SCOMM

#9:138

#138

August 31, 1977

Doman
Ferguson
Sackett

Dear :

Enclosed is a copy of the House Committee's meeting schedule. It is sent to you in the hopes that you will be able to attend the meetings and participate in our work.

We are particularly hopeful that you will be able to attend the symposium scheduled for September 10 in Anchorage, Participants will include Dr. Donald Gordon of Simon Fraser University, Dr. Barbara Bergman of the University of Maryland, Dr. George Rogers, John Havelock, Dr. John Lindauer and Jamie Love. The symposium begins at 9:00 a.m. in the Alaska Room of the Anchorage Westward Hilton Hotel.

If you are interested in participating in the symposium, the Committee will be happy to pay your travel costs. If you wish to take us up on this offer, we would appreciate your calling the number listed above to confirm.

Also enclosed are some legal opinions we have received on various matters pertaining to the Permanent Fund for your consideration.

Finally, we trust that you have received a copy of the Committee's brochure, "The Role of the Permanent Fund in Alaska's Future." If you'd like additional copies to distribute, please let us know. The number is limited, but, if the response makes it necessary, we may have additional copies printed.

Sincerely,

Mike Doogan
Administrative Assistant

Enclosures

2

#138

REMARKS ON THE ALASKA PERMANENT FUND

by

GEORGE HOHMAN, STATE SENATOR

CHAIRMAN, SENATE PERMANENT FUND COMMITTEE

IN THE BROADEST SENSE THE PERMANENT FUND QUESTION CAN BE DIVIDED INTO TWO PARTS:

I. ASSESSMENT AND PRIORITIZING OF ALASKAN GOALS AND OBJECTIVES.

HERE THE SENATE COMMITTEE IS DETERMINING WHAT SPECIFIC GOALS AND OBJECTIVES THE FUND WILL BE DIRECTED TOWARD ACHIEVING.

II. PLANNING AND IMPLEMENTING A DELIVERY SYSTEM.

HERE THE COMMITTEE IS PLANNING AND PROVIDING FOR THE IMPLEMENTATION OF A STRUCTURE TO PUT PERMANENT FUND DOLLARS INTO THE ECONOMY IN A WAY THAT WILL MAXIMIZE BOTH REALIZATION OF GOALS AND OBJECTIVES, AND MAINTAIN A CONTINUING VIABILITY OF THE FUND.

THE COMMITTEE WORK PLAN CAN BE BROKEN INTO FOUR AREAS:

I. A STUDY OF EXISTING STATE TREASURY PRACTICES FOR MANAGING ALASKA'S MONEY.

HERE WE ARE INVESTIGATING FOUR SUB-TOPICS:

1. PRESENT TREASURY INVESTMENTS.

   WHAT IS ALASKA'S MONEY INVESTED IN TODAY?

2. TREASURY INVESTMENT STRUCTURE.

   HOW DOES TREASURY MAKE AND IMPLEMENT INVESTMENT DECISIONS?

3, STATE LOAN STRUCTURE.

   HOW DOES THE STATE MAKE AND IMPLEMENT DECISIONS ON LOANING MONEY TO ALASKANS?

4. STATE LOAN FINANCING.

   WHAT STRUCTURES AND METHODS DOES THE STATE USE TO PROVIDE MONEY TO FINANCE ITS EXISTING LOAN PROGRAMS?

II. A SECOND MAJOR STUDY AREA HAS BEEN AN OUTREACH TO OTHER STATES ON THREE OF THE SUB-TOPICS I REFERRED TO PREVIOUSLY:

1. TREASURY INVESTMENT STRUCTURE.

2. LOAN STRUCTURE

3. LOAN FINANCING.

III. A THIRD STUDY EFFORT HAS BEEN THE COMPILATION AND ASSISSMENT OF ALASKAN GOALS AND OBJECTIVES WHICH MIGHT BE FACILITATED THROUGH THE USE OF PERMANENT FUND INVESTMENTS.

HERE THE COMMITTEE IS ENGAGED IN THREE ACTIVITIES:

1. COMPILATION AND ASSESSMENT OF THE PUBLIC INPUT WORK BEING DONE BY THE ALASKA PUBLIC FORUM, THE HOUSE PERMANENT FUND COMMITTEE, AND OTHERS WORKING ON THE QUESTION.

2. IN ADDITION WE HAVE SENT SPECIFIC QUESTIONNAIRES TO THE FOLLOWING GROUPS:

1.	RURAL QUESTIONNAIRES	668
2.	CHAMBER OF COMMERCE QUESTIONNAIRES	750
3.	BANKERS QUESTIONNAIRES	18

3. FINALLY, WE PLAN TO SURVEY ALASKAN TEACHERS AND PUBLIC EMPLOYEES REGARDING THEIR FEELINGS TOWARD ALTERNATIVE USES OF THEIR RESPECTIVE PENSION FUNDS:

a.	TEACHERS PENSION FUND BALANCE	180 MILLION
b.	PUBLIC EMPLOYEES FUND BALANCE	200 MILLION

IV. THE FINAL STUDY AREA IS ANALYSIS AND ANSWERING OF THE FOLLOWING SPECIFIC QUESTIONS:

1. WHAT ARE THE DEFERRED CAPITAL PROJECT NEEDS OF ALASKA?

2. WHICH OF THESE DEFERRED CAPITAL NEEDS ARE THE STATE'S DIRECT RESPONSIBILITY?

3. WHERE IS THE STATE'S LONG RANGE CAPITAL PROGRAM AND FINANCIAL PLAN? (THERE IS NONE AT PRESENT)

4. SHOULD WE MAKE REVENUE PROJECTIONS BEYOND 1985, SINCE PRUDHOE BAY OIL IS SCHEDULED TOBE COMPLETELY PUMPED IN 24 YEARS?

5. WHAT ARE THE AVAILABLE FUND BALANCES IN THE GENERAL FUND UNDER THE FOLLOWING CIRCUMSTANCES:
   a. THE DEFERRED CAPITAL OUTLAY NEEDS ARE MET?
   b. AFTER THE DECLINE IN PRUDHOE BAY TAKES PLACE?

6. SHOULD THE STATE ANTICIPATE MORE EXTENSIVE OIL FINDS IN PLANNING FOR THE NEXT 30 YEARS?

WITH THE PRECEEDING THOUGHTS IN MIND I'D LIKE TO TAKE A FEW MINUTES TO DISCUSS YOUR ANSWERS TO THE QUESTIONNAIRE I SENT TO YOU.

FIRST, I WOULD LIKE TO THANK YOU FOR TAKING THE TIME TO ANSWER. I AM ESPECIALLY PLEASED THAT MANY OF YOU TOOK THE OPPORTUNITY

TO GO BEYOND THE QUESTIONS I ASKED AND WROTE TO ME ABOUT SPECIFIC PROBLEMS AND IDEAS THAT YOU HAVE.

REVIEWING THE RESULTS, I AM IMPRESSED WITH YOUR UNIFORMITY OF ANSWERS AND COMMENTS IN THREE SPECIFIC AREAS:

1. AVAILABILITY OF LONG TERM INVESTMENT CAPITAL,

2. PERCENTAGES OF PERMANENT FUND PRINCIPAL THAT SHOULD BE BE INVESTED IN VARIOUS CATAGORIES, AND

3. RECOGNITION OF THE SPECIAL FINANCIAL CIRCUMSTANCES OF RURAL ALASKA.

FIRST, ALMOST ALL OF YOU INDICATED THAT YOU ARE HAPPY WITH YOUR ALASKAN BANKERS. THIS DIDN'T SURPRISE ME WHEN I SAW THAT MORE THAN 90% OF YOU HAVE APPLIED FOR AND RECEIVED LOANS FROM ALASKAN BANKERS. BEHIND YOUR OBVIOUS SUCCESS IN OBTAINING ALASKA MONEY HOWEVER, YOU INDICATED A SYMPATHETIC UNDERSTANDING AND ACCEPTANCE OF YOUR BANKERS INABILITY TO PROVIDE CERTAIN KINDS OF LOANS THAT YOU FEEL ARE IMPORTANT TO ALASKA'S ECONOMIC GROWTH. SPECIFICALLY, YOU ARE UNDERSTANDING AND ACCEPTING OF THEIR INABILITY TO MAKE LARGE, LONG TERM, LOW INTEREST LOANS AVAILABLE TO YOU. THESE ARE THE LOANS THAT WOULD PROVIDE MAONEY FOR STARTING NEW ALASKAN BUSINESSES, FOR EXPANDING EXISTING BUSINESS FACILITIES, AND FOR EXTENDING HOUSING LOAN AVAILABILITY TO ALL ALASKANS.

WITH YOUR STATEMENT OF THE PROBLEM BEFOR US, THE SENATE PERMANENT FUND COMMITTEE WILL ATTEMPT TO ADDRESS YOUR NEED FOR THESE TYPES OF LOANS; TO FIND WAYS TO MAKE LARGE, LONG TERM, LOW INTEREST LOANS AVAILABLE TO YOU.

SECOND, I WAS STRUCK WITH THE UNINIMITY OF YOUR RECOMMENDATIONS ON WHAT PERCENTAGE OF THE PERMANENT FUND PRINCIPAL SHOULD BE ALLOCATED TO DIFFERENT INVESTMENT CATAGORIES. IT WAS INTERESTING TO NOTE THAT YOUR RECOMMENDATIONS PARALLEL, WITHIN 5%, SIMILAR RECOMMENDATIONS BY THE INVESTMENT ADVISORY BOARD, THE BANKERS OUR COMMITTEE HAS QUESTIONED AND THE RURAL ALASKANS WE HAVE HEARD FROM.

THE SPECIFIC PERCENTAGES YOU RECOMMEND ARE:

43.0% TO BE INVESTED IN HIGH GRADE STOCKS, BONDS, AND FEDERAL PAPER

9.0% TO BE INVESTED IN NEW LOAN PROGRAMS

12.5% TO BE INVESTED IN HOUSING LOANS

11.0% TO BE INVESTED IN EXPANDING EXISTING STATE LOAN PROGRAMS

10.5% TO BE INVESTED IN COMMUNITY DEVELOPMENT

8.0% TO BE INVESTED IN TECHNOLOGY DEVELOPMENT LOANS (ENERGY)

6.0% TO BE INVESTED IN OTHER INVESTMENTS

FINALLY, I WAS PLEASED TO FIND AN AGREEMENT ON YOUR PART THAT THE LEGISLATURE HAS AN OBLIGATION TO USE PERMANENT FUND DOLLARS TO MEET SOME OF THE UNIQUE RURAL AS WELL AS THE COMMON URBAN/RURAL ECONOMIC PROBLEMS BEING EXPERIENCED IN ALASKA TODAY.

THE NEED FOR LARGE, LONG TERM, LOW INTEREST LOANS WAS RECOGNIZED AS A COMMON URBAN/RURAL NEED. A LARGE NUMBER OF YOU HOWEVER, WENT BEYOND THIS COMMON NEED AND COMMENTED ON THE SPECIAL NEED FOR RURAL COMMUNITY DEVELOPMENT MONEY.

ON WEDNESDAY OF THIS WEEK I WAS IN BETHEL MAKING A PUBLIC PRESENTATION ON THE PERMANENT FUND. DURING THE COURSE OF THE PRESENTATION TWO ISSUES WERE RAISED THAT ILLUSTRATE THE SPECIAL RURAL COMMUNITY DEVELOPMENT PROBLEMS YOU REFER TO. FIRST, THE MATTER OF HOME OWNERS INSURANCE. THIS TYPE OF INSURANCE IS MORE AND MORE AN IMPOSSIBILITY IN RURAL COMMUNITIES. THE PROBLEM LIES IN A DE FACTO INABILITY RATHER THAN AN INTENTIONAL REFUSAL TO WRITE SUCH POLICIES. ELIGIBILITY FOR THESE TYPES OF POLICIES IS BASED ON AVAILABILITY OF INFRASTRUCTURE SUPPORT. WITHOUT ADEQUATE SEWER, WATER AND POWER SYSTEMS IT IS UNLIKELY THAT RURAL ALASKANS WILL EVER QUALIFY FOR HOME OWNERS POLICIES. BASED ON YOUR GENERAL RECOGNITION OF THE SPECIAL NEED AND MY PERSONAL KNOWLEDGE OF AT LEAST ONE RURAL AREAS PROBLEMS THE SENATE PERMANENT FUND COMMITTEE IS ATTEMPTING TO FIND WAYS TO USE PERMANENT FUND DOLLARS TO HELP RESOLVE THIS AND OTHER SIMILAR PROBLEMS.

A SECOND SPECIFIC COMMENT I HEARD WAS THAT ALASKAN CONTRACTORS ARE UNABLE TO COMPETE WITH OUTSIDE FIRMS BECAUSE OF PROBLEMS IN SECURING CONTRACTORS BONDS. AGAIN, WITH YOUR RECOGNITION OF THE SPECIAL NEED AND MY KNOWLEDGE OF THE SPECIFIC PROBLEM THE SENATE COMMITTEE WILL ATTEMPT TO FIND WAYS

OF USING PERMANENT FUND DOLLARS TO ASSIST ALASKAN CONTRACTORS IN SECURING THE BONDING NECESSARY FOR THEM TO COMPETE ON AN EQUAL BASIS FOR ALASKAN JOBS.

WHAT I HAVE BEEN DISCUSSING WITH YOU ARE SOME OF THE MAJOR AREAS OF OBVIOUS CONCERN AND AGREEMENT YOU EXPRESSED IN YOUR ANSWERS TO THE QUESTIONNAIRE I SENT YOU. THE COMPLETE QUESTIONNAIRE RESULTS ARE AVAILABLE TO YOU AFTER THIS MORNING'S MEETING. I ENCOURAGE YOU TO REVIEW AND CONSIDER THEM AND TO LET ME KNOW WHAT YOU THINK AND EXPECT AS OUR INTERIM WORK CONTINUES.

THANK YOU

PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED AS A UNIT IN THE ORIGINAL DOCUMENT.

#138

Alaska State Legislature

Pouch V
JUNEAU ALASKA
99811

Senate Committee
on the
Permanent Fund

To: All Members
Senate Committee on the Permanent Fund

From: George Hohman, Chairman

Date: August 29, 1977

Re: Transmittal #2

Enclosed please find:
- First Interim Report
- Banker's Questionnaire
- Chamber Questionnaire
- Rural Outreach Questionnaire
- Bibliography
- Synopses and Analyses
- Project Work Sheet
- Schedule of Projected Needs

Please feel free to contact my office at 465-3880 for additional information.

#138

I. INTRODUCTION

This Interim Report of the Senate Permanent Fund Committee outlines those areas which have been under study or on which further work and study will take place through January 9, 1978.

Our initial effort has been to outline the tasks to be undertaken if meaningful information is to be made available to the Senate for its decision making process. Thereafter, to determine which committees and agencies have produced studies and reports that are useful, acquire same and reduce the material to a summary form for the convenience of the Senate committee members.

A review of past and existing contracts was made to avoid duplication. Contact with other legislative committees and the administration was made and will be maintained, again in an effort to avoid duplication.

Where additional information was needed, an effort to acquire the material has been initiated (refer to outline). This data, as well as other material from other legislative committees and the administration, will be added to subsequent interim reports.

The study effort can then be summarized into the following categories:

1. What investments should be made from the Permanent Fund, and to what extent will loans to Alaskans be a part of these investments?

2. Determine how the investment effort and the loan programs should be organized.

The results of the completed studies and those being undertaken will provide assistance in this decision making process--but only the legislature can make the final decision.

After various policy options are presented to the Senate Permanent Fund Committee and direction given by a majority of the committee, legislative alternatives will be drafted.

II. ANALYSIS OF STUDIES

A. Previous Studies (through 5/31/77)

B. New Studies (dated after 6/ 1/77) (attached)

1. Thinking About the Alaska Permanent Fund: A Cautious Approach for Alaska Policymakers

2. Economic Considerations in Establishment of Alaska's Permanent Fund

C. Contractual Studies--Senate Permanent Fund Committee

1. F.L.Orth, Sea Grant Program, University of Alaska
   a. review implications of foreign investment in expansion of Alaska's bottomfish industry
   b. investigation of fishing cooperatives, PCA's and potential advantages of establishment of a development bank for fisheries in Alaska
   c. completion date October 10, 1977

2. M. DeMan, Alaska Native Foundation
   a. provide assistance in developing work plans for Permanent Fund research
   b. completion date November 30, 1977

D. Bibliography

1. Updated to August 22, 1977 (attached)
   a. various materials and publications requested to be added to future bibliography updates

E. Synopsis of Each

1. All previous studies, new studies and contractual studies to be summarized

2. Completed synopses (attached)
   a. Structuring Decisions for the Alaska Permanent Fund (1976)
   b. Report to the State Investment Advisory Committee re: Domestic, National and International Banks (1976)
   c. A Prospectus of the State of Alaska's Finances and Its Development of Economic Diversity (1976)
   d. The Alaska Series--The Alaska Permanent Fund in Perspective (1977)
   e. The Alaska Series--The Alaska Permanent Fund and Other Significant World Funds (1977)

II. E. Synopses (cont.)
f. Thinking About the Alaska Permanent Fund: A Cautious Approach for Alaska Policymakers (1977)
g. Economic Considerations in Establishment of Alaska's Permanent Fund (1977)
h. Report to the State Investment Advisory Board re: Development Banks (1976)
i. State of Alaska Permanent Fund Investment Objective Options (1976)
j. Citizen Feedback #2, Rowan Group (1977)

III. ANALYSIS OF EXISTING LOAN PROGRAMS

A. Schedule of Existing Loan Programs

1. 13 state loan programs identified for further investigation

2. 8 federal loan programs identified for further investigation

B. Description of Existing Programs

1. Primary information gathered from administering agencies,

Alaska Administrative Code and Alaska statutes
a. statutory authority
b. administrative regulations, if promulgated
c. eligibility criteria
d. loan amount limits and repayment terms
e. implementation

2. Information requested of Division of Loans-State of Alaska
a. number of loans outstanding in all programs
b. dollar amount of loans granted in all programs
c. employment generated by loans in all programs
d. no response to date

3. Primary information request regarding federal loan programs

operating within Alaska
a. responses
(1) Small Business Administration (SBA)
(2) Bureau of Indian Affairs (BIA)

C. Organization, Staffing and Cost of Operations - state loan programs

1. Request Budget and Audit Committee to Provide Information
a. staff member assigned to project
b. projected completion date September 30, 1977

III. D. Program Compliance With Legislative Directives

1. Request Budget and Audit Committee to provide information
   a. staff member assigned to project
   b. projected completion date September 30, 1977

IV. INVENTORY OF SUGGESTED PROGRAMS

A. Schedule of Inquiry and Scope of Inquiry

1. Questionnaire to banks and other financial institutions in Alaska (attached)
   a. business loans - urban/rural
   b. personal loans - urban/rural
   c. mortgage loans - urban/rural
   d. loan denial factors - urban/rural
   e. areas of perceived credit scarcity - urban/rural
   f. comment on state loan programs
   g. comment on federal loan programs
   h. comment on Permanent Fund role
   i. mailed August 15, 1977
      (1) 15 banks, savings/loan associations, financial institutions in Alaska

2. Rural outreach questionnaire (attached)
   a. business ownership
   b. consideration of business ownership
   c. granted/denied business or home loan
   d. comment on perception of bank consideration of loan application
   e. other sources of loans considered
   f. comment on availability of capital in rural Alaska
   g. familiarity with state loan programs
   h. impressions of state loan programs
   i. comment on interest charged by state loan programs
   j. familiarity with federal loan programs
   k. comment on areas of possible Permanent Fund loans
   l. mailed August 22, 1977
      (1) 87 village councils
      (2) 200 village corporations
      (3) 12 regional corporations
      (4) 10 agricultural policy task force members
      (5) 138 miners/mining companies
      (6) 44 fishing associations
      (7) 176 holders of Alaska business licenses in various occupations

IV. A. Schedule of Inquiry and Scope of Inquiry (cont.)

3. Chamber of Commerce questionnaire (attached)
   a. refer to IV.A.2. sections a-k
   b. comment on areas of possible Permanent Fund loans/investments
   c. mailed August 18, 1977
      (1) to be distributed by D. Dickey, President, Alaska State Chamber of Commerce, to 750 individuals throughout Alaska

4. Governmental National Mortgage Association information request
   a. explanation of association's procedures and practices as secondary market for housing loans
   b. statistical data for last five years' activity in Alaska
      (1) number of units financed
      (2) dollar amount of mortgages written

5. State Department of Labor information request
   a. method of cost of living indices formulation
   b. existence of cost of construction indices compiled at state or federal level

6. Commerce and Economic Development Departments of other 49 states information request
   a. types of loan programs
   b. terms of loans
   c. interest rates
   d. publications describing loan programs
   e. mailed August 24, 1977

B. Schedule of Responses

1. Bank/Financial institution questionnaire
   a. no response to date

2. Rural outreach questionnaire
   a. no response to date

3. Chamber of Commerce questionnaire
   a. response requested by September 15, 1977
   b. no response to date

4. Governmental National Mortgage Association
   a. no response to date

5. State Department of Labor request
   a. informal meeting with research staff member

6. Other states' Commerce and Economic Development information request
   a. no response to date

IV. C. Inventory of Capital Improvement Needs of Alaskan Communities (attached)

1. Type of project
   a. description of needs
   b. cost per unit
   c. estimated population to be served
   d. estimate direct construction costs
   e. estimated total costs
   f. expected funding sources
   g. mailed August 23, 1977
      (1) 8 boroughs
      (2) 11 home rule cities
      (3) 21 first class cities
      (4) 107 second class cities
      (5) 1 federal reservation

2. Project work sheet (attached)
   a. for familiarization with cost projection components
   b. mailed August 23, 1977
      (1) refer to IV.C. 1.g. (1)-(4)

D. Schedule of Responses

1. Municipal League member cities (50)
   a. response requested by October 15, 1977
   b. no response to date

2. Non-member cities
   a. response requested by November 15, 1977
   b. no response to date

V. ORGANIZATION

A. Inquiry of State Treasurers as to Organization of Treasury Management

1. Letter of inquiry to selected state treasurers
   a. management of state funds
      (1) general fund-temporary investment
      (2) dedicated/trust funds with protected principle
      (3) organizational/staff operational charts
      (4) accomodation of management of fund size of Permanent Fund
      (5) suggestions, comments, observations

B. Schedule of Responses

1. Michigan

V. C. Inquiry of Organization and Operation, Treasury Division, State of Alaska

1. Prior audit reports
   a. refer to bibliography Audit Reports section

2. Consultant review
   a. Lombard and Wall
   b. preliminary reports generated by September 2, 1977

D. Inquiry of Method of Financing Program

1. Other states

2. State of Alaska and agencies

VI. FINANCIAL PROJECTIONS

A. Acquire Present Projections

1. Permanent Fund and Revenue Projections
   Legislative Affairs Agency, July 1977
   a. general and permanent fund balances 1978-1985
      (1) low income-high expenditure model
      (2) medium income-medium expenditure model
      (3) high income-high expenditure model

2. Permanent Fund Revenue Projections
   Department of Revenue, January, 1977
   a. general and permanent fund balances 1976-1985
   b. estimated petroleum revenues 1976-1985

B. Analysis of Present Projections

C. Request Projections be made for 10-year increments after 1985; 1999, 2005

D. Analysis of Projections through 2005

VII. PROGRAM RECOMMENDATIONS - OTHER

A. Outline Source of Program Recommendations

B. Outline Specific Recommendations and Sources of Same

VIII. PROGRAM ALTERNATES - STAFF

A. Outline Programs Suggested for Inclusion

B. Outline Specific Recommendations and Sources of Same

IX. ORGANIZATION

A. Outline Organization Methods - Present

B. Outline Organization Recommended by Various Studies and Consultants

C. Provide Alternates Available for Consideration and Selection by Senate Permanent Fund Committee

1. Continue with present system of intermediary and direct programs under the executive branch with the Permanent Fund functioning as an intermediary

2. Same as 1. but the Permanent Fund control within the Treasury Division

3. Streamline all programs and Permanent Fund within the executive branch with legislative overview and checks/balances concerning compliance with legislative mandates reinforced

X. SPECIFIC LEGISLATION - BASED ON DIRECTIVE OF SENATE PERMANENT FUND COMMITTEE

A. Draft Alternate Bills as Directed

1. Preliminary drafts of statements of intent

B. Present Alternate Bill at January Meeting Prior to Session's Opening

January 9, 1978

#138

Banker's Questionnaire

Sent to main branches of all banks in Alaska on August 18, 1977.

Senator George Hohman, Chairman
Senate Permanent Fund Committee
Pouch Y
Juneau, AK 99811

QUESTIONNAIRE

1. Assuming that Anchorage, Fairbanks and environs are urban, would you supply the following information concerning your loan portfolio?

	Urban	Rural	Total
Dollar amount			
Business loans	_____	_____	_____
Personal loans	_____	_____	_____
Number of loans			
Business loans	_____	_____	_____
Personal loans	_____	_____	_____
Mortgages			
Conventional	_____	_____	_____
Federally insured	_____	_____	_____

2. What are the averages concerning these loans?

	Urban	Rural
Business loans		
Length of loans	_____months	_____months
Average interest rate	_____%	_____%
Range of interest rates	_____%	_____%
Personal loans		
Length of loans	_____months	_____months
Average interest rate	_____%	_____%
Range of interest rates	_____%	_____%

2. (cont.)

	Urban	Rural
Conventional Mortgages		
Length of mortgage	_____months	_____months
Average interest rate	_____%	_____%
Range of interest rates	____% to____%	___% to____%
Federally insured mortgages		
Length of mortgage	_____months	_____months
Average interest rate	_____%	_____%
Range of interest rates	____% to____%	___% to____%

3. What is the approval rate (number of approvals ÷ number of applications) for:

	Urban	Rural
Business loans	_____	_____
Personal loans	_____	_____

4. What factors are most important in loan denials in urban/rural areas? Please rate from 1 to 10, 1 being most important factor.

	Urban	Rural
Lack of applicant capital	_____	_____
Undeveloped nature of local economy	_____	_____
Poor credit record of applicants	_____	_____
Lack of applicant experience	_____	_____
Lack of applicant education	_____	_____
Difficulty of servicing loan	_____	_____
Lack of local support services	_____	_____

4. (cont.)

	Urban	Rural
Lack of government infrastructure	_____	_____
Out of bank service area	_____	_____

Other (urban) please specify:

Other (rural) please specify:

5. Which types of credit do you think are insufficiently available to urban Alaska?

Housing _____ Development _____

Business venture _____ Other (please specify)

Business expansion _____ _____

Research _____ None_____

6. Which types of credit do you think are insufficiently available to rural Alaska?

Housing _____ Development _____

Business venture _____ Other (please specify)

Business expansion _____ _____

Research _____ None____

7. Please comment on your impressions of the role played or potentially played by the state loan programs in the Alaska economy.

8. Please comment on your impressions of the role played or potentially played by the federal loan programs in the Alaska economy.

9. What do you perceive as the main credit availability problems in Alaska today?

10. What role should the Alaska Permanent Fund play in addressing these problems?

11. How should the Permanent Fund invest its capital?

A. High grade stocks, bonds and federal paper _____%

B. Certificates of deposit in Alaska banks _____%

C. Alaska loan programs

1. New loan programs _____%

2. Housing loans _____%

3. Expansion of existing loan programs _____%

4. Community development _____%

5. Technological development loans (energy, arctic construction, etc.) _____%

6. Other (please specify) _____%

Please return completed questionnaire to:

Senator George Hohman, Chairman
Senate Permanent Fund Committee
Pouch Y
Juneau, AK 99811

Attention: Banking Questionnaire

May we contact you personally or by telephone at a later date?

Yes_____ No_____

Name_____

Address_____

Telephone number_____

#138

Chamber Questionnaire

Distributed via Don Dickey's office, Alaska State Chamber of Commerce, to all Chamber Members. We supplied him with 750 copies on August 18 and requested resonse prior to September 15, 1977

Chamber of Commerce
Questionnaire

1) Do you own or manage or have you owned or managed a business in Alaska?

__ Yes __ No

2) If you answered "yes" to Question No. 1, what type of business?

__ Retail __ Services __ Other

Explain in more detail if necessary.

3) If you checked "no" to Question No. 1, have you ever thought seriously of entering business for yourself or with partners, or corporation?

__ Yes __ No

Please explain the type of business that would be of interest to you.

4) Have you ever applied for a bank loan for home construction or small business?

__ Yes __ No

5) If you answered "yes" to Question No. 4, was the loan denied or granted?

__ Granted __ Denied

If denied, why?

6) Was bank consideration of your application:

__ Satisfactory __ Unsatisfactory

Please explain.

7) Have you ever attempted to get business loans from sources other than commercial banks?

__ Yes __ No

If "yes", from which source?

__ State Loan
__ Federal Loan
__ Credit Union
__ Friends or Family
__ Personal Sources
__ Other (please specify)

8) Do you think small business credit is adequately available to Alaska businesses?

__ Yes __ No

Please explain.

9) Which types of credit do you think are insufficiently available?

__ Housing
__ Venture
__ Expansion
__ Research
__ Development

10) With which of the following state loan programs are you familiar?

__ Veterans
__ Small Business
__ Child Care
__ Agriculture
__ AK State Development Corp
__ Senior Citizen Housing
__ Small Business Development Corp
__ Commercial Fishing
__ Water Resources
__ Tourism
__ Fisheries Enhancement
__ AK Housing Finance Corp
__ Student Financial Aid

11) Please comment on your impressions of the state loan programs.

12) With which of the Federal loan programs are you familiar?

__ Housing Loans
__ Agricultural Loans
__ Natural Resources Loans
__ Environmental Quality Loans
__ Business Loans
__ Disaster
__ Employment Training Loans
__ Other (please specify)

13) Please comment on your impressions of the Federal loan programs.

14) How should the Alaska Permanent Fund invest it's capital?

A. High Grade Stocks, Bonds, Federal Paper _____ %

B. Alaska Loan Programs

1. New loan programs _____ %
2. Housing loans _____ %
3. Expand existing state loans _____ %
4. Community development _____ %
5. Technological development loans _____ %
(Energy methods of construction, etc)

C. Other (please specify) _____ %

TOTAL 100 %

Please return this questionnaire to:

Senator George Hohman, Chairman
Senate Committee on the Permanent Fund
Pouch V
Juneau, Alaska 99811

Attn: Chamber Questionnaire

May we contact you by phone or personally at a later date?

__ Yes __ No

Your Name _____

Address _____

_____

Phone _____

#138

RURAL OUTREACH MAILING LIST

87 Village Councils

10 Agricultural Policy Task Force Members

200 Village Corporations

13 Regional Corporations

138 Miners/Mining Companies

44 Fishing Associations

176 Business License Holders in the area of: Agriculture, Forestry, Building Trades, Food Processing, Lumber & Wood Products, Local Transportation, Water Transportation, Air Transportation, Retail Trade, and Retail Food Stores.

668 TOTAL

The packet included 2 questionnaires (attached) and a transmittal letter.

Sent out on August 22, 1977.

L) Do you own or have you owned a business in Rural Alaska?

___ Yes

___ No

2) If you checked "yes" on the above, what type of business do you or have you owned?

___ Retail Sales (grocery, boats & motors, snow vehicles, etc)

___ Services (cafe, restaurant, movie theater, etc)

___ Other (agricultural, logging, fishing, etc)

Explain in more detail if necessary.

3) If you checked "no" to Question #1, have you ever though seriously of entering business for yourself or with partners?

___ Yes

___ No

Please explain the type of business enterprise you would be interested in.

4) Have you ever applied for a bank loan for home construction or small business?

___ Yes

___ No

5) If you checked "yes" to Question #4, was the loan granted or denied?

___ Granted

___ Denied

If denied, why?

6) Was bank consideration of your application: _Satisfactory

_Unsatisfactory

Please explain.

7) Have you ever attempted to get business loans from sources other than commercial banks.

_Yes

_No

If "yes", from which of the following?

_State Loan

_Credit Union

_Federal Loan

_Friends or Family

_Personal Resources

_Other

Please give any details you feel are relevant.

8) Do you think small business loans are adequately available to rural Alaska?

_Yes

_No

Please explain.

9) We would appreciate any further statement or information you may wish to give relevant to opportunities and credit in rural Alaska.

10) With which of the following state loan programs are you familiar?

_Veterans
_Commercial Fishing
_Small Business
_Small Business Development Corp
_Child Care
_Tourism
_Agriculture
_Fisheries Enhancement
_AK State Development Corp
_Water Resources
_AK Housing Finance Corp
_Senior Citizen Housing
_Student Financial Aid

11) Please comment on your impressions of the state loan programs.

12) What rate of interest do you believe the state should charge for the loan programs and the Permanent Fund loans?

13) With which of the following Federal loan programs are you familiar?

_BIA
_Farm Home Administration
_Small Business Administration
_Other (please specify)

What are your impressions of the federal loan programs?

14) In which areas would you like to see the Alaska Permanent Fund make loans available?

_None
_Housing
_Small Business
_Education
_Environment
_Other (please specify)

If you have any personal ideas or suggestions regarding the Alaska Permanent Fund, please write or call. We will very much appreciate your input as we begin formulating the legislation to determine the working of the Permanent Fund. Thank you for your cooperation.

May we contact you personally or by phone? _Yes

_No

Name _____

Address _____

_____

Phone _____

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The Capital Needs Survey Materials (Project Work Sheet and Schedule of Projected Needs) mailed on August 24, 1977 to all 1st and 2nd class cities, to all boroughs, all home rule cities and federal reservations (Metlakatla).

PROJECT WORK SHEET

PROJECT TITLE: _____

I. CONSTRUCTION TIME SCHEDULE

1. Estimated time required after approval of application:

   To Complete final plans and specifications: _____ calendar days.

   To start construction: _____ months.

2. Estimated construction period: _____ months.

II. ESTIMATED PROJECT COST

1.	Preliminary Expense	$_____
2.	Land and Rights-of-Way	_____
3.	Construction (see breakdown in III below)	_____
4.	Architectural/Engineering Services:	
	Fees $_____	
	Residential Inspection _____	
	Surveys _____	
	Borings _____	
	Subtotal	_____
5.	Capitalized Interest (see breakdown below)	_____
6.	Legal Costs	_____
7.	Administrative Costs	_____
8.	Miscellaneous Allowable Costs Equipment/Initial Inventory	_____
9.	Project Contingency (2% of lines 1 through 7)	_____
10.	Subtotal	$_____
11.	Governmental Field Expense	_____
	TOTAL	$_____

III. CONSTRUCTION COST BREAKDOWN

1.	Contract Costs (including installed equipment)	$_____
2.	Construction Contingency (5% of III-1)	_____
	TOTAL CONSTRUCTION COST (as shown in 3 above)	$_____

IV. CAPITALIZED INTEREST BREAKDOWN

1.	Interest during construction: ___ months @ ___ %	$_____
2.	Interest during development and connection period ___ months @ ___ %	_____
	TOTAL CAPITALIZED INTEREST (as shown in 5 above)	_____

V. SOURCE OF FUNDS

1.	Local	$_____
2.	Federal	_____
3.	State	_____

PLEASE ATTACH DESCRIPTION OF PROJECT.

SCHEDULE OF PROJECTED NEEDS

Name of Community _____

(In $1,000's to nearest $1,000)

Type of Project per AS 29.48.030	Description of Needs (Use extra sheet if necessary--refer to item number)	Cost per foot/ per mile/ per square foot, etc.	Estimated Population to be Served	Estimated Direct Construction Costs (000)	Estimated Total Cost (000)	Expected Funding		
						Fed	State	Local
1. Streets and Sidewalks				$	$	$	$	$
2. Sewers				$	$	$	$	$
3. Sewage Treatment Facilities				$	$	$	$	$
4. Harbors, Wharves and Other Marine Facilities				$	$	$	$	$
5. Flood Control Facilities				$	$	$	$	$
6. Health Clinics				$	$	$	$	$
7. Hospital Facilities				$	$	$	$	$
8. Jail Facilities				$	$	$	$	$
9. Cold Storage Plants				$	$	$	$	$
10. Telephone Systems				$	$	$	$	$
11. Light and Power				$	$	$	$	$
12. Heating Plants				$	$	$	$	$
13. Water Facilities				$	$	$	$	$
14. Roads				$	$	$	$	$
15. Community Centers				$	$	$	$	$
				$	$	$	$	$

SCHEDULE OF PROJECTED NEEDS

_____
Name of Community

(In $1,000's to nearest $1,000)

Type of Project per AS 29.48.030	Description of Needs (Use extra sheet if necessary--refer to item number)	Cost per foot/ per mile/ per square foot, etc.	Estimated Population to be Served	Estimated Direct Construction Costs (000)	Estimated Total Cost (000)	Expected Funding		
						Fed	State	Local
16. Libraries				$	$	$	$	$
17. Recreational Facilities				$	$	$	$	$
18. Airport				$	$	$	$	$
19. Airport Buildings				$	$	$	$	$
20. Garbage Collection				$	$	$	$	$
21. Garbage Disposal/Dumps/ Landfill Facilities				$	$	$	$	$
22. Fire Station				$	$	$	$	$
23. Fire Equipment				$	$	$	$	$
24. Parking Facilities				$	$	$	$	$
25. Housing				$	$	$	$	$
26. Public Buildings for Administration/Police, etc.				$	$	$	$	$
27. Head Start Facilities				$	$	$	$	$
28. Schools - Elementary				$	$	$	$	$
29. Schools - Secondary				$	$	$	$	$
30. Senior Citizen Housing				$	$	$	$	$
31. Senior Citizen Health Facilities				$	$	$	$	$

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Senate Committee on the Permanent Fund
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August 2, 1977

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AN ANALYSIS OF THE CONTRACT BETWEEN DR. DANIELS AND THE HOUSE COMMITTEE ON THE PERMANENT FUND CONTAINS FOUR SPECIFIC ITEMS FOR CONSIDERATION:

1. Suggest methods for management of the Alaska Permanent Fund which will assist community and rural economic development, regionalization or Permanent Fund capital investments, and stable regional economies in Alaska.

2. What refinements could be made in the Alaska Permanent Fund (current proposals HB 298, HB 300, HB 4, SB 357) in order to insure that its purposes and policies can in fact be carried out through its legal structure, capital structure and its management organization and mechanisms for accountability?

3. What problems have occurred during the initiation of similar funds in other parts of the country and world? What could Alaska do to be prepared for or to avoid these problems?

4. Suggest methods for management of the Alaska Permanent Fund which could stimulate development in small communities without major distortions in the state or local economy (including changes in per capita income and population growth)?

ACTUAL ISSUES ADDRESSED: Dr. Daniel's paper is structured around three issues:

1. The need for a comprehensive Alaskan economic development plan which recognizes the limits of state intervention in the economy and the appropriate uses of a development bank

2. Using the full resources of the Alaskan state government to plan for and contribute to a sound, balanced economy

3. Structuring the Alaskan Permanent Fund as one tool in Alaska's overall economic development plan

An abstract of the paper is attached.

METHODOLOGY: Dr. Daniel's approach to the questions presented contains the following caveat: "This (the uniqueness of the Alaska Permanent Fund existence and potential) leads me, as an outsider, to be doubly careful: first, in a short period of time I can only begin to understand the Alaskan political economy; second, I do not want to be precipitous in proposing specific solutions for the Alaskan economy based on experience in quite different settings."

This is a pure "Think Paper". Within the three issue structure outlined above, Dr. Daniels does consider all four of the items presented in the contract.

SPECIFIC CONTRACT COMPLIANCE: The issues presented in the contract were considered in Dr. Daniel's paper. Specific conclusions are contained in the attached abstract of the paper. Generally, Dr. Daniels warned that development banks cannot create economic activity, and that investments of permanent fund monies in Alaska should be based on market return - classic economic measures - with the possible exception of economically feasible joint ventures with rural regional development corporations.

The paper also creates an overall awareness of the essential need for a comprehensive Alaskan Economic Development Plan including a consideration of the infrastructure requirements necessary to facilitation of such a plan.

THINKING ABOUT THE ALASKA PERMANENT FUND: A CAUTIOUS APPROACH FOR AK POLICY-MAKERS
BY: Beldon Hull Daniels July 11, 1977

Mr. Daniels report primarily deals with suggested ways Alaska may contemplate uses of the Permanent Fund as one aspect of an over-all economic plan, discussion of general principles regarding the structure of the Permanent Fund as a development bank, and ideas concerning different tasks of community and regional economic development.

Dangers of economic distortion are particularly acute with development banks regarding design of banks with conflicting goals, ill-suited capital-structure to carry out goals, and inefficient management or lack of accountability to public policy. Proposing a development bank to solve problems which aren't financial is another serious danger.

Some points to review when contemplating the Permanent Fund in terms of the economic goals are the nature of real economic activity in Alaska and the impact of federal and state government intervention, different mechanisms to stimulate or retard the direction of the economy, and limited ways the fund can be part of an over-all economic development effort by Alaska state government.

I. Comprehensive Alaska Economic Development Plan and Appropriate Uses of the Fund

Alaska must establish a long-term economic planning process to determine solutions to development problems not related to cost and supply of capital, and determine when the financial market is the problem requiring Permanent Fund intervention.

Daniels cites two types of investment withing Alaska: a. creating primary, value-added industrial activity in Alaska to produce goods competetive in world-wide markets, and b. investments to minimize rate of increase in the disparity between regions. He further suggests that investment outside of Alaska deal with development in technology which would add economic value to Alaska's natural resources prior to export, as well as investments in investment grade securities.

II. Using Full Resources of Alaska Government to Plan for and Contribute to a Sound Balanced Economy

A. State expenditures from the General Fund should be productive and contribute to an increase in revenues leading to increases in annual net retained earnings.
B. Taxation policy on economic activity in Alaska will become greater in Alaska as we move towards a more stable economy.
C. State stimulation of the flow of private capital to further economic goals by changing the regulations to stimulate economic development and creating new financial intermediary to eventually be publicly owned.
D. Efficiency of public investment by means of tax incentives, grants and subsidies, and development banks.

III. Structuring the Alaska Permanent Fund as a Tool in Alaska Over-all Economic Development Plan

In structuring the Permanent Fund it must first be determined that the problem is in the financial market and not better solved by an aforementioned method. In designing the fund as a development bank, limited goals, legal structures, board and staff structures, and necessary capital structures must be established.

Daniels feels that HB 300 is generally a good draft and commented favorably on the 40% provision for investment grade securities, the 30% provision of investment in private enterprise, the 30% provision limiting investment in community development projects. He feels that the language should be expanded to include Permanent Fund freedom in making equity investments in community development projects. Daniels states possible amendments to HB 300 to include Permanent Fund freedom in making equity investments in community development projects, freedom to hire quality staff, a required annual report, separation of the developers function from the bankers function, establishment of separate subsidiary financial intermediaries, and specific differential reserves for different kinds of equity.

AN ANALYSIS OF THE CONTRACT BETWEEN ISER AND THE HOUSE COMMITTEE REQUIRING DR. TUSSING TO "CONDUCT A STUDY AND PRODUCE A REPORT" ... ON THE FOLLOWING TOPICS:

1. How efficient are capital markets in Alaska today? What amount of substitution of permanent fund for private capital would there be under approaches being considered for the permanent fund?

2. To what extent would permanent fund outlays have the ability to expand Alaska's tax base and diversify the Alaska economy?

3. Under four of five alternative management approaches for the permanent fund, what would be the investment impacts? What are the growth implications?

4. How would impacts differ if the permanent fund investments are out-of-state? What are the implications of using the permanent fund for social purposes (a) directly through loans, etc. or (b) indirectly, by expanding the economy to create a greater tax base, which could be used for social purposes in the future?

5. Could the permanent fund be used to stabilize the Alaska economy to smooth the boom/bust cycle, or to even out the rate of growth?

6. Could the permanent fund be used to increase rural employment through cottage industries, or dispersal of economic actuality?

7. What analytical or policy issues (whether included in the foregoing list or not) should the committee investigate in depth?

ACTUAL ISSUES ADDRESSED: The report: Economic Consideration in Establishment of Alaska's Permanent Fund contains a qualification of the contract terms: "in line with the report's terms of reference, I have not proposed final conclusions on any of the six inter-related questions set out in the contract, but have only attempted to explore and define them sufficiently to propose how the legislature might proceed with such investigations, particularly some quantitative testing of the hypotheses offered here."

This is a "Think Paper". It is devoted, in Dr. Tussing's words, to: "an initial exploration of the question to what extent capital markets serving Alaska are reasonably efficient ..." Further, among the tasks of the study was to "prescribe the analytical and policy issues which deserve further investigation in depth."

METHODOLOGY: This study is based primarily on "unstructured and unsystematic interviews with businessmen on both sides of (capital markets serving Alaska) -- officers of financial institutions and other investors and lenders, and corporate officers and entreprensurs in Alaska industries or with Alaska interests."

SPECIFIC CONTRACT COMPLIANCE: The specific questions posed in the contract were not answered. The paper is abstracted as to specific matters considered (copy attached). The basic thrusts are that there is no need or useful function, so far as classic economic theory -- maximum return for dollars invested -- is concerned, for permanent fund investment in major industrial or commercial enterprise in Alaska, except to the extent that subsidization may be deemed appropriate. There is also an initial inference that major permanent fund investments should be made outside of Alaska.

Finally, Dr. Tussing recommends four specific areas for further indepth study: capital market structure, costs and efficiency, demand for investment and for loanable funds, aggregate impacts of different policies toward permanent fund appropriations and investments, and performance of soft loan programs.

CONCLUSION: In conclusion, Dr. Tussing has merely restated the questions presented to him under this contract and indicated that they are appropriate for further indepth study. It is my opinion that the ISER has not complied with the specific terms of contract performance.

Economic Considerations in Establishment of Alaska's Permanent Fund (July 7, 1977)
by: Arlon R. Tussing, Institute of Social Economic and Government Research, Univ. of Alaska

Scope of report is an exploration of some of the fundamental economic questions involved in establishing the structure and policies of the Permanent Fund. Research effort consisted mainly of informal interviews with bankers and businessmen to determine perceived capital market efficiency in Alaska. Original quantitative data was not collected, but the author has defined key areas of concern and suggestions for their further investigation by the legislature.

Uses of the Permanent Fund-Diversification and stabilization of Alaska's economy/tax base and mitigating the impact of short term "bulges" in state revenues with resultant huge increases in state spending are the hopes most frequently articulated when discussing uses of the Permanent Fund.

Market Efficiency-Unless the Permanent Fund makes loans to ventures that would not meet normal market tests (with concommitant higher risks to the Fund's principle), loans at or below market rates to more secure ventures would have the effect of displacing private investment capital, as it is the author's assumption that capital markets are reasonably efficient in Alaska. Elements of market efficiency are cost, mobility and information, and if deficiencies in any or all of these elements exist in the state, attempting to remedy them directly may be more effective than using Permanent Fund investment money.

Alaskan Capital Markets-Aside from the problems of inflation and taxes, most businessmen involved in large scale or urban Alaskan enterprises believe that capital availability is not a problem. In general, small and rural entrepeneurs hold the opposite view, and many believe that financial institutions in the state are actually biases against them. This view is shared by public sector interviewees also. The latter groups are by far the largest, possibly creating a substantial political constituency for proposals that the Permanent Fund take an activist role in providing capital for these types of enterprises. Representatives of Alaskan financial institutions believe that they are actively seeking placement of funds within the state and consistently deny that higher rates or standards exist for Alaskan investments. Author feels that perceptual polarity between the entrepeneur groups may be caused by unfamiliarity with operation of financial intermediaries and the inability to "package" desirable proposals on the part of the latter group, added to the economic reality of investments flowing to areas with greatest resources and fewest problems encountered in servicing the loans.

Subsidies and Soft Loans-Reduction of barriers to capital mobility would not neccesarily accelerate the rate of development in those areas currently experiencing capital shortages. Making more capital available at lower than market rates may have the effect of creating more capital intensive industries, a point to consider if increasing the number of available jobs is an important goal of Permanent Fund investments. Interest rates are not usually a major factor in determination of whether or not to capitalize speculative ventures; more important are creditworthiness of applicants and the amount of equity they can commit to the project. Rather than lower interest rates for undercapitalized ventures, author suggests a relaxation of standards to enhance availabilty of funds, but higher interest rates on these loans (as befits their speculative nature) to offset future losses, coupled with rigorous audit and writeoff policies.

Counter-Cyclical Investment-Use of Permanent Fund investment policies as a tool to restrict state spending and smooth the "boom-bust" cycle is also a popular concept. Implementation problems perceived by the author are: accurate forecasting of economic trends is difficult; time lags in changing investment policies would be inevitable and perhaps lengthly; and difficulties inherent in turning capital supply "on" and "off."

Public Enterprise-Except for the concept of providing equity capital for public utility investments (which earn a higher rate of return than that of debt component), author feels that loans to public utility projects would not be prudent. Other public works type projects are viewed as appropriate only if costs are allocated to the beneficiaries, rather than the public at large.

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Structuring Decisions for the Alaska Permanent Fund:
A Conceptual Approach to the Allocation of Public Capital Resources
by: Tom Singer, Policy Development and Planning March 8, 1977

Public Sector Capital Allocation (public choice)

Making capital available to projects which can't get financing in private market (high-risk loans) is justifiable use for public monies of the Permanent Fund meeting social market demands. Therefore, the Legislature utilizing public input must identify objectives and measures for objective achievements. They must also develop a means of analysis to identify the positive and negative spillovers of projects.

Uniform Evaluation Criteria Based on Multiple Objectives

Some problems of cost-analysis (projects with greatest net benefit are funded until resources are used up) are: a) The choice of discount rate (social opportunity cost of capital/social rate of time preferences). Legislators may want to consider a low discount rate to reflect concern for future generations; and means of monitoring development bank for consistency in application of the rate. b) Uncertainty of analysis must be made clear in order not to misrepresent the information as fact rather than expert opinion. c) Measurement and valuation of non-market factors and spill-overs must occur. Goals and objectives must be determined to allow measurement of direct and indirect factors expected to result from projects. The following are methods by which impact of projects on social indicators (of lifestyles, etc) can be measures: 1. rely on analysts judgement based on experience & expertise, 2. contingency calculations (is this worth more . .) 3. surveys and questionnaires asking worth of non-market factors, and 4. rely on valuations of final decision-maker.

There are various types of analysis, most of them quite expensive. Singer suggests that a) loan applicants evaluate their own project against minimum pre-determined standards, and b) develop matrix to convey only critical information required by decision makers so that impacts can be directly compared against various objectives for the fund.

In order to have some order and control in trade-offs determining comparative value of projects, there are 3 techniques that Singer suggested. The scoreboard technique presents all data in natural units, rather than 1 basic unit like dollars, so that trade-offs can be readily seen. Another method is maximizing one goal and using other goals as minimum constraints. The greatest control occurs with the ranking of goals.

Singer feels that the Legislature should not only determine how PF money is invested but also the decision-making policy of those directly involved with granting loans.

There exists only one well-known problem with development banks as occured with the Ethiopian Development Bank when the industrial arm was moved to another bank. The existing functions did not provide adequate portfolio diversification and, once realized, the problem was remedied. Since development banks are an instrument of the government little, if any, likelihood of failure exists. The possible problems faced by development banks can be avoided if operating management is highly capable with adequate remuneration the appointment powers are removed from the political process, objectives and accountability requirements are clearly definied in the Charter, reasonable objectives are determined, and government influence is reasonably controlled to foster independence.

Price Waterhouse recommends that the Permanent Fund be a state-owned corporation with a dual board structure:

A. Board of Citizens with elected members from senatorial districts and empowered to recommend changes to the state legislature with regard to the charter of the fund. Also empowered to vote on policy statements of the fund. No compensation except expenses.
B. Board of Directors appointed by the Governor for staggered terms with confirmation powers vested in the legislature. They should be delegated with all the powers of the Permanent Fund except those reserved to the Board of Citizens. They would be responsible for decisions on all financing operations but not empowered or allowed to suggest or recommend any financial operation be considered or made by the fund. The President of the Alaska Permanent Fund would chair the Board of Directors.
C. President would be appointed by the Board of Directors for a term of reasonable duration. The position would include powers to conduct ordinary business of the fund and establish organization, appointment, dismissal and compensation for the officers and staff.

There is a formal post-audit process in most development banks involving collaboration between bank project staff, the borrower and third parties (consultants associated with the project). The over-all evaluation is three-fold:

A. Comparison of actual to planned financial performance. The project would be considered successful if it met the objectives, most of which are quatifiable.
B. The impact of over-all development of the economy.
C. The results of past performance as applied to future operations.

State of Alaska Permanent Fund Investment Objective Options #13Y
by: Alaska Pacific Bank for State Investment Advisory Committee August 25, 1977

SOCIAL ORIENTATION

I. Income Redistribution - income from investments in safe securities would go to low income earners
II. Subsidization of Lower Income Families - structuring fund to provide financing to families who would have a difficult time getting it.
III. Geographic Redistibution of Wealth - principally invest in rural Alaska
IV. Support of a Specific Designated Social Objective: e.g., Endowment to Finance the University of Alaska
V. Directly Increase the Quality of Life of all Alaskans Through Various Subsidies - making lower interest loans available to all Alaskans regardless of income
VI. Provide vehicle to allow all Alaskans to participate more directly in the economic development of the state through an ownership position - creating a private corporation with stock given to AK citizens (AK, Inc.)

ECONOMIC ORIENTATION

VII. Subsidize small businesses through expansion of existing loan programs
VIII. Vehicle to bolster, beef up, and make viable Alaska's traditional industries, particularly fishing and forest products - would imply loan guarantees and purchases, bond burchases, and direct ownership of major projects
IX. Vehicle to create a more stable and broadly based economy - highest priority placed on financing of projects which would substantially alter structure of AK economy

FISCAL MANAGEMENT ORIENTATION

X. Vehicle to provide cushion for possible future revenue down returns - conservative investments with earnings re-invested in safest securities and used to fill gap of short-run decrease in revenue to Alaska as result of cyclical or temporary factors.
XI. Reduction in the state debt and/or the tax burdon on Alaska's taxpayers - having the effect of lowering the interest payments and improving state's bond rating

GENERAL COMMENTS

Alaska Pacific feels that the management of the fund in accordance with the intent of the Legislature and voters would imply a long-range orientation. They suggest that pursuing economic objectives and expanding tax base more effectively contributes to social objectives. They recommend pursuit of objectives VIII and IX.

by: Rowan Group for the Office of the Governor

Interviews were conducted in 17 communities of the State in a distribution plan giving proportional representation to all sections of the State. The survey includes data from 359 personal interviews conducted by professional interviewers in the homes of qualified respondents for approximatly 1/2 hour during April and May, 1977. Applicants were all residents and adults of 16 years or older. The State was considered in five regions: Anchorage, Fairbanks, Southeastern, Southcentral, and rural Alaska.

Thirteen pre-listed goals were rated in the order of importance with the highest ranking being absence of crime, presence of work, quality of education, and purity of the environment. The "highest family income in the USA" and "sharing AK's wealth with all Americans" rated at the bottom. 65% of those interviewed listed additional goals of a more spontaneous nature in the following question.

The study presented three alternative budgets which were rated as follows: 55.7% preferred maintenance budgets ($800 million), 28.1% preferred expanded budget ($1 billion) and 13.4% indicated a preference for a smaller budget ($600 million). Based on analysis of the wording used by respondents, roughly 40% would make an effort to cut back on spending while 30% each are in favor of maintaining or expanding it. In reworking the budget of the 1977 Legislature, the public comes up with a similar budget. Rowan indicated that according to the data, as education increases so does the desire to cut back on the budget. Conversely, the less education the greater tendency to increase the budget. 57% of the respondents felt the government should get as much federal money as possible while a previously non-existent group (38%) feel we should become less dependent on federal monies. The public seems adamant about economizing in state government employees salaries with 55% concurring with the recent 5% increase and the remainder opposed to varying degrees.

34% of the public considers revenue beyond the operational budgetary needs to be capital for investment while 40% believe it to be income to be treated as other income in the State. As education level increases so does the inclination to treat excess revenue as capital. 55% of the population feels the way to handle money is to put it into the legislative allocation process, while 37% choose to return a portion of these funds directly to the people of Alaska.

PERMANENT FUND. The vast majority of Alaskans are thinking of ways of investing money wisely in Alaska and most ideas are similar to the capital improvement concepts emerging from the government. 72% felt "The Permanent Fund should be managed to assist Alaska directly through low-interest loans for such things as community development, fisheries enhancement, and so on." 18% chose high interest investment outside with interest used as loans or expenditures to meet Alaska's needs. The public appears to want to put as much as possible in the Fund after the operating expenses of government. With regard to annual earnings of the fund, 24% wish to use it to pay off debts, bond obligations, etc., 22% want to put it into loan programs, 16% want to put it back in the Permanent Fund, and 10% wish to give it to Alaskan residents. The Alaska, Inc. concept was referred to (without reference to the name) and was opposed by 51% with 30% in favor. $6% disagreed and 35% agreed that the earnings of the Permanent Fund should be added to the general fund of government. (No data as to whether public wants money returned to Permanent Fund). This survey marked the introduction of the Permanent Fund concept to intensive research thus the results must be taken in the context of a discussion over a subject not well known. The public hasn't made up its mind what the fund is, only that it should exist.

44% of the respondents wish to stay out of the problem of migration to Alaska, while 37% actively discourage migration and 13% actively encourage it. Regarding oil development: 51% believe if oil is in their locale development should take place, while 25% feel it should be developed everywhere but near their community. 38% of the respondents feel re-evaluation of the U. of A. is a high priority with 27% listing it as a moderate priority. 37% list re-evaluation of State police as high priority with 25% listing it as moderate priority.

Critics of a dedicated fund say that proceeds of a dedicated tax may be sufficient at first, but should this change at a later date, the revenue is still an inflexible spending guide. They point out that some governments have surplus revenue but since it is bogged down in various funds, they find themselves on the verge of bankruptcy. Proponents feel that the general fund rule is applicable to states with a normal revenue flow, but Alaska with it's excess revenue is wise to remove a portion from the day-to-day operations of government.

States with specific resource funds include Arizona with the New Mexico Permanent Fund with money primarily going to the public schools, and the Severance Tax Permanent Fund which is a mild form of development bank. Texas and Wyoming both have funds used primarily to finance capital improvements on their respective universities. Additionally, the Wyoming Permanent Mineral Trust Fund makes loans to political subdivisions while their Government Royalties Fund divides its monies between the public schools, the general fund, and the university.

The regional development bank type funds are based in Puerto Rico, Pennsylvania, Sweden, Japan, and Mexico and are not based on natural resources.
1) The Development Bank of Puerto Rico is a public corporation to a. act as a fiscal agent for the Commonwealth, municipalities and public agencies, b. make loans to private enterprise to aid Puerto Rican development and c. be responsible for timely sale of bonds.
2) The Swedish Investment Bank is involved in financing industrial and commercial projects in Sweden by making long-term and guarantee loans. They are authorized to acquire equity.
3) The Pennsylvania Industrial Development Authority's purpose is to relieve unemployment and economic stagnation by making mortgage loans to non-profit Industrial Agencies who in turn finance private industrial projects below market interest rates.
(similar to the Alaska Housing Finance Corporation)
4) The Japanese Development Bank supplies long-term funds for industrial development and economic and social progress.
5) The Mexico National Financiera SA has a primary purpose of financing Mexican economic development. It is a mixed private/public institution that provides direct loans, gives loan guarantees, and participates in equity.

The World Bank acts as a conduit of funds from economically developed nations to underdeveloped nations and makes loans to governments or private enterprises guaranteed by a member nation. Consultants on the AK Permanent Fund looked closely at the World Bank and it's affiliates regarding their management structure. The AK Permanent Fund could, like the World Bank, construct affiliates to operate in less developed areas of the state and to become involved in granting the long-term loans at low interest.

Other international development banks include the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the European Investment Bank, and the European Coal and Steel Community. All these banks make loans to member nations or enterprises guaranteed by member nations. Funds come primarily from membership subscriptions, retained earnings and borrowing.

The resource based funds include Saudi Development Bank, the Arab Development Bank, the Arab Fund for Economic and Social Development, the Abu Dhabi Fund for Arab Economic Development and the Islamic Development Bank. These banks all draw generous income from natural resources and are relatively new and rare. They are all regional development banks with additional capital coming from membership subscription or special appropriations from member nations. Also included in the resource based funds are the Alberta Heritage Savings Trust Fund and Fondo de Inversiones de Venezuela. Both funds are similar to the AK Permanent Fund. The Venezuelean Bank was established to keep a deluge of public revenue temporarily out of local money supply until needed and to reduce their dependence on oil revenue. They also recognize the need to invest excess funds in external markets. The Alberta Fund is similar to the AK Permanent Fund by location and their democratic framework. They make loans to strengthen and diversify the economy.

Report to Investment Advisory Committee re: Domestic, National, And International Banks
By: White, Weld and Co. October 1, 1976

I. Domestic Permanent Fund (including funds in Montana, New Mexico, Texas & Wyoming. Also summary of states which accumulate natural resources income in trust funds)

The funds cited focused on States receiving income from natural resources in land and minerals where: 1) income was spent primarily on a current basis, 2) the funds are primarily managed by the State Treasurer, and 3) the purposes of the funds include investment in public school systems, financing capital improvements, investment in state ecological environments, and loaning to political subdivisions.

II. Domestic Economic Development Programs (Also includes a summary of State general assistance, incentives and special services to industry)

Governmental Development Bank of Puerto Rico: 1) acts as fiscal agent for Commonwealth, 2) makes loans to private enterprise, and 3) functions include: sale of bonds & notes by Commonwealth, issue of own full-faith and credit loans, and central clearing house for checks in Commonwealth.
Pennsylvania Industrial Development Authority: 1) purpose is to alleviate unemployment and economic stagnation and make mortgage loans to non-profit Industrial Development Agencies, and 2) funds are from aggregate legislative appropriations, proceeds of tax exempt bond issues, and repayment of principle and interest on outstanding mortgage loans.

III. National Institutions (including Swedish Investment Bank, Ltd., Japan Development Bank, and National Financiera S.A. - Mexico)

1) All these banks are governmentally owned
2) Are responsible for carrying out national economic policy.
3) For purposes of assisting in financing industrial and commercial projects
4) The source of funds is borrowings from the government, repayment of loans and internal sources.

IV. International and Regional Development Institutions (including the World Bank, Inter-American Development Bank, Asian Development Bank, African Development Bank, Euopean Investment Bank, European Coal and Steel Community)

1) Membership consists of several countries
2) Purpose to foster economic growth of particular region or it's members
3) Generally non-political and commercial in operations
4) Source of funds from capital subscription of members, local and international borrowing (usually heavily)
5) Activities consist of direct lending in member countries for social and economic benefit
6) Generally managed by Board of Directors or Governors with members from or authorized by member countries.
7) The European Investment Bank and the European Cola and Steel Community related to Common Market activities

V. Natural Resources Related Institutions (Saudi Development Fund, Arab Bank for Economic Development in Africa, Arab Fund for Economic and Social Development, Abu Dhabi Fund for Arab Economic Development, Islamic Development Bank, Kuwait Fund for Arab Economic Development, Fondo de Inversiones de Venezuela, Alberta Heritage Savings Trust fund)

1) Functions limited to particular geographic area for purpose of promoting economic growth & development, and achieve social objectives
2) Primarily based on natural resource revenue, particularly oil related
3) Sources of funds is primarily membership subscriptions and allocated funds
4) most of the funds not yet fully operational

A PROSPECTUS OF THE STATE OF ALASKA'S FINANCES AND ITS DEVELOPMENT OF ECONOMIC DIVERSITY. prepared by: Morgan Guaranty Trust Company of New York, 1/12/76

Alaska government is moving in the right direction of returning to a balanced budget. Debt per capita must be reduced and government size should not rise. The Permanent Development Fund (PDF) will not be successful unless it generates fund surpluses and utilizes top quality management.

Municipal Bond Bank may be a good vehicle for aiding AK communities, however, it has deficiencies: bond anticipation note authorization, moral obligation is a dead issue in the market place, and lack of State control.

Morgan suggests one commission for capital allocation and control be established with authority for debt authorizations with management and financial controls on same, capital allocation authority, scheduling all public sales, and establishing and managing a local government financial advisory group dealing with day to day operations and fiscal and debt management.

The Departments of Commerce and Economic Development, Public Works, Revenue, and Community and Regional Affairs should be consolidated into 1 major commission responsible for approval for aid programs of other departments and capital spending. The PDF should be a part of this "super" commission utilizing their capabilities and analysis abilities.

AK must be careful not to borrow methods from established organizations which are not applicable to AK's particular uniqueness (AK has its own source of equity unlike The World Bank, Asian Development Bank and a few others). PDF must join with private enterprise in economically sound and financially feasible projects. Additionally, it must export or deliver products to viable markets to be successful.

According to Morgan, PDF must be corporate in structure with high paid quality management and personnel. It must be profit-seeking in motive and long-term entrepreneurial in scope. The PDF should provide capital for 1)The AK Development Corporation (ADC) to establish expertise in developing the economy, and 2)the ADC to create a Development Bank (DB) to make project loans, and 3)the ADC to create the Finance and Investment Company (FIC) to package project loans to be sold to institutional lenders in the lower '48 and the world. Additionally the FIC would manage a series of investments in mutual funds or trust for smaller institutions and individuals to buy into.

Morgan cites some other specifics of the PDF:

1) the PDF should only participate in major developmental projects
2) projects should be capital intensive
3) PDF should involve itself in long term loans in partnership with private industry and lenders rather than equity participation
4) PDF should finance "missing links" in otherwise viably forecasted projects
5) No other organization should be allowed to be equity holders in PDF or it's subsidiaries
6) PDF should create a steering committee to establish priorities studying the economy and geographical needs
7) PDF must necessitate that Native Corporations develop major projects in concert with PDF and, in like manner, they may be able to gain from PDF enterprise be creation of new villages and certain ancillary services
8) PDF may have to establish a subsidiary to expand education and other necessities which diversify the economy charging private market rates
9) no grants or non-interest loans should be made by PDF
10) PDF must be insulated from vested interests and political suasion
11) must develop ways of effecting leverage of PDF's equity capital
12) Statutes involving state government financing and lending should be reviewed

The Alaska Permanent Fund in Perspective

One of Alaska's constitutional hallmarks was prohibition against dedicated revenue. In 1976 a constitutional amendemtn was passed allowing a broad-based fund (Permanent Fund) to include 25% of all incoming oil and other resource revenue from royalties, fees, land rents, and other bonus payments. The only restriction was that the money must not be spent on the general operations of the government and must maintain the principle and produce income. Initially, the fund was seen as a means of excluding a certain percentage of the excess revenue from operational state spending.

Permanent Fund Legislation

March 3, 1977, Hammond introduced HB 298 relating to the management of the Permanent Fund. On the same day, the House Special Committee introduced HB 300, similar to Hammond's bill but including legislative perogative for Permanent Fund management.

HB 298 cast the Permanent Fund as a "super-bank" with a great deal of autonomy from the operations of the executive and legislative branches. It creates the Alaska Permanent Fund Corporation within the Department of Revenue with an independent legal existence. HB 298 provides for 50% of mineral lease income, royalty income, and bonus payments to be placed in the Permanent Fund. HB 300 places 100% of the bonus payments in the Fund. Oil and gas (mineral) severence tax continues to be placed in the General Fund.

The present legislation tends toward a development bank concept but the goals of same tend toward "trust for the future" and consumer benefits. The preamble of the legislation speaks of diversification of the Alaskan economy by investments in non-renewable and renewable resources, smoothing cyclical patterns of growth, encouraging participation of private capital, promoting capital for community development, and supplementing private investment.

Administrative and legislative bills both opt for the split concept in the Permanent Fund: 1) 40% investment grade securities (savings account priniciple), 2) not more than 30% to provide reasonable proportion of longer-term investment capital (development bank), and 3) not more than 30% for investment capital for community development (consumer bank). Pending legislation also gives the power to raise capital and borrow against the assets of the Permanent Fund and grant debt guarantees.

Structure of Fund Management

The Permanent Fund Policy Board consists of the Commissioners of Revenue and Commerce, and 7 members appointed by the Governor for 4 year terms. Confirmation of the Policy Board is still at issue in the legislative and executive legislation. Members are removable for cause. The Chairman of the Policy Board would be the President of the Corporation. The duties of the Policy Board are: policies of investment, selecting the Investment Committee, relations with the legislature and public, reviewing investment and performance, and providing reports and audits of the Fund.

Beneath the Policy Board is the Investment Committee of 4 members and a President. Their sole responsibility is investment. There exists a separation and balance of powers between the Policy Board and the Investment Committee. The staff of the "superbank" management operations has much flexibility in determining terms of debt, etc.

The Fund will probably be able to borrow to expand development bank capital, sell securities and debt to other mortgage markets, and make investment in financial intermediarys.

Problems of the Permanent Fund

1) Due to the smallness of Alaska, there may be trouble in finding people with the expertise and knowledge that don't have "special interests" to staff the Fund Corporation.
2) If the Legislature doesn't have confirmation power over the Policy Board membership, public accountability becomes even more difficult and would leave accountability entirely up to the Governor.

PLEASE NOTE: THE PRECEDING PAGES WERE TREATED AS A UNIT IN THE ORIGINAL DOCUMENT.

PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED AS A UNIT IN THE ORIGINAL DOCUMENT.

#138

Alaska State Legislature

Pouch V
JUNEAU ALASKA
99811

December 9, 1977

Senate Committee
on the
Permanent Fund

TO : Transmittal Recipients

FROM: George Hohman, Chairman
Senate Committee on the Permanent Fund

RE : Transmittal #3

Enclosed please find the following:

Second Interim Report
Bibliography
Budget & Audit Memorandum regarding
"Projected Permanent Fund Balances"
Credit Scoring Systems Memo
Dittman Public Opinion Poll

Please feel free to contact my office for any additional information (465-3880)

Enclosures

#138

Senate Committee on the Permanent Fund
Second Interim Report
December 9, 1977

I. INTRODUCTION

This Second Interim Report of the Senate Committee on the Permanent Fund outlines those areas which have been under study and will continue to be reviewed through January 9, 1978.

Our initial effort was to outline the tasks to be undertaken and make meaningful information available to the Senate for its decision making process. Numerous reports and studies have been provided which have assisted the Committee members in their considerations of permanent fund matters.

The study effort has been concentrated into the following categories:

1. What investments should be made from the Permanent Fund, and to what extent will loans to Alaskans be a part of these investments?
2. To determine how the investment effort and the loan programs should be organized.

The results of the completed studies and those being undertaken will provide assistance in the decision making process when the Legislature convenes on January 9, 1978.

At the present time, legislation is being drafted per the direction given by the Committee during their meeting of October 31, 1977.

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II. ANALYSIS OF STUDIES

A. Completed Analysis of Studies through December 3 per Bibliography

B. Completed Synopses
1. Structuring Decisions for the Alaska Permanent Fund (1976)
2. Report to the State Investment Advisory Committee regarding Domestic, National and International Banks (1976)
3. A Prospectus of the State of Alaska's Finances and Its Development of Economic Diversity (1976)
4. The Alaska Series--The Alaska Permanent Fund in Perspective (1977)
5. The Alaska Series--The Alaska Permanent Fund and Other Significant World Funds (1977)
6. Thinking About the Alaska Permanent Fund: A Cautious Approach for Policymakers (1977)
7. Economic Considerations in Establishment of Alaska's Permanent Fund (1977)
8. Report to the State Investment Advisory Committee regarding Development Banks (1976)
9. State of Alaska Permanent Fund Investment Objectives Options (1976)
10. Citizen Feedback #2, Rowan Group (1977)
11. Models and Options for the Alaska Permanent Fund (Report #2) (1977)

C. Contractual Studies

1. F.L. Orth, Sea Grant Program, University of Alaska
   a. review implications of foreign investment in expansion of Alaska's bottomfish industry
   b. investigation of fishing cooperatives, PCA's and potential advantages of establishment of a development bank for fisheries in Alaska
   c. project completed

2. M. DeMan, Alaska Native Foundation
   a. provide assistance regarding Permanent Fund interaction with village corporations
   b. completion date December 30, 1977

3. D. Dittman, Dittman Research Associates
   a. design questionnaire to survey public opinion as to uses of the Permanent Fund
   b. survey sample to be proportionately representative of state population distribution, comprised of not less than 400 individuals
   c. prepare summary of qualitative and quantitative findings
   d. summarize findings
   e. completed

II. ANALYSIS OF STUDIES (CONT.)

D. Bibliography (Attached)

III. ANALYSIS OF EXISTING LOAN PROGRAMS

A. Schedule of Existing Programs
   1. Ten state loan programs identified and analyzed
   2. Six independent corporations identified and analyzed
   3. Eight federal loan programs identifed and examined

B. Description of Analysis
   1. Primary information gathered from administering agencies, Alaska Administrative Code and Alaska statutes
      a. statutory authority
      b. administrative regulations, if promulgated
      c. eligibility criteria
      d. loan amount limit and repayment terms
      e. implementation

   2. Information requested and received from state loan program agencies and independent corporations
      a. number of loans outstanding in all programs
      b. dollar amount of loans granted in all programs
      c. employment generated by loans in all programs
         (1) data not available

   3. Primary information requested and received regarding federal loan programs operating within Alaska
      a. responses
         (1) Small Business Administration (SBA)
         (2) Bureau of Indian Affairs (BIA)
         (3) Community Economic Development Corporation (CEDC) through Community Services Administration (CSA)

C. Organization, Staffing and Cost of Operations - State Loan Programs
   1. Budget and Audit information request--received and completed
      a. administrative costs of loans
      b. organizational structure of each program

D. Program Compliance with Legislative Directives--not complete
   1. Budget and Audit information request--not received

IV. INVENTORY AND INVESTIGATION OF STATE NEEDS

A. In-state Inquiries

1. Questionnaire to banks and other financial institutions in Alaska (Seven received)
   a. business loans - urban/rural
   b. personal loans - urban/rural
   c. mortgage loans - urban/rural
   d. loan denial factors - urban/rural
   e. areas of perceived credit scarcity - urban/rural
   f. comment on state loan programs
   g. comment on federal loan programs
   h. comment on Permanent Fund role
   i. mailed August 15, 1977
      (1) 15 banks, savings and loan associations, financial institutions in Alaska
2. Rural Outreach questionnaire (108 received)
   a. business ownership
   b. consideration of business ownership
   c. granted/denied business or home loan
   d. comment on perception of bank consideration of loan application
   e. other sources of loans considered
   f. comment on availability of capital in rural Alaska
   g. familiarity with state loan programs
   h. impressions of state loan programs
   i. comment on interest charged by state loan programs
   j. familiarity with federal loan programs
   k. comment on areas of possible Permanent Fund loans
   l. mailed August 22, 1977
      (1) 87 village councils
      (2) 200 villate corporations
      (3) 12 regional corporations
      (4) 10 agricultural policy task force members
      (5) 138 miners/mining companies
      (6) 44 fishing associations
      (7) 176 shareholders of Alaska business licenses in various occupations
3. Chamber of Commerce questionnaire (115 received)
   a. business ownership
   b. consideration of business ownership
   c. granted/denied business or home loan
   d. comment on perception of bank consideration of loan application
   e. other sources of loans considered
   f. comment on availability of capital in rural Alaska
   g. familiarity with state loan programs
   h. impressions of state loan programs
   i. comment on interest charged by state loan programs
   j. familiarity with federal loan programs
   k. comment on areas of possible Permanent Fund loans
   l. mailed August 18, 1977
      (1) distributed to 750 individuals throughout Alaska by D. Dickey, President, Alaska State Chamber of Commerce

IV. INVENTORY AND INVESTIGATION OF STATE NEEDS (CONT.)

4. Credit Union questionnaire (11 received)
   a. liquidity situation and interface with private financial institutions
   b. possible interaction with Alaska Permanent Fund
   c. field of membership
   d. geographic distribution of membership
   e. geographic distribution of loan activity
      (1) share loans
      (2) unsecured loans
      (3) mortgage loans
   f. geographic distribution of loan approval percentages
   g. factors of loan granting/denial
   h. perceptions of credit availability
   i. familiarity with federal loan programs
   j. familiarity with state loan programs
   k. comment on Permanent Fund uses
   l. mailed October 13, 1977
      (1) 36 Alaskan credit unions

5. Public Employees questionnaire (350 received)
   a. approve/disapprove PERS making mortgage loans to public employees
   b. approve/disapprove giving rural loans priority
   c. approve/disapprove 7% interest rate
   d. approve/disapprove extension of program to urban areas
   e. approve/disapprove refinancing high interest mortgage loans of public employees
   f. mailed October 14, 1977
      (1) 5500 Alaskan public employees

6. Teachers questionnaire (600 received)
   a. approve/disapprove TRS making mortgage loans to teachers
   b. approve/disapprove giving rural loans priority
   c. approve/disapprove 7% interst rate
   d. approve/disapprove extension of program to urban areas
   e. approve/disapprove refinancing high interest mortgage loans of teachers
   f. mailed September 29, 1977
      (1) 3800 Alaskan teachers

7. Veterans questionnaire (219 received)
   a. approve/disapprove veterans' eligibility for lower than uniform loan interest rates
   b. approve/disapprove higher business loan amounts for veterans
   c. approve/disapprove same eligibility preference for National Guard service
   d. approve/disapprove interest rate reduction for National Guard service
   e. mailed October 6, 1977
      (1) 4500 veterans throughout Alaska

IV. INVENTORY AND INVESTIGATION OF STATE NEEDS (CONT.)

B. Out-of-state Inquiries

1. Governmental National Mortgage Association information request (no response)
   a. explanation of association's procedures and practices as secondary market for housing loans
   b. statistical data for last five years' activity in Alaska
      (1) number of units financed
      (2) dollar amount of mortgages written

2. State Department of Labor information request (received)
   a. method of cost of living indices formulation
   b. existence of cost of construction indices compiled at state or federal level

3. Commerce and Economic Development Departments of other 49 states information request regarding state financing plans (received)
   a. types of loan programs
   b. terms of loans
   c. interest rates
   d. publications describing loan programs
   e. mailed August 24, 1977

4. Comptroller of the Currency, Administrator of National Banks, 13th National Bank Region, information request (received)

5. Fair, Issacc and Company request regarding credit scoring (received)

6. Bureau of Public Debt, Division of Securities (no response)

7. A Minnesota Program that provides Incentives for Managerial Excellence in the State Personnel System (no response)

C. Inventory of Capital Improvement Needs of Alaskan Communities

1. Type of project
   a. description of needs
   b. cost per unit
   c. estimated population to be served
   d. estimate direct construction costs
   e. estimated total costs
   f. expected funding sources
   g. mailed August 23, 1977
      (1) 8 boroughs
      (2) 11 home rule cities
      (3) 21 first class cities
      (4) 107 second class cities
      (5) 1 federal reservation

2. Project work sheet (13 received)
   a. for familiarization with cost projection components
   b. mailed August 23, 1977

V. ORGANIZATION OF TREASURIES

A. Letter of State Treasuries as to Organization of Treasury Management
   1. Management of State Funds
      a. general fund-temporary investment
      b. dedicated/trust funds with protected principle
      c. organizational/staff operational charts
      d. accommodation of management of fund size of Permanent Fund
      e. suggestions, comments, observations

   2. Responses (7 received)

B. Inquiry of Organization and Operation, Treasury Division, State of Alaska
   1. Prior audit reports analyzed

   2. Consultant review
      a. Lombard and Wall (due December 15, 1977)
      b. preliminary reports generated by September 2, 1977

VI. FINANCIAL PROJECTIONS ACQUIRED AND ANALYZED

A. Legislative Affairs Agency, July 1977
   1. General and permanent fund balances 1978-1985
      a. low income-high expenditure model
      b. medium income-medium expenditure model
      c. high income-high expenditure model

B. Permanent Fund Revenue Projections, Department of Revenue, January 1977
   1. General and permanent fund balances 1976-1985
   2. Estimated petroleum revenues 1976-1975

C. Legislative Finance
   1. General and Permanent Fund balance 1977-2005
   2. Six projections based on three different assumptions regarding North Slope oil production

VII. PROGRAM ALTERNATIVES IDENTIFIED AND EXAMINED

A. Continue with Present System of Intermediary and Direct Programs under the Executive Branch with the Permanent Fund Functioning as an Intermediary

B. Same as "A" above, but Include the Permanent Fund Control within the Treasury Division

C. Streamline all Programs and Permanent Fund within the Executive Branch with Legislative Overview and Checks/Balances Concerning Compliance with Legislative Mandates Reinforced

VIII. SPECIFIC LEGISLATION-BASED ON DIRECTIVE OF SENATE PERMANENT FUND COMMITTEE

A. Draft Alternate Bill as Directed
   1. Preliminary drafts of statements of intent

B. Present Alternate Bill at January meeting prior to Session January 9, 1978

#138

Alaska State Legislature

Pouch V
JUNEAU ALASKA
99811

December 9, 1977

Senate Committee
on the
Permanent Fund

TO : Transmittal Recipients

FROM: George Hohman, Chairman (GH DF)
Senate Committee on the Permanent Fund

RE : Transmittal #3

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31-01LH

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W--ALASKA OFFICE BUILDING

FINANCE DIVISION
POUCH WF--STATE CAPITOL

JUNEAU 99801

December 5, 1977

M E M O R A N D U M

TO: Senator George Hohman
Chairman
Senate Permanent Fund Committee

FROM: Milt Barker MB
Fiscal Analyst

SUBJECT: Projected Permanent Fund Balances

Attached are six projections of permanent and general fund balances based on three different assumptions regarding North Slope oil production. The detailed assumptions behind these projections are also attached. For each revenue scenario, there are two different projections--the first places all permanent fund earnings in the general fund while the second retains those earnings in the permanent fund. Thus, the difference between the permanent fund figures (or the general fund figures, for that matter) for the two cases represents the accumulated earnings of the permanent fund including the compounded interest on the earnings.

There are several reasons why the outcome of these projections is more favorable than other recent ones. The most important is a moderate rate of budget growth (around 7%; see detailed assumptions) which assumes no increase in real (constant dollar) state spending per capita. Another is that revenue from Sadlerochit gas production is included. Also, the ICC proposed tariff of $4.90 per barrel as opposed to the average company filing of $6.20 per barrel is assumed as the TAPS tariff rate for throughput of 1.2 million barrels per day. The tariff is further assumed to vary inversely with throughput so that at 2 million barrels per day the rate falls to $2.94 per barrel.

Finally, stemming from the budget surpluses developing from the above factors, interest income assumes major proportions. In fact, under the two more favorable revenue scenarios, it becomes sufficient to entirely fund the budget.

MBB:pw
Attachments

SELECTED ALASKA DOCUMENTS

BUDGET FORCASTING MODEL

02-DEC-77

COMMENTS
GAS PRODUCTION BEGINS FY84
TAPS BUILDUP RESUMES MARCH 78
SAULEROCHIT PRODUCTION ONLY
5% ANNUAL INFLATION ASSUMED FOR OIL AND GAS PRICES

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%

YEAR END	NON INVESTMENT REVENUE	INVESTMENT INTEREST	TOTAL REVENUE	PAYMENTS BUDGET APPROPRIATION	PAYMENTS SUPPLE-MENTALS	PAYMENTS DEBT SERVICE	PAYMENTS TO FUNDS	PAYMENTS TOTAL EXPENDITURE	SURPLUS OR DEFICIT	PERM-ANENT FUND	GENERAL FUND END OF YEAR	REVENUE REQ FOR GF BAL OF $0 MIL
1977										4.0	652.7	
1978	747.8	55.0	802.8	853.8	0.0	0.0	94.8	948.6	-145.8	65.8	506.9	0.0
1979	1021.7	56.6	1078.3	907.0	0.0	0.0	178.7	1085.7	-7.4	182.4	499.5	0.0
1980	1355.7	73.9	1429.6	979.6	0.0	0.0	271.6	1251.1	178.5	359.5	677.9	0.0
1981	1691.7	109.9	1801.6	1057.9	0.0	0.0	294.0	1351.9	449.6	551.3	1127.6	0.0
1982	1849.7	160.0	2009.7	1142.5	0.0	0.0	317.7	1460.3	549.4	758.5	1677.0	0.0
1983	1964.6	217.8	2182.4	1234.0	0.0	0.0	314.2	1548.1	634.3	981.8	2311.3	0.0
1984	2427.1	299.0	2726.1	1283.3	0.0	0.0	293.2	1576.5	1149.6	1275.0	3460.9	0.0
1985	2615.8	410.8	3026.6	1270.5	0.0	0.0	313.7	1584.1	1442.4	1588.6	4903.3	0.0
1986	2785.6	543.2	3328.8	1321.3	0.0	0.0	335.0	1656.3	1672.5	1923.6	6575.8	0.0
1987	2966.1	693.4	3659.5	1413.8	0.0	0.0	357.8	1771.5	1887.9	2281.4	8463.7	0.0
1988	2892.8	851.4	3744.2	1512.6	0.0	0.0	337.7	1850.4	1893.8	2619.0	10357.5	0.0
1989	2762.3	1006.3	3768.6	1618.6	0.0	0.0	307.5	1926.1	1842.5	2926.5	12200.0	0.0
1990	2878.1	1164.0	4042.1	1731.9	0.0	0.0	317.7	2049.6	1992.4	3244.2	14192.4	0.0
1991	2428.9	1312.6	3741.5	1853.2	0.0	0.0	233.4	2086.6	1654.9	3477.6	15847.4	0.0
1992	2166.5	1437.2	3603.7	1982.9	0.0	0.0	179.3	2162.2	1441.5	3656.8	17288.9	0.0
1993	2040.9	1547.2	3588.1	2121.7	0.0	0.0	143.0	2264.7	1323.5	3799.8	18612.4	0.0
1994	2103.3	1652.6	3755.9	2270.2	0.0	0.0	137.1	2407.4	1348.6	3936.9	19960.9	0.0
1995	2415.4	1748.3	4163.7	2429.1	0.0	0.0	186.5	2615.6	1548.1	4123.4	21529.0	0.0
1996	2531.6	1896.1	4427.7	2599.2	0.0	0.0	193.7	2792.9	1634.8	4317.1	23163.8	0.0
1997	2610.5	2027.6	4638.1	2701.1	0.0	0.0	201.7	2902.8	1735.3	4518.7	24819.0	0.0
1998	2478.4	2153.3	4631.7	2975.8	0.0	0.0	146.3	3122.1	1509.6	4665.0	26328.6	0.0
1999	2547.2	2275.9	4823.1	2975.8	0.0	0.0	140.8	3116.6	1706.5	4805.8	28035.1	0.0
2000	2609.7	2407.6	5017.3	3184.1	0.0	0.0	132.8	3317.0	1700.3	4938.6	29735.4	0.0
2001	2695.9	2543.7	5239.6	3184.1	0.0	0.0	128.6	3312.8	1926.8	5067.3	31662.3	0.0
2002	2696.2	2688.0	5384.2	3407.0	0.0	0.0	129.7	3536.7	1847.4	5197.0	33509.7	0.0
2003	2846.1	2831.6	5677.7	3645.5	0.0	0.0	136.1	3781.5	1896.2	5333.0	35405.9	0.0
2004	3002.8	2979.2	5982.0	3900.7	0.0	0.0	142.4	4043.1	1938.9	5475.4	37344.8	0.0
2005	3169.6	3130.3	6299.9	4173.7	0.0	0.0	149.3	4323.0	1976.8	5624.7	39321.6	0.0

BUDGET FORCASTING MODEL

02-DEC-77

COMMENTS

GAS PRODUCTION BEGINS FY84
TAPS BUILDUP RESUMES MARCH 78
SADLEROCHIT PRODUCTION ONLY
5% ANNUAL INFLATION ASSUMED FOR OIL AND GAS PRICES

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%
% OF EARNING RETAINED IN PERMANENT FUND = % 100 %

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	REVENUE REQ FOR GF BAL OF $0 MIL
1977										4.0	652.7	
1978	747.8	55.0	802.8	853.8	0.0	0.0	97.3	951.1	-148.4	68.4	504.3	0.0
1979	1021.7	56.6	1078.3	907.0	0.0	0.0	187.9	1094.9	-16.6	194.1	487.8	0.0
1980	1355.7	73.9	1429.6	979.6	0.0	0.0	292.1	1271.6	158.0	391.7	645.7	0.0
1981	1691.7	109.9	1801.6	1057.9	0.0	0.0	329.4	1387.3	414.3	618.9	1060.0	0.0
1982	1849.7	160.0	2009.7	1142.5	0.0	0.0	370.1	1512.7	497.0	878.5	1557.0	0.0
1983	1964.6	217.8	2182.4	1234.0	0.0	0.0	386.0	1619.9	562.4	1173.6	2119.4	0.0
1984	2427.1	299.0	2726.1	1283.3	0.0	0.0	388.9	1672.2	1053.8	1562.6	3173.3	0.0
1985	2615.8	410.8	3026.6	1270.5	0.0	0.0	438.4	1708.9	1317.7	2000.9	4491.0	0.0
1986	2785.6	543.2	3328.8	1321.3	0.0	0.0	492.3	1813.6	1515.2	2493.3	6006.2	0.0
1987	2966.1	693.4	3659.5	1413.8	0.0	0.0	551.6	1965.4	1694.1	3044.8	7700.2	0.0
1988	2892.8	851.4	3744.2	1512.8	0.0	0.0	570.8	2083.5	1660.7	3615.6	9361.0	0.0
1989	2762.3	1006.3	3768.6	1618.6	0.0	0.0	580.9	2199.5	1569.0	4196.5	10930.0	0.0
1990	2878.1	1164.0	4042.1	1731.9	0.0	0.0	633.6	2365.6	1676.5	4830.1	12606.5	0.0
1991	2428.9	1312.6	3741.5	1853.2	0.0	0.0	592.2	2445.4	1296.1	5422.3	13902.6	0.0
1992	2166.5	1437.2	3603.7	1962.9	0.0	0.0	579.1	2542.0	1061.7	6001.4	14944.3	0.0
1993	2040.9	1547.2	3588.1	2121.7	0.0	0.0	583.5	2705.2	882.9	6584.9	15827.3	0.0
1994	2103.3	1652.6	3755.9	2270.2	0.0	0.0	619.8	2890.0	865.9	7204.6	16693.2	0.0
1995	2415.4	1768.3	4183.7	2429.1	0.0	0.0	715.8	3145.0	1038.7	7920.5	17731.9	0.0
1996	2531.6	1896.1	4427.7	2599.2	0.0	0.0	775.3	3374.5	1053.2	8773.7	18785.1	0.0
1997	2610.5	2027.6	4638.1	2781.1	0.0	0.0	839.8	3620.9	1017.2	9535.5	19802.3	0.0
1998	2478.4	2153.3	4631.7	2975.8	0.0	0.0	843.3	3819.1	812.6	10378.8	20614.8	0.0
1999	2547.2	2275.9	4823.1	2975.8	0.0	0.0	898.7	3874.5	948.5	11277.5	21563.4	0.0
2000	2609.7	2407.6	5017.3	3184.1	0.0	0.0	955.7	4139.8	877.5	12233.2	22440.8	0.0
2001	2695.9	2543.7	5239.6	3184.1	0.0	0.0	1020.7	4204.8	1034.8	13253.9	23475.6	0.0
2002	2696.2	2608.0	5304.2	3407.0	0.0	0.0	1095.8	4502.9	801.3	14349.8	24356.9	0.0
2003	2846.1	2831.6	5677.7	3645.5	0.0	0.0	1181.9	4827.4	850.3	15531.7	25207.3	0.0
2004	3002.8	2979.2	5982.0	3900.7	0.0	0.0	1274.2	5174.9	807.1	16805.9	26014.4	0.0
2005	3169.6	3130.3	6299.9	4173.7	0.0	0.0	1373.8	5547.5	752.3	18179.7	26766.7	0.0

LEGISLATIVE FINANCE WORKING DOCUMENT
BUDGET FORCASTING MODEL

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02-DEC-77

COMMENTS
GAS PRODUCTION BEGINS FY84
TAPS BUILDUP RESUMES MARCH 78
SADLEROCHIT KUPARUK & LISBURNE PRODUCTION
5% ANNUAL INFLATION ASSUMED FOR OIL AND GAS PRICES

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%

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	REVENUE REQ FOR GF BAL OF $0 MIL
1977										4.0	652.7	
1978	747.8	55.0	802.8	853.8	0.0	0.0	94.8	948.6	-145.8	65.8	506.9	0.0
1979	1021.7	56.6	1078.3	907.0	0.0	0.0	178.7	1085.7	-7.4	182.4	499.5	0.0
1980	1394.9	75.1	1470.0	979.6	0.0	0.0	284.5	1264.1	206.0	367.9	705.5	0.0
1981	1861.6	118.1	1979.7	1057.9	0.0	0.0	334.7	1392.6	587.1	586.2	1292.6	0.0
1982	2129.3	183.7	2313.0	1142.5	0.0	0.0	389.3	1531.8	781.2	840.1	2073.8	0.0
1983	2320.8	267.0	2587.8	1234.0	0.0	0.0	330.1	1564.0	1023.7	1122.9	3097.6	0.0
1984	2804.1	379.9	3184.0	1283.3	0.0	0.0	356.1	1639.4	1544.6	1478.9	4642.2	0.0
1985	3014.8	525.7	3540.5	1270.5	0.0	0.0	380.2	1650.7	1889.8	1859.1	6532.0	0.0
1986	3207.6	696.3	3903.9	1321.3	0.0	0.0	405.4	1726.7	2177.2	2264.6	8709.2	0.0
1987	3344.7	886.6	4231.3	1413.6	0.0	0.0	420.9	1834.7	2396.6	2685.5	11105.8	0.0
1988	3232.4	1084.7	4317.1	1512.8	0.0	0.0	394.3	1907.1	2410.0	3079.8	13515.8	0.0
1989	3056.1	1279.4	4335.5	1618.6	0.0	0.0	355.2	1973.8	2361.7	3435.0	15877.5	0.0
1990	3151.6	1477.5	4629.1	1731.9	0.0	0.0	363.2	2095.1	2534.0	3798.1	18411.6	0.0
1991	2672.3	1667.7	4340.0	1853.2	0.0	0.0	274.0	2127.2	2212.8	4072.1	20624.3	0.0
1992	2380.7	1834.6	4215.3	1982.9	0.0	0.0	215.4	2198.3	2017.1	4287.5	22641.4	0.0
1993	2194.7	1986.8	4181.5	2121.7	0.0	0.0	174.3	2296.0	1885.5	4461.8	24526.9	0.0
1994	2240.2	2134.7	4374.9	2270.2	0.0	0.0	165.5	2435.7	1939.1	4627.3	26466.0	0.0
1995	2557.5	2295.4	4852.9	2429.1	0.0	0.0	211.2	2640.4	2212.5	4838.5	28678.5	0.0
1996	2664.0	2471.3	5135.3	2599.2	0.0	0.0	216.5	2815.6	2319.7	5055.0	30998.2	0.0
1997	2607.8	2649.3	5257.1	2781.1	0.0	0.0	191.8	2973.0	2284.2	5246.8	33282.4	0.0
1998	2564.1	2823.1	5387.2	2975.8	0.0	0.0	164.0	3139.8	2247.4	5410.8	35529.8	0.0
1999	2624.0	3000.2	5624.2	2975.8	0.0	0.0	156.6	3132.4	2491.8	5567.4	38021.5	0.0
2000	2676.7	3189.7	5866.4	3184.1	0.0	0.0	146.7	3330.8	2535.6	5714.1	40557.1	0.0
2001	2756.6	3387.2	6143.8	3184.1	0.0	0.0	141.2	3325.3	2818.5	5855.3	43375.6	0.0
2002	2845.1	3600.2	6445.3	3407.0	0.0	0.0	136.1	3543.1	2902.2	5991.4	46277.8	0.0
2003	2843.5	3815.3	6658.8	3645.5	0.0	0.0	136.1	3781.5	2877.3	6127.4	49155.1	0
2004	3000.2	4034.1	7034.3	3900.7	0.0	0.0	142.4	4043.1	2991.2	6269.8	52146.2	
2005	3167.0	4261.5	7428.5	4173.7	0.0	0.0	149.3	4323.0	3105.4	6419.1	55251.7	

02-DEC-77

COMMENTS
GAS PRODUCTION BEGINS FY84
TAPS BUILDUP RESUMES MARCH 78
SADLEROCHIT KUPARUK & LISBURNE PRODUCTION
5% ANNUAL INFLATION ASSUMED FOR OIL AND GAS PRICES

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%
% OF EARNING RETAINED IN PERMANENT FUND = % 100 %

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	REVENUE REQ FOR GF BAL OF $0 MIL
1977										4.0	652.7	
1978	747.8	55.0	802.8	853.8	0.0	0.0	97.3	951.1	-148.4	68.4	504.3	0.0
1979	1021.7	56.6	1078.3	907.0	0.0	0.0	187.9	1094.9	-16.6	194.1	487.8	0.0
1980	1394.9	75.1	1470.0	979.6	0.0	0.0	305.3	1284.9	185.2	400.5	672.9	0.0
1981	1861.6	118.1	1979.7	1057.9	0.0	0.0	371.7	1429.6	550.2	655.7	1223.1	0.0
1982	2129.3	183.7	2313.0	1142.5	0.0	0.0	446.0	1588.6	724.5	966.3	1947.6	0.0
1983	2320.8	267.0	2587.8	1234.0	0.0	0.0	410.4	1644.4	943.4	1329.5	2891.0	0.0
1984	2804.1	379.9	3184.0	1283.3	0.0	0.0	465.4	1748.7	1435.3	1794.9	4326.3	0.0
1985	3014.8	525.7	3540.5	1270.5	0.0	0.0	524.2	1794.7	1745.8	2319.1	6072.1	0.0
1986	3207.6	696.3	3903.9	1321.3	0.0	0.0	588.3	1909.6	1994.2	2907.5	8066.3	0.0
1987	3344.7	886.6	4231.3	1413.8	0.0	0.0	647.1	2060.9	2170.4	3554.6	10236.7	0.0
1988	3232.4	1084.7	4317.1	1512.8	0.0	0.0	666.5	2179.2	2137.9	4221.0	12374.6	0.0
1989	3056.1	1279.4	4335.5	1618.6	0.0	0.0	674.2	2292.9	2042.7	4895.3	14417.3	0.0
1990	3151.6	1477.5	4629.1	1731.9	0.0	0.0	731.4	2463.4	2165.8	5626.7	16583.0	0.0
1991	2672.3	1667.7	4340.0	1853.2	0.0	0.0	692.1	2545.3	1794.7	6318.8	18377.7	0.0
1992	2380.7	1934.6	4215.3	1982.9	0.0	0.0	681.5	2664.4	1550.9	7000.3	19928.6	0.0
1993	2194.7	1986.8	4181.5	2121.7	0.0	0.0	688.4	2810.1	1371.4	7688.7	21300.0	0.0
1994	2240.2	2134.7	4374.9	2270.2	0.0	0.0	729.2	2999.5	1375.4	8417.9	22675.4	0.0
1995	2557.5	2295.4	4852.9	2429.1	0.0	0.0	829.5	3258.7	1594.2	9247.5	24269.6	0.0
1996	2664.0	2471.3	5135.3	2599.2	0.0	0.0	895.1	3494.3	1641.1	10142.6	25910.6	0.0
1997	2607.8	2649.3	5257.1	2781.1	0.0	0.0	934.5	3715.6	1541.5	11077.1	27452.1	0.0
1998	2564.1	2823.1	5387.2	2975.8	0.0	0.0	973.5	3949.3	1437.9	12050.5	28890.0	0.0
1999	2624.0	3000.2	5624.2	2975.8	0.0	0.0	1036.4	4012.3	1611.9	13087.0	30502.0	0.0
2000	2676.7	3189.7	5866.4	3184.1	0.0	0.0	1101.3	4285.4	1581.0	14188.3	32082.9	0.0
2001	2756.6	3387.2	6143.8	3184.1	0.0	0.0	1175.5	4359.6	1784.2	15363.8	33867.1	0.0
2002	2845.1	3600.2	6445.3	3407.0	0.0	0.0	1255.5	4662.5	1782.8	16619.3	35649.9	0.0
2003	2843.5	3815.3	6658.8	3645.5	0.0	0.0	1346.5	4992.0	1666.8	17965.8	37316.7	0.0
2004	3000.2	4034.1	7034.3	3900.7	0.0	0.0	1450.8	5351.5	1682.8	19416.6	38999.5	0.0
2005	3167.0	4261.5	7428.5	4173.7	0.0	0.0	1563.2	5736.9	1691.6	20979.8	40691.0	0.0

LEGISLATIVE FINANCE WORKING DOCUMENT
BUDGET FORCASTING MODEL

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02-DEC-77

COMMENTS
GAS PRODUCTION BEGINS FY84
TAPS BUILDUP RESUMES MARCH 78
2 MILLION BPD NORTH SLOPE STATE LEASE PRODUCTION FY 1987-2003
5% ANNUAL INFLATION ASSUMED FOR OIL AND GAS PRICES

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%

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	REVENUE REQ FOR GF BAL OF $0 MIL
1977										4.0	652.7	
1978	747.8	55.0	802.8	853.8	0.0	0.0	94.8	948.6	-145.8	65.8	506.9	0.0
1979	1021.7	56.6	1078.3	907.0	0.0	0.0	178.7	1085.7	-7.4	182.4	499.5	0.0
1980	1394.9	75.1	1470.0	979.6	0.0	0.0	284.5	1264.1	206.0	367.9	705.5	0.0
1981	1861.6	118.1	1979.7	1057.9	0.0	0.0	334.7	1392.6	587.1	586.2	1292.6	0.0
1982	2129.3	183.7	2313.0	1142.5	0.0	0.0	389.3	1531.8	781.2	840.1	2073.8	0.0
1983	2320.8	267.0	2587.8	1234.0	0.0	0.0	330.1	1564.0	1023.7	1122.9	3097.6	0.0
1984	2867.1	382.2	3249.3	1283.3	0.0	0.0	366.6	1649.9	1599.4	1489.4	4697.0	0.0
1985	3147.1	535.3	3682.4	1270.5	0.0	0.0	402.3	1672.7	2009.6	1891.7	6706.6	0.0
1986	3416.3	718.9	4135.2	1321.3	0.0	0.0	440.2	1761.5	2373.7	2331.9	9080.3	0.0
1987	3707.7	931.5	4639.2	1413.8	0.0	0.0	481.4	1895.2	2744.0	2813.3	11824.3	0.0
1988	3920.5	1171.1	5091.6	1512.8	0.0	0.0	509.0	2021.8	3069.8	3322.3	14894.1	0.0
1989	4165.4	1437.3	5602.7	1618.6	0.0	0.0	541.4	2160.0	3442.6	3863.7	18336.7	0.0
1990	4443.7	1733.9	6177.6	1731.9	0.0	0.0	578.7	2310.6	3867.0	4442.4	22203.7	0.0
1991	4695.4	2062.8	6758.2	1853.2	0.0	0.0	611.2	2464.3	4293.9	5053.5	26497.6	0.0
1992	4960.6	2425.5	7386.1	1982.9	0.0	0.0	645.4	2628.3	4757.8	5498.9	31255.4	0.0
1993	5160.4	2821.6	7982.0	2121.7	0.0	0.0	668.6	2790.3	5191.7	6367.5	36447.1	0.0
1994	5530.9	3256.9	8787.8	2270.2	0.0	0.0	718.7	2988.9	5798.9	7086.1	42246.0	0.0
1995	5838.7	3737.4	9576.1	2429.1	0.0	0.0	758.1	3187.2	6388.9	7844.2	48634.9	0.0
1996	6161.8	4263.9	10425.7	2599.2	0.0	0.0	799.4	3398.6	7027.1	8643.6	55661.9	0.0
1997	6504.1	4840.0	11344.1	2781.1	0.0	0.0	843.2	3624.3	7719.8	9486.9	63381.7	0.0
1998	6861.2	5469.9	12331.1	2975.8	0.0	0.0	888.7	3864.5	8466.6	10375.5	71848.3	0.0
1999	7241.1	6162.3	13403.4	2975.8	0.0	0.0	937.2	3913.0	9490.4	11312.7	81338.7	0.0
2000	7637.6	6928.6	14566.2	3184.1	0.0	0.0	987.5	4171.7	10394.5	12300.3	91733.2	0.0
2001	8054.8	7769.3	15824.1	3184.1	0.0	0.0	1040.4	4224.5	11599.6	13340.7	103332.8	0.0
2002	8494.1	8697.3	17191.4	3407.0	0.0	0.0	1096.1	4503.1	12688.3	14436.7	116021.1	0.0
2003	8959.4	9708.9	18668.3	3645.5	0.0	0.0	1154.9	4800.4	13867.8	15591.7	129889.0	0.0
2004	9444.6	10810.7	20255.3	3900.7	0.0	0.0	1216.1	5116.7	15138.5	16807.7	145027.5	0.0
2005	9959.5	12009.7	21969.2	4173.7	0.0	0.0	1281.0	5454.7	16514.5	18088.7	161542.1	0.0

LEGISLATIVE FINANCE WORKING DOCUMENT
BUDGET FORCASTING MODEL

02-DEC-77

COMMENTS
GAS PRODUCTION BEGINS FY84
TAPS BUILDUP RESUMES MARCH 78
2 MILLION BPD NORTH SLOPE STATE LEASE PRODUCTION FY 1987-2005
5% ANNUAL INFLATION ASSUMED FOR OIL AND GAS PRICES

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%
% OF EARNING RETAINED IN PERMANENT FUND = % 100 %

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	REVENUE REQ FOR GF BAL OF $0 MIL
1977										4.0	652.7	
1978	747.8	55.0	802.8	853.8	0.0	0.0	97.3	951.1	-148.4	68.4	504.3	0.0
1979	1021.7	56.6	1078.3	907.0	0.0	0.0	187.9	1094.9	-16.6	194.1	487.8	0.0
1980	1394.9	75.1	1470.0	979.6	0.0	0.0	305.3	1284.9	185.2	400.5	672.9	0.0
1981	1861.6	118.1	1979.7	1057.9	0.0	0.0	371.7	1429.6	550.2	655.7	1223.1	0.0
1982	2129.3	183.7	2313.0	1142.5	0.0	0.0	446.0	1588.6	724.5	966.3	1947.6	0.0
1983	2320.8	267.0	2587.8	1234.0	0.0	0.0	410.4	1644.4	943.4	1329.5	2891.0	0.0
1984	2867.1	382.2	3249.3	1283.3	0.0	0.0	476.3	1759.6	1489.7	1805.8	4380.7	0.0
1985	3147.1	535.3	3682.4	1270.5	0.0	0.0	547.8	1818.3	1864.0	2353.6	6244.7	0.0
1986	3416.3	718.9	4135.2	1321.3	0.0	0.0	626.9	1948.2	2187.0	2980.5	8431.7	0.0
1987	3707.7	931.5	4639.2	1413.8	0.0	0.0	715.1	2128.9	2510.3	3695.6	10942.0	0.0
1988	3920.5	1171.1	5091.6	1512.8	0.0	0.0	795.5	2308.3	2783.3	4491.2	13725.3	0.0
1989	4165.4	1437.3	5602.7	1618.6	0.0	0.0	886.8	2505.4	3097.2	5378.0	16822.5	0.0
1990	4443.7	1733.9	6177.6	1731.9	0.0	0.0	989.8	2721.7	3455.9	6367.7	20278.4	0.0
1991	4695.4	2062.8	6758.2	1853.2	0.0	0.0	1095.2	2948.4	3809.8	7463.0	24088.2	0.0
1992	4960.6	2425.5	7386.1	1982.9	0.0	0.0	1210.1	3193.0	4193.0	8673.1	28281.2	0.0
1993	5160.4	2821.6	7982.0	2121.7	0.0	0.0	1322.0	3443.7	4538.3	9995.0	32819.5	0.0
1994	5530.9	3256.9	8787.8	2270.2	0.0	0.0	1469.7	3740.0	5047.8	11464.8	37867.4	0.0
1995	5858.7	3737.4	9596.1	2429.1	0.0	0.0	1617.2	4046.4	5529.7	13082.0	43397.1	0.0
1996	6161.8	4263.9	10425.7	2599.2	0.0	0.0	1777.4	4376.5	6049.1	14859.4	49446.2	0.0
1997	6504.1	4840.0	11344.1	2781.1	0.0	0.0	1951.7	4732.8	6611.3	16811.1	56057.5	0.0
1998	6861.2	5469.9	12331.1	2975.8	0.0	0.0	2140.4	5116.2	7214.9	18951.4	63272.4	0.0
1999	7241.1	6162.3	13403.4	2975.8	0.0	0.0	2345.9	5321.7	8081.7	21297.3	71354.1	0.0
2000	7637.6	6928.6	14566.2	3184.1	0.0	0.0	2568.2	5752.4	8813.8	23865.6	80167.9	0.0
2001	8054.8	7769.3	15824.1	3184.1	0.0	0.0	2809.3	5993.5	9830.7	26674.9	89998.6	0.0
2002	8494.1	8697.3	17191.4	3407.0	0.0	0.0	3070.8	6477.8	10713.6	29745.7	100712.2	0.0
2003	8959.4	9708.9	18668.3	3645.5	0.0	0.0	3354.5	7000.0	11668.2	33100.2	112380.4	0.0
2004	9444.6	10810.7	20255.3	3900.7	0.0	0.0	3661.2	7561.9	12693.4	36761.4	125073.8	0.0
2005	9959.5	12009.7	21969.2	4173.7	0.0	0.0	3994.1	8167.8	13801.4	40755.5	138875.3	0.0

ASSUMPTIONS COMMON TO ALL CASES

FY	1 OIL PRICE $/B	2 LOWER 48 TRANSPORT ($/B)	3 COOK INLET OIL & GAS ROYALTIES ($MM)	4 PRUDHOE GAS MMMCF/D	5 GAS PRICE $/MCF	6 OIL FLOOR PRICE ($/B)	7 COOK INLET OIL & GAS SEVERANCE ($MM)	8 PRUDHOE INCOME TAX ($MM)	9 PROPERTY TAX AND OTHER REVENUE ($MM)	10 ANNUAL % BUDGET GROWTH
78	13.25	2.00	33.9		1.45	6.53	16.9	46.0	393.1	6.23
79	13.91	2.50	32.3		1.52	6.85	15.1	51.0	417.1	8.0
80	14.60	2.50	30.9		1.59	7.19	13.7	54.0	473.7	8.0
81	15.33	2.50	29.8		1.67	7.55	12.2	55.0	531.7	8.0
82	16.10	2.50	28.6		1.76	7.93	10.6	56.0	562.5	8.0
83	16.91	2.50	27.0		1.85	8.33	9.0	58.0	578.8	4.0
84	17.75	2.50	25.3	2.0	1.94	8.75	7.4	59.0	608.4	-1.0
85	18.64	2.50	23.7	2.0	2.04	9.18	5.8	60.0	672.8	4.0
86	19.57	2.50	22.2	2.0	2.14	9.64	4.2	61.0	713.1	7.0
87	20.55	2.50	20.9	2.0	2.25	10.13	2.6	62.0	755.9	7.0
88	21.58	2.50	19.6	1.9	2.36	10.63	2.6	63.0	801.3	7.0
89	22.66	2.50	18.5	1.9	2.48	11.16	2.6	64.0	849.3	7.0
90	23.79	2.50	17.4	2.0	2.60	11.72	2.6	65.0	900.3	7.0
91	24.98	2.62	16.3	2.0	2.73	12.31	2.6	66.0	954.3	7.0
92	26.23	2.75	15.3	2.0	2.87	12.92	2.6	67.0	1011.6	7.0
93	27.54	2.89	14.3	1.7	3.01	13.57	2.6	68.0	1072.3	7.0
94	28.92	3.03	13.3	2.0	3.16	14.25	2.6	69.0	1136.6	7.0
95	30.37	3.19	12.4	2.0	3.32	14.96	2.6	70.0	1204.8	7.0
96	31.88	3.35	11.5	2.0	3.49	15.71	2.6	71.0	1277.1	7.0
97	33.48	3.51	10.6	2.0	3.66	16.50	2.6	72.0	1353.8	7.0
98	35.15	3.69	9.7	2.0	3.84	17.32	2.6	73.0	1435.0	7.0
99	36.91	3.87	8.9	2.0	4.04	18.19	2.6	74.0	1521.1	7.0
00	38.76	4.07	8.1	2.0	4.24	19.10	2.6	75.0	1612.4	7.0
01	40.69	4.27	7.3	2.0	4.45	20.05	2.6	76.0	1709.1	7.0
02	42.73	4.49	6.5	2.0	4.67	21.06	2.6	77.0	1811.6	7.0
03	44.87	4.71	5.8	2.0	4.91	22.11	2.6	78.0	1920.3	7.0
04	47.11	4.95	5.1	2.0	5.15	23.22	2.6	79.0	2035.6	7.0
05	49.47	5.19	4.4	2.0	5.41	24.38	2.6	80.0	2157.7	7.0

SOURCES & ASSUMPTIONS:

1. 5% annual increase is assumed.

2. Assumes inflation is balanced by decreased transport costs for growing West Coast consumption or west to east pipelines through FY 89; thereafter costs rise 5% annually.

3,7. Legislative Affairs Severance Tax Model through 1985; extrapolated thereafter.

4. "Prediction of Reservoir Fluid Recovery, Sadlerochit Formation, Supplement A"; Division of Oil & Gas; February 1977, Run 3A

5. 5% annual increase assumed.

6. Assumes 5% annual increase in oil floor price. Severance is figured at an effective rate of 10% after allowing for royalty and an economic limit factor.

8,9. Based on study by Department of Revenue, "Alaska's Oil & Gas Tax Structure", February 1977

10. Assumes 4% annual inflation, constant real per capita budget.

ASSUMPTIONS COMMON TO CASES 1 & 2

FY	1 SADLEROCHIT PRODUCTION MMBPD	2 TAPS TARIFF
78	.719	6.00
79	1.200	4.90
80	1.500	3.92
81	1.500	3.92
82	1.500	3.92
83	1.500	3.92
84	1.500	3.92
85	1.500	3.92
86	1.500	3.92
87	1.500	3.92
88	1.344	4.37
89	1.152	5.09
90	1.104	5.31
91	.765	7.66
92	.549	10.67
93	.439	13.34
94	.358	16.35
95	.461	12.70
96	.448	13.06
97	.362	16.16
98	.275	21.27
99	.238	24.57
00	.199	29.38
01	.170	34.39
02	.144	40.59
03	.123	47.51
04	.103	56.73
05	.092	63.51

SOURCES & ASSUMPTIONS:

1. "Prediction of Reservoir Fluid Recovery, Sadlerochit Formation, Supplement A"; Division of Oil & Gas; February 1977, Run 3A

2. Tariff assumed to vary inversely with production; assumes ICC proposed rate of 4.90 for 1.2 MMBPD

ASSUMPTIONS FOR CASES 3 & 4

FY	1 KUPARUK & LISBURNE PRODUCTION; MMBPD	2 TAPS TARIFF
78		6.00
79		4.90
80	.050	3.79
81	.150	3.56
82	.250	3.36
83	.300	3.26
84	.300	3.26
85	.300	3.26
86	.300	3.26
87	.255	3.35
88	.216	3.76
89	.184	4.40
90	.156	4.66
91	.133	6.54
92	.113	8.88
93	.096	10.99
94	.081	13.39
95	.069	11.09
96	.059	11.59
97	.050	14.27
98	.042	18.54
99	.036	21.45
00	.030	25.67
01	.026	30.00
02	.022	35.42
03	.018	41.70
04	.016	49.41
05	.013	56.00

SOURCES & ASSUMPTIONS:

1. Based on table prepared by State Oil & Gas Division entitled "North Slope Production Buildup" dated 2/5/75; through FY 86: 15% annual decline thereafter.
2. Tariff assumed to vary inversely with production; assumes ICC proposed rate of $4.90 for 1.2 MMBPD.

ASSUMPTIONS FOR CASES 5 & 6

FY	1 NORTH SLOPE PRODUCTION MMBPD	2 TAPS TARIFF
78	.719	6.00
79	1.200	4.90
80	1.550	3.79
81	1.650	3.56
82	1.750	3.36
83	1.800	3.26
84	1.850	3.17
85	1.900	3.09
86	1.950	3.02
87	2.000	2.94
88	2.000	2.94
89	2.000	2.94
90	2.000	2.94
91	2.000	2.94
92	2.000	2.94
93	2.000	2.94
94	2.000	2.94
95	2.000	2.94
96	2.000	2.94
97	2.000	2.94
98	2.000	2.94
99	2.000	2.94
00	2.000	2.94
01	2.000	2.94
02	2.000	2.94
03	2.000	2.94
04	2.000	2.94
05	2.000	2.94

SOURCES & ASSUMPTIONS:

1. Total production through 2005 equals 18.384 billion barrels.
2. Tariff assumed to vary inversely with production; assumes ICC proposed rate of $4.90 for 1.2 MMBPD.

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SENATE COMMITTEE ON THE PERMANENT FUND

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1) Asset-Liability Management Studies
2) Portfolio Management
3) Municipal Bond Portfolio Management
4) Money Market Instruments
Arthur D. Little proposal for Sectoral Analysis
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Task 2: Federal Programs for Alaska Natives' Benefit
Task 3: A Survey of Natives' Views
Alaska Native Foundation
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The Bond Bank Innovation: Maine's Experience
Bank of North Dakota: 1974 Annual Report
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Comm ity Development Corporations; An Annotated Bibliography; Center for Community Economic Development, (January 1977)
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Impact of Increased Taxation on Oil Exploration and Development in Alaska; Tanzer Economic Associates, Inc., (March 1977)
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Maximizing the Benefits of Alaska's Royalty Oil, (March 7, 1977)

#131

Credit scoring systems and their applicability to Alaska Loan Programs (proposed)

Credit scoring systems are one tool for predicting the payback behavior of loan recipients, and are designed by reducing various factors about an individual's life situation and credit history to a mathematical profile. The individual's "score" is then matched against a large data base of many individuals and the "odds" of his being a good or poor credit risk can be calculated.

Most credit scoring systems are based on computer analysis of past credit experience within a company. A sample of equal numbers of good loans, bad loans and rejected loan applicants is analysed, with various factors weighted. After mathematical study of these past cases, odds are established on the chances for successful repayment by people having specific characteristics. When the odds have been established, management can then decide what acceptable levels of risk are for their organization, and set up cutoff scores accordingly.

Proponents of credit scoring systems claim that such systems eliminate subjective practices on the part of loan officer; replacing such judgmental factors as impressions gained from face-to-face interviews with a more objective standard, i.e. the the applicant's score. There can be, of course, various ways to use the scoring system as a sifting device. For instance, applicants who score below a certain point are automatically rejected, those who score above a certain point are automatically accepted, and those who score in the middle have their application treated in a more traditional manner, with credit investigations, personal interviews, and so forth.

Another argument in favor of the use of these systems is that they eliminate discriminatory practices on the part of loan officers and can assist lenders in staying free of legal entanglements resulting from violations of the Equal Credit Opportunity Act of 1974. However, the ECOA and subsequent amendments have removed several factors from consideration that formerly were the bulwarks of many scoring systems, such as age, marital status, etc. Any credit scoring system used today must carefully avoid including in its mathematical profile any factors exempted from consideration by the ECOA.

Also cited as benefits to be derived from the use of scoring systems are that greater numbers of applicants can be processed by fewer staff members, and that changes in credit granting policies can be quantified by changing the acceptable scoring ranges.

When contemplating the possible inclusion in the Alaska Loan Programs of some type of credit scoring system, the following should be considered:

Under the proposed reorganization of existing loan programs in Alaska, personnel may be venturing into areas of credit granting that they are not totally familiar with, as a great degree of specialization has been the rule under the separate loan program system. Thus, a variety of scoring systems, each designed for a particular area of activity, may be helpful to the staff and enable them to broaden their loan granting into unfamiliar areas with a greater degree of confidence.

As staff and administrative costs are so much higher in Alaska than any of the other states, credit scoring systms could result in greater efficiency and volume capacity if used in the proposed loan program reorganization.

If properly designed to avoid discriminatory factors, credit scoring systems might prove to be an important component of the Alaska Loan Program operation. However, due to the vast size of the state and the regional disparities that exist in Alaska, a workable system/s that would accurately reflect this diversity may be difficult to design. Further research, including contact with companies developing such systems, would be necessary to address this concern properly.

2/

If accurate system/s could be designed for use by the Alaska Loan Program, obtaining the necessary data base might prove to be another obstacle. The existing state loan programs maintain files both on accepted and rejected applicants, but differences in present operations and proposed reorganization might render the data base unusable.

Although credit scoring is used mainly in the area of consumer credit, where loans are not collateralized, or collateralized to a very small degree, their use in the proposed Alaska Loan Program, where most loans will be substantially collateralized may be unnecessary and redundant.

It appears that there could be some benefits to be derived from the use of credit scoring systems in the proposed Alaska Loan Program, and that the concept should be explored in greater depth.

PLEASE NOTE: THE PRECEDING PAGES WERE TREATED AS A UNIT IN THE ORIGINAL DOCUMENT.

Dupre Work Plan

William

#128

Work Schedule	No. of Hours	Person	Date Start	Date Completed	Instructions/Suggestions
A. Compilation of all pertinent statutes pertaining to:					
1. Existing Loan Programs					
2. Treasury Investment Authority					
3. Pension and Other Trust Funds					
B. Inventory of Procedures - All Loan Programs:					
1. Copies of Administrative Code					
2. Copies of Office/Desk Procedures					
3. Copies of Recent Audits and/or Financial Reports					
4. Complete processing package of loan applicant					
C. Inventory of Bankers' Opinions/ Suggestions and Recommendations:					
1. Inquiry Letter					
2. Specific Questionnaire					
D. Outline Possible New Programs					

Work Schedule	No. of Hours	Person	Date Start	Date Completed	Instructions/Suggestions
E. First Outline Streamlining -- Paper for Presentation to Committee:					
1. Existing Programs					
2. New Programs					
3. Feedback from Committee					
F. Inventory of Existing Treasury Portfolio Management Procedures:					
1. Central Treasury					
2. Trust Fund					
3. Audit Report					
4. Specific data checklist					
G. Inventory of Projections and Forecast of Cash Flow:					
1. Projections made by Dept. of Revenue -- Revenues					
2. Projections made by Others -- Revenues					
3. Projections of Net Available Balances:					
a. 25%					
b. Excess					
4. Operating Projections					
5. Nonrecurring Expenditures * Capital Needs-7					

Work Schedule	No. of Hours	Person	Date Start	Date Completed	Instructions/Suggestions
H. First Draft - Legislation:					
Outline of Concepts to Bill Drafters					
I. Review First Draft of Legislation with Permanent Fund Committee:					
Meeting Schedule					
J. Review Certain Aspects of Legislation with regards to:					w/R
1. Credit					
2. Investment Management					
K. Final Legislative Draft:					
Summary Informational Report					

INVENTORY OF STATE LOAN PROGRAMS

Name	Legal Reference	Agency	Program Details					
			Eligibility	Amount	Interest Rate	Total Outstanding	No. of Loans	Average Loan

#138

August 31, 1977

sent to Juno

The Honorable George H. Hohman
Box 289
Bethel, AK 99559

Dear George:

I understand that the Senate Permanent Fund Committee met briefly after the Legislative Council meeting on August 29, 1977. Since you and I had just talked about getting together after the Council meeting to discuss work our Committees should perform jointly, it was disappointing not to be informed of the Senate meeting. All the House Committee meetings have been scheduled and made part of the public record. All legislators, particularly the members of your Committee, are welcome to all the House Committee's meetings. I would much prefer that all our meetings be held jointly, but failing that, let's keep each other informed of all our activities and plans.

If you have any other meetings scheduled, please provide adequate notice of the time and place of such meetings.

Cordially,

Clark Gruening

Rep. Clark Gruening, Chairman
House Special Committee on
The Permanent Fund

#138

Alaska State Legislature

Pouch V
JUNEAU ALASKA
99811

Senate Committee
on the
Permanent Fund

To: Transmittal Recipients

From: George Hohman, Chairman
Senate Committee on the Permanent Fund

Date: August 29, 1977

Re: Transmittal #2

Enclosed please find:
- First Interim Report
- Banker's Questionnaire
- Chamber Questionnaire
- Rural Outreach Questionnaire
- Bibliography
- Synopses and Analyses
- Project Work Sheet
- Scheduled Project Needs

Please feel free to contact my office at 465-3880 for additional information.

#138

I. INTRODUCTION

This Interim Report of the Senate Permanent Fund Committee outlines those areas which have been under study or on which further work and study will take place through January 9, 1978.

Our initial effort has been to outline the tasks to be undertaken if meaningful information is to be made available to the Senate for its decision making process. Thereafter, to determine which committees and agencies have produced studies and reports that are useful, acquire same and reduce the material to a summary form for the convenience of the Senate committee members.

A review of past and existing contracts was made to avoid duplication. Contact with other legislative committees and the administration was made and will be maintained, again in an effort to avoid duplication.

Where additional information was needed, an effort to acquire the material has been initiated (refer to outline). This data, as well as other material from other legislative committees and the administration, will be added to subsequent interim reports.

The study effort can then be summarized into the following categories:

1. What investments should be made from the Permanent Fund, and to what extent will loans to Alaskans be a part of these investments?

2. Determine how the investment effort and the loan programs should be organized.

The results of the completed studies and those being undertaken will provide assistance in this decision making process--but only the legislature can make the final decision.

After various policy options are presented to the Senate Permanent Fund Committee and direction given by a majority of the committee, legislative alternatives will be drafted.

II. ANALYSIS OF STUDIES

A. Previous Studies (through 5/31/77)

B. New Studies (dated after 6/ 1/77) (attached)

1. Thinking About the Alaska Permanent Fund: A Cautious Approach for Alaska Policymakers

2. Economic Considerations in Establishment of Alaska's Permanent Fund

C. Contractual Studies--Senate Permanent Fund Committee

1. F.L.Orth, Sea Grant Program, University of Alaska
   a. review implications of foreign investment in expansion of Alaska's bottomfish industry
   b. investigation of fishing cooperatives, PCA's and potential advantages of establishment of a development bank for fisheries in Alaska
   c. completion date October 10, 1977

ARDF?

2. M. DeMan, Alaska Native Foundation
   a. provide assistance in developing work plans for Permanent Fund research
   b. completion date November 30, 1977

(?)

D. Bibliography

1. Updated to August 22, 1977 (attached)
   a. various materials and publications requested to be added to future bibliography updates

E. Synopsis of Each

1. All previous studies, new studies and contractual studies to be summarized

2. Completed synopses (attached)
   a. Structuring Decisions for the Alaska Permanent Fund (1976)
   b. Report to the State Investment Advisory Committee re: Domestic, National and International Banks (1976)
   c. A Prospectus of the State of Alaska's Finances and Its Development of Economic Diversity (1976)
   d. The Alaska Series--The Alaska Permanent Fund in Perspective (1977)
   e. The Alaska Series--The Alaska Permanent Fund and Other Significant World Funds (1977)

II. E. Synopses (cont.)
f. Thinking About the Alaska Permanent Fund: A Cautious Approach for Alaska Policymakers (1977)
g. Economic Considerations in Establishment of Alaska's Permanent Fund (1977)
h. Report to the State Investment Advisory Board re: Development Banks (1976)
i. State of Alaska Permanent Fund Investment Objective Options (1976)
j. Citizen Feedback #2, Rowan Group (1977)

III. ANALYSIS OF EXISTING LOAN PROGRAMS

A. Schedule of Existing Loan Programs

1. 13 state loan programs identified for further investigation

2. 8 federal loan programs identified for further investigation

B. Description of Existing Programs

1. Primary information gathered from administering agencies,

Alaska Administrative Code and Alaska statutes
a. statutory authority
b. administrative regulations, if promulgated
c. eligibility criteria
d. loan amount limits and repayment terms
e. implementation

2. Information requested of Division of Loans-State of Alaska
a. number of loans outstanding in all programs
b. dollar amount of loans granted in all programs
c. employment generated by loans in all programs
d. no response to date

3. Primary information request regarding federal loan programs

operating within Alaska
a. responses
(1) Small Business Administration (SBA)
(2) Bureau of Indian Affairs (BIA)

C. Organization, Staffing and Cost of Operations - state loan programs

1. Request Budget and Audit Committee to Provide Information
a. staff member assigned to project
b. projected completion date September 30, 1977

III. D. Program Compliance With Legislative Directives

1. Request Budget and Audit Committee to provide information
   a. staff member assigned to project
   b. projected completion date September 30, 1977

IV. INVENTORY OF SUGGESTED PROGRAMS

A. Schedule of Inquiry and Scope of Inquiry

1. Questionnaire to banks and other financial institutions in Alaska (attached)
   a. business loans - urban/rural
   b. personal loans - urban/rural
   c. mortgage loans - urban/rural
   d. loan denial factors - urban/rural
   e. areas of perceived credit scarcity - urban/rural
   f. comment on state loan programs
   g. comment on federal loan programs
   h. comment on Permanent Fund role
   i. mailed August 15, 1977
      (1) 15 banks, savings/loan associations, financial institutions in Alaska

2. Rural outreach questionnaire (attached)
   a. business ownership
   b. consideration of business ownership
   c. granted/denied business or home loan
   d. comment on perception of bank consideration of loan application
   e. other sources of loans considered
   f. comment on availability of capital in rural Alaska
   g. familiarity with state loan programs
   h. impressions of state loan programs
   √i. comment on interest charged by state loan programs
   j. familiarity with federal loan programs
   k. comment on areas of possible Permanent Fund loans
   l. mailed August 22, 1977
      (1) 87 village councils
      (2) 200 village corporations
      (3) 12 regional corporations
      (4) 10 agricultural policy task force members
      (5) 133 miners/mining companies
      (6) 44 fishing associations
      (7) 176 holders of Alaska business licenses in various occupations

IV. A. Schedule of Inquiry and Scope of Inquiry (cont.)

3. Chamber of Commerce questionnaire (attached)
   a. refer to IV.A.2. sections a-k
   b. comment on areas of possible Permanent Fund loans/investments
   c. mailed August 18, 1977
      (1) to be distributed by D. Dickey, President, Alaska State Chamber of Commerce, to 750 individuals throughout Alaska

4. Governmental National Mortgage Association information request
   a. explanation of association's procedures and practices as secondary market for housing loans
   b. statistical data for last five years' activity in Alaska
      (1) number of units financed
      (2) dollar amount of mortgages written

5. State Department of Labor information request
   a. method of cost of living indices formulation
   b. existence of cost of construction indices compiled at state or federal level

6. Commerce and Economic Development Departments of other 49 states information request
   a. types of loan programs
   b. terms of loans
   c. interest rates
   d. publications describing loan programs
   e. mailed August 24, 1977

B. Schedule of Responses

1. Bank/Financial institution questionnaire
   a. no response to date

2. Rural outreach questionnaire
   a. no response to date

3. Chamber of Commerce questionnaire
   a. response requested by September 15, 1977
   b. no response to date

4. Governmental National Mortgage Association
   a. no response to date

5. State Department of Labor request
   a. informal meeting with research staff member

6. Other states' Commerce and Economic Development information request
   a. no response to date

IV. C. Inventory of Capital Improvement Needs of Alaskan Communities (attached)

1. Type of project
   a. description of needs
   b. cost per unit
   c. estimated population to be served
   d. estimate direct construction costs
   e. estimated total costs
   f. expected funding sources
   g. mailed August 23, 1977
      (1) 8 boroughs
      (2) 11 home rule cities
      (3) 21 first class cities
      (4) 107 second class cities
      (5) 1 federal reservation

2. Project work sheet (attached)
   a. for familiarization with cost projection components
   b. mailed August 23, 1977
      (1) refer to IV.C. 1.g. (1)-(4)

D. Schedule of Responses

1. Municipal League member cities (50)
   a. response requested by October 15, 1977
   b. no response to date

2. Non-member cities
   a. response requested by November 15, 1977
   b. no response to date

V. ORGANIZATION

A. Inquiry of State Treasurers as to Organization of Treasury Management

1. Letter of inquiry to selected state treasurers
   a. management of state funds
      (1) general fund-temporary investment
      (2) dedicated/trust funds with protected principle
      (3) organizational/staff operational charts
      (4) accomodation of management of fund size of Permanent Fund
      (5) suggestions, comments, observations

B. Schedule of Responses

1. Michigan

V. C. Inquiry of Organization and Operation, Treasury Division, State of Alaska

1. Prior audit reports
   a. refer to bibliography Audit Reports section

2. Consultant review
   a. Lombard and Wall
   b. preliminary reports generated by September 2, 1977

D. Inquiry of Method of Financing Program

1. Other states

2. State of Alaska and agencies

VI. FINANCIAL PROJECTIONS

A. Acquire Present Projections

1. Permanent Fund and Revenue Projections
   Legislative Affairs Agency, July 1977
   a. general and permanent fund balances 1978-1985
      (1) low income-high expenditure model
      (2) medium income-medium expenditure model
      (3) high income-high expenditure model

2. Permanent Fund Revenue Projections
   Department of Revenue, January, 1977
   a. general and permanent fund balances 1976-1935
   b. estimated petroleum revenues 1976-1985

B. Analysis of Present Projections

C. Request Projections be made for 10-year increments after 1985; 1999, 2005

D. Analysis of Projections through 2005

VII. PROGRAM RECOMMENDATIONS - OTHER

A. Outline Source of Program Recommendations

B. Outline Specific Recommendations and Sources of Same

VIII. PROGRAM ALTERNATES - STAFF

A. Outline Programs Suggested for Inclusion

B. Outline Specific Recommendations and Sources of Same

IX. ORGANIZATION

A. Outline Organization Methods - Present

B. Outline Organization Recommended by Various Studies and Consultants

C. Provide Alternates Available for Consideration and Selection by Senate Permanent Fund Committee

1. Continue with present system of intermediary and direct programs under the executive branch with the Permanent Fund functioning as an intermediary

2. Same as 1. but the Permanent Fund control within the Treasury Division

3. Streamline all programs and Permanent Fund within the executive branch with legislative overview and checks/balances concerning compliance with legislative mandates reinforced

X. SPECIFIC LEGISLATION - BASED ON DIRECTIVE OF SENATE PERMANENT FUND COMMITTEE

A. Draft Alternate Bills as Directed

1. Preliminary drafts of statements of intent

B. Present Alternate Bill at January Meeting Prior to Session's Opening

January 9, 1978

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Senate Committee on the Permanent Fund
Bibliography of Studies and Reports
August 2, 1977

Audit Reports

1974 Reports

A Review of Alaska Industrial Development Authority
Small Business Development Corporation of Alaska
A Review of Alaska State Mortgage Association
State of Alaska, Treasury Division, General Fund Operating Cash and Investments
Department of Commerce, Division of Business Loans
Alaska State Development Corporation
State Investment Responsibilities

1975 Reports

A Review of the Scholarship Loan Fund, Department of Education
A Review of the Public School Permanent Fund
A Review of General Bonded Debt and Debt Service, State Bond Committee
A Review of the Alaska State Development Corporation
A Review of the Agricultural Revolving Loan Fund, Department of Natural Resources
A Review of Alaska Housing Finance Corporation
A Review of the Alaska Industrial Incentive Act and the Alaska Industrial Tax Credit, Department of Economic Development
A Review of World War II Veterans' Revolving Loan Fund
Alaska Industrial Development Authority

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A Review of Division of Treasury, Department of Revenue
A Review of Alaska State Development Corporation
A Review of Small Business Development Corporation of Alaska
A Review of Financial Report Preparation, Department of Administration, Division of Finance
A Review of Alaska State Housing Authority
Alaska State Mortgage Association
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Elderly Needs

AK Comprehensive Study on Aging, Final Report, Dept. of Health and Social Services, Seattle Consortium, April 1972

AK Longevity Bonus Impact Survey, 1976

Housing for Elderly Alaskans, Michael B. Jones & Assoc., May 1977

Master Plan Study for Ten Year Development of Pioneers' Homes in AK John G. Steinle & Associates, 1975

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State Plan on Aging, Administration on Aging, State of Alaska, 1977

Retirement Systems

Acturarial Valuations of Public Employees Retirement System, June 1976

Actuarial Valuations of Teachers Retirement System, June 1976

Public Employees Retirement System/Teachers Retirement System Annual Report, Fiscal Year ending June 1976

Public Employees Retirement System/Teachers Retirement System Monthly Investment Report, January 31, 1977

Public Employees Retirement System/Teachers Retirement System Monthly Investment Report, June 30, 1977

State Investment Advisory Committee Material

Summary of the S.I.A.C. minutes of the meetings on August 26 and October 13, 1976

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Price Waterhouse & Co. reports dated Sept. 29, Nov. 5, and Dec. 15, 1976

Morgan Guaranty Trust Company report dated January 12, 1976

White, Weld Incorporated report dated October 1, 1976

State Loan Programs and the Permanent Fund: Some Basic Considerations; Langhorne Motley, Commissioner, Department of Commerce and Economic Development, State of Alaska, December 12, 1976

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Student Financial Aid Program Annual Report, Dept. of Education 1974-75

State Loan Programs, Memo from James Stey, Division of Budget and Management, Office of the Governor, Oct. 11, 1976

Comprehensive Financing System for Housing & Development Loan Program, Robert Dupere

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Status of Loan Portfolio, Division of Business Loans, Department of Commerce and Economic Development, March, 1977

Alaska State Development Corporation: Source and Application of Funds--Twenty Year Period Ending June 30, 1984 Legislative Audit Committee

Economic Considerations (Reports)

Economic & Fiscal Considerations regarding the Permanent Fund Milt, Barker, Fiscal Analyst, Legislative Finance Division October 1976

Alaska Economic Forecast for 1977, Daniel A. Seiver, Institute of Social and Economic Research, University of Alaska, March 1977

A Proposal to Prepare Short Run Revenue Forecast for the State of Alaska and to Analyze the Impacts of State Revenue and the Expenditure Policies, Institute of Social and Economic Research, University of Alaska, March 1977

Financial Planning Guidelines, Dupere & Associates, Inc.

Economic Considerations in Establishment of Alaska's Permanent Fund, Arlon R. Tussing, Institute of Social and Economic Research, University of Alaska, July 1977

Memos from Richard Haggart, Research Analyst, Legislative Affairs Agency, to Hon. Clark Gruening re: Fiscal Tools, June 1977
Revenue Forecasts, July 1977
Data for Revenue Forecasts, July 1977

The Alaskan Economy--Year End Performance Report 1976; State of Alaska, Dept. of Commerce and Economic Development

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Challenge of the Permanent & Renewable Resources Fund, State of Alaska, April 1977

A Proposal for legislature to create Community Renewable Resources Development Center, Dr. Wayne E. Burton, Agricultural Development Economist, Feb. 1977

Agriculture in Alaska: 1976-2000 AD; Alaska Review of Business and Economic Conditions; Institute of Social and Economic Research, University of Alaska, June 1976, Vol.XIII, No.2

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The Alaska Permanent Fund & Other Significant World Funds, May 1977

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Lombard & Wall Management Corp, New York
1) Asset-Liability Management Studies
2) Portfolio Management
3) Municipal Bond Portfolio Management
4) Money Market Instruments

Arthur D. Little proposal for Sectoral Analysis

The Role of the Permanent Fund in Alaska's Future: A Preliminary Report; House Permanent Fund Committee, July 15, 1977



Miscellaneous Reports and Studies

2(c) Report: Federal Programs and Alaska Natives
Introduction and Summary
Task 1: An Analysis of Natives' Wellbeing
Task 2: Federal Programs for Alaska Natives' Benefit
Task 3: A Survey of Natives' Views
Alaska Native Foundation

(continuation of this category follows)

Audit Reports (cont.)

1976 Reports

State of Alaska Bonded Debt and Debt Service
State of Alaska Investment Portfolio

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Monthly Investment Report, General and State Program Funds
Department of Revenue, Treasury Division January 31, 1977
Monthly Investment Report, General and State Program Funds
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Government Growth Crowds Out Investment; Business Week, October 18, 1976

Public Control of Public Money; James Rowan, The Progressive, February, 1977

Unfunded Pension Liability Growing Worry for Companies; Business Week, July 18, 1977

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RURAL OUTREACH MAILING LIST

87 Village Councils

10 Agricultural Policy Task Force Members

200 Village Corporations

13 Regional Corporations

138 Miners/Mining Companies

44 Fishing Associations

176 Business License Holders in the area of: Agriculture, Forestry, Building Trades, Food Processing, Lumber & Wood Products, Local Transportation, Water Transportation, Air Transportation, Retail Trade, and Retail Food Stores.

668 TOTAL

The packet included 2 questionnaires (attached) and a transmittal letter.

Sent out on August 22, 1977.

1) Do you own or have you owned a business in Rural Alaska?

___ Yes

___ No

2) If you checked "yes" on the above, what type of business do you or have you owned?

___ Retail Sales (grocery, boats motors, snow vehicles, etc)

___ Services (cafe, restaurant, movie theater, etc)

___ Other (agricultural, logging, fishing, etc)

Explain in more detail if necessary.

3) If you checked "no" to Question #1, have you ever though seriously of entering business for yourself or with partners?

___ Yes

___ No

Please explain the type of business enterprise you would be interested in.

4) Have you ever applied for a bank loan for home construction or small business?

___ Yes

___ No

5) If you checked "yes" to Question #4, was the loan granted or denied?

___ Granted

___ Denied

If denied, why?

6) Was bank consideration of your application: _Satisfactory

_Unsatisfactory

Please explain.

7) Have you ever attempted to get business loans from sources other than commercial banks.

_Yes

_No

If "yes", from which of the following?

_State Loan

_Credit Union

_Federal Loan

_Friends or Family

_Personal Resources

_Other

Please give any details you feel are relevant.

8) Do you think small business loans are adequately available to rural Alaska?

_Yes

_No

Please explain.

9) We would appreciate any further statement or information you may wish to give relevant to opportunities and credit in rural Alaska.

10) With which of the following state loan programs are you familiar?

_Veterans
_Commercial Fishing
_Small Business
_Small Business Development Corp
_Child Care
_Tourism
_Agriculture
_Fisheries Enhancement
_AK State Development Corp
_Water Resources
_AK Housing Finance Corp
_Senior Citizen Housing
_Student Financial Aid

11) Please comment on your impressions of the state loan programs.

12) What rate of interest do you believe the state should charge for the loan programs and the Permanent Fund loans?

13) With which of the following Federal loan programs are you familiar?

_BIA
_Farm Home Administration
_Small Business Administration
_Other (please specify)

What are your impressions of the federal loan programs?

14) In which areas would you like to see the Alaska Permanent Fund make loans available?

_None
_Housing
_Small Business
_Education
_Environment
_Other (please specify)

If you have any personal ideas or suggestions regarding the Alaska Permanent Fund, please write or call. We will very much appreciate your input as we begin formulating the legislation to determine the working of the Permanent Fund. Thank you for your cooperation.

May we contact you personally or by phone? _Yes

_No

Name _____

Address _____

_____

Phone _____

#138

Chamber Questionnaire

Distributed via Don Dickey's office, Alaska State Chamber of Commerce, to all Chamber Members. We supplied him with 750 copies on August 18 and requested resonse prior to September 15, 1977

Chamber of Commerce
Questionnaire

1) Do you own or manage or have you owned or managed a business in Alaska?

__ Yes __ No

2) If you answered "yes" to Question No. 1, what type of business?

__ Retail __ Services __ Other

Explain in more detail if necessary.

3) If you checked "no" to Question No. 1, have you ever thought seriously of entering business for yourself or with partners, or corporation?

__ Yes __ No

Please explain the type of business that would be of interest to you.

4) Have you ever applied for a bank loan for home construction or small business?

__ Yes __ No

5) If you answered "yes" to Question No. 4, was the loan denied or granted?

__ Granted __ Denied

If denied, why?

6) Was bank consideration of your application:

__ Satisfactory __ Unsatisfactory

Please explain.

7) Have you ever attempted to get business loans from sources other than commercial banks?

__ Yes __ No

If "yes", from which source?

__ State Loan
__ Federal Loan
__ Credit Union
__ Friends or Family
__ Personal Sources
__ Other (please specify)

8) Do you think small business credit is adequately available to Alaska businesses?

__ Yes __ No

Please explain.

9) Which types of credit do you think are insufficiently available?

__ Housing
__ Venture
__ Expansion
__ Research
__ Development

10) With which of the following state loan programs are you familiar?

__ Veterans
__ Small Business
__ Child Care
__ Agriculture
__ AK State Development Corp
__ Senior Citizen Housing
__ Small Business Development Corp
__ Commercial Fishing
__ Water Resources
__ Tourism
__ Fisheries Enhancement
__ AK Housing Finance Corp
__ Student Financial Aid

11) Please comment on your impressions of the state loan programs.

12) With which of the Federal loan programs are you familiar?

__ Housing Loans
__ Agricultural Loans
__ Natural Resources Loans
__ Environmental Quality Loans
__ Business Loans
__ Disaster
__ Employment Training Loans
__ Other (please specify)

13) Please comment on your impressions of the Federal loan programs.

14) How should the Alaska Permanent Fund invest it's capital?

A. High Grade Stocks, Bonds, Federal Paper _____ %

B. Alaska Loan Programs

1. New loan programs _____ %
2. Housing loans _____ %
3. Expand existing state loans _____ %
4. Community development _____ %
5. Technological development loans (Energy methods of construction, etc) _____ %

C. Other (please specify) _____ %

TOTAL 100 %

Please return this questionnaire to:

Senator George Hohman, Chairman
Senate Committee on the Permanent Fund
Pouch V
Juneau, Alaska 99811

Attn: Chamber Questionnaire

May we contact you by phone or personally at a later date?

__ Yes __ No

Your Name _____

Address _____

_____

Phone _____

#138

Banker's Questionnaire

Sent to main branches of all banks in Alaska on August 18, 1977.

Senator George Hohman, Chairman
Senate Permanent Fund Committee
Pouch Y
Juneau, AK 99811

QUESTIONNAIRE

1. Assuming that Anchorage, Fairbanks and environs are urban, would you supply the following information concerning your loan portfolio?

	Urban	Rural	Total
Dollar amount			
Business loans	_____	_____	_____
Personal loans	_____	_____	_____
Number of loans			
Business loans	_____	_____	_____
Personal loans	_____	_____	_____
Mortgages			
Conventional	_____	_____	_____
Federally insured	_____	_____	_____

2. What are the averages concerning these loans?

	Urban	Rural
Business loans		
Length of loans	_____ months	_____ months
Average interest rate	_____ %	_____ %
Range of interest rates	_____ %	_____ %
Personal loans		
Length of loans	_____ months	_____ months
Average interest rate	_____ %	_____ %
Range of interest rates	_____ %	_____ %

2. (cont.)

	Urban	Rural
Conventional Mortgages		
Length of mortgage	_____ months	_____ months
Average interest rate	_____ %	_____ %
Range of interest rates	____ % to ____ %	____ % to ____ %
Federally insured mortgages		
Length of mortgage	_____ months	_____ months
Average interest rate	_____ %	_____ %
Range of interest rates	____ % to ____ %	____ % to ____ %

3. What is the approval rate (number of approvals ÷ number of applications) for:

	Urban	Rural
Business loans	_____	_____
Personal loans	_____	_____

4. What factors are most important in loan denials in urban/rural areas? Please rate from 1 to 10, 1 being most important factor.

	Urban	Rural
Lack of applicant capital	_____	_____
Undeveloped nature of local economy	_____	_____
Poor credit record of applicants	_____	_____
Lack of applicant experience	_____	_____
Lack of applicant education	_____	_____
Difficulty of servicing loan	_____	_____
Lack of local support services		

4. (cont.)

	Urban	Rural
Lack of government infrastructure	_____	_____
Out of bank service area	_____	_____

Other (urban) please specify:

Other (rural) please specify:

5. Which types of credit do you think are insufficiently available to urban Alaska?

Housing _____ Development _____

Business venture _____ Other (please specify)

Business expansion _____ _____

Research _____ None_____

6. Which types of credit do you think are insufficiently available to rural Alaska?

Housing _____ Development _____

Business venture _____ Other (please specify)

Business expansion _____ _____

Research _____ None____

7. Please comment on your impressions of the role played or potentially played by the state loan programs in the Alaska economy.

8. Please comment on your impressions of the role played or potentially played by the federal loan programs in the Alaska economy.

9. What do you perceive as the main credit availability problems in Alaska today?

10. What role should the Alaska Permanent Fund play in addressing these problems?

11. How should the Permanent Fund invest its capital?

A. High grade stocks, bonds and federal paper _____%

B. Certificates of deposit in Alaska banks _____%

C. Alaska loan programs

1. New loan programs _____%

2. Housing loans _____%

3. Expansion of existing loan programs _____%

4. Community development _____%

5. Technological development loans (energy, arctic construction, etc.) _____%

6. Other (please specify) _____%

Please return completed questionnaire to:

Senator George Hohman, Chairman
Senate Permanent Fund Committee
Pouch Y
Juneau, AK 99811

Attention: Banking Questionnaire

May we contact you personally or by telephone at a later date?

Yes_____ No_____

Name_____

Address_____

Telephone number_____

PROJECT WORK SHEET

PROJECT TITLE: _____

I. CONSTRUCTION TIME SCHEDULE

1. Estimated time required after approval of application:

   To Complete final plans and specifications: _____ calendar days.

   To start construction: _____ months.

2. Estimated construction period: _____ months.

II. ESTIMATED PROJECT COST

1. Preliminary Expense		$_____
2. Land and Rights-of-Way		_____
3. Construction (see breakdown in III below)		_____
4. Architectural/Engineering Services:		
Fees	$_____	
Residential Inspection	_____	
Surveys	_____	
Borings	_____	
Subtotal		_____
5. Capitalized Interest (see breakdown below)		_____
6. Legal Costs		_____
7. Administrative Costs		_____
8. Miscellaneous Allowable Costs Equipment/Initial Inventory		_____
9. Project Contingency (2% of lines 1 through 7)		_____
10. Subtotal		$_____
11. Governmental Field Expense		_____
TOTAL		$_____

III. CONSTRUCTION COST BREAKDOWN

1. Contract Costs (including installed equipment)	$_____
2. Construction Contingency (5% of III-1)	_____
TOTAL CONSTRUCTION COST (as shown in 3 above)	$_____

IV. CAPITALIZED INTEREST BREAKDOWN

1. Interest during construction: ___ months @ ___ %	$_____
2. Interest during development and connection period ___ months @ ___ %	_____
TOTAL CAPITALIZED INTEREST (as shown in 5 above)	_____

V. SOURCE OF FUNDS

1. Local	$_____
2. Federal	_____
3. State	_____

PLEASE ATTACH DESCRIPTION OF PROJECT.

SCHEDULE OF PROJECTED NEEDS

Name of Community

(In $1,000's to nearest $1,000)

Type of Project per AS 29.48.030	Description of Needs (Use extra sheet if necessary--refer to item number)	Cost per foot/ per mile/ per square foot, etc.	Estimated Population to be Served	Estimated Direct Construction Costs (000)	Estimated Total Cost (000)	Expected Funding		
						Fed	State	Local
1. Streets and Sidewalks				$	$	$	$	$
2. Sewers				$	$	$	$	$
3. Sewage Treatment Facilities				$	$	$	$	$
4. Harbors, Wharves and Other Marine Facilities				$	$	$	$	$
5. Flood Control Facilities				$	$	$	$	$
6. Health Clinics				$	$	$	$	$
7. Hospital Facilities				$	$	$	$	$
8. Jail Facilities				$	$	$	$	$
9. Cold Storage Plants				$	$	$	$	$
10. Telephone Systems				$	$	$	$	$
11. Light and Power				$	$	$	$	$
12. Heating Plants				$	$	$	$	$
13. Water Facilities				$	$	$	$	$
14. Roads				$	$	$	$	$
15. Community Centers				$	$	$	$	$
				$	$	$	$	$

SCHEDULE OF PROJECTED NEEDS

Name of Community

(In $1,000's to nearest $1,000)

Type of Project per AS 29.48.030	Description of Needs (Use extra sheet if necessary--refer to item number)	Cost per foot/ per mile/ per square foot, etc.	Estimated Population to be Served	Estimated Direct Construction Costs (000)	Estimated Total Cost (000)	Expected Funding		
						Fed	State	Local
16. Libraries				$	$	$	$	$
17. Recreational Facilities				$	$	$	$	$
18. Airport				$	$	$	$	$
19. Airport Buildings				$	$	$	$	$
20. Garbage Collection				$	$	$	$	$
21. Garbage Disposal/Dumps/ Landfill Facilities				$	$	$	$	$
22. Fire Station				$	$	$	$	$
23. Fire Equipment				$	$	$	$	$
24. Parking Facilities				$	$	$	$	$
25. Housing				$	$	$	$	$
26. Public Buildings for Administration/Police, etc.				$	$	$	$	$
27. Head Start Facilities				$	$	$	$	$
28. Schools - Elementary				$	$	$	$	$
29. Schools - Secondary				$	$	$	$	$
30. Senior Citizen Housing				$	$	$	$	$
31. Senior Citizen Health Facilities				$	$	$	$	$

September 21, 1977

Susan Fowler
Senate Permanent Fund Committee
Room 644
State Court Building
Juneau, AK 99801

Dear M. Fowler:

Enclosed please find a copy of Belden Daniels' report to the Committee and a copy of the sign-up sheet from the Committee's Fairbanks hearing. I suspect that the names of all those who attended the hearing do not appear on the sheet since no one was monitoring it.

In checking the Senate Permanent Fund Committee's work plan, as submitted to the Legislative Council, I find that the preliminary consultant review was scheduled to be completed by September 2. It would be greatly appreciated if you could forward a copy to this Committee at your earliest convenience.

Sincerely,

Mike Doogan

M e Doogan
Ad nistrative Assistant
Hou Permanent Fund Committee

MD:LAD

Enclosure

September 28, 1977

Susan Fowler
State Court Building
Room 644
Juneau, AK 99811

Dear Susan:

The schedule for the Committee's Juneau meeting is as follows:

October 20--9:00 a.m. to 5:00 p.m.
Fifth Floor Conference Room
Alaska Office Building
Public hearing on Permanent Fund goals

October 21--9:00 a.m. to 4:00 p.m.
Hearing Room 123
Committee Work Session

Enclosed please find copies of the prepared testimony of Tim Wallis (given in Fairbanks) and Harold Pomeroy and Betzi Woodman (given in Anchorage). Also enclosed is a copy of the Alaska Public Forum's schedule.

Sincerely,

Mike Doogan

Mike Doogan
Administrative Assistant

MD:LAD

Enclosures

August 24, 1977

The Honorable George Hohman
Chairman
Senate Permanent Fund Committee
Pouch V
Juneau, AK 99811

Dear Senator Hohman:

Enclosed please find a copy of the House Committee's revised schedule.

Sincerely,

Mike Doogan

Mike Doogan
Administrative Assistant

Enclosure

August 24, 1978

Ms. Susan Fowler
Administrative Assistant
Budget and Audit Committee
Pouch V
Juneau, AK 99811

Dear Ms. Fowler:

Enclosed please find a copy of the Committee's schedule, including the Kotzebue meeting about which we spoke. The details of the Kotzebue meeting have been arranged in conjunction with Rep. Leo Schaeffer and Mr. Tom Sheldon.

I hope the Budget and Audit Committee will be able to attend at least the public discussion scheduled for September 16. If I can be of any assistance in facilitating the convergence of the Committees in Kotzebue, please don't hesitate to call on me.

Sincerely,

Mike Doogan

Mike Doogan
Administrative Assistant

Enclosure

August 31, 1977

Rodey Sumner

Dear :

Enclosed is a copy of the House Committee's meeting schedule. It is sent to you in the hopes that you will be able to attend the meetings and participate in our work.

We are particularly hopeful that you will be able to attend the symposium scheduled for September 10 in Anchorage, Participants will include Dr. Donald Gordon of Simon Fraser University, Dr. Barbara Bergman of the University of Maryland, Dr. George Rogers, John Havelock, Dr. John Lindauer and Jamie Love. The symposium begins at 9:00 a.m. in the Alaska Room of the Anchorage Westward Hilton Hotel.

Also enclosed are some legal opinions we have received on various matters pertaining to the Permanent Fund for your consideration.

Finally, we trust that you have received a copy of the Committee's brochure, "The Role of the Permanent Fund in Alaska's Future." If you'd like additional copies to distribute, please let us know. The number is limited, but, if the response makes it necessary, we may have additional copies printed.

Sincerely,

Mike Doogan
Administrative Assistant

Enclosures

file "Senate Interim committee"

Senator John L. Rader

Anchorage

POUCH V
JUNEAU, ALASKA 99801
OR
P. O. BOX 2068
ANCHORAGE, ALASKA 99510

August 3, 1977

Senator Frank R. Ferguson
Box 131
Kotzebue, Alaska 99752

Dear Senator Ferguson:

By virtue of the authority vested in me as President of the State Senate, I hereby appoint you to the Interim Committee on the Permanent Fund. In effect, you will be replacing me as a regular member.

By copy of this letter, I am notifying the interested parties that I am resigning as a regular member of the Permanent Fund Committee, but do intend to participate in Committee deliberations as an "ex officio" member whenever possible.

The work of this particular Committee is of extraordinary importance to all Alaskans. I think that you would bring to it valuable insight.

In as much as I will continue to act as an "ex officio" member, my appointment of you as a regular member can represent only a net gain to the Committee.

Sincerely,

JOHN L. RADER, President
Alaska State Senate

JLR/js

cc: Governor Jay Hammond
Senator George Hohman
Hugh Malone, Speaker of the House
Rep. Clark Gruening
Peggy Mulligan, Secretary of the Senate
Jack Doyle, Legislative Affairs

September 21, 1977

Susan Fowler
Senate Permanent Fund Committee
Room 644
State Court Building
Juneau, AK 99801

Dear Ms. Fowler:

Enclosed please find a copy of Belden Daniels' report to the Committee and a copy of the sign-up sheet from the Committee's Fairbanks hearing. I suspect that the names of all those who attended the hearing do not appear on the sheet since no one was monitoring it.

In checking the Senate Permanent Fund Committee's work plan, as submitted to the Legislative Council, I find that the preliminary consultant review was scheduled to be completed by September 2. It would be greatly appreciated if you could forward a copy to this Committee at your earliest convenience.

Sincerely,

Mike Doogan

Mike Doogan
Administrative Assistant
House Permanent Fund Committee

MD:LAD

Enclosure

Outreach Questionnaire

1) Do you own or have you owned a business in Alaska?

_____Yes

_____No

2) If you checked "yes" to question #1, what type of business do you or have you owned?

Please explain nature of business venture:

_____Retail sales (grocery, boats&motors, snow vehicles, etc.)

_____Services (cafe, movie theater, professional, etc.)

_____Other (agricultural, logging, fishing, etc.)

3) If you checked "no" to question #1, have you ever thought seriously of entering business for yourself or with partners?

_____Yes

_____No

Please explain type of business enterprise you would be interested in.

4) Have you ever applied for a bank loan in any of the following categories?:

_____Home mortgage

_____Home construction

_____Small business

_____Personal loan

_____Automobile loan

_____Agricultural loan

_____Other (please specify)

5) If you checked any of the loan categories in question #4, was the loan/s granted or denied?

_____Granted

_____Denied

If denied, please explain.

6) Was bank consideration of your application: _____Satisfactory

_____Unsatisfactory

Please explain.

7) Have you ever attempted to get loans from sources other than commercial banks?

_____Yes

_____No

If "yes", from which of the following?:

_____State loan

_____Federal loan

_____Credit union

_____Friends or family

_____Personal resources

_____Other

Please give any details you feel are relevant.

8) Do you think loans are adequately available to Alaska residents?

_____Yes

_____No

Please explain.

9) We would appreciate any further statement or information you may wish to give relevant to credit and opportunities in Alaska.

10) With which of the following state loan programs are you familiar?

_____Veterans

_____Small Business

_____Small Business Development Corporation

_____Child Care

_____Tourism

_____Agriculture

_____Student Financial Aid

_____Fisheries Enhancement

_____Commercial Fishing

_____Alaska State Development Corporation

_____Water Resources

_____Alaska Housing Finance Corporation

_____Senior Citizen Housing

11) Please comment on your impressions of the state loan programs.

12) What rate of interest do you believe the state should charge for its loan programs and Permanent Fund loans?

13) With which of the following federal loan programs are you familiar?

_____Bureau of Indian Affairs (BIA)

_____Farmer's Home Administration (FHA)

_____Small Business Administration (SBA)

_____Other (please specify)

What are your impressions of the federal loan programs?

14) In which areas would you like to see the Alaska Permanent Fund make loans available?

_____None

_____Housing

_____Small Business

_____Education

_____Environment

_____Other (please specify)

If you have any personal ideas or suggestions regarding the Alaska Permanent Fund, please write or call. Your input will be very much appreciated as we begin formulating the legislation to determine the structure and activities of the Permanent Fund. Thank you for your cooperation.

Additional comments:

May we contact you personally or by phone? _____Yes _____No

Name_____

Address_____

_____

Telephone_____

Please return completed questionnaire to:

Senator George Hohman, Chairman
Senate Permanent Fund Committee
Pouch V
Juneau, AK 99811

Telephone: 907 465-3880/465-3743

Senate interim committee

September 6, 1977

Sterling Gallagher, Commissioner
Department of Revenue
Pouch S
Juneau, AK 99811

Dear Commissioner Gallagher:

The present financial forecasts for Permanent Fund planning as provided by your Department are projected through 1985. As we examine the various aspects of the Permanent Fund study, it becomes apparent that a sound policy-decision can only be made if projections are provided through year 2005 with said projections tying into the life of the Prudhoe Bay field.

The present lack of a comprehensive long-range capital improvement program and financial plan leaves us in a foggy position as to whether there are other portions of the non-renewable resource receipts, beyond the constitutional 25%, which could be placed into the Permanent Fund. I understand that the elements of this type of planning are:

1. Inventory of capital improvement project needs for a 6 year period
   a. State direct
   b. Political sub-division

2. Projections of operating expenditures - 6 years and beyond

3. Projections of revenues - 6 years and beyond

4. Match non-recurring revenues with non-recurring expenditures (capital projects)

5. Schedule these projects which cannot be financed from non-recurring revenues for:
   a. Deferred, beyond 6 year period
   b. Bond issue
   c. Grants and aids - Federal, if possible

Based on the statutory requirements of AS 37.07.010 (2) and AS 37.07.040 (2), I feel it is reasonable to request revenue projections through the year 2005,

and am requesting the projection of net available revenues for each fiscal period from 1985 through 2005 in the same general format provided by Richard Haggart, Legislative Research Division, on July 7, 1977 in memo to Rep. Gruening and on August 1 in memo to Senator Hohman.

Sincerely,

George Hohman, Chairman
Senate Committee on the
Permanent Fund

cc Richard Haggart
Legislative Research

Clark Gruening
House Special Committee on
the Permanent Fund

Fran Ulmer
Policy Development & Planning

Governor Hammond

I. Work Plan for Senate Permanent Fund Committee

A. Philosophy of Senate Approach

It is the intent of the Senate members of the Permanent Fund Committee to fulfill their charge by giving priority in research methodology to those Alaskans experienced in the various sectors of capital need. Simply stated, we believe deeply in the wisdom and expertise of Alaskans who have struggled so long with the same questions we will be dealing with during the interim. Furthermore, the committee will seek to examine the role this fund will play in the panorama of revenues and programs presently and potentially available, not as an isolated add on to an already complicated and overlapping financial infra structure. It is also the committees belief that the capability of Alaskans to take full advantage of Permanent Fund stimulation of certain renewable resources may well require substantial changes in their views toward the use of such resources.

1. Goals and Objectives of the Work Plan

GOAL ONE: Develop broad and specific understandings of Alaskan capital needs.

OBJECTIVE ONE: Supply the committee with both the historical data available in determining capital needs and projections based on that data.

OBJECTIVE TWO: To evaluate factors capable of major movement in renewable resource areas.

OBJECTIVE THREE: Suggest methods by which these factors might be stimulated, encouraged or facilitated.

GOAL TWO: Provide an analysis of existing capital programs.

OBJECTIVE ONE: Analysis of structures as they relate to other organizations and needs.

OBJECTIVE TWO: Analysis of performance as related to existing and forcasted needs.

GOAL THREE: Provide continuing input process to Alaskans who have subject matter expertise.

OBJECTIVE ONE: Form six subcommittees on subjects picked by the Senate committee.

OBJECTIVE TWO: Through use of these resources, staff and associated contractual services, provide an articulated response to subject needs, as well as to innovate forecasts for future needs.

GOAL FOUR: Explore necessary changes in economic or social views.

OBJECTIVE ONE: To determine what changes may be necessary in educational systems to make available manpower for the performance of tasks related to permanent fund sectoral stimulation.

OBJECTIVE TWO: Start the planning for such changes.

B. Methodology of Approach

1. Examination of existing proposed work plans show a reactive and pre-judgemental tendency ~~attitude~~ toward the research necessary to decision making of this magnitude. The senate members believe a broader approach is necessary.

A particulaly weak area is the determination of capital need in rural Alaska, the source both of the permanent fund revenue and the development of renewable resources, such as agriculture, timber and fisheries. The senate also senses a need to explore the actual capability of Alaskan society to fulfill its role as a partner with the fund. The members further see the development of innovative technology as being of particular interest when considerations are given to the effects such development might have on the lives of Alaskans.

2. Overall emphasis should be given with the constant thought that the true effects of the fund, while very important in the economic generic, are most important in the way they will touch the lives of individual citizens for generations to come.

3. The Senate members will call on the assistance of and work closely with Alaskans through the use subcommittees made up of Alaskans experienced in the subject matter, to develop forecasts and needs.

4. The Senate members will make full use of all resources available to it, both from an informational and manpower basis.

5. Staff time will be spent in project activities, involving coordination and original research.

I. PERSONNEL SERVICES

A. Committee Staff

1.	Administrative Assistant	$22,400
2.	Research Assistant	14,140
3.	Secretary	7,880
4.	Benefits	11,050
	TOTAL	$55,470

B. Cooperative Use of Existing Staff Positions

1. Legislative Affairs Personnel

2. Budget and Audit Personnel

3. Other Resources

II. TRAVEL AND PER DIEM

A. Staff

1. Administrative Assistant

a.	Travel	$ 4,000
b.	Per Diem	2,400

2. Research Assistant

a.	Travel	1,250
b.	Per Diem	750

3. Secretary

a.	Travel	1,000
b.	Per Diem	600

B. Committee/Subcommittee . . . Travel and Per Diem 59,250

TOTAL $69,250

III. Contractual

A. Proposed New Studies

1.	Assessment of Alaska Capital Needs	$34,000
2.	Analysis of Existing Capital Funding Structures; Availability and Performance	21,000
3.	Subcommittee Studies Funding	30,000
4.	General and Specific Research on Economic Multipliers in Alaska Based on ~~Past~~ Dollar Availability	12,000

B. Use of Existing and Proposed Studies

1.	General Availability of Studies Performed With Public Monies	
2.	Access to House Permanent Fund Studies	
3.	Access to Administration Permanent Fund Studies	

C. Communications

1.	Printing and Mailing	11,130
2.	Electronic	5,000

D.	Space Rental	8,000
	TOTAL	$121,130

IV. Commodities

A.	Postage	$1,200
B.	Telephone - Telegraph	2,000
C.	Office Supplies	2,400
	TOTAL	$5,600

V. Equipment

A.	~~Word Processing Equipment~~ New Equipment	$3,675 ~~$3,600~~
B.	Use of Existing Equipment	

TOTALS

Personnel Services	$ 55,470
Travel and Per Diem	69,250
Contractual	121,130
Commodities	5,600
Equipment	8,675
TOTAL	$260,125

I. Personnel Services

A. The Administrative Assistant position is proposed as an analytical as well as coordinating slot. The AA will serve three primary functions in the performance of the committees work:

1. Act as liasion between the committee as a whole, the subcommittees on specific subject areas and the experts chosen by the subcommittees. The AA will be responsible for assisting individual subcommittees in developing information and will assist in preparing a final ~~sub-committees in developing information and will assist in preparing a final~~ subcommittee presentation to the committee of the whole.

2. Develop independent information and data for the committee. This may consist of the development of completely new material and/or the use of existing materials in new correlations and configurations.

3. Oversee the committees time frame progress on development of final committee report/proposal. This will include responsability for securing and reporting on contractor compliance on all contractual services.

In addition the AA will be expected to perform such other duties as the chairman may direct.

B. The Research Assistant position is proposed as support for the individual subcommittees specifically and the committee of the whole generally. The RA will be responsible for assisting in the research and development of new materials as well as correlation of existing information.

C. The Secretary positon is proposed as normal office support, including but not limited to word processing, filing, materials preparation and receptionist.

II. Travel and Per Diem

A. Staff

The committee proposes a staff travel budget that includes the following:

1. Sixteen trips by the administrative assistant over the expected 8 month interim period. Each trip is projected for 3 days, with costs estimated at $250 per trip and per diem at $50 per day.

2. Five trips by the research assistant over the expected interim period. The cost breakdown is, again, $250 per three-day trip for transportation plus per diem at $50 per day.

3. Four trips by the secretary with the same duration and cost factors as those used for the administrative and research assistants.

B. Committees

As outlined previously the committee proposes the creation of 6 subcommittees to study and make recommendations in 6 areas of special interest. We propose that each subcommittee hold three meetings during the course of its study. It is anticipated that seven persons will attend each meeting.

1. Senate Full Committee

5 Members times $250 times 5 Meetings = $6250

5 Members times $50 times 5 Meetings times 2 Days = $2500

2. Subcommittees

7 Members times $250 times 3 Meetings times 6 Committees = $31,500

7 Members times $50 times 3 Meetings times 3 Days times 6 Committees = $18,900

III. Contractual

A. In reviewing the list of existing and proposed studies relating to the Alaska Permanent Fund the committee has identified and recommends two specific studies at this time:

1. An assessment of Alaska's capital needs.

2. Analysis of existing capital funding structures; availability and performance.

In addition the committee is recommending the creation of 6 subcommittees to enable an in depth, analytical study of 6 specific areas of identifiable concern. It is proposed that each subcommittee have a contractual budget of $5,000 to facilitate such studies. The committee also expects to contract other studies relating to broad economic policy.

B. We anticipate an ability on the committees part and a willingness on the part of persons who have or are developing studies or information relating to the permanent fund to share such studies and information. Specifically we anticipate using studies and information that have been or will be developed by any source that has been funded with public monies.

In addition we expect to share access to any studies performed by or at the request of this committee with the house committee and anticipate a similar cooperation.

C. The committee proposes primary to communication with the Alaska public through a series of 3 tabloid publications:

1. Educational/Informational

2. Informational/Posing specific questions

3. Posing general solution alternatives in specific areas of concern.

In addition we have provided an amount for electronic communications. We anticipate a minimum amount of actual dollars will be needed in this area as communications through these mediums can be accomplished as a public service.

D. The committee anticipates a physical space need of approximately 750 square feet. This amount of space should prove adequate to committee needs.

IV. Commodities The committee proposes the following commodities budget as adequate to support its proposed work:

A. Postage	$150 per month
B. Telephone - Telegraph	$250 per month
C. Office Supplies	$300 per month

V. Equipment

Equipment	Unit Cost	Total
3 Executive Desks	$ 300	$ 900
3 Executive Chairs	300	900
1 Standard Desk	225	225
1 Typing Stand	50	50
1 Typist Chair	100	100
2 Calculators	500	1000
1 Table	400	400
6 Straight Back Chairs	100	600
1 Coat Rack	100	100
2 Bookcases	100	200
2 File Cabinets 2-drawer legal size	200	400
1 File Cabinet 4-drawer legal size	200	200
1 Mag Card II	3600	3600
	TOTAL	$8675