could satisfy those critics who are against too much development, because the excess energy could be sold outside by transferring it via microwave and satellite. This proposal is under consideration by Iceland - (selling their geothermal energy to another country.)

4. WHAT MAY LIMIT THE EFFECTIVENESS OF THIS PROPOSAL?

- * Might not have enough loan demand.
- * The intervention of environmentalists and those supporting non-growth.
- * The number of years needed to pay off loans.
- * Environment groups and federal government. Native Corporations and Administration (State Government) through land classification and short sightedness.
- * Objections that the high risk/high return investments in emerging technology firms are not in the best interest of the State -- witness previous outcry when the State lost a modest sum in the stock market.
- * Nothing.
- * Interests who think dollars are more important than people. Those who think they can get something for nothing. (There should be both incentives and responsibilities.)
- * Lack of imagination. One idea which should be considered is to use heat from the pipeline for greenhouses; establishment of a bakery near the wheat area large enough to ship Alaskan bread statewide.
- * Unless the federal government falters, there is nothing to limit the effectiveness of this proposal. Unless the boys dealing with the interest are politically motivated, nothing will stop the steady, consistent growth possible.
- * Cheap politicians whose primary goal is re-election.
- * The legislature!
- * A few large projects could tie up all necessary reserves. (Example - BIA program) Limitation such as inherent in federal SBA Program which limits usefulness. Lack of management which could cause inaction.
- * 1. Political pressure for non-revenue producing social goals and programs.
2. Public/political notions that the supply of money is inexhaustible.
- * Long-term international depression.
- * The portfolio must be well-managed and guidelines must be carefully set and monitored.
- * Politics.

- * 1. A lack of response or lack of opportunity to use such loans in rural Alaska.
- 2. Inflation and the accumulation of surplus income without adequate means of using the income as a hedge against inflation.
- * Running out of money from the non-renewable resources. All the rivers drying up.
- * The effectiveness of this proposal will be limited if the State Department continues to countenance heavy Japanese participation in fishing off Alaskan shores.
- * If no mineral resources are found.
- * Bad investments and poor re-pay on loans.
- * a.) None foreseen.
- b.) Availability of safe investments in renewable resource industries.
- * Preservationists, bureaucrats and fools.
- * Lack of good, independent feasibility studies. And too much red tape to obtain financing.
- * Do the projects half-way and/or lack of follow through of state-wide travel marketing.
- * Selfish politicians.
- * Unavailability of good municipal bonds and good Alaska investments.
- * The only limit to this proposal would be how much money and how many projects of this type we would be willing to finance.

5. WHICH GROUPS WOULD BENEFIT FROM THIS PROPOSAL?

- * Hopefully residents and fund itself.
- * All Alaskans.
- * Alaskans - public would benefit.
- * All Alaskans in interior and south central.
- * Stock brokers and presumably the taxpayers.
- * All Alaskans.
- * The people in Alaska who have and are working to make the State a better place in which to live - financiers as well as the fishermen and the farmer and the businessman.
- * Broad range of Alaskans could benefit from home loans as well as indirectly benefiting by the community improvements which would be financed by investment income.
- * All Alaskans who eat.
- * Principle: banks might be a place for some investment and let the private sector take the risk in providing loans (so many benefit -- but interest rate should be lower since there would be an excess of money on the market).
- * All Alaskans.
- * All Alaskans indirectly, - Directly brokers.
- * Business community, municipalities, financial institutions, labor, etc.
- * 1. In the long-run, all.
2. In the short-run, those who have the expertise and other capabilities to offer projects and proposals that meet the investment criteria - (rates of return, etc.) Managers and professionals.
- * Alaskan people, financial houses.
- * Whole population, particularly taxpayers.
- * Communities.
- * 1. a.) Fishermen, small time loggers, individual farmers, small entrepreneurs, local governments, transportation enterprises initially.
b.) Eventually -- majority of Alaska's population through the spin-off effects of balanced development through the State.

2. a.) Possibly individual taxpayers even initially if surplus income available for direct or indirect tax relief.

- * All the people. Note the western states. Washington and Oregon. are very dependent on hydroelectric power.
- * The Natives would benefit most. They are effectively frozen out of the off-shore fishing and remain as a result the largest group of Alaskans living below the poverty level.
- * All Americans.
- * Financiers, investors and individual Alaskans.
- * a.) Financiers and brokers outside of Alaska and all Alaskans.
b.) Those involved or proximal to renewable resources and all Alaskans.
- * All of the working class people.
- * All of Alaska.
- * General business community in each area where facilities are developed and labor because of the high degree of labor requirements in the service business involved in travel.
- * All Alaskans.
- * The future citizens after the exploitation of non-renewable resources. Current communities bonding problems and costs.
- * An investment in these types of energy would benefit all Alaskans. Not only would the Permanent Fund realize a return on the bonds purchased from the Alaska Power Authority, but the selling of excess energy would bring income into the State treasury. Also -- construction of these projects would cut unemployment as well as generate matching fund money from the federal government.

6. WHAT GROUPS ARE LIKELY TO OPPOSE THIS PROPOSAL?

- * Banks and other commercial lending institutions.
- * Sierra Club, Friends of the Earth and other assorted posy-sniffers.
- * Environmental, banking, economists, some legislators and the Alaskans who want a handout in reduced taxes or money.
- * Ultraconservatives and ultraliberals.
- * Unions, Do-gooders
Politicians
People who do not intend to live here permanently
- * Financiers - money people. People whose projects or ideas were rejected. Those who feel that outright grants should be given, rather than as investment activity.
- * Proponents of maximum yeild on 100% of fund investment.
- * Can't think of any. Even proponents of no-growth should be sympathetic.
- * Those that see the state getting involved more and more in the direct development of the state's businesses; those that would squander the income (principle) as was done with the 900 million.
- * Each greedy group, be it local government, educators, bush communities, native corporations, large and small businesses, etc., who can't get their hand in the cookie jar.
- * Most groups. They will want cheap home loans, social distribution, etc.
- * Conservationists, protectionists and anti-development groups.
- *
 1. Primary research organizations
 2. Those associated with non or low-revenue producing sectors or organizations.
 3. Those associated with churches, charities and labor groups.
- * Chamber of Commerce, elected officials.
- * People who want to expand funding of "social services" in the state.
- * Self-interest money groups.
- *
 1. a.) Large business enterprises
b.) Urban populations which may be more concerned about short-term benefits.
 2. a.) Large business enterprises who want more immediate use of fund income and principle for subsidy purposes.

- * Oil companies and environmentalists. Also stock brokers.
- * Japanese, Canadian and out of state fishermen.
- * Groups advocating preservation of all lands.
- * Resource speculators and developers.
- * a.) Alaskan financiers, brokers and businessmen.
b.) Those involved in nonrenewable resource industries.
- * Alaska Conservation Society, Friends of the Earth, Sierra Club, and any other group that wants a high standard of living, but are not realistic enough to be willing to pay for it.
- * Anti-developers, preservationists, environmentalists.
- * Environmentalists.
- * Legislators with their pork barrel projects. Arlon Tussing and other economists. Bonding houses.
- * This proposal would be opposed by private power people.

7. WHAT ARE YOUR SUGGESTIONS FOR MANAGEMENT OF THE PERMANENT FUND?

- * Emphasis on Alaska loans - provision for disaster loans (comparable to SBA disaster loan programs).
- * To use as little of the principle as possible, and utilize the interest in the way most beneficial for the betterment of all Alaskans.
- * Board of 7 with 2 appointed by Legislature, 2 appointed by Governor, and three elected (one every two years) for a 6 year term - the appointees to be reviewed every 2 years.
- * Establish a trust fund with say five trustees -- two named by the Governor, two by the Legislature and one by the Supreme Court. They would retain the necessary financial managers and consultants needed to carry out the management mandate of the voters as determined by statewide referendum.
- * Use of the interest only for renewable resources - fishing, logging, etc., and large projects for the benefit of all Alaskans such as power dams, air strips, transportation, etc., also tax reduction.
- * Appointment by Governor, confirmed by Legislature. Should include a range of interests; have periodic (like six month) reports to Governor, Legislature, people; have periodic opportunities for input for possible changes in direction, etc., It might be wise for a percentage of either Fund or income to use two management schemes. Goals should be widely known and how well those goals were reached should be the main criteria to how well the management scheme performed its task.
- * Policy board and investment committee should include representation from the public at large not just bankers, etc., and have available to them expertise from other than board members. Members should be confirmed by the legislature to avoid partisan appointments and legislation should provide for required reports to the public the legislature, the Governor, etc., regarding all phases of the operation.
- * I suggest that the principle be invested in government bonds, secure stocks, etc., Only the low risk items should even be considered. It would be appropriate to buy as many of these low risk items as possible within the state -- the general idea being to get cash into the state banks for them to loan out. The state banks, with an excess of cash, would take the greater risks on loans to people and firms but the interest should be lower than usual since there would be an excess of cash. The interest on the principle would be utilized in all the ways this booklet suggested -- but the changes to Alaska would be slower and the state would be kept out of the market to a greater degree.

* Permanent Fund Managers appointed by Governor and confirmed by legislature, for staggered, long-terms (such as Federal Reserve Board), legislature to appropriate funds for specified purposes (if investments other than U.S. treasury notes are deemed advisable), but for two year period, not for one year.

* Professional with a charge that investments be considered on a long-term basis. Not like the last go around. Politicians must not be able to influence the investment decisions because of pressure from people because there is a temporary downward adjustment in the market.

* Greater use of citizens and business community rather than professional lobbyist, consultants and out of state experts.

- * 1. Hire a Board consisting of at least one member from
 - a.) each basic resource/industry sector.
 - b.) the national, international and regional financial community.
- 2. Have "the board" establish rate of return
- 3. Let State and local government be involved strictly as advisors to the board.

* Should be done by one or several international finance houses.

* Legislature should determine, but it should be professionally, not politically accomplished.

* Board of Directors _____ establishes priorities and sets policy
|
Manager _____ Implements Policy & goals Board members should be elected based on population ratio.
|
Support

- * 1. The management should be under the control of a Commission of not less than five or more than seven people.
- 2. The Commission should be appointed by the Governor for a period of six years with consent of the legislature and provision for overlapping terms.
- 3. The Commission should select it's own Executive Director and hire its own staff.
- 4. Membership should include at least two (of five total) consumers or consumer advocates -- perhaps similar to the APUC.

* Find and use good examples of management from other States. That is if you can find any good ones. Do not start a permanent bureaucracy.

* Should be managed by a board of nine persons, each elected for a three year term; terms not to overlap; voters to elect a chairman, vice-chairman, and members; candidates to release their complete record of qualifications to voters. Management should NOT be by the Administration or the Legislature. Members should not be appointed.

- * Advisory committee appointed by the Governor, approved by the Senate, coming from all areas and fields of interest (bankers, social workers, housewives, businessmen, etc), serving for no more than one term of four years.
- * An appointed committee with staggered terms representing a broad diversity of public interests. (i.e. business people, environmentalists, educators, bush residents, subsistence live-ers, etc.)
- * 100% of the income from non-renewable resources be deposited in the fund and only the interest from the time deposits be used as outlined above.
- * An apolitical board of directors appointed by the Governor and confirmed by the Legislature. Permanent position not subject to changes in Administration or Legislature. Board to have financial legal, management, economists, etc. - non-political.
- * Get it out from the hands of politicians.
- * 1. Allow legislature annually to determine use of income from Permanent Fund.
- 2. Prepare legal guidelines for manager and allow him freedom within those guidelines.
- * 1. Establish our own bank, as has been done so successfully in North Dakota.
 - a.) Invest money by purchasing Alaskan municipal state bonds.
 - b.) By handling our own money we would not have to pay large commissions to the commercial banks for this service. A projection should be made as to how much it will cost the State for commercial bank services.
 - c.) Less chance for private banks to direct these state funds into (in-house) loans.
 - d.) Alaskan municipal and State bonds purchased by the Permanent Fund could be used for low-cost housing, day care centers and nursing homes. Certainly our Alaskan Citizens qualify first in importance as a renewable resource.
- 2. Members of the Board handling fund shall serve not longer than four years with staggered terms and not to be served consecutively.
- 3. The Managers and board members of Permanent Fund and their relatives shall not have a financial interest in any loans made or bank handling fund money.
- 4. The managers and board members of Permanent Fund shall not own stock in or be paid by an Alaskan Bank, Savings and Loan, Finance Company or Credit Union.
- 5. The Manager of the Permanent Fund shall agree not to take a job with any state financial institution for five years after leaving the position of Manager.
- 6. The Permanent Fund should be audited at regular intervals by a national auditing firm on a bid basis with report to the Legislature.
- 7. The Permanent Fund meetings shall be open to the public as much as possible and services purchased by the Permanent Fund shall be on a bid basis. Managers and trustees shall not have a business interest in any corporation providing services to PF.

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W-ALASKA OFFICE BUILDINGFINANCE L. JON
POUCH WF-STATE CAPITOL

JUNEAU 99801

MEMORANDUM

TO: Honorable Clark Gruening DATE: September 22, 1977
Chairman
House Permanent Fund Committee

FROM: Milt Barker *MB* SUBJ: Permanent & General
Fiscal Analyst Fund Projections
Legislative Finance

At your request, I am enclosing six computer scenarios which display projected budget surpluses or deficits, followed by end-of-year permanent fund and general fund balances, and finally a column entitled "revenue required for general fund balance of \$0 million". This last column may also be interpreted as the required reduction in expenditures for a zero general fund balance.

However, visualizing it as additional required revenue, Table 1 was developed. In this table, the required permanent fund balance is determined by dividing the required revenue from the computer report by .07, the earnings rate on the permanent fund, to find the additional fund principal required to produce this revenue, and adding that to the projected balance. However, in those cases where 50% of the permanent fund earnings go to Alaska, Inc., the additional required principal will be twice as large.

The required Alaskan economy in terms of personal income to continue funding the budget is determined by dividing the additional required revenue by .079 and adding this additional personal income base required to the projected base shown on Table 1. The projected base was determined by dividing "other revenue" shown in the assumptions by .079; "other revenue" consists of all unrestricted revenue less severance taxes, property taxes, state and federal resource revenue, and Prudhoe income taxes. In other words, all those items which may relate somewhat to personal income. In FY 76, "other revenue" was roughly \$286.1 million which was 7.9% of the FY 76 personal income of \$3.6 billion.

The first scenario is a best guess of what will be with no statutory changes. It assumes 25% of royalty goes to the permanent fund and 5% to the renewable resources fund. Conceivably, the 5% could stop once \$250 million is reached. In all scenarios 2% of royalty goes to native claims until \$500 million is reached. The required general fund balance of \$0 million assumes the sale, transfer to the permanent fund, or liquidation of the state's unmarketable loan portfolio; this is one assumption you might want changed.

Scenario 2 adds Alaska Inc. at 50% of permanent fund earnings which moves forward the date of insolvency by one year. However, increasing the royalty contribution to 50% moves insolvency forward five years as in Scenario 3. If the rate were then cut back to 30%, the permanent fund would stand \$489.3 million higher in 1982, providing an additional \$17 million a year in revenue after deducting Alaska, Inc. Looking back to Scenario 2, it is clear that this will not cover the projected deficits beyond 1982. With 100% of royalties put in the permanent fund, as in Scenario 3A, the situation only gets worse.

As long as deficits or borderline surpluses are envisioned, it makes no sense to sock away a greater proportion of royalties, since in the mid-term at budget growth rates of 15%, we are relying on royalties to fund such budgets. If we could hold budget growth to some lower level, a greater proportion of royalties could be put in the permanent fund, thus reducing deficits in the long run when oil revenue halts.

A lower growth rate than 15% may be necessary anyway since, as table one indicates, the required permanent fund, or Alaskan economy given the present tax structure, to sustain such growth appears unrealistic. Yet, the compound growth rate from FY 68's general fund appropriation of \$103 million to FY 78'3 of \$819 million has been 23% per annum.

Scenarios 4 and 5 allow none of the permanent fund earnings to be used to support the budget, 4 by retaining all earnings in the permanent fund, 5 by paying all earnings to Alaska, Inc. Of course, the idea with 4 would be at some point to begin putting the earnings back in the general fund. If this is done at the point at which the general fund balance reaches zero, scenario 4 is then essentially the same as scenario 1, except that earnings and surplus are carried in the permanent fund rather than the general fund and, as a consequence of locking up these amounts, the general fund reaches zero a little sooner.

Scenario 6 retains 10% of the budget appropriation in the general fund balance where surpluses permit, all the rest of the general fund balance being transferred to the permanent fund. If you would rather the program maintain the general fund balance at the specified percentage of budget, regardless of surpluses or deficits, showing the additional revenue required to do so, this modification could be made.

Please let me know if you desire any additional scenarios using different assumptions.

MB:bf

STATE OF ALASKA
LEGISLATIVE FINANCE WORKING DOCUMENT
BUDGET FORECASTING MODEL

21-SFP-77

COMMENTS

ALCAN
TAPS BUILDUP RESUMES MARCH 78
MEDIUM REVENUES (HAGGART CASE II)

ASSUMPTIONS

ANNUAL RATE OF INTEREST ON GENERAL + PERMANENT FUNDS = 7.00%
% OF CURRENT YEAR EXPEND. IN G.F. CASH BAL = 20.00%
% OF ROYALTIES LEASES AND BONUSES DEPOSITED IN PERMANENT FUND = 30.00%
ANNUAL % INCREASE IN BUDGET APPROPRIATION = 15.00%

YEAR	NON INVESTMENT REVENUE	INVESTMENT INTEREST	TOTAL REVENUE	BUDGET APPROPRIATION	SUPPLIE- MENTALS	DEBT SERVICE	PAYMENTS TO FUNDS	TOTAL EXPENDITURE	SURPLUS OR DEFICIT	PERM- ANENT FUND	GENERAL FUND END OF YEAR OF	REVENUE LEO FOR GF BAL SO MTI
1977										4.0	652.7	
1978	794.0	56.4	850.4	853.8	0.0	0.0	119.0	972.8	-122.5	81.6	530.2	0.0
1979	1100.2	60.3	1161.1	981.9	0.0	0.0	206.9	1189.8	-27.7	216.6	502.6	0.0
1980	1269.1	70.7	1339.8	1129.2	0.0	0.0	237.8	1367.0	-27.2	374.9	475.4	0.0
1981	1583.2	87.7	1670.9	1298.5	0.0	0.0	261.4	1559.9	-110.9	548.5	586.3	0.0
1982	1745.4	109.7	1855.1	1493.3	0.0	0.0	283.9	1777.2	-78.0	738.0	664.3	0.0
1983	1925.9	130.2	2056.1	1717.3	0.0	0.0	327.6	2044.9	-11.2	954.4	675.5	0.0
1984	2069.7	150.1	2219.8	1974.9	0.0	0.0	342.5	2217.4	-2.4	1189.9	677.9	0.0
1985	2251.2	167.7	2418.9	2271.1	0.0	0.0	254.9	2526.0	-107.1	1444.8	570.8	0.0
1986	2403.9	176.6	2580.5	2611.8	0.0	0.0	274.5	2886.3	-305.8	1719.3	264.9	0.0
1987	2563.4	182.0	2745.4	3003.6	0.0	0.0	295.1	3298.7	-553.3	2014.4	-0.0	288.3
1988	2732.3	200.5	2932.8	3454.1	0.0	0.0	316.7	3770.8	-838.1	2331.1	-0.0	838.1
1989	2910.2	230.7	3140.9	3972.2	0.0	0.0	339.4	4311.6	-1170.7	2670.5	-0.0	1170.7
1990	3096.8	263.6	3360.4	4568.0	0.0	0.0	363.3	4931.3	-1570.9	3033.8	-0.0	1570.9

STATE OF ALASKA
LEGISLATIVE FINANCE WORKING DOCUMENT
BUDGET FORECASTING MODEL

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21-SEP-77

COMMENTS

ALCAN

TAPS BUILDUP RESUMES MARCH 78

MEDIUM REVENUES (HAGGART CASE II)

ASSUMPTIONS

ANNUAL RATE OF INTEREST ON GENERAL + PERMANENT FUNDS = 7.00%

% OF CURRENT YEAR EXPEND. IN G.F. CASH BAL. = 20.00%

% OF ROYALTIES LEASES AND BONUSES DEPOSITED IN PERMANENT FUND = 30.00%

ANNUAL % INCREASE IN BUDGET APPROPRIATION = 15.00%

% OF PERMANENT FUND EARNINGS TO ALASKA INC = 50.00%

YEAR	NON INVESTMENT REVENUE	INVESTMENT INTEREST	TOTAL REVENUE	BUDGET APPROPRIATION	SUPPLE- MENTALS	DEBT SERVICE	PAYMENTS TO FUNDS	TOTAL EXPENDITURE	SURPLUS OR DEFICIT	PERM- ANENT FUND	GENERAL FUND END OF YEAR	REVENUE REQ FOR GEN. BAL. OF \$0 MIL.
1977										4.0	652.7	
1978	794.0	56.3	850.3	853.8	0.0	0.0	120.5	974.3	-124.0	81.6	528.7	0.0
1979	1100.8	60.0	1160.8	981.9	0.0	0.0	212.2	1194.0	-33.2	216.6	495.5	0.0
1980	1269.1	69.8	1338.9	1129.2	0.0	0.0	248.2	1377.3	-38.4	374.9	457.1	0.0
1981	1583.2	85.7	1668.9	1298.5	0.0	0.0	277.6	1576.1	92.9	548.5	550.0	0.0
1982	1745.4	106.2	1851.6	1493.3	0.0	0.0	306.4	1799.7	52.0	738.0	601.9	0.0
1983	1925.9	124.6	2050.5	1717.3	0.0	0.0	357.2	2074.5	-24.0	954.4	577.9	0.0
1984	2069.7	141.6	2211.3	1974.9	0.0	0.0	280.0	2254.9	-43.6	1189.9	534.4	0.0
1985	2251.2	155.6	2406.8	2271.1	0.0	0.0	301.0	2572.1	-165.3	1444.8	369.0	0.0
1986	2403.9	160.2	2564.1	2611.8	0.0	0.0	329.9	2941.7	-377.5	1719.3	0.0	8.5
1987	2563.4	172.7	2736.1	3003.6	0.0	0.0	360.5	3364.0	-627.9	2014.4	0.0	627.9
1988	2732.3	200.5	2932.8	3454.1	0.0	0.0	392.8	3846.9	-914.1	2331.1	0.0	914.1
1989	2910.2	230.7	3140.9	3972.2	0.0	0.0	426.9	4399.1	-1258.2	2670.5	-0.0	1258.2
1990	3096.8	263.6	3360.4	4568.0	0.0	0.0	463.1	5031.1	-1670.7	3033.8	0.0	1670.7

STATE OF ALASKA
LEGISLATIVE FINANCE WORKING DOCUMENT
BUDGET FORECASTING MODEL

3

21-SEP-77

COMMENTS

ALCAN

TAPS BUILDUP RESUMES MARCH 78

MEDIUM REVENUES (HAGGART CASE IT)

ASSUMPTIONS

ANNUAL RATE OF INTEREST ON GENERAL + PERMANENT FUNDS = 7.00%

% OF CURRENT YEAR EXPEND. IN G.F. CASH BAL = 20.00%

% OF ROYALTIES LEASES AND BONUSES DEPOSITED IN PERMANENT FUND = 50.00%

ANNUAL % INCREASE IN BUDGET APPROPRIATION = 15.00%

% OF PERMANENT FUND EARNINGS TO ALASKA INC = 50.00%

YEAR	NON INVESTMENT REVENUE	INVESTMENT INTEREST	TOTAL REVENUE	BUDGET APPROPRIATION	SUPPLE- MENTALS	DEPT SERVICE	PAYMENTS TO FUNDS	TOTAL EXPENDITURE	SURPLUS OR DEFICIT	PERM- ANENT FUND	GENERAL FUND END OF YEAR	REVENUE REQ FOR G.F. BAL SO MIL
1977										4.0	652.7	
1978	794.0	56.3	850.3	853.9	0.0	0.0	173.2	1027.0	-176.7	133.4	476.0	0.0
1979	1100.8	59.8	1160.6	981.9	0.0	0.0	305.5	1287.4	-126.7	358.3	349.3	0.0
1980	1269.1	69.3	1338.4	1129.2	0.0	0.0	360.6	1489.7	-151.3	622.2	197.9	0.0
1981	1583.2	84.5	1667.7	1298.5	0.0	0.0	404.0	1702.5	-34.8	911.5	163.1	0.0
1982	1745.4	104.0	1849.4	1493.3	0.0	0.0	447.6	1940.9	-91.5	1227.3	71.6	0.0
1983	1925.9	125.1	2051.0	1717.3	0.0	0.0	521.2	2238.5	-187.5	1588.1	-0.0	115.9
1984	2069.7	152.5	2222.2	1974.9	0.0	0.0	461.9	2436.8	-214.5	1980.5	0.0	214.5
1985	2251.2	185.3	2436.5	2271.1	0.0	0.0	501.6	2772.7	-336.2	2405.4	0.0	336.2
1986	2403.9	221.0	2624.9	2611.8	0.0	0.0	549.7	3161.5	-536.6	2862.9	0.0	536.6
1987	2563.4	259.7	2823.1	3003.6	0.0	0.0	600.7	3604.2	-781.2	3354.7	0.0	781.2
1988	2732.3	301.7	3034.0	3454.1	0.0	0.0	654.5	4108.6	-1074.6	3882.6	0.0	1074.6
1989	2910.2	347.2	3257.4	3972.2	0.0	0.0	711.4	4683.6	-1426.2	4448.2	-0.0	1426.2
1990	3096.8	396.5	3493.3	4568.0	0.0	0.0	771.7	5339.8	-1846.5	5053.6	-0.0	1846.5

STATE OF ALASKA
LEGISLATIVE FINANCE WORKING DOCUMENT
BUDGET FORECASTING MODEL

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22-SEP-77

COMMENTS:

ALCAN

TAPS BUILDUP RESUMES MARCH 78

MEDIUM REVENUES (HAGGART CASE II)

ASSUMPTIONS

ANNUAL RATE OF INTEREST ON GENERAL + PERMANENT FUNDS = 7.00%

% OF CURRENT YEAR EXPEND. IN G.F. CASH BAL = 20.00%

% OF ROYALTIES LEASES AND BONUSES DEPOSITED IN PERMANENT FUND = % 100 %

ANNUAL % INCREASE IN BUDGET APPROPRIATION = 15.00%

% OF PERMANENT FUND EARNINGS TO ALASKA INC = 50.00%

YEAR	NON INVESTMENT REVENUE	INVESTMENT INTEREST	TOTAL REVENUE	BUDGET APPROPRIATION	SUPPLIE- MENTALS	DEBT SERVICE	PAYMENTS TO FUNDS	TOTAL EXPENDITURE	SURPLUS OR DEFICIT	PERM- ANENT FUND	GENERAL FUND END OF YEAR	REVENUE REQ FOR G.F. BAL 50 MIL
1977										4.0	552.7	
1978	794.0	56.2	850.2	853.8	0.0	0.0	304.8	1158.6	-308.4	262.7	322.3	0.0
1979	1100.8	59.9	1160.7	981.9	0.0	0.0	539.9	1520.7	-360.0	71.5	-0.0	15.7
1980	1269.1	84.2	1353.3	1129.2	0.0	0.0	641.5	1770.6	-417.4	1240.3	-0.0	417.4
1981	1583.2	125.3	1708.5	1298.5	0.0	0.0	720.0	2018.6	-310.1	1819.0	-0.0	310.1
1982	1745.4	170.3	1915.7	1493.3	0.0	0.0	800.6	2293.9	-378.2	2450.5	-0.0	378.2
1983	1925.9	220.8	2146.7	1717.3	0.0	0.0	931.1	2648.4	-501.7	3172.1	-0.0	501.7
1984	2069.7	277.2	2346.9	1974.9	0.0	0.0	916.7	2891.6	-544.7	3957.0	-0.0	544.7
1985	2251.2	338.5	2589.7	2271.1	0.0	0.0	1003.1	3274.2	-684.5	4806.7	-0.0	684.5
1986	2403.9	405.1	2809.0	2611.8	0.0	0.0	1099.2	3711.0	-902.1	5721.7	-0.0	902.1
1987	2563.4	477.0	3040.4	3003.6	0.0	0.0	1201.2	4204.7	-1164.3	6705.4	-0.0	1164.3
1988	2732.3	554.7	3287.0	3454.1	0.0	0.0	1308.9	4753.0	-1476.0	7761.1	-0.0	1476.0
1989	2910.2	638.5	3548.7	3972.2	0.0	0.0	1422.6	5394.8	-1846.2	8892.3	0.0	1846.2
1990	3096.8	728.8	3825.6	4568.0	0.0	0.0	1543.3	6111.4	-2285.8	10103.2	0.0	2285.8

STATE OF ALASKA
LEGISLATIVE FINANCE WORKING DOCUMENT
BUDGET FORECASTING MODEL

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21-SEP-77

COMMENTS

ALCAN

TAPS BUILDUP RESUMES MARCH 78

MEDIUM REVENUES (HAGGART CASE II)

ASSUMPTIONS

ANNUAL RATE OF INTEREST ON GENERAL + PERMANENT FUNDS = 7.00%

% OF CURRENT YEAR EXPEND. IN C.F. CASH BAL = 20.00%

% OF ROYALTIES LEASES AND BONUSES DEPOSITED IN PERMANENT FUND = 30.00%

ANNUAL % INCREASE IN BUDGET APPROPRIATION = 15.00%

% OF PERMANENT FUND EARNINGS TO ALASKA INC = % 100 %

% OF SURPLUS TO PERMANENT FUND = % 100 %

YEAR	NON INVESTMENT REVENUE	INVESTMENT INTEREST	TOTAL REVENUE	BUDGET APPROPRIATION	SUPPLIE- MENTALS	DEBT SERVICE	PAYMENTS TO FUNDS	TOTAL EXPENDITURE	SURPLUS OR DEFICIT	PERM- ANENT FUND	GENERAL FUND END OF YEAR	REVENUE REC FOR GF BAL OF \$0 MTL.
1977										4.0	652.7	
1978	794.0	56.2	850.2	853.8	0.0	0.0	122.0	975.8	-125.6	81.6	527.1	0.0
1979	1100.8	59.7	1160.5	981.9	0.0	0.0	217.4	1199.2	-38.7	216.6	468.4	0.0
1980	1269.1	69.0	1338.1	1129.2	0.0	0.0	258.5	1387.7	-49.6	374.9	438.8	0.0
1981	1583.2	83.8	1667.0	1298.5	0.0	0.0	293.7	1592.3	74.8	623.3	438.8	0.0
1982	1745.4	102.6	1848.0	1493.3	0.0	0.0	334.1	1827.4	20.6	833.3	438.8	0.0
1983	1925.9	118.3	2044.2	1717.3	0.0	0.0	393.5	2110.8	-66.5	1049.8	372.2	0.0
1984	2069.7	132.0	2201.7	1974.9	0.0	0.0	374.2	2299.1	-97.4	1285.3	274.9	0.0
1985	2251.2	141.8	2393.0	2271.1	0.0	0.0	353.8	2624.9	-231.9	1540.2	43.0	0.0
1986	2403.9	155.5	2559.4	2611.8	0.0	0.0	391.9	3003.7	-444.3	1814.7	0.0	401.4
1987	2563.4	179.4	2742.8	3003.6	0.0	0.0	432.5	3436.0	-693.2	2109.8	0.0	693.2
1988	2732.3	207.1	2939.4	3454.1	0.0	0.0	475.5	3929.6	-990.1	2426.5	0.0	990.1
1989	2910.2	237.3	3147.5	3972.2	0.0	0.0	521.1	4493.3	-1345.8	2765.9	0.0	1345.8
1990	3096.8	270.3	3367.1	4568.0	0.0	0.0	569.6	5137.6	-1770.6	3129.1	-0.0	1770.6

STATE OF ALASKA
LEGISLATIVE FINANCE WORKING DOCUMENT
BUDGET FORECASTING MODEL

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21-SEP-77

COMMENTS

ALCAN

TAPS BUILDUP RESUMES MARCH 78

MEDIUM REVENUES (HAGGART CASE II)

ASSUMPTIONS

ANNUAL RATE OF INTEREST ON GENERAL + PERMANENT FUNDS = 7.00%

% OF CURRENT YEAR EXPEND. IN G.F. CASH BAL. = 20.00%

% OF ROYALTIES LEASES AND BONUSES DEPOSITED IN PERMANENT FUND = 30.00%

ANNUAL % INCREASE IN BUDGET APPROPRIATION = 15.00%

% OF PERMANENT FUND EARNINGS TO ALASKA INC = 50.00%

RESERVE AS % OF BUDGET ADDED TO REQUIRED GF BALANCE = 10.00%

YEAR END	NON- INVESTMENT REVENUE	INVESTMENT INTEREST	TOTAL REVENUE	BUDGET APPROPRIATION	SUPPLE- MENTALS	DEBT SERVICE	PAYMENTS TO FUNDS	TOTAL EXPENDITURE	SURPLUS OR DEFICIT	PERM- ANENT FUND	GENERAL FUND END OF YEAR OF	REVENUE REQ FOR GF BAL SO MIL.
1977										4.0	652.7	
1978	794.0	56.3	850.3	853.8	0.0	0.0	120.5	974.3	-124.0	524.9	85.4	0.0
1979	1100.8	59.5	1160.3	981.9	0.0	0.0	227.7	1209.5	-49.3	659.9	36.1	0.0
1980	1269.1	68.8	1337.9	1129.2	0.0	0.0	263.7	1392.9	-55.0	818.2	0.0	18.9
1981	1583.2	84.2	1667.4	1298.5	0.0	0.0	293.1	1591.6	75.8	991.8	75.8	0.0
1982	1745.4	103.4	1848.8	1493.3	0.0	0.0	321.9	1815.2	33.7	1181.3	109.4	0.0
1983	1925.9	120.4	2046.3	1717.3	0.0	0.0	372.7	2090.0	-43.7	1397.7	65.8	0.0
1984	2069.7	136.1	2205.8	1974.9	0.0	0.0	295.5	2270.4	-64.6	1633.2	1.1	0.0
1985	2251.2	155.1	2406.3	2271.1	0.0	0.0	315.5	2587.7	-181.4	1888.1	0.0	180.2
1986	2403.9	178.3	2582.2	2611.8	0.0	0.0	345.4	2957.2	-374.9	2162.6	0.0	374.9
1987	2563.4	203.8	2767.2	3003.6	0.0	0.0	376.0	3379.5	-612.4	2457.7	-0.0	612.4
1988	2732.3	231.5	2963.8	3454.1	0.0	0.0	408.3	3862.4	-898.6	2774.4	-0.0	898.6
1989	2910.2	261.7	3171.9	3972.2	0.0	0.0	442.4	4414.6	-1242.7	3113.8	-0.0	1242.7
1990	3096.8	294.6	3391.4	4568.0	0.0	0.0	478.6	5046.7	-1655.2	3477.1	0.0	1655.2

TABLE 1

PROJECTED ECONOMY (\$ MILLION PERSONAL INCOME)	FY	SCENARIO 1		SCENARIO 2		SCENARIO 3		SCENARIOS 4 & 5		SCENARIO 6	
		REQUIRED PERMANENT FUND (\$ MILLION)	REQUIRED ECONOMY PERSONAL INCOME	REQUIRED PERMANENT FUND (\$ MILLION)	REQUIRED ECONOMY PERSONAL INCOME	REQUIRED PERMANENT FUND (\$ MILLION)	REQUIRED ECONOMY PERSONAL INCOME	REQUIRED PERMANENT FUND (\$ MILLION)	REQUIRED ECONOMY PERSONAL INCOME	REQUIRED PERMANENT FUND (\$ MILLION)	REQUIRED ECONOMY PERSONAL INCOME
2,845.6	78										
3,120.2	79										
3,550.6	80									1,358.2	3,789.8
3,860.7	81										
3,932.9	82										
4,073.4	83					4,899.5	5,540.4				
4,392.4	84					8,109.0	4,695.6				
4,770.8	85					12,011.1	9,026.5			7,036.6	7,051.8
5,008.8	86			1,962.1	5,116.3	18,194.3	11,801.2	Not	10,089.8	12,874.0	9,754.3
5,259.8	87	6,133.0	8,909.2	19,954.4	13,207.9	25,674.7	15,148.4	Applicable	14,034.4	19,954.8	13,011.6
5,522.7	88	14,303.9	16,131.5	28,448.2	17,093.6	34,585.4	19,125.2		18,055.6	28,448.6	16,897.3
5,798.9	89	19,394.7	20,617.8	38,619.1	21,725.4	45,196.7	23,852.1		22,834.3	38,619.5	21,529.2
6,068.8	90	25,475.2	25,973.6	50,768.1	27,236.9	57,810.7	29,462.2		28,501.4	50,768.5	27,040.6

ASSUMPTIONS

	1	2	3	4	5	6	7	8	9	10	11	12
FY	LA PRICE \$	LOWER 48 TRANSPORT \$	TAPS TARRIF \$	INCOME TAX PRUDHOE (\$ MILLION)	PRUDHOE PRODUCTION MMB	OIL & GAS PROPERTY TAX (\$ MILLION)	S FLOOR PRICE FOR OIL SEVERANCE TAX	OTHER REVENUE (\$ MILLION)	GAS SALES MM/MCF	GAS SALE PRICE c/MCF	COOK INLET OIL ROYALTY (\$ MILLION)	COOK INLET OIL SEVERANCE (\$ MILLION)
78	13.75	1.50	5.40	35.0	262.5	167.3	6.53	225.8	17.0	39.8	33.1	16.3
79	14.44	2.00	5.40	51.0	474.5	170.6	6.53	346.5	20.4	39.8	31.3	14.4
80	15.16	2.50	5.40	54.0	547.5	193.2	7.18	280.5	26.4	41.6	29.5	12.7
81	15.92	2.50	5.40	55.0	547.5	226.7	7.18	305.0	34.0	44.2	27.9	10.9
82	16.71	2.50	5.40	56.0	547.5	251.8	7.90	310.7	37.6	46.8	26.4	9.1
83	17.55	2.50	4.90	58.0	547.5	257.0	7.90	321.8	111.6	50.9	24.6	7.3
84	18.43	2.50	4.90	59.0	547.5	261.4	8.69	347.0	117.4	73.1	22.9	5.5
85	19.35	2.50	4.90	60.0	547.5	295.9	8.69	376.9	122.0	77.1	21.2	3.7
86	20.31	2.50	4.90	62.0	547.5	310.7	9.55	395.7	122.0	77.1	19.7	1.9
87	21.33	2.50	4.90	63.0	547.5	326.2	9.55	415.5	122.0	77.1	18.4	.1
88	22.40	2.50	4.90	64.0	547.5	342.5	10.51	436.3	122.0	77.1	17.1	--
89	23.52	2.50	4.90	66.0	547.5	359.7	10.51	458.1	122.0	77.1	16.0	--
90	24.70	2.50	4.90	67.0	547.5	377.6	11.56	481.0	122.0	77.1	14.9	--

FOOTNOTES:

1. Haggart Case II (5% annual increase) July 14, 1977 Memo
2. Haggart Case II
3. Haggart Case II as revised for FY 78-82 in his July 15, 1977 memo for pump station no. 8 slowdown
- 4, 5. Haggart Case II revised for FY 78 for pump station no. 8 slowdown
6. Haggart Case II revised for FY 78 for missing pump station no. 8
7. Haggart (10% increase every two years)
8. Department of Revenue; "Alaska's Oil & Gas Tax Structure"; p. IV-32; Alcan scenario
- 9-12. Haggart

Alaska State Legislature

SPECIAL COMMITTEE ON
THE ALASKA PERMANENT FUND
(907) 276-3433

528 W. 5TH, SUITE 270
ANCHORAGE, AK. 99501

[POUCH V, JUNEAU, AK. 99811]
(907) ~~XXX XXX~~

465-4955



MEMBERS

REP. CLARK GRUENING, CHMN.
REP. TERRY GARDINER, V. CHMN.
REP. E. J. HAUGEN
REP. RUSS MEEKINS
REP. BILL MILES
REP. LEO SCHAEFFER
~~REP. RICK HORN~~
Rep. Joe Hayes

House of Representatives

February 28, 1978

Mr. R. D. Stevenson
Special Assistant
Office of the Commissioner
Department of Revenue
Pouch S
Juneau, Alaska 99811

Dear Mr. Stevenson:

Thank you for the Fiscal Notes on HB 595, HB 596 and
HB 682 prepared by Deputy Commissioner Edenso and recently
received by the Committee.

CSHB 596 will be before the Finance Committee March 6, 1978
at 1:15 PM and it would be helpful to note the differences,
if any, in your calculations for the Committee Substitute at
that time.

It would also be helpful if you would provide a more detailed
back up on the calculations for CSHB 596 so that it will be
possible to see what assumptions were made and how the figures
were arrived at.

I will also be forwarding a Committee Substitute for HB 682
for your review and subsequent Fiscal Note in the near future.

Again, thank you for your time and effort and feel free to
contact me if I can be of further assistance.

Cordially,

Clark Gruening
Representative Clark Gruening

cc: Deputy Commissioner Edenso

CG/jl

M E M O R A N D U M

TO: Representative Hugh Malone
FROM: Representative Clark Gruening
SUBJECT: Request for Travel Approval

I would like to request approval for in-State travel for the following members and staff of the House Special Committee on the Alaska Permanent Fund to attend public hearings in Fairbanks and Anchorage from February 3-5, 1978:

Rep. Gruening
Rep. Gardiner
Rep. Meekins
Rep. Miles
JoAnn Lesh

Rep. Schaeffer
Rep. Hayes
Rep. Haugen
Mike Doogan (to Fairbanks
from Anchorage)

This should be billed to the House Special Committee on the Alaska Permanent Fund.


Representative Clark Gruening

Alaska State Legislature

SPECIAL COMMITTEE ON
THE ALASKA PERMANENT FUND
(907) 270-3433

820 W. 5TH, SUITE 270
ANCHORAGE, AK 99501

[POUCH V, JUNEAU, AK. 99811]

(907) XXXXX

465-4925



MEMBERS

REP. CLARK GRUENING, CHMN.
REP. TERRY GARDINER, V. CHMN.
REP. E. J. HAUGEN
REP. RUSS MEEKINS
REP. BILL MILES
REP. LEO SCHAEFFER
~~XXXXXXXXXX~~
Rep. Joe Hayes

House of Representatives

January 31, 1978

Mr. Belden Daniels
Council for Community Development
4 Sentry Place
Boston, Massachusetts 02114

Dear Mr. Daniels:

Enclosed are copies of the most recent bills concerning the
Alaska Permanent Fund for your information.

Sincerely

A handwritten signature in cursive script, appearing to read "JoAnn Lesh".

JoAnn Lesh
Secretary

MEMORANDUM

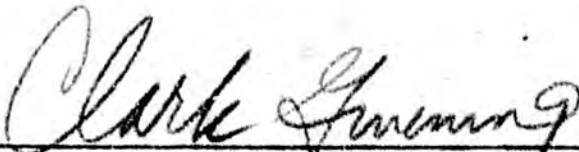
TO: Representative Hugh Malone
FROM: Representative Clark Gruening
SUBJECT: Request for Travel Approval

I would like to request approval for in-State travel for the following members and staff of the House Special Committee on the Alaska Permanent Fund to attend public hearings in Fairbanks and Anchorage from February 3-5, 1978:

Rep. Gruening
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JoAnn Lesh

Rep. Schaeffer
Rep. Hayes
Rep. Haugen
Mike Doogan (to Fairbanks
from Anchorage)

This should be billed to the House Special Committee on the Alaska Permanent Fund.


Representative Clark Gruening

Alaska State Legislature

SPECIAL COMMITTEE ON
THE ALASKA PERMANENT FUND
(907) 276-3433

328 W. 5TH, SUITE 270
ANCHORAGE, AK. 99501

[POUCH V. JUNEAU, AK. 99811]
(907) 465-3873



MEMBERS

REP. CLARK GRUENING, CHMN.
REP. TERRY GARDINER, V. CHMN.
REP. E. J. HAUGEN
REP. RUSS MEEKINS
REP. BILL MILES
REP. LEO SCHAEFFER
REP. RICK URION

House of Representatives

Tentative Schedule of Meetings with suggested meeting places

July 15-16	Anchorage	4th Floor Jury Room, Court Bldg Friday 1:30 p.m.; Saturday 9:00 a.m.
Sept. 16-17	Kotzebue	
Oct. 21-22	Juneau	Courtroom A, Court Bldg Friday 2:00 p.m.; Saturday 9:00 a.m.
	Sitka Ketchikan	Southeast Conference
Nov. 11-12	Anchorage	4th Floor Jury Room, Court Bldg
Nov. 16-19	Public Hearings (various)	
Dec. 8-9	Anchorage	4th Floor Jury Room, Court Bldg

Alaska Public Forum regional meetings will be held from the middle of September through mid-November. Locations and times will be announced.

Alaska State Legislature

SPECIAL COMMITTEE ON
THE ALASKA PERMANENT FUND
(907) 276-3433

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REP. TERRY GARDINER, V. CHMN.
REP. E. J. HAUGEN
REP. RUSS MEEKINS
REP. BILL MILES
REP. LEO SCHAEFFER
REP. RICK URION

House of Representatives

CONTACT:

Clark Gruening, chairman
Kathy Brown, assistant
528 W. 5th Ave.
276-3433

The House Permanent Fund Committee gets off to an official start with a work meeting in Anchorage July 15th and 16th. At that meeting, the committee will hear reports from two renowned consultants on varying aspects of the Permanent Fund.

Economist Arlon Tussing's project deals basically with what the Permanent Fund should accomplish within the Alaskan economic situation. Beldon Daniels, a finance and development specialist from Boston, Mass., will address specific institutions which facilitate development banking, i.e., banking that finances basic industries, one of the possibilities for Permanent Fund money.

Aided by the consultant's reports, the committee will outline the basic goals for its interim project. Committee Chairman Clark Gruening says that the problems to be explored are two-fold: economic and political.

"On the economic side, What are the basic goals we want the Permanent Fund to achieve in the Alaskan economy? And on the political side, the basic question is, Who will control the Fund and how will they be made accountable to the public?"

Also on the agenda for the July 15th meeting is a report from Revenue Commissioner Sterling Gallagher on the current investment status of the Permanent Fund monies. The latest report shows that the Fund has earned over 27 thousand dollars in interest since it became effective last February.

The public is urged to attend this meeting, although public testimony will not be taken, as it is organizational in nature. The public's part will come later.