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LEGISLATIVE COUNCIL, STATE OF ALASKA

Conference on Alaska's Future Frontiers

Thursday, December 6, 1979

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Anchorage, Alaska

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Reported by: Louise Mizzota, CSR

DELTA GROUP PROCEEDINGS

(December 6, 1979, 10:00 a.m.)

Yukon Room

(Introduction of delegates.)

MR. ECKHOLM: The format is that the delegates who have been chosen here are the official delegates. When it comes to votes and everything, those will be the people who will vote. But in terms of discussion, I think it's important to keep it as open as possible. Whether you're from the public or anybody who is in here, I think, unless it gets out of hand, should be able to contribute to the discussions. And I'd like to reserve that right for the staff people, too. Many of the staff people, including myself, have an interest in what goes on and would like to participate, since often we're precluded from doing that.

Today, this morning, we have a survey that's been developed from the issue paper book that was written. It takes most of the papers, the concepts, and reduces them down into issues and answers. And they're going to come in and start on that at some point in time, and it will probably take us half an hour to do it. I see the value of that tool as being a way to focus the issues and give us a base to start talking from.

This afternoon our group is going to talk about

finances, at 2:00 o'clock. And that's a broad category. Tomorrow morning we're talking about resources; and tomorrow afternoon we're talking about Direct Services.

As those discussions go on and arise, we have some information, we have an information room where we have like short forms on the budget, little videotapes from all the paper authors. And there are people who are around here, and we'll go out and grab people and get what you want in developing recommendations.

How the recommendations are going to be and my primary job is try to bring the discussion, reduce it down to a recommendation sheet. I have blank forms here and it starts off with general area as the first heading, category as the second heading, specific recommendation as the third heading, major factors of considerations leading to the specific recommendation is the fourth heading; financial impact with two subheadings, FY81 and projected need for the next ten years is the next heading, and timing is the last one. I think it's important that the discussions do keep focused on specific recommendations. That's the only way you're going to see direct results from it.

And so, we'll try and keep that all filtering down into these recommendations which we can then base recommendations on.

As a group, it's your responsibility now to sort

of elect a moderator who will lead the discussion and work with me in hopefully making things an open forum for you to talk with.

MR. POMEROY: I have to suggest as a group leader Mr. Roderick. He knows the State statewide, sitting at my left.

MR. REAVES: I'll second the nomination.

MR. PERDUE: I move the nominations be closed.

MR. RODERICK: Why don't you tell me what that role is, because I'd like to know.

MR. ECKHOLM: This is your chance to talk. We're setting this up so you've got a form.

Michael, when do you want to come in and visit with us?

MR. KOWAN: Five minutes.

MR. ECKHOLM: What we want to do is keep the discussions focused. As a moderator and facilitator we want to work as a team as much as possible. And that's it. Let's sort of have a general talk right now about what your feelings are coming into it. Is anybody angry, did you get enough information, didn't you get enough information? Does anybody have any strong feelings about how this was set up and what's going on?

MR. REAVES: I think the information was good. I don't think we received it too far in advance. I received all of this yesterday. I just didn't have time to read it

all.

MR. POMEROY: There's lots of information. Can you give us some idea, or help? Jack, give us some idea as a most orderly progression of our discussion so we don't just jump from one thing to another to another. How can you help on that?

MR. ECKHOLM: We've got the days broken out into the broad topics. For example, our first real issue discussion begins this afternoon at 2:00 o'clock. It's finances. When we start off at 2:00 o'clock I've asked some people. Mr. Belden Daniels I hope will be here to give us some idea about the economy, and many of you people know about the economy. I think we ought to start talking about the economy, what you think, when you recommend. What should we do with the three billion dollars, and then start focusing those down into this recommendation sheet as issues develop and they become specific.

MR. POMEROY: For me as a delegate, that's very clear cut. How about this morning, Jack? And you, how do you suggest we start?

THE MODERATOR: Let's hear some more comments of people.

MR. PILLIFANT: You mentioned Direct Services, sometime we're going to discuss that? What are you talking about there?

MR. ECKHOLM: We have the issue paper that was developed as a base. And the instrument that Mike Kowan, the poll he's developed breaks those down into sort of questions about how do you feel about those things. We have Marylou Maden from the Department of Education who has been around who can help provide information. We've got a number of people here who are educators.

MR. PILLIFANT: I didn't see anything on health, particularly, but maybe I missed it. Because, like Jim, I didn't have enough time to read it. Was there anything on health?

MR. ECKHOLM: No, I don't think so. Dr. McGinnis did a lengthy report and unfortunately we were unable to reproduce it at the time. He's taken it and reduced it down to its component parts.

MR. PILLIFANT: I just wanted to comment, that is I was surprised that it was not a major topic because it was our number two priority in 1969. That wasn't mentioned. Of course, education, number one, health number two.

MR. ECKHOLM: Probably a staff fault, we didn't get it together. It's a 64-page paper, and it came in after we had gone to the press with the original book. So we're hoping that when we do discuss that that we'll be able to go at that time.

MS. PALMQUIST: Dr. McGinnis' report has been reduced

to four pages, which is the summary of the recommendations. And I would like to have that provided to all of the delegates here because it addresses what the previous speaker has been talking about. In the area of education, I am particularly concerned about the effectiveness of vocational education and I hope that we spend some time on the area of vocational education.

In the health area, possibly some consideration should be given to -- I know this is kind of a radical concept, but there might be some good things come out of separating health from social services.

MR. ECKHOLM: We'll have that paper duplicated and presented to you as soon as possible.

These white papers are not meant to be the start and the end of the discussion. They're just a base. They are people's opinions from around the State and ideas that we hope to use as a stimulus for discussion. We're not limited to those in any stretch of the imagination.

MR. SEIFERT: I need some orientation on that. I don't really have a wealth of information. I haven't seen the white papers. I have the two preliminary book overviews.

MR. ECKHOLM: Those are the white papers.

MR. SEIFERT: Someone had a loose-leaf. I thought there was other information available.

I would like to suggest that we kind of develop a strong focus area for basing our discussions. If we're going to be guided to a framework of financial institutions, it might be good to address those issues which we think are the most important to address in each framework.

MR. ECKHOLM: And then get into the specific discussions from there?

MR. SEIFERT: I have a specific issue which I think is integrated which I think would be best addressed as to how it would be best accomplished. I have a kind of a goal to suggest.

MR. ECKHOLM: I think that's the best way to get down to issues. When we get into finances, I think you ought to say --

MR. SEIFERT: Would it be appropriate to go into these areas between now and 12:00?

MR. ECKHOLM: I think --

MR. SEIFERT: I think you're misinterpreting what I'm saying. I think there are general goals that could be reflected in each of the framework issue areas. That may be a better approach to it all. I don't see that there are financial problems and then there are resource problems and there are -- I mean, these are all integrated. I think what you should do is address the goal that you want to see the State achieve, and then reflect each of those goals and

how it kind of fits into the framework of the issue areas you identify.

MR. MORGAN: Can I elaborate? What are we not satisfied with in the State; are we happy with everything as it is, are we not happy. If we make some overriding philosophical statements similar in nature to some of the statements that Mr. Merdes made earlier, and we will filter down to what happens in education, what happens in health. But the total human state, now, my own particular soapbox at the moment is I'm afraid we're not able to feed ourselves.

Ten years ago, I saw agriculture spelled out three times in this book. I normally saw it as an afterthought. We import, you know, an inordinate amount of the food we eat.

MR. ECKHOLM: May I make a suggestion?

MR. MORGAN: These kind of human predictions to me are precarious. I'm not plugging agriculture just now, but I'm using this as one example of some things, as a geographer, makes me nervous.

MR. ECKHOLM: If we could spend the time now, Mr. Rowan is here and has the survey. If we can do that and go through it and as soon as that's through, I suspect that will be 11:00 o'clock, we will take the time from 11:00 to noon for you guys to identify broad areas and discuss so we

have a focus. And go with that as a general sort of opening? Is that acceptable?

THE MODERATOR: Let's agree on some kind of starting point here. If that's one, the goals, or if it's the ones he's recommended. What do people think? Should we go on the sort of broad philosophical goals to begin with?

MR. ECKHOLM: Jack, I think we'll have time to do that before the survey.

THE MODERATOR: Mike can wait.

MR. ROWAN: Absolutely.

THE MODERATOR: I think it's more important. My recalling last ten years ago when I was here, Number 1, everybody is here because they want to say something. That you can be sure of. And so that the trafficking of these ideas is very important, you know. And I think that's what this is all about. Everybody has something to say, and we've got to agree that they're going to have time to say it.

This is going to be how do we say it.

Mike is a good one to start with on that.

MR. ECKHOLM: If we can just do this test here and then take an hour and try and get the broad statements and that out before we go into specifics, as per their suggestion, that might be the way to do it.

Michael?

MR. ROWAN: Well, this is basically the same idea, Jack. The notion here in the questionnaire was to get everybody to speak to every issue that was raised in all the papers. Could you start passing these out as I explain this to people?

Here is what this is: We have a questionnaire here that's been prepared for each delegate, okay? If you're not a delegate but an observer to the conference, I hope you would not fill this out. It's to be self-administered now with a pen or a pencil. It will take about 20 minutes for you to fill it out.

After completing the questionnaires, the data will be tabulated and we'll report back to you tomorrow on what you said. The questions were drawn on the ideas, the conclusions, the proposals put forth in the three dozen papers prepared for this conference. So basically we drew out the consents, proposals and ideas that were being laid out by all the writers that were commissioned by the legislative conference to come forth with different views on every agenda item that is in those goal papers you have, and others.

If you've not read all the papers, you may find it difficult to understand or to answer some of the questions. If that's the case, move right on and leave it blank and go on to the next question. You can go back to

that later.

From time to time, in the question, the name of the writer from whom the question is drawn is also mentioned. You can refer back to the goal book. Sometimes it actually has pages mentioned on it in case you're wondering what we're talking about.

If you can do something for me here to make it easy to data process, would you please circle the appropriate number for the question. It's a one, two, three, four, whatever. As you proceed through the questions, you'll find ranking priority. In every case, one is the lowest rank.

In question 25, the responses should be, one, cooperative; and, two, develop independent plan, not yes-no, as is printed in your question. Number one should be cooperative, number two develop independent plan. It has to do with management of lands.

MS. SMYTH: When you say one is lowest --

MR. ROWAN: One is lowest in all cases, all the ranking questions. One is always the lowest ranking and the highest number is always the highest ranking.

In question 72, we mean intercommunity roads. That's between Alaska communities, roads between Alaska communities.

And in question 74, we mean intracommunity roads,

that's inside the community, okay? So a question we get into it at the town meetings, which is always here.

And some questions here ask for open volunteered remarks. But please feel free to write in anything you want on any question at all.

MS. SMYTH: What was the change on 72 again?

MR. ROWAN: I'm just explaining that means roads between intercommunities and intra, 74, inside the communities. Someone raised that as a question before.

We're going to collect these questionnaires as soon as you've completed them. Are there any other questions?

Mc McGINNIS: Mike, not a question, but a request. I believe the ranking which you mentioned early on would well bear repeating. Because I think that could screw everything we're doing. The number one through ten.

MR. ROWAN: If people would turn to question 49, the questions are on the left-hand side. Questions 49 to 54 ask how would surplus revenues best be used in Alaska. Please rank the following. The lowest rank is one, and the highest rank is five. There are five choices. So, to offset the effects of eliminate the State personal income tax is going to be ranked one, two, three, four, five. Circle what rank you have out of the alternatives you have. If, say, you give that the lowest ranking, you'd circle

Number 1.

MS. SMYTH: Is that "of eliminating," or "by eliminating"? If you want to eliminate the personal income tax --

MS. SCHIRMER: That's right.

MR. ROWAN: That has to do with the vulnerability of the writer, ma'am.

MS. SCHIRMER: I believe that.

MR. ROWAN: I meant by, not of, I suppose.

MR. PILLIFANT: In other words, if that is your Number 1 priority, you would circle five.

MR. ROWAN: Correct. The highest priority is the highest number. The lowest priority is the lowest number. If we just keep it that way all the way through, it will be consistent. Is that understood?

Could we just -- yes. I hope everybody is just going to --

THE MODERATOR: When do we get the results of this back?

MR. ROWAN: I think we can have some for you today and some tomorrow. All for you tomorrow.

MS. STRASSBURG: Do you want us to put our names on the top?

MR. ROWAN: No, it's not necessary.

MS. SMYTH: Number 51, what does the HOC stand for?

MR. ROWAN: That's the Alaska general stock ownership corporation. The purchase of the 16 percent increase in the pipeline oil.

MR. ECKHOLM: There is coffee and hot water right ouside the front door.

As you get through, Kathryn is going to go around and pick up the questionnaires. How many people are not through yet?

Okay. Take your time. Don't worry about it. One thing to think about while you're writing it is it is based on a lot of the stuff in the white papers.

Would you be interested in taking the same questionnaire at the end of this two or three days? Would that be interesting to you?

MS. SMYTH: No.

MS. PALMQUIST: If you're going to have a questionnaire that means something, you're going to have to have more conclusions. You have nothing on agriculture.

MR. PILLIFANT: The questions are poorly stated. You can't answer them.

MR. MERDES: They suggest answers.

MR. PILLIFANT: I wouldn't want to take that again.

MS. PALMQUIST: There are a lot more options.

MR. ECKHOLM: Everybody who would like to take it again, assuming your answers change, would you like to take

it again? Would you raise your hand?

MR. McGINNIS: I think it's meaningless. Some of us have stated that the way the questions are stated are essentially meaningless.

MR. ROWAN: You know, it's difficult to State a questionnaire with complex thoughts, trying to divide them in such a way. In that case, I think an appropriate response is just that: The questionnaire is not meaningful.

MS. PALMQUIST: The questionnaire seems to have a slanting in itself.

MR. ROWAN: I think the questionnaire is derived directly from the writers. And so there might be a slant or a bias.

MS. PALMQUIST: I'll agree to that.

MR. ROWAN: Because I took the questions from the proposals and ideas that came forth --

MS. SCHIRMER: I think you should have tried the questionnaire out on a few more people before you presented it. I think you would have found the wording is bad.

MR. PILLIFANT: The biggest problem I saw, Mike, at the beginning a sentence would say, "Do you agree that so and so or," and then in the negative, it would come in and then it would say yes or no. You couldn't answer that yes or no because it had to be broken out somehow, you know.

MR. ROWAN: The questionnaire was a function of two

days of work talking with eight different people and then being reviewed by 16 others who also have their own views on it. And finally finishing it last night at 2:00 A.M.

MR. PILLIPANT: I would hope that the answers are not taken from that and used as our consensus of any sort from this conference.

MR. HARTLE: I agree.

MR. ROWAN: One of the other groups proposed what we ought to do with this is either apply it at the end again to see if there are areas that are meaningful. Also, we might find a consensus in that the whole series of questions make no sense, which is a conclusion. As a researcher, I'm interested in what you say; okay? If you're suggesting whole areas are meaningless to go into or that the way the thing is phrased meaningless, what you're saying is the context it was presented to you by one of the writers, the conference on present things here, makes no sense. And that's as reasonable conclusion to start with in your own discussions. To me it's a research document. If finding of the thing stimulates discussion, says this is the wrong context, let's start over, that's it's purpose.

MS. SPARCK: I would like top move that we go on to another agenda. There's a blank side of the questionnaire that people could put their questionnaires. I think we spent a lot of time on this. I think we ought to go on to

another agenda.

MR. ROWAN: Maybe we can collect it and use its value later.

MR. ECKHOLM: I think the value of it, like it or not, it is focused on the white papers. We can take it and chew it up and discuss it and run with it. Rosemary.

MS. PORTER: I'd like to request as one individual this not be published for public consumption. I don't think that conclusions drawn from this are going to be valid. And I would not like to see them published.

MS. SMYTH: Second.

MS. SPARCK: Question.

MR. ROWAN: Make any assumption you want. It's an internal communication what you're producing here. You're only answering questions and then you're all seeing what you're all answering. If you answer that question 36 makes no sense, that's your conclusion, ordering your own views toward yourself. That's the process as I understood it. That's why I was invited in to do it. I don't have any point of view on this.

MS. PORTER: I would not like to see them published. I don't see the answers are valid.

MR. ROWAN: How about the conclusion is that the question is not valid or not worded correctly? Is that a valid response?

MS. PORTER: That's valid if everyone answered that.

MR. ROWAN: Are you saying all 100 questions in the thing are completely ridiculous?

MS. PORTER: I think many of them are.

MR. ROWAN: How about the location thing. Are you interested in whether there are more men and women as delegates?

MS. PALMQUIST: No.

MS. PORTER: Not particularly.

MR. ECKHOLM: We'll discuss this later. There is a serious question about the questionnaire, and we'll deal with those before it happens. Rosemary, I suggest that you go talk to Senator Hohman about this too, because he'll be finally responsible for that, I think. But we can as a group vote to give a recommendation and then if everybody in the other groups are saying this, then that's your decision. I don't know what the timing is or the decision on how to use this was.

MR. PILLIFANT: I'd like to hear what our chairman has to say, Mr. Roderick, what recommendation he'd make.

THE MODERATOR: Well, it was a little offended in that I didn't have time to think, you know. It's too short. I'm not offend by the questions particularly. How about taking it on Saturday again at the end of the conference? Would that help?

MS. PALMQUIST: We're tired of it.

MR. ROWAN: That's what another group has already decided to do. Their discussion, incidentally, on the notion that this is too fast and so on, is that we ought to have our discussion and then answer some of these questions. And so they decided to take the survey after. We'll separate that group's response so they'll get their responses back and they'll be able to see the differences, if there are any.

MS. STRASSBURG: Mike, might I make a suggestion, please? You wasted practically a whole page on whether we were male or female, white, or new residents, old residents or over 45. And I don't really think this makes any difference. Because many five-year-old kids have good ideas and many who are 90 are totally incapable of anything. So I don't think these are germane to what we're looking at. We're looking at a future for the State, not who the people are who live here. We're all Alaskans, that's the main thing.

MR. ROWAN: Just as a researcher, I always collect topography as a matter of principle.

MR. POMEROY: I disagree with the previous speaker. I think it has some information and some value. With respect to the other speaker who questioned making our information available, I infer from that that there is a feeling that

perhaps there is considerable superficiality to it. There may be. Just the same, we are trying to go through a process that we're taking seriously. And I would certainly hope that out of it, whether it is on Saturday or sometime later, that we do complete these questionnaires and have them available for use.

MR. ROWAN: As you wish. It's just a tool, it seems to me, to find out how you're thinking about all the people who have written papers for you, what your opinion is of them. It's really to start your discussion, not to end it.

THE MODERATOR: Any further discussion on that?

MR. ROWAN: It seems we've done that.

THE MODERATOR: What's the general feeling of the group? Do you want to ask Mike to give it to us again at the end of this three-day conference?

MS. PALMQUIST: I would like to see another questionnaire more comprehensive that gives us more latitude in expressing our real feelings and views.

MR. ROWAN: Maybe there's your resolutions. Maybe the resolutions are your basic question.

MS. SERCYER: I have a problem with the question. It's been said a lot of the questions are slightly slanted. You couldn't answer some of the answers were half of one answer and half of the other, was what I would have answered.

MR. ECKHOLM: Let's take just a vote among us as to whether you think the poll, in your opinion, would be a valid or invalid partial record of where you guys are at at the time. And we'll record that and then we'll pass that along and it will be used as a decision.

MR. PADLOCK: Eric, I favor a significant response to the issues raised by the poll. I've been attempting to do that because we were advised that we could write in anything we wanted to. I've been trying to give this thing a significant response. I don't think that a yes or no response is worth a whale of a lot. And I don't think that a yes or no response after three days is going to be worth any more.

But I think if everybody responds with their feelings on these issues that are raised, maybe we'll be able to provide something of value.

MR. ROHAN: That's a completely legitimate way to do with the questionnaire, by the way, because we can code it in any way that you respond. If you don't like the question as written, that the value should be stated this way, then that's your response and that's the way that gets coded. That's an insight into what that issue is. And obviously, I mean, if I tried to sit down and answer this questionnaire - and by the way I haven't - I don't like the idea of things falling into one category or another either.

Most of these questions are not yes-no questions. But unless you frame them that way, you're never going to be able to talk about this them.

MR. HARTLE: I think one problem that is coming up is the priorities that we're to decide on in this questionnaire are not at all necessarily the priorities of this group. And this was the framework we were given to answer on. And that's what the problem is. And that's why I don't see it as valid whole of our thoughts. Because it doesn't have -- what questions would you ask?

MR. ROWAN: That was not the intention of this. The intention was to read the papers prepared for your discussion, and every one of those people, 33 or 40 of them, have points of view, there is not one objective person, and I'm one of them, right? And so they all have points of view, experiences, history and they all come from different professions and skills. So they came down with certain kinds of proposals, okay? One person assumes we should have, you know, a college that serves all the places that don' have a certified college. That comes out of 16 years professional experience that person had. Okay?

So I give it to you. He gave it to you in the paper. I give it to you as a question. Do you agree or disagree with him? That's it. That's how it all came down, and it's not your ideas we're testing on this. We are

beginning the conference by testing the ideas of the people who prepared papers for you to consider, that's all. And now you can take it and do anything you want with it, really.

MR. PILLIFANT: I just wondered if you took it, Mike?

MR. ROWAN: No, I didn't.

MR. ECKHOLM: All of those who have serious problems with the poll and would like to go on record that the poll is not valid and they do not want it to be part of the record raise their hands. Keep your hands up, please.

Okay, all those who think that it was all right and it has some value and that they would like to not squash it but have it considered for whatever its merit it, raise your hands. Have I framed that question right? Does anybody want to reframe the question for me?

MR. ROWAN: I think they would be in favor of both those things. It's an either or question.

MR. NASKE: It was poorly framed.

MR. ECKHOLM: We've got 16 people who have got problems with it. We'll report it.

MR. NASKE: Instead of writing a critique of each paper.

MR. ROWAN: Can I ask another question just as a research thing, because I'm a volunteer here and I'm interested in how you do things and how you think. How many people read the white papers?

MR. SELBERG: Could you please ask how many got them in time to read them?

MR. ROWAN: that's a different kind of measurement. I'm interested in that because that's a minority here. And so this questionnaire is much more difficult to deal with since it's drawn from those papers for other people.

MR. HARVEY SAMUELSON: I think a lot of people are like me. They were promised very faithfully the stuff would be shipped to me and I never got no information until 9:00 o'clock this morning.

THE MODERATOR: Let's table this for the time being.

MR. ROWAN: Put the postage system on the agenda.

THE MODERATOR: Eric and I have had a chance to talk about how this might go together, this discussion we're going to have now, for a couple of days. And I'm throwing it out to you to see what you think of it.

I would be the guy who recognizes speakers, and I would be the guy who probably indicates that somebody is talking to too much, you know; that kind of thing.

Eric would write down generally what he hears you say about what you think a recommendation should be, et cetera.

Then he will get back to you and say, "Is that really what the group thinks?"

Maybe we'll want to go to votes, I don't know,

formal votes, but maybe we don't.

But, at any rate, what we want is a general feeling after this discussion on a particular point; what it is you want me to say when I go back to the general assembly. And Eric will be that guy that will record that.

And then he'll be, of course, chiming in trying to get agreement from the group as to what they really want to say about any particular issue.

Does that sound okay?

I want you all to know, I was here ten years ago, and it's going to be difficult in that everybody wants to say something and everybody has the right to say it, and everybody is going to say it, which means that everybody has got to be careful on the time they take. And I'll guarantee emotions are going to rise and you're going to want to say what you want to say. We can stay here as long as you want. We can stay evenings. I guess the message I'm trying to tell you is you're going to say what you want to say.

This is a terribly unfortunate room, I think. Can you people hear way over here when somebody is talking here?

MS. JENNINGS: Not easily.

THE MODERATOR: People better be aware of that, too.

Any comments on what I just said?

MR. PILLIFANT: I would only comment that I suspect that we'll probably come down and have to take votes on things. Because that's what we did the first time. And it seems at least you have a definite priority set by the democratic system.

MS. SHROYER: I also think if the votes are close and it isn't a controversial issue, a minority type of report would also be advisable.

THE MODERATOR: I think Eric mentioned that.

MR. SEIFERT: I very apprehensively suggest you might consider the use of Robert's Rules to formalize the process. I know it's kind of an un-Alaskan approach to things, but it be a certain rule for order, you can rule people out of order, and whatever, on time. And it allows any questions raised if you keep it orderly.

THE MODERATOR: I did bring a copy of the State Uniform Rules and stuff like that.

MR. ECKHOLM: I think Jack can handle it. If it begins to be a problem, he can tighten down the screws. If not, he can loosen it up.

THE MODERATOR: You're right. I think the order of recognition is very important. If people can help me on that, you raise your hand and I say okay. We'll just work it that way.

MR. POMEROY: The matter of the minority report was

mentioned. I recall from ten years ago that we came up against that sort of a thing and we found that we had something that was unmanageable that was going to take too much time. And in our conclusions, we said this was not a unanimous report, or some simple little thing like that took place. And I don't think we dare get into a matter of going so far as to have two different reports.

MR. ECKHOLM: We could list on the recommendation areas of strong disagreement point by point.

MR. POMEROY: Yes. Just so that it's noted. But I suggest we keep that in control pretty carefully.

THE MODERATOR: Does that sound right so far?

One other rule they had ten years ago was that legislators could not speak. And I thought it was beautiful.

I think there will be some legislators drifting in and out. That is the rule and I will try to enforce that, particularly if they start talking a lot. I don't think they will.

MS. SHROYER: I was asking legislators on points of information instead of speaking opinions, just what are the facts, and maybe they can list those.

MR. ECKHOLM: Sort of like the children, don't speak unless spoken to.

THE MODERATOR: What do you think about voting, now?

I assume you're talking about delegates with badges on to vote, if we get that narrow, you know.

As far as people speaking, if they're not a delegate, I'm going to throw that out to you. If somebody wants to talk a lot, or talk, I'm going to ask you is it all right. Is that fair?

MR. SEIFERT: "You," meaning the delegates?

THE MODERATOR: "You," being the delegates. And I don't think it will come up, but it might. Somebody might want to take too much time. We want to let people talk, but, on the other hand --

MR. ECKHOLM: Please identify yourself when you're talking, for the court stenographer.

MS. RICHCREEK: I think somewhere in the book it says those could speak after everyone else finished, if there was time.

THE MODERATOR: Okay. Whatever. Thank you.

MS. JONES: I'm not a delegate, but I would like to bring to your attention one thing, that the newspaper solicited papers from citizens. And I took the time to prepare a paper and took a day off from my work to come down here. And I believe that there are people like myself who have prepared papers who we hope you will be able to consider, because we were not included in the manuscripts which you have reached. But they have printed four copies

and are in the four copies which you may receive.

But, as just a plain, ordinary citizen, I feel that because what I have to say I feel is important enough to write a paper about it, I would like to have the opportunity to at least rise to defend my paper.

MR. ECKHOLM: What area is your paper on?

MS. JONES: On the Alaska Bar Association.

THE MODERATOR: Thank you. Yes, sir.

MR. PEQUERO: As a member of the public, I agree to what you said. And I think that persons just should take at the most five minutes for their position on a topic, or three minutes. I think that a person can resume what they're going to say in three minutes, and then everybody will have enough time to approach what they want to approach and also how they want to approach. I also took a lot of my time to write a paper as a member of the public. And I don't see why I just should be left out if there is any time.

THE MODERATOR: Yes.

MR. PERDUE: Mr. Moderator, I think the people are entitled to -- I don't think that there's a question of whether the delegate should accept them or not, because the State did put out an advertisement for public opinion. And I think we owe them their right to three minutes or five minutes.

MS. JONES: You have a paper presented by Mr. Wagstaff, Mr. Gross, both who will be very favorable about the bar association in Alaska. And I have taken the time to say that I believe that the Bar Association has problems which should be addressed by this State. And they have their papers printed. You will be able to read them, unless you take the time to read mine, which I doubt you will time type, you'll have no idea except what Mr. Gross and Mr. Wagstaff says is the situation.

THE MODERATOR: Thank you.

MS. SCHIRMER: I feel very upset that the papers that had been presented by people who were not specifically commissioned have not been made available to us.

MR. ECKHOLM: They are trying to be made available. The supplement came out today. What we've got here, we've got these packages here of Xerox things that we got in just lately. We could only Xerox them. These are papers from a Marilyn Dudley Rowley, William Hunt, Claus Naske, Ronald Inouye, LaMar Gray, Thor Brant-Ericksen, J. B. Barry,. There's about 10 or 15 people, Joe Vogler, about a number of items. We have these papers here. I don't know what arrangements have been made. So I leave it up to the group to determine how to distribute these three copies that we've got around for your perusal.

MS. PALMQUIST: Well, in the brochures that were sent

out to us and the announcement that we were delegates, we were promised copies of those papers at the beginning of this conference.

MR. ECKHOLM: The white papers were the only ones that were brought in in time to be printed, typeset and printed. The supplement was finished at 10:30 this morning, which were the ones that came in after that. These papers didn't get in in time to be printed. And I've got Xerox copies here.

MS. PALMQUIST: Are there Xerox copies for each one of us that wants one?

MR. ECKHOLM: I've got a total of three copies. If there's time to print them up in a nice little booklet, or not, I don't know.

MS. PALMQUIST: Couldn't we get Xerox copies?

MR. ECKHOLM: There won't be enough to give one to everybody that wants one.

MS. RICHCREEK: I was going to ask, is it too big a thing to go down to a Xerox office and run them off?

MR. ECKHOLM: I'll try and see what I can do about it, yes, ma'am. I'll try. Printing them is better than Xeroxing. There's about 300 or 400 pages.

MS. PALMQUIST: All of the list of names which you listed submitted papers have quite a bit of background and knowledge. And they will be benefit to us.

MR. ECKHOLM: That was as many as they could do in the last couple of days. So there was an attempt to get what we could to you. After that, I'll try and get as many as I can Xeroxed. I've got these that we should be passing around looking at.

MS. HALMQUIST: I'd like to have one right now.

MR. POMEROY: You have a program. I think we're going to be short of time at best. It seems to me a fine thing if the managers of the program invited citizens to write in. But I think it has to be treated as citizens having written in and have that material taken into account in connection with the whole program before it's finished. But we would be here for two weeks if we tried to have a discussion of every presentation of every citizen that has written in.

MR. ECKHOLM: What I'll do is I'll keep ahold of one copy that I won't send out. And I'll get a Xerox of the titles. And if you have a specific desire on a title of paper and you want to read it, come and get one from me. Besides that I'll be circulating the other two for now. Ward has gone to see if we can get more copies made. I'll get titles made, and you can see what you want. And we'll do with what we've got for now.

MS. SIMONDS: I remember ten years ago, to take care of a similar situation, there were a lot of handouts on the tables that the delegates could pass by. And they took one

and they read them at their leisure during the conference to get information. So I think the information might come out in that kind of discussion rather than having everyone present a paper.

THE MODERATOR: There are some sources of information which Eric and the staff have accumulated that may help us. And I think if Eric would describe what they are, and we can decide how, if at all, we want to use them.

MR. ECKHOLM: When it's appropriate, if you want, we brought down, I've got some constitutions, I've got some short forms of the budget from last year just so we have general categories. We've got some short video tapes of the white paper authors summarizing their white papers. We have the Bluebook, did I mention that?

Besides that, I think more important we've got a lot of very experienced people around this conference. So if you can dispatch us to go find somebody to come talk to you, we'll do that as you request. Detailed resource information I think might just slow down the process if we get too specific. But if you need anything, we'll scramble and get it, to the best of our ability. Those are the basic resources we have.

And I'll try and get all those papers Xeroxed for you of all the citizens. We're trying to get them out in time and I promise you'll get a chance to look at them

before the end of the conference.

THE MODERATOR: I have a few minutes before 12:00. Is 12:00 when we break?

MR. ECKHOLM: Our schedule, according to the schedule here, we've got until 1:00 P.M., it says, for lunch. I don't think there is any scheduled luncheon or anything. So the way I read it, we've got the rest of this day as this group to get down to business and to discuss basically finances, what's on the agenda, if that's what you want to do. If you want to go into other things, that's fine, too.

We can break for lunch now, we can wait for an hour and get into it for an hour. I sort of would like to keep going and identify a philosophical statement, sort of like what's the biggest problem you feel that's facing the State today, or to come up with kind of a tone for our group, as per your suggestion.

MR. HARTLE: Could we take a five-minute break and come back for an hour? That's my suggestion.

THE MODERATOR: What's your pleasure, people?

MR. PERDUE: My stomach says it's hungry. Move that we take a break.

THE MODERATOR: For lunch?

MR. PERDUE: For lunch.

THE MODERATOR: Are you saying there's a lunch?

MR. REAVES: Yes, there is. That's what it says here.

MR. ECKHOLM: No arrangements. So it's up to us to decide. We can change that, if we want.

MS. PORTER: I'd like to consider maybe a five-minute break, but I'd like to return at 1:00 o'clock as scheduled.

MR. SEIFERT: Could I have a matter of clarification? Is there not a formal lunch?

MR. ECKHOLM: No, there is not a formal lunch.

MR. SEIFERT: That's certain.

THE MODERATOR: You've heard the motion to break for five or ten minutes and then come back and go to lunch. Is there discussion?

MR. SEIFERT: I'll second that.

THE MODERATOR: Any discussion?

MS. PALMQUIST: Some of us have commitments of program lunches that take place at 12:00 o'clock.

THE MODERATOR: I'm sorry, Rose. Program lunches?

MS. PALMQUIST: There are lunches around town by organizations that have a program of interest to us.

THE MODERATOR: Is there further discussion on the motion to break for five to ten minutes only?

MR. POMEROY: Unanimous consent.

THE MODERATOR: I have, but Rosie has just objected. So I'll just say is that generally what people want to do? Okay. Let's take a break for ten minutes, no more.

(The proceedings recessed at 12:03 P.M. and

reconvened at 12:25 P.M.)

THE MODERATOR: It's hard to tell if we're all here, but I don't know if we can wait for everyone.

MR. POMEROY: No. We got to go.

THE MODERATOR: We've got about a half an hour before our lunch break.

Perhaps we could start this way, just simply talking about what we see in terms of the goals or the problems. in other words, we're here to come up with recommendations as to what we want Alaska to be in the next 10 years, 20 years, 30 years. These gentlemen over here suggested that we talk about goals or the problems we now see in the State.

How does that sound? Start with that instead of trying to get to the solutions right away. Okay?

Who wants to start?

MR. SEIFERT: I have a recommendation for a policy goal that comes from several years of evolution that have recently been more clearly articulated by several events, particularly the recent first Alaska Alternative Energy Conference in Anchorage. And in conversations here, I've experienced further support for the idea that I'm going to present.

And that idea is -- perhaps it would be best if I just read what I have written down here.

THE MODERATOR: Would you give your name, first.

MR. SEIFERT: I'm sorry. My name is Mr. Richard Seifert.

It is recommended that a policy goal be established for the State of Alaska to achieve near complete self-sufficiency in energy, food production and other human needs. It is further recommended that this goal can be best accomplished through renewable energy and renewable natural resource development, education to develop our human resources and development of Alaska's local food production potential.

I submit that this has been of a grass-roots mandate that I've become aware of through my involvement in that conference I previously mentioned. And I think there are many other organizations and perceptions of this problem. They may not be articulated the same way, but I think the general common denominator of this approach, the idea of self-sufficiency is very, very keen on people's minds right now because of the vulnerabilities they see. Presently the way our system works, our 97-percent imported foods, our 75-percent imported fuels, even though we have natural active fuels here, we don't refine them here.

This whole process of undermining the economy of rural Alaska by fuel costs and transportation problems all integrate together to point to a further goal of

self-sufficiency as at least a partial and general solution of that problem. And coupled with that is a self-sufficiency in food.

I submit that as a goal to consider for this group.

THE MODERATOR: Harold?

MR. POMEROY: Self-sufficiency in energy and in food and in what else?

MR. SEIFERT: Food production. And I say other human needs. That's a very -- I've left that quite open and general. It may be articulated further in another goal statement and eliminated from this one. But I should say that I have lifted this goal statement from a another person's publication for the Alaska Council on Science and Technology. They are also very keenly interested in proposing this as a goal for their undertakings. And I am articulating that because that group is meeting today somewhere else and they can't have a representative here at the same time.

So I do concede that although this is fundamentally my own perception and statement, it is also the statement of someone else.

MR. REAVES: Do you also have recommendations for meeting this goal?

MR. SEIFERT: I could be considerably detailed in how

I would do that. I think that remains to be discussed.

MR. REAVES: Well, I think perhaps you should lead it off and give us some of your ideas.

THE MODERATOR: Excuse me, but maybe in the limited time we have, should we introduce more problem areas? I'm throwing that out. I don't mean to cut you off. What do I think?

MR. MORGAN: May I go back to something more general?

THE MODERATOR: Okay.

MR. MORGAN: This is one area. We all have, over and over over again here, an Alaskan life style, which is something we must defend at all costs.

What is going to ensure that your future is what you want it to be? And I think I would like to be more independent. I would like to be, as an Alaskan, more self-sufficient and self-reliant. I would like to be less dependent on the capriciousness of transportation systems, international incidents, and so forth.

In other words, I think maybe what we should be concerned with are what actions must occur, what recommendations can we make at this conference to ensure a much more stable -- in other words, the happy situation that we're in at this point is unique to all of us, none of the other 49 states have all the money they want to play with to solve their problems. Time is of the essence in

that we have a certain period of time to make these decisions as to the proper courses. And I think, regarding the statement that Mr. Seifert made, self-sufficiency in food, a close look at renewable resource use, these types of things.

THE MODERATOR: Would you tell her who you are again? Would everyone say their name again.

MR. MORGAN: I'm Morris Morgan.

THE MODERATOR: I hear both of you say self-sufficiency is the greatest need in the State of Alaska. Does everyone agree with that?

MR. NASKE: I certainly don't. I think in the 13 we colonies tried to create some sort of interdependence and a feeling of belonging together, a feeling that all of us were Americans. And yet what I hear is that we are somehow an island, independent island somehow, of trying to achieve that type of situation. And I think that's insanity. I mean, we are part of the United States. We are the 49th State. And there are many others. The system of this interdependence has developed over many years.

THE MODERATOR: I think you should respond to that.

MR. SEIFERT: I would definitely like to respond to that.

I think what I'm going to say bears really close scrutiny. And I think you are in some guises

misinterpreting what I'm saying. Self-reliance from a physical point of view is what I'm talking about. I think there are many, many people in the lower 48 states who would articulate this very same concern, that have the same vulnerabilities to fuel supplies. I mean, the United States imports 54 percent of its fuel. I'm not saying this is a uniquely Alaskan problem. There is no reason to assume that this is a decisive attempt. I certainly do not intend it to be a decisive attempt? It allows you to not be subject to the whims and - what's the word I'm looking for - intimidations of world political situations, of situations which we presently do not have control over.

I'm talking about individual control over individual lives. That doesn't have to be decisive. It allows you to be freer to express your individual needs, to express your individual interdependency from a more human point of view without being under duress to do so. I think it's closer to a more perfect union that we have now. I'm not talking about something in any way that is intended to be separate activity or isolationist.

MR. POMEROY: As to food, I think no one could quarrel with what the gentleman has said about achieving self-sufficiency if he is talking about doing whatever we can as a community to facilitate and assist and encourage those who want to live a subsistence life style or whatever

you call it, where they produce most of their food.

But I do find a great deal of trouble with the broad suggestion that we become independent with respect to food because you run into economic limitations we have and that we cannot overcome unless we simply want to subsidies ourselves. We have examples right here in Anchorage. There are two dairies that had to quit producing certain items here because it cost $28 an hour for labor to produce the products here, and they could be imported cheaper outside where the labor is $16 an hour.

And I use that feature of it to identify one of the greatest disadvantages we have in self-sufficiency, and that is we are the highest cost area for labor in the United States.

We have a, company that produces eggs, and they are good eggs. They are no better than the eggs that come in and are sold by Safeway. And they cost 57 cents a dozen more.

THE MODERATOR: That's all right. You will agree that it's a desirable thing for the State to be more self-reliant?

MR. POMEROY: For us to do what can be done consisting of your economic disadvantages because we should not attempt to subsidize ourselves with food. We shouldn't support a price of 57 cents a dozen so that somebody could

have the privilege of producing eggs here, is what I'm saying.

MR. MOREHOUSE: You assume prices are translated to the grocery shelves in the State. We will find that the competitiveness of things produced in the State of Alaska will take on a little better look.

MR. ECKHOLM: Are we talking about specifically food in terms of self-sufficiency? Would that be a recommendation?

MR. SEIFERT: I would like to say that I think one of the perceptions, and I reiterate what I said earlier, is there is a difference between self-sufficiency and independence. They are conceptually very different to me, and I think there's a confusion about what we're talking about. We're talking about self-sufficiency, not independent.

MR. ECKHOLM: You're not dealing with us and the relationship with the federal government.

MR. SEIFERT: Political reality is being independent, but I'm not talking about an effort to make Alaska independent per se in a political sense. I'm talking about a physical sense making it more self-reliant. I didn't say totally self-reliant. I said near complete self-sufficiency.

THE MODERATOR: This gentleman, and then Lois.

MR. PADLOCK: Back in January or February of 1973, I had the privilege of being associated with the legislature down there as a lobbyist and I enjoyed attending some of the briefings that the legislators see. There at that time I remember the legislature's consultants firm of Lipon & Leavy came in and spoke to the legislature and made some very fascinating predictions about what was going to take place in our country as a whole related to our consumption of energy from the oil producing nations of the far east. That was six years ago. Their predictions came through just letter for letter right down the line.

I saw Mr. Leavy in the hotel here yesterday and early this morning. And I'm wondering if perhaps his presence here was related to this get together. I was hoping that if it were perhaps we'd have an opportunity of hearing from him again because listening to what -- no. Mr. Lipton was here. Listening to what Mr. Leavy said back in 1973 was practically like reading from the gospel, I'll tell you. Because he told it like it is. And many of our concerns that we're articulating here today and are reflected in all these papers relate to events which we individually have little control over. But perhaps as a state, in view of our oil independence, we might have some future control over these events. And I think that anything we do is going to be related very highly to how

well we are informed. Are we going to be informed by him, by chance?

THE MODERATOR: He is in town, and he said he will be available.

MR. ECKHOLM: He is here specifically for this.

THE MODERATOR: is he scheduled to speak to the group?

MR. ECKHOLM: I talked to him yesterday and asked if he could be around for resources. I didn't give him a specific hour.

MR. McGINNIS: I understand, if I remember correctly, he will be addressing the World Council Affairs lunch tomorrow.

THE MODERATOR: We'll get him in and talk to us tomorrow.

MR. ECKHOLM: We'll try. We're scheduled for Resources Friday morning at 9:00 A.M., and we'll and get him then.

MR. PADDOCK: I would think everybody, not just this group, would certainly benefit by whatever he may have to say because these people spend all their time and a great amount of energy and effort into figuring futures, which is essentially what we're doing here.

THE MODERATOR: The future is big, I can assure you. The money, as Russ said, the surplus is upon us. And it's going to last at least another eight to ten years. Lois?

MR. PILLIFANT: I was just going to clarify. What Richard was saying, I think, was in view of what's happening right now in the world in energy and the rest of it, what happens to Alaskans if they can't feed themselves. And what's wrong with subsidizing agriculture like the barley project, for instance, at least so we could have the bare minimum of food at least. And maybe that's a gloomier doom type approach, but it's possible that this could happen to us.

When you say that we don't want to cut ourselves off from the rest of the 48, we don't. But up here we have a different problem than they do down there. If something happens to them, they can go out and throw some seeds out and grow a few carrots, but I don't think they can. When you're talking about self-sufficiency, you're talking about that sort of thing?

MR. SEIBERT: I think that's very much the case.

MS. STRASSBURG: I cannot see where we can be self-sufficient in Alaska until, or we cannot have a totally integrated economic, cultural and environmental situation without a better job climate. We must encourage jobs in the private sector. We can't have a viable economy if we have 90 percent of the people in our State who are government workers with Ph. D.'s. We need architects and designers to design our buildings, but we also need

qualified electricians, carpenters and plumbers who are proud of their ability to build those buildings.

We need to develop a method to use the knowledge and experience of our older citizens for pay. And we should set this up so that this does not influence anything that they now get as pensions. These people have hundreds and hundreds and hundreds of years of experience in this State. My own husband has 40 years of electrical experience in the State of Alaska. He is now retired and it's a shame that the State is losing his ability and his experience. This is a total waste of a resource that we ought to tap.

The people in these positions could be used in the context of the old WPA projects where experienced people were used to teach everything from learning how to play a guitar for your own enjoyment to learning how to preserve your food, how to raise a garden, how to start a business of your own.

A lot of you are old enough and some of you aren't to remember that these programs were very, very good. And we need the development of good technical schools. And we need them in other places besides sewer. We need maybe a small one in Nome, we need a large one in the valley. We need one in southeastern.

Along with this, what Mr. Merdes was saying, we

do also need to have our colleges come up with programs that will not only interest potential students, but will fulfill the needs that they will see in the future. I think these are important.

But we must have jobs.

In the valley right now, they're saying that the unemployment is 16 percent. That's a very false look at the employment in the valley. That is people who are registered in the employment office or are receiving unemployment payments. Those payments for many, many people have long ago run out. There are many people who haven't been able to receive unemployment benefits for over a year. This is a tragic situation. It's one of the reasons why we are having such a rash of crime and vandalism and burglaries also in the valley. These people have to eat and there is no place for them to go. So we must have jobs and we must have jobs that last more than six months at a time.

MS. PORTER: Rather than see a policy goal that says the State of Alaska should achieve self sufficiency, I think we should realize here that, whether we like it or not, we are local citizens. Whatever happens in Africa or the Middle East is going to affect us. The world has shrunk. There is no getting back to being isolated. We are not an island and we're going to have to live with it.

And we're going to have to be concerned about what happens in the nation and what happens in the world. And maybe that's going to be our only salvation. There are only a few of us and it's difficult to make our opinions felt outside, but we are global citizens and we're always going to have that situation here.

I am not opposed to subsidiary goals and seeing us increase food production or increase agriculture or the raising of animals, the making of oil deals that might cushion us from for a while when a real emergency does arise. I know the State can do that. There should be some kind of reserve for the State or perhaps some discount for Alaska residents. It's oil that's being refined elsewhere. The real freedom for Alaska is going to come in the form of economic freedom, when all of our people have jobs and can afford the goods and services that they need to survive.

MS. SHROYER: Going back to education, I believe that our educational and vocational trade schools should be upgraded and brought in so that we do have skilled Alaskans to work for our industries instead of having to bring in the skill from outside.

But although we will need some type of government subsidy to begin these things, I believe the private sector and private monies should be integrated so that we get out of dependence on government and government monies. I think

the private sector should be the ones in economic control.

MR. ECKHOLM: We're sort of getting off the initial discussion about physical self-sufficiency. Could we kind of go back and go over that and decide whether or not the group thinks that's a desirable goal or not?

MR. POMEROY: I think I can come right back to that. At least half of what Richard is suggesting, the self-sufficiency in energy, we have a great potential in hydroelectric power and we know that the cost of energy is going up the world over and we're not going to be immune from it here. And there probably is no better place that we could invest some of our oil earnings than in developing energy. And when we develop energy then, it will put us in a pretty good position with respect to some economic activities. And that, then, leads to the employment that the person on my left spoke of.

And I would have no trouble at all, Richard, in something in that direction. How about that?

THE MODERATOR: But let's talk about energy in this State and self-reliance.

Are we talking the same language here? Is the energy problem in Anchorage the same as in Bethel? I mean --

MS. JONES: No.

THE MODERATOR: Can we be self-reliant in Anchorage

and not in Bethel? I haven't heard anybody talk about the State other than sort of a very big blob.

MR. MORGAN: May I say something about the villagers. We are now in the process of producing foods locally in the villages. The villagers have asked for, and received, some help in village gardening to produce food locally. They're further at the end of the chain of supply and many stores there's a food scarcity. And in all cases there are insufficient nutrients in the villages.

The situation in the village might be reckoned or compared to the situation of the State. The villagers are interested in becoming more self-reliant and self-sufficient because they want to remain in the villages. They want to remain as much like they are as they can without making drastic changes and going to work in a factory 8:00 to 5:00 situation. This is one way they feel they can do this.

Regarding the total situation for the State and the fact that I feel nervous about our susceptibility to world events and so forth is a purely physical thing. I'm a glutton, so therefore I want to be sure I have food. Regarding the stance we are not an island, certainly we are a strategic outpost of the contiguous United States. We are strategically important. If we starved in a month's time, we are of no use to the United States. The only way

the Soviet Union civil defense exceeds us is in the fact that they've made provisions that their citizens won't starve as fast as our citizens. That's the secret that they hold over us probably exceeds in importance the nuclear missiles and so forth.

So I make a plea for not only Alaska to be more sufficient in food, I make a plea for the United States to be more sufficient in food.

I would make a plea for every human to make that adjustment, to try to be self-sufficient, because we are in line for some very real shocks.

I sound like a doomseer. I'm sorry. I reached the age where I can sound like that.

But from the standpoint of national defense, admitting, certainly, we are not an island. I want to survive more than the time that Safeway can feed me.

Thank you.

MR. HARVEY SAMUELSON: I'm Harvey Samuelson. I was President of Bristol Bay Corporation. What I would like to see on the energy deal on looking for oil is the State push for little topping plants so that they could be produced right there in the local areas.

Now, we have one trouble. No matter how much oil we find in Bristol Bay, we can't get over to deep water ports. All the deep water ports, President Carter, with a

stroke of a pen -- I'll get on the map here a little bit.

We got a lot of potential oil in this area. But we can't get to deep water ports down here. Bristol Bay is awful shallow. This is virtually all no man's land. With a stroke of a pen, President Carter made sure that we can't get through.

So we need some access all the way from up here down here. If we built this Western Corridor, there is no way to get to a deep water port.

THE MODERATOR: Is your idea of topping plants so you can use the fuel right there?

MR. HARVEY SAMUELSON: Yes.

THE MODERATOR: And of course employ people, I assume.

MR. HARVEY SAMUELSON: When I negotiated with oil companies, they told me that they can put up a plant that will come in a little askew and be pulled off with a tractor where they can produce 15,000 barrels a day with a little unit like that. It will be made and pulled to shore.

THE MODERATOR: Where would the oil --

MR. POMEROY: Where would the oil come from, Mr. Chairman? Where would the oil come from?

MR. HARVEY SAMUELSON: Up in here. Over here. There's oil never discovered. There's one discovered up at Nome they can put one in for Nome.

MR. POMEROY: Thoroughly practical.

MS. RICHCREEK: I would like to speak to the transportation. We would need transportation either by road or maybe even the railroad.

Whether it be for the use of energy, jobs, agriculture, communications, or whatever, we're going to need transportation.

THE MODERATOR: One of the questions on that Mike Rowan thing was do you favor any particular type of transportation.

MS. RICHCREEK: In the State of Alaska, I think it's impossible to have a specific.

MR. POMEROY: How about the major subject of Richard's?

MR. SEIFERT: I'd like to speak further on several things I think I could raise more clearly.

Energy self-sufficiency is so much more fundamental than a lot of other approaches you can take to a problem. It's been pointed out, Mr. Pomeroy pointed out something that I think should be restated. That is that, having energy of whatever source that is under your own control from within the State, be it renewable or nonrenewable, provides a common denominator of economics which allows you to have economic control over that. From this, as a common denominator substance, from my own personal perception, energy is more valuable than dollars, because you can do things with energy you can't do with

dollars. That's why I'm fundamentally religious about this whole prospect.

I think energy has much more significance to our economic system than most people are presently aware of. That is the reason I take this approach from the energy point of view. Because I think in fact our security rests more in the types and developments and control over energy than it does over control of economics. From the energy development will come the jobs. But if you look at the way our economy works, in essence, many more economists even are taking this approach, the idea of how energy and physical systems work to control economics. I State that for what it's worth. As another point in support of why I feel it's important to approach the idea from energy self-sufficiency because I think so many other things are tied to that directly, that it, being a prime force, would tend to drag us in that direction, if nothing else, but at least lead the way.

THE MODERATOR: Would you agree that Alaska is rich in fossil fuels, hydroelectric, coal? We've got them all. We're just abundant in energy.

MR. SEIFERT: I would more than agree. I would say we can provide for ourselves in any choice we make. I have personal preferences to that which Point Barrow advance to this argument.

The reason I think is important to keep in mind is we do have, I think, a larger cushion. The only thing we have this money situation is because we have the energy situation. The two are implicit in one another. We have the energy situation. I think it's important we have the wealth, both renewable and nonrenewable. We have a cushion. We can therefore decide from a much less emergency point of view which direction we choose to take.

I just think we have the cushion of nonrenewable. If we choose to go towards a renewable future, we have a lot more margin than other places.

MR. ECKHOLM: Would you say that's much more important than agriculture sufficiency?

MR. SEIFERT: No. I don't think it's more fundamental. Human energy requires food. The physics, whole process are implicit in food. We need those calories. We can't function without it. Without food, there's no use having hydroelectric dam if we all die.

MR. ECKHOLM: If we had a choice of what to spend our current oil-based money on, would you rather spend money to develop an agriculture base or to develop energy sources around the State other than oil?

MR. SEIFERT: I would choose not to separate those two.

MR. POMERCY: They are not mutually exclusive.

MR. SEIFERT: And should not be considered mutually

exclusive.

MR. ECKHOLM: If you had a dollar to spend on each of them, would you spend 50 cents on each?

MR. SEIFERT: I can't answer that.

MR. ECKHOLM: Somebody is going to have to answer that. The State legislature has so many billion dollars.

MR. SEIFERT: I don't propose to answer the question.

MR. SCHIRMER: I see, you know, a lot of things have been said that I'd like to kind of comment. One is I think when you're talking about making sure that people have a satisfactory economy, it doesn't necessarily mean job paid for service. It may be a job where -- it may be an economy based on their own activity that they sell to in the form of materials or something. But rather the economy is more than just a number of jobs.

And I think strongly that if we can develop our self-sufficiency in energy with hydroelectric or geothermal or whatever form, then we will be in a position where our cost to produce things are relatively lower in 15 years from now than people who were dependent on other forms of energy. So we will become much more likely to be able to do our own agriculture things, our agriculture products will begin to cost less compared to other people.

And I think, really, the energy thing is basic. And if somebody asked me the question you just asked, I'd

say sure, if you had a dollar to divide between energy and agriculture at the moment, I'd say 20 percent agriculture, 80 percent energy. Because I think the agriculture will come if we can get the energy, but not vice versa.

THE MODERATOR: It's about time, I think, to break for lunch.

You've all heard the self-sufficiency. I heard a word used twice, though, that I think is going to come up in the next three days, and that's subsidize. If we're talking priorities, are we going to end up talking some are going to be subsidized?

MR. PILLIFANT: Well, it's our money, we ought to be able to.

MR. HARTLE: As I understood the discussion that we are to have during this period was to more or less outline our goals and problems that we see rather than, at this point in the conference, come up with our recommendations for solutions. So that subsidize and so forth, those are questions that may come up later, and certainly will.

THE MODERATOR: You're absolutely right. I just thought I'd get my own personal word in there. Jerry?

MR. McCUTCHEN: If you're going discuss agriculture and you think it's an important thing for Alaska, then you better also discuss quality control because that's why we do not have a better agricultural base than we do. We lack

quality control. If you go down Anchorage, you look at potatoes that come from Matanuska Valley, you stand two-thirds of them spoiled, and people won't buy them. If you don't get quality control, there's no sense in putting money in agriculture.

Our big problems with fisheries are the lack of control. We've got a bumper grade of fish on the market. And we've been told so internationally. So until we decide to do a quality job, we better forget to do everything else. Stick to energy.

MS. PILLIFANT: The State is beginning to address that, the quality control, at least in the salmon industry. So they started to address that problem. And I was just going to mention fisheries a little while ago.

MR. McCUTCHEN: The quality control coming over of the Matanuska Valley. Is very poor. The military demands the quality to the military is different than others. The last bag I got was Nordic Farms.

THE MODERATOR: Don't get on agriculture. You'll have a crack at it later.

We have a choice after lunch. We can come back and finish this problem goals, problem attitude toward Alaska, or we can take this recommended finances this afternoon. What do you think?

MR. POMERCY: What is it?

THE MODERATOR: What do you have in mind in finance?

MR. ECKHOLM: The biggest question I see facing the State immediately is what we have now in a cash boom. We don't have an oil boom or energy boom. In the next ten to 30 years, the government is going to have hundreds of billions of dollars to invest. How that's invested and how that's used will make a profound difference on our future. And there are some very important choices that are going to have to be made this next year on how that money is used. Is it used to stimulate the current poor economy? Is it stuck away from Alaska so that we don't increase the population and we don't then have greater demands when the oils run out? Do we use it to stimulate housing, stimulate bottom fishing? Do we use it to build energy or do we decide that oil in the ground is a better investment than money in the hand and not develop any more oil? Those sorts of questions.

MR. POMEROY: Mr. Chairman, I suggest the sooner we see what can be brought to us about finance, about money, the better. Because we can hardly discuss any goal without in the background are you talking about subsidizing it, or are you talking about something else. So I'd suggest we go ahead with that and then come back to those others things.

MS. PORTER: I was going to suggest, if we had six days, we can spend three on goals and three on topics.

Since we only have three days, I for one would like to get on the topics. But the goal is fascinating.

THE MODERATOR: The you mean the only problem Alaska has is we have too much money?

MR. HASKE: I think as a parting shot I think is a sense of community I see lacking throughout the State. You know, you compared, for instance, during the 1950's when there was a cause that united people no matter where they lived. That hasn't been the case in the last 20 years. We've been all pulling in different directions. I think that is regrettable. I don't know what to do about it. But it is a fact of life.

MR. POMEROY: I was just going say finally, we should not write down Richard's and his associate's suggestions as being down to specific issues. They're big. I attended a conference on village gardens and it isn't village gardens, it's individuals learning to garden to improve their diet. And it's an enormously big thing having to do with quality of life on a whole lot of things.

So I would say that there's a subject we should not think of it as just some very specific issue.

THE MODERATOR: What's your feeling, then? When we come back, we talk about finance? Money?

MR. POMEROY: Let's get that out of the way.

THE MODERATOR: Do we need any help on that?

MR. ECKHOLM: I asked Belden Daniels, if he had the time, to please try and be here sometime this afternoon. He's a Harvard economist of extreme intelligence and has been working with the State developing things. He said he's real busy. He said 2:00 o'clock. I hope he is. If any of you know people who have expertise in the state's financial picture, please bring them or bring whatever resources you can use.

THE MODERATOR: When do we meet, now?

MR. ECKHOLM: I said Belden at 2:00. It's a quarter after 1:00. Is that all right?

MR. POMEROY: Sure.

(The proceedings adjourned at 1:15 P.M. for lunch and reconvened at 2:15 P.M.)

THE MODERATOR: Maybe we ought to start.

This is not preplanned, I assure you. But you people asked to talk about finance and I just happen to have three people who know as much about finance, I guess as anyone.

I haven't even told them this. I want them to limit themselves to maybe three or four minutes at most, and then have questions from you people about it, about finance in the State. And hopefully take as long as you want, but we don't want to consume our whole afternoon. I know they're busy, too.

Of course, Representative Russ Meekins is here, and he'll probably speak last of the three. He's the Chairman of the House Finance Committee and knows the finances of the State, obviously.

Belden Daniels is a professor at Harvard in finance. He represents both the executive branch and the State legislature on matters of finance and advising to them. He's had a long, very distinguished career in finance, so I'm sure you can ask him any kind of question.

And then Tom Williams, who was in charge of petroleum revenue for the State until recently, and now he's Commissioner of Revenue for the State. So he knows a great deal about it.

I see Tom Singer there from the governor's office, who is working on finance matters.

So we'll keep this informal. I'll first ask Tom Williams, and then Belden and then Russ.

Let me just say, if people have questions while you're speaking, let's do it that way.

Excuse me. I was going to say, Tom, you talk about the financial picture of the State, and Belden will talk about the world market and where we fit, and Russ could talk about the political implications, perhaps, of our picture.

MR. WILLIAMS: This has been sprung on me at the last

minute. It's all extemporaneous, so bear with me.

Our situation now is we have a lot of money for a little while, and then it's gone, unless we do something about it.

We have in the next 18 months probably something on the order of three billion dollars gross revenues coming in, versus, what is is it, Russ?

MR. MEEKINS: 1.3.

MR. WILLIAMS: 1.3 billion or so of expenditures for ongoing State governmental activities. The difference is a lot of money. The question is, really, what do we do with that money now, because, as you know, it comes from Prudhoe Bay. Right now our current budget, the income from sustainable sources rep-esents about 25 cents on the dollar. And we need to plan for the time when petroleum is not so plentiful, even though prices will be going up. Prudhoe Bay is so huge, when it starts to go down, it will take an awful lot of discovery to take up for the slack. In the 1990's, as the production goes down and the revenues go down with it, we will start dipping into the surpluses that we are enjoying piling up and piling up during the 1980's.

I believe that we need to broaden the base of our revenues so that, when that time comes, we're not caught short. That means a combination of two efforts. One is to hold back the growth of the State government to an almost

flat level in terms of the population, have it keep step with the population and inflation but not to increase at the historic groth rates; and at the same time that we use the money that we have available, not to subsidize uneconomic projects but to facilitate the development of economic projects up here.

There's a distinction between the two that's very important to grasp. It's not enough just to create losing jobs. That's activity that is illusory. We could do that by hiring more bureaucrats. In fact, that's the classic case, stick them in Juneau and Fairbanks and somewhere else. You can see it will not be a solution to the problem. When the petroleum money that's fueling the machine starts to dry up, the machine is not able to continue to function with those extra bureaucrats. The same thing is true if you have a subsidized program going on over that same period of time. Once the grease that forms the subsidy starts drying up from Prudhoe Bay, the machinery is going to come grinding to a halt. So it's important that we facilitate sound economic development up here. I think we have a tremendous opportunity at this time to do so, to use our money wisely, to bring in more money and to allow basically the marketplace it allocate where it's best to place it.

And that's just some general comments right now, but he asked me to keep it short.

MR. DANIELS: I want to echo a number of things Tom has said. I'd first like to go back to Russ' wonderful phrase this morning, that Alaska is facing insurmountable opportunities. It's a great phrase and one that I think during all these three days we ought to have very much before us.

I'd like to put it in Chinese, if I could for a moment. The Chinese symbol for challenge is a two-part symbol, as many Chinese symbols are. There's an upper symbol and a lower symbol. The Chinese symbol for challenge is danger on the top and opportunity on the bottom. And I think that's precisely the circumstance that you face right now.

I am working all over the world at the present time. I'm doing work in Europe, I'm doing work in Egypt, I'm doing work in Indonesia, in Massachusetts, and California, and a number of places in the Lower 48, and I can say absolutely and unequivocally that the single most exciting place, the most exciting political economy on the face of the earth today in terms of both danger and opportunity, in terms of the challenge from a public policy standpoint, is Alaska. If I had to give up everything else I'm doing in the world to be able to continue to play some small part in the working through of the issues in Alaska, I would do it.

But it is scary. It is very scary. I think I'm an optimistic person. This even at 8:00 o'clock you are going to hear from probably the most optimistic person in north America, Bucky Fuller. But I would also like to introduce a little caution for a moment.

And to hold it briefly, I was asked if I would comment on things around the world. Some of you have heard these ideas before, but I think they bear repeating.

There are three diseases which other nations in the world - and I think you should be referred to as a nation - there are three diseases that other nations around the world have caught almost fatally. And I hope and I pray that Alaska does not catch any of these three diseases. Let me very quickly and briefly describe them. And they relate to things that Tom said.

The first disease is the Dutch disease. What happened about 15 years ago in the Netherlands is that the Netherlands hit it rich big in natural gas just as you have at Prudhoe Bay. And what the Dutch did was what you may do, if you're not careful. And that is what governments almost invariably do when presented with this problem: Expenditures always rise to meet revenues. And what happened in the Netherlands is that just as with Prudhoe Bay after ten years or so, that huge natural gas deposit was gone from the ground, gone forever. And all that

Netherlands had managed to do was spend all of that money without investing it in ways that created a more vital economy. And they were left with this huge social overhead and no revenues to pay for it. Very dangerous problem, for which you have an opportunity to deal with.

I'd like to know, as Russ talked about this this morning in his I think very important opening comments, that that isn't to say there aren't some very important services, some very important opportunities that you have in terms of health care and transportation and so forth that you have to face to and that you now can deal with. But it's a balancing act.

Okay. That's number one, the Dutch disease.

Number two is the British disease. And the British disease is one that you also could catch. And that is a disease where you do as the British have done, as Tom warned about. And that is that you spend your very scarce resources, and I'll come back to that. Three billion dollars in a world in which we have commercial banks in the Lower 48 with assets of 100 billion dollars is not very much money in the world, not very much money.

It seems like a lot, but it goes awfully fast. The British have spent their wealth, including their new North Sea wealth, to try and bail out and hold up failing enterprises, or to invest in enterprises that should have

never started in the beginning. It takes two times as many people in Britain to build a Leyland car as it does to build any other car on the continent, and that is misallocating very scarce resources. It's the way of saying it's the Chrysler disease. And the shorthand of it is it could be the ALPETCO disease, or other diseases like that. It could be investing in things which really aren't sound underneath. And governments have a wonderful capacity for doing that.

Okay. The third disease is the newest disease of all. It's one I look forward to and Tom and I were just talking about. It's the Alberta disease. Alberta is Canada's Alaska. You and Alberta have a lot in common and you should talk a lot, as many Alaskans did at an interesting conference of the Alberta heritage savings trust fund about two months ago in Alberta. In fact, the largest number of people from the world that were at that conference that weren't Albertans were Alaskans, and that was very exciting.

The Alberta disease is this: The Alberta disease is keeping value in that money, in the three billion dollars, if you invest it.

The Alberta Heritage Savings Trust Fund is like your permanent fund. And it has grown in three years from zero to seven billion dollars. But in fact it is shrinking fast, very fast. Let me quickly take you through this.

There's no way that, once you take the oil and natural gas of Prudhoe Bay out of the ground, that it can retain the inflation-proof value that it has in the ground over the next 20 years. Your oil and natural gas in the ground is your most inflation-proof asset you've got.

When you take it out of the ground, it's going to begin losing value immediately.

Now, what value ought it maintain? The oil companies are making a 15 percent return on investment right now. We figured in Alberta that the Alberta trust fund should do half as good as that, seven and a half percent. Let me tell you in real terms in our inflation economy the Alberta fund right now is doing zero. Although I'd like to compare these figures with Tom, and he might argue with me a bit about that, my computation of your current rates of return in real terms this year for the permanent fund is minus two percent, and for the general funds is minus five and a half percent, in real terms.

Now, if you think about these three diseases, the first disease of the Dutch is the issue of consumption. The issue of spending some of that money now. There is an important function of spending it, but you got to do it very carefully.

The second disease, the British disease, is the disease of investment. And if you're going to do that, you

have to do it well.

The third disease is the disease of savings. That is, if you're not doing it right, you must do a better job with your savings.

Now, I'm tremendously optimistic. I think that you have a remarkably young and bright and energetic legislature. And I don't say that -- I mean, I deal with them all over the world, and I think I can speak for some real authority about this. And you've got an administration willing to think hard about it, and clearly you have a citizenry that's willing to think hard about it.

And to go back to our opening comments, you have a tremendous opportunity not to suffer from any of those diseases, but to take this remarkable wealth and invest it creatively not only for this particular generation, but for generations ahead in Alaska as well.

MR. MEEKINS: Let me try to stick to information and not give you a speech here. I know you don't want that, and it shouldn't be. But I have some disagreements with some of the things that have been said, although I'm glad that these people say what they do, because we need people like that.

But last year at this time the Department of Revenue was predicting a 65 million dollar shortfall, and now they're predicting for the same period a 900 million

dollar unanticipated revenue; 900 more than we will need. There's quite a difference there.

You all know the international circumstances that have led to that. They're currently predicting about three billion to 3.9 billion to the end of the fiscal year, which ends June 31, 1981. That's the money we're talking about. There is expected surpluses for the next five or ten years, depending on how you indicate even under the Commissioner of Revenue's projections.

The reason for the disparity is, although a lot of people who have projected they didn't know Iran was going to have a revolution. But something was going to happen somewhere. Our consultants told us it was a Iraq. Maybe Iran is going to be next month. We still know that oil prices are extremely likely to increase tremendously over the next 18 months. And that is really not being taken into consideration by these projections, and it shouldn't be.

We need to project based upon what we can realistically believe what is going to come in, we have some sort of proof or honest belief and not plan to spend money we really don't have yet. So it's not right for us to do anything except this sort of base case analysis and projections. But in terms of your thinking, I think it's important to know that the revenues may be much greater

than that and the problems that are being pointed out are minimized if those revenues are greater. It is true that we're wealthy for a time and that we're going to be broke eventually, possibly.

But it used to be that that was going to happen in 1987, and then it was moved to 1992, and now it looks like 1995 or 1994. In some scenarios it looks like 1995 before that cross-over point. Every time the oil prices increase and that price is transmitted to the State in its wellhead, that cross-over point gets farther away. So the crisis is put off, and it's possible for us to do something about it, to do exactly what the commission was talking about, getting into renewable resources, talk about diversifying economy, and broadening the economic base. We cannot survive forever on a finite resource. But if it's seven years away, we're in real trouble. If it's 25 years away, we got a little space. If it's 40 years away, we got more time than we really need. I think that makes a big difference.

The Beaufort sale, we're looking at 80 million dollars. Just talking to some of the experts around here in this place, I've heard the possibilities are much, much greater than that. Because of the windfall profits tax, the oil companies are likely to have to give that money to the federal government if they don't invest it in the

Beaufort sale.

So if the sale goes forward, there's a real chance there will be more than 800 million. And it might be double that, or two billion dollars, even though we got a sale put together that supposedly differs now downstream by the way the sale is put together. In fact, Milton Lipton told me that he wouldn't be surprised if some people would give 100 percent under the net profits, they would bid 100 percent of their profits to the State, if they could just get access to the oil. That will tremendously increase our revenues if there is any revenue at all in the Beaufort. You also got the wellhead price.

Taking over ALPETCO, they've got revenues of four billion dollars this year and a net profit of 350 million. So he knows something about it. His people are projecting that the wellhead price, which is now 13 dollars a barrel, will go by October of 1981 when it's fully decontrolled and the State will be receiving that figure, would go to $41 a barrel. That's the wellhead price from the 13. That's his actual projection that he's basing his investment policy on. And you know they've been pretty successful. So you can take that.

MS. PALMQUIST: The $41 per barrel is of which date?

MR. MEEKINS: October of 1981. I think it's 30 percent decontrolled in July and then four and a half percent a

month. And it ends up it's fully decontrolled by then. Some may or may not be transmitted. I'll get to that in a minute.

If we got all of that, that would be a pretty big jump. And we guess that the average for fiscal year 81 would be 28 dollars a barrel. So almost double what we're getting. Yes, more than double what we're getting right now. So the 1.8 billion we're looking at in terms of oil revenues would be 3.6. So it would be more money per year coming in. These things could change. It depends what happens even today as the Iyatollah is fighting the Khoumini.

The other thing is that some things that could really hurt us. The windfall profits tax can hurt us. Worse than that, I think, the fact that we're making out on the misery of the people in the Lower 48, all of our oil is being sold down there and they're likely to be going into a recession, and possibly a depression. The whole world may be going into one, according to the people that have been giving recommendations to the commissioner and myself. If that's the case, there is a real chance that they'd get upset by the blue-eyed Arabs and wipe the whole thing out.

The depression itself, depending upon how OPEC responds if there's a worldwide depression, and if it's serious and lengthy, that's what the prediction is now, from the people I hear and respect, OPEC has two choices:

They can let the price go up, or they can try to help out the depression by keeping the supplies stable and letting the price go down because of the depression. It could decrease oil consumption because of lack of activity. It depends on their response, whether or not our revenues go that high. We don't know what OPEC will be doing. Maybe the Saudis are very concerned and if they won out they would try not to maximize revenue and try to keep the supply stable. But who knows who's going to do what.

Two more points, quickly. We've got 3.5 billion dollars, according to this base case estimate for the next 18 months. I've got 8.5 billion dollars worth of requests on my desk right now and the legislature hasn't started and it's 18 months away before the end of that period. It's only about two months people have been thinking. I've got another four billion dollars in request for bonds. So there's 12 and a half billion dollars worth of requests, and three and a half coming in. That's an insatiable appetite. There's the Dutch disease, and definitely some people have it.

The sixth point is that, in my thinking - I can't resist saying this - it's really kind of cheating. When you make a list of priorities, the most important things are the cheapest. And the most questionable in terms of benefit to society, benefit to Alaskans, are the most expensive.

And I think that you can really maximize benefit to the State if you keep that in mind and don't suck in for those billion dollar deals that are whack, where all your money goes into two projects and you haven't addressed alcoholism and social problems. I think that's a good rule of thumb.

So thank you for listening. And if you have any questions, I'd be happy to answer them.

THE MODERATOR: Thank you very much, gentlemen. Now questions. Ed?

MR. MERDES: Go on, Harold.

MR. POMEROY: It's certainly most encouraging to hear you think how our revenues are going up. But as they go up, is not the great value of that what's modified a great deal by inflation and by much higher costs of doing everything in Alaska?

MR. MEEKINS: I don't think so. Certainly, but our commodity is going up faster than inflation. We were in a totally new era and I think people have to change identity. We're going to be in pretty good shape. We need to look at those opportunities and not screw up.

MR. POMEROY: You believe the world situation is so different as to the shortage of oil from the effect it will be on here we're the gainers?

MR. MEEKINS: We've got 2.5 billion dollars in the banks and financial institutions in the State. We have got

more than that revenue. You can infer from that we can affect our economy in a positive way, and the question is should we. But we certainly have the capacity to be immune from the outside effects.

MR. MERDES: The last figure was we've got 900 million. We heard the same thing from Wolvert, when he was commissioner. What happened, the conference made up its mind that they were going to address human values. They spent the 900 million.

But I think you ought to be more positive. As a member of this conference, what I'm thinking, I'm thinking probably Russ is more right than you are, not because he's optimistic, because he's a realist.

You hear all these predictions of doom. You economists. You give me three diseases. I'm not criticizing. You ought to say let's assume do we have a surplus of wealth. Let's assume Russ is right. What do we do positively so that we don't go into the tubes, instead of telling us we're going to have Dutch and British diseases. What if we get three billion and we've got so much money we don't know what to do with it?

MR. DANIELS: I'm an extremely optimistic person in everything that I'm doing. It's a warning from experience in other parts of the world. I happen to be very optimistic about your situation. And nothing Russ said do I

fundamentally disagree with. We've been working together too long.

MR. MEEKINS: Getting information from him.

MR. DANIELS: I think you have a tremendous opportunity, one, to invest a portion of this in human development. Because in fact in the end financial capital and physical capical and natural resources don't mean anything. It's people that really count. And that's where the consumption investment should be going, in my judgment.

Let me just go down the three quickly.

One, in terms of the Dutch disease, there are real investments that you need to be making in people. And that's where the consumption ought to be going. I think that's where a lot of these things are.

And we like to make one other observation: Next month I'm going to be working in a country of 100 million, now 150 million, in Indonesia, that has a span on the face of the earth that is about two-thirds the span of Alaska. The cost of interest structure investment here, the cost of communication, transportation is higher. And you have to pay of some of that. Frankly, when I see what has been done with the 900 million, I don't believe there is a waste. When you fly into Hoonah and that airport, it says right on it built in 1970, and that was part of the 900 million. That's one, on consumption.

Two, on investment: That is the British disease. The positive side of it. I just want to reemphasize what Russ said: Don't invest in billion dollar deals. I can tell you emphatically around the world that if it's a big deal, the private market can finance it. And don't you get sucked in unless you're going to make 31 percent return on the pipeline, the natural gas pipeline. Where the real need for investment in this State is, you do have a real capital shortage, a real capital shortage, and it has to do with small enterprise, and particularly small enterprise, which is rural enterprise in the bush.

And because of capital market problems in the Lower 48, there are foreclosures on mortgages and foreclosures on businesses that are taking place in Anchorage right now which are not because the underlying business is no good or because the family can't pay for it. It's because the banks don't have the money. You can deal with that money, and you've got some new mechanisms to deal with that.

Three, that is, the Alberta disease, you have an obligation which I think you can do to meet the standards of a world class institutional investor, which is what you are. You've got to play like the big boys. You want to get out of the short-term debt securities that you're in right now, develop a balanced portfolio in foreign equities as

well as in domestic equities.

So I'm very optimistic on all three counts, and I think we're working on all three of them.

MS. PALMQUIST: I have a question: Recently we loosened up 50 million dollars in State funds in order to encourage the homeowner mortgage situation. Would that be a good type of investment which would be not only property but also people oriented to increase that amount of money?

MR. DANIELS: Very specifically, at the time that that decision was made, Russ and the governor had no other alternative but to use the general surplus funds as a source of that. They were out of session and that was the only source they had. And it was a wise decision.

In my judgment, starting with the new session in January, there are better ways of using that 50 million. Because when you're putting that subsidized housing, when you're doing that with the general fund, you're not getting the value that you might get with alternative investments. But you can import capital for housing, and for the bottom fish development and for agricultural development and for small industry development through the expansion.

MS. PALMQUIST: You said import money. Isn't that one of our problems, is importation of money?

MR. DANIELS: No. You want to import money. You haven't been doing it, and you can do that. And there are

mechanisms for doing it that work with the banking system. I think very serious attention is being given to those by both the administration and the legislature.

MR. MEEKINS: That's right.

MS. PALMQUIST: There's quite a feeling among us taxpayers that we want the permanent fund invested in Alaska and not have other states where our money is outside get the benefit of the development potential from that investment.

And you said we should import the money. But at the same time, we're looking at, in the next 18 months, three and a half billion dollars. So why do we need to import it if we have excess?

MR. MEEKINS: Because you can make your money, do that much more and besides. If you wanted to make loans available, for instance, at nine and a half percent, you'd be losing four points. Four and a half, five points, okay, percentage points on doing that. Now, we just both did it, so we're all in favor of it in a crisis. But if you do it with State money, you lose that. If you want to go in and subsidize, you can actually appropriate a subsidy. You can borrow money at some sort of, hopefully, tax exempt, but at least taxable rate, bring it up at a somewhat lower rate than your opportunity cost, which is your investment rate you'd get. And you end up making more money that way.

Should you bond, or should you cash? The same thing. If you bond, you borrow the money at seven and a half, eight and a half, right now, and you can take the 100 million and you invest the 15. So you make money.

As long as the short-term rates are higher than the long-term rates, you should make cash. Right now it makes sense to import.

MR. DANIELS: Could I give one more illustration of that. Right now your direct loan programs in the State are the second biggest in the State. It's at nine and a half percent or less. Every one of those loans could be made by an expanded and improved Alaska industrial development authority, very similar in fact to Senator Hohman's SB 1 bill; very similar. They're wonderfully close ideas.

And a way which, generally speaking, would produce a lower rate than nine and a half percent of tax exempt revenue bonds from the Lower 48, importing all of that capital from the Lower 48, then putting the several million dollars back into the general fund surplus, going out and investing at the world market rate.

MR. POMEROY: Russ, you said State dispersements in 1992 or 1995 might catch up with the money available. Is there something we should pay attention to in that direction with respect to having money that is saved?

MR. MEEKINS: I think so.

MR. POMEROY: Or invested.

MR. MEEKINS: I think two things. We ought to have a sizable permanent fund. You can't invade the permanent fund without a constitutional amendment. You've got 25 percent going in there, or more. Then I think you ought to have a rainy-day account, six to twelve percent of the operating budget. Appropriate it now, keep pace with inflation by earning investments. It wouldn't be as sacrosanct as a permanent funds and you, couldn't do it on a whim. But it would be halfway between surplus money sitting there for the legislature to spend. And the permanent which the legislature can't get their hands on.

Somewhere in between, if the governor has a problem, break the bank if the pipeline busted, you have some sort of contingency fund, 99 percent of our revenues is coming out of the pipeline. The wind and the cold almost shut it down last year. We almost had the longest stick of Chap-Stick in the world. We need a contingency fund, as well as the bottom fish, all the things people are working on, and then keeping down the operating budget. There's the real key. Anything that is compounding to infinity.

MR. POMEROY: One final short one, if I may, please. What do you think about the idea of a constitutional amendment which the put an absolute lid on our growth, holding down population?

MR. MEEKINS: I'm against it.

MR. POMEROY: So am I.

MS. PALMQUIST: So am I.

THE MODERATOR: Rosemary, did you have a question?

MS. PORTER: I was going to ask what the cure was for the disease, but it's been answered.

MR. DANIELS: You're already moving in that direction. The resources corporation is one of the most exciting by any government. Taking that, investing it and diversifying the economy into renewable resources, very exciting commercial fishery, is a good start, with an excellent new board and a very strong management. These are the possibilities of some of the new institutions that we were talking about. And this is the year of decision on these things. And I'm very optimistic.

MS. PALMQUIST: Isn't there another fund called the renewable industries fund that comes out of the profit? What's the percentage on that?

MR. DANIELS: Five.

MR. ECKHOLM: I have a question for Belden. What do you think of this proposal that came out in the paper last night for Alaska to take care of the nation's energy needs by developing fast and pumping out four and a half or five million barrels of oil a day in the next seven or eight years?

MR. DANIELS: My strategy is stave that off until deregulation. American oil is subsidized right now at somewhere between a half and a third of the world market price. And if you talk about the spot market, it's even worse than that.

Every time you take it out, you're getting less value. Wait until you're up there. You really do have the one asset that beats inflation where you're getting a market price for it.

MR. MEEKINS: As Milton Lipton pointed out in his paper, in the last ten years, not one drop of oil or gas, the total reserves have not been increased in ten years, but the value of our resource has increased ten-fold. So we're sitting pretty, but they're in bad shape down there. The perception in the Lower 48 is that we're closing the tap down on them just like the OPEC nations are. So we've got a public relations problem that needs to be dealt with. Maximizing revenue and conservation of the field with the possibility the federal government may just get angry and nationalize your field. And they can do that.

MR. REAVES: How do you think we in Alaska can best foster and encourage outside investment within Alaska in order to help us sustain a long-term diversified economy? Such as taxing, say, land, so forth.

MR. DANIELS: Well, I could tell you categorically on

the basis of all kinds of analysis. That is incentives don't work. You've seen you can tax the oil companies at a high rate and they're sure interested in Beaufort sale, as far as I could see.

I think the sound management of your government and a willingness to deal much in the fashion as the Japanese do and really a vigorous direct dealing between government and business, that is, large government and business, and a lot of support, again optimism, a lot of the use of these resources to support large enterprise within the State, which I think you're really starting to do in a big way, all three of those.

MR. MEEKINS: There's been some research done for my committee that small business is more profitable for not only the State but for the people of the State in the long run. I think it would be much better to utilize our wealth for leverage in benefits to creation of small business opportunities for just the average person than it is to get these multinationals. Those people are going to come. Whether we encourage them or not. I think we ought to help out the smaller person that actually is living here, whether he's a fisherman or a grocery store owner.

MR. DANIELS: I support all of that 100 percent. Just to take a specific, take the bottom fish industry. The thing that scares me. It is going to develop. There's no

question about that, the issue is who is going to develop it. Is it going to be be a Japanese-based industry, a Seattle-based industry, or an Alaska-based industry, and the State can have a great deal of influence on that. It requires being very realistic about that. I see Albert Asterbach in the back of the room.

The State has to be very realistic about that. It is going to be a mixed development. It is going to be both offshore and onshore, both large scale and small scale.

That means creating the Alaska Renewable Resource Commission. It means creating an agriculture bank to finance boats and offshore facilities. It means the new proposal for an extended industrial development authority which can do that with the banking system. And then it means a very systematic development of infrastructure, not on a log rolling basis or a pork barrel basis but in terms of really where the State industry is going to go. The state has the role of being the manager in collaboration with the fishing industries.

THE MODERATOR: You ask for information on finance. I think you've got a lot. Do you want to stop here? These people are going to be around, except maybe Tom. You won't be around.

MR. POMEROY: One piece of information might be useful. I think we don't have as full an understanding as we should,

Russ, of the levels of revenue the State will get from the several ownerships of oil that may be developed. The big headlines have to do with develop on federal lands. Well, we have three ownerships on land and then one on the water. Could you just briefly indicate what levels of revenue we get from those three sources?

MR. MEEKINS: You mean Prudhoe and --

MR. POMEROY: No. I meant this: If it's ours, if it's our land, we get all the revenues, that is, all the taxes and the royalties, et cetera. If it's on federal land, we get less than that. If it's native, we get something different.

MR. MEEKINS: For potential developments? The only one we got, Prudhoe Bay is the one that we're talking about here.

MR. POMEROY: Yes.

MR. MEEKINS: The Beaufort is unknown. Who knows what we're going to get from the Beaufort. We got some State land there, some federal land and some joint. So the commissioner could tell you.

MR. NASKE: It's about 60 percent State, and the rest, the 40 percent there's some dispute between the federal and the State. And only ten percent federal.

MR. MEEKINS: We tried to pass a tax. I don't think we're going to win that one.

MS. PALMQUIST: Is there quite a potential from Lower Cook inland?

MR. MEEKINS: That's what they say. Also a potential from Matanuska Valley.

MR. NASKE: The federal government now for years has been drilling these big caverns in Louisiana or Texas and pumping oil into it. It has a fiasco from every standpoint. It might be well for Alaskn to say, "Here, we've got a field which is in place, leave it in and pay us for keeping it in the ground." Because, see, if all the construction costs and uncertainties of shipping, it is there for a rainy day.

MR. DANIELS: I'm one of those Lower 48'ers, right. It's funny. Everything I've been responding to as a Massachusetts person. I don't bleed for the Lower 48. I think they're bleeding themselves to death. With the subsidized energy policy, which encourages a misallocation. Get on a freeway in any American city down there and see all the single family people. Bill Spear had a great line in his paper here, where he was defending an alternative. He said what could be more ridiculous than moving a 40-pound child three blocks in a three-ton automobile.

I think we want to get the price of oil up for the benefit of the Lower 48 so they learn to conserve and live within their means and pay that price to you. And I

think we can afford that.

MR. MERDES: Before you leave, I was in the Senate when Governor Egan sent a bill down to take over the Alyeska Pipeline. I voted against it. I think it was ridiculous. I don't know if I would have now. We would have had so much money we wouldn't know what to do with it. Now it isn't as silly as it sounds. Because you have another point of another oil pipeline. You have the gas pipeline.

So the question I'd like to ask any three of you, you got to blow your mind and think big. Because learning from history, what would you guys recommend to the Governor and the legislature right now on whether or not the State should have a personal financial interest in the oil line and future oil pipelines? What's your answer, in light of history?

MR. DANIELS: I have a strong position on that.

MR. MERDES: Go ahead. I'm very interested in this. I think we made a mistake and should have taken an interest in the Alyeska. I don't know what your position is.

MR. MEEKINS: I like the net profits as a way of without taking the risk yourself and getting into what is private enterprise, which is I think is a controversy whether the State should get into this. Say you share in the net profits. If I have 50, 60, 70 percent, we're sitting pretty.

The gas pipeline, we should either not invest a penny in it or we should be just like Exxon and get ownership shares, management control and everything else that any other corporation would get and play the hard ball. And that's Belden's line. I couldn't agree more.

If we're going to go in 400, 500 million, we're not going to do that just because we want a pipeline. Do like the big boys do and get all the benefits. Because that could do a lot of other things. It's either nothing or we play the same hard ball that all the major corporations do and get all the benefits.

MR. MERDES: I'm interested in you, Tom, and Belden.

MR. DANIELS: I'm going to wait for Tom and take the third.

MR. WILLIAMS: I don't know whether we would say that would be a super investment. The federal government is regulating that. They changed the rules since 1941, and very suddenly they have changed the rules on the producers. And I think you would find that even though there may be substantial pipeline profits being made with a $6.20 tariff, the possibility of a dollar a barrel refund on the billion barrels that have moved through that pipeline is looming in the backs of the minds of a lot of corporate owners. You look at how the federal government has helped us so far and you ask you whether you want for plunk lots and lots of

money where you're at their tender mercy.

MR. DANIELS: First of all, Russ and I are very, very close on this. And Tom's comments I find very interesting.

Well, any time you can avoid dealing with the Feds, do it. That's a fundamental rule.

I have a couple of quick observations. One, I am really a net profit person in this business. I think that's the way the Beaufort sale should be done. I feel very strongly. I think there's a tremendous amount of wealth out there in the Beaufort sale that the oil companies are being very careful to keep under wraps because therefore they can sell the leases for much less. I took a cab the other day to the airport with a roughneck who had worked up there and said that one of the wells came in, one of the test wells came in at 40,000 barrels a day.

Now, I don't know whether that's true or not. But you don't have to worry about that if you're in a net profit position. Because you're going to get that. That is playing hard ball. There's a variation. The British disease, which is called lemon association, lemon, as in lemons, which means that everybody else gets the oranges, and we get the lemons.

That's the point with regard to the natural gas pipeline. Natural gas is regulated in a very different fashion from oil. And I don't know enough to say whether

the risks are less or greater than they are in the oil pipeline. But you do know that the equity investors in there on an after-tax basis by virtue of the regulated rate should be receiving a 31 percent return on investment. And what scares me to death is just what Russ said, which is the way the State would get into the natural gas pipeline, is a heads-you-win, tails-I-lose proposition, where you come in and you guarantee the loan. So if it's a loser, you pick up the pieces. And if you win, you lose the profits.

MR. WILLIAMS: I don't want to sound I'm in disagreement with that. I don't want the impression to linger.

I don't think that we bureaucrats are completely stupid all of the time. We can be completely stupid a good part of the time, but --

MR. MEEKINS: Law of average.

MR. WILLIAMS: Sooner or later we have to wake up. I think a deal where you get somebody who comes in and says, "I got a six billion dollar project. I want you to put in $500 million. I'm going to come up with one billion as equity and finance the other four and a half as debt, and I'm going to get a 100 percent tax credit, which is worth 600 million dollars," or says "I'm going to get 100 percent of the accelerated depreciation benefits, which is worth 300 million dollars in the first-year tax benefits," he

says, "I get the first year interest writeoff." He gets a deal like that, so in the first year, he gets a million dollars back. He has the unmitigated gall to say, "How would you like an equity position at nine percent?"

Dumb as we are, we recognize that as a bad deal.

MR. DANIELS: First of all, I don't accept that last remark. I do feel the state's approach to the northwest is quite crude.

I'd just like to quote to you the other day when Mr. McMillan was testifying before Representative Young on this issue in the house, he suggested that the State ought to put in one-eighth of the equity investment because that was what the royalty position was. And Representative Young turned to Mr. McMillan and said, "Well, does that mean that we share one-eighth in the profits?" And Mr. McMillan responded, and I quote, "I'm sure that's negotiable."

THE MODERATOR: Thank you. Thank you very much.

That was a lot of information.

MS. PALMQUIST: Right.

THE MODERATOR: But I do agree sort of we're talking about all this money we have and yet we're trying to attract more money from outside. I understand what they're saying. They're talking like bankers, and I think maybe that's one of the decisions Alaskans have to make. Basically they're saying be a bank, be a big lender, use

other people's money.

MR. REAVES: I think we should.

MS. PALMQUIST: Mr. Chairman, one thing that we did not address was the dangers involved in whatever type of controls we put on that permanent fund. Who controls the funds? What's the setup going to be? We didn't address that at all. How are you going to administer the fund? I use the word "control," but maybe "administer" would be better.

MR. POMEROY: That's all pending in the legislature, is it not?

MS. PALMQUIST: We didn't explore that with the finance people.

THE MODERATOR: Tom, can you answer?

MR. SINGER: There's a law on the books right now, which is referred to as an interim management law. It was passed when the constitutional amendment passed, an implementing law was passed by the legislature. And it has the Commissioner of Revenue manage the fund in the same way, virtually the same way as the state's general fund. So it's on the books in blue chip investments, and things like that.

One of the very big issues in that session is what should be a permanent management strategy. It's a completely open question.

MR. POMEROY: It's a holding action now.

MR. SINGER: The administration has the bill for the

past three legislatures. And the house and senate have been unable to agree for three sessions now, and there's hope this session they will be able to agree.

THE MODERATOR: Well, I think we've been told we have so much surplus money. We've got so much set aside in a permanent fund, like Alberta, and then we've got the following surplus. How are we going to spend it?

I think Harry gave me that idea. Is that basically what we're talking about?

MR. POMEROY: Not quite. It seems to me not quite how we're going to spend it. I listened very carefully to what Russ said. He didn't say it's how the 25 percent has to be handled, but it seems to me he indicated that we did need to build up a cushion there. And we didn't have a chance to explore that very much.

MS. PALMQUIST: Jack said what we're looking at now is the five percent permanent fund, the five percent renewable source, and three and a half billion would be the fund. You've got not one source of money, you've got several sources of money? I got that from what you said.

THE MODERATOR: That's right.

MR. POMEROY: It should be understood 25 percent isn't 25 percent of all of the income from the sale of the oil. It is 25 percent of about 50 percent. That is to say, it's the royalties and the rents and those things.

But the severance tax, which we put on, and the pipeline tax, that's related directly to the production of oil and whether it's this much or this much. So actually it's 12 and a half percent of the total of the monies that we're talking about. And that should be borne in mind whenever there is discussion as to whether we should save a lot, or less than a lot.

MS. PALMQUIST: Well, the 25 percent of the royalty; 25 percent of the royalty income.

MR. POMEROY: It's 25 percent of the royalty income and the rents, and certain other minor items.

MR. ECKHOLM: Could we kind of start to focus the discussion. We've heard a lot of information. We would like to start having recommendations from the group as to what you want to do with our money. It's our money. No matte. what the experts say, it ultimately rests on us on how to spend it. So could we make recommendations on it.

MS. SCHIRMER: Can I toss out as maybe one of the things we might be able to agree on is whether we would recommend, as Russ Meekins said, a rainy-day fund, an amount of money to try and be kept available not in the permanent fund but in case of disaster.

THE MODERATOR: I think he said a six-month rainy-day fund.

MS. SCHIRMER: Yes. A rainy-day fund equivalent to six

months of the cost of running the State.

MR. PILLIFANT: What would a rainy day fund be used for? What would a rainy day be?

MR. ECKHOLM: If the oil pipeline were shut down.

MS. SHROYER: Or maybe results like Wednesday from our last storm in the southwest.

MR. PILLIFANT: You get into a real -- somebody would have to decide what the rainy was, if it's just the pipeline or if it's the big wind like out in Parma.

MS. SPARCK: Mr. Chairman, I feel like I'm the only nonfinancier in this room. I'm hearing that the State has surplus money. What is to be done with it is the question, and how.

And from what they were talking, there are financiers, or whatever you call them, and then there are concerns from the state's citizens. These concerns I feel that we should talk about, and these concerns should guide the financiers, or whatever they're called.

THE MODERATOR: Go ahead.

MS. SPARCK: I feel that we should start talking about some concerns.

THE MODERATOR: What kind of concerns?

MS. SPARCK: Like education, is one; health is one.

THE MODERATOR: They were talking investments, weren't they? Get your money invested so you could make more money

or protect it so you don't lose it. You're talking about something else, maybe?

MS. SPARCK: Maybe I am.

THE MODERATOR: I think you are. Go ahead. I don't want to shut you off.

MS. SPARCK: That's what I'm concerned. Are we going to talk about how to spend it and how to set up the whole financial setup? Is that what we're talking about?

MR. ECKHOLM: As I understand it, there are choices that we have to make which are. We can increase government services if there is a perceived need. But what are the needs?

THE MODERATOR: Harriet, go ahead.

MS. SCHIRMER: I'd like to maybe -- you have trouble with finances, too. But I think when you're looking at your funds and I'm looking at mine, I have to be able to see what there is and then I have to be able to think now do I want to spend it out this year, or do I want to put some of it away into some kind of an investment next year, so I will have something that I can use in case next year I'm sick and unable to work.

And I think what I'm envisioning at this point is maybe thinking about that kind of division, and then when we decide how much we are going to have to spend on the things that we need, then we sit down.

MR. MOORE: My name is Martin more.

I'd like the idea of establishing a permanent fund with the funds that are received, that we are going to be receiving from the oil on other revenues that are coming to the State, provided that the permanent fund be what is called the permanent fund. Because the financial world at times loses monies, but if I am assured that certain funds that are put into the permanent fund are put in like, for instance, A-bonds, triple-A-bonds, and double-A-bonds and things that will be secured that the permanent will be a permanent fund.

Do you know what I'm saying?

So that the monies that are derived from the permanent fund would be sufficient enough to provide some of the needs as employment. I think that the monies that are derived should be used to create employment and employment will, when it rolls and rolls over again, will support the economy and whatever we're talking about, or within the State.

So my idea is to come up, this body come up with a recommendation to support the permanent fund. That's my recommendation.

THE MODERATOR: Support the permanent fund at the level it is now, the 25 percent of royalties? Or more?

MR. MOORE: Whatever the most appropriate formula

would be to satisfy some of the needs in education, employment, et cetera. But the idea of getting a permanent fund would, I think -- we have enough funds to establish the permanent fund and keep the fund there and the funds will keep making money to support the other programs.

THE MODERATOR: Rosemary?

MS. PORTER: Well, as I understood, then, we have already established the nest egg. We have the permanent fund. Now, that's going to live forever and hopefully it's going to be wisely invested and we're not going to be losing five percent on it. It should be earning 15 percent or more on it. And that will provide additional ongoing income that we can use.

Now, assuming that we've got the permanent fund with all this billion dollars in it sitting there growing every year, earning money, and assuming that we continue pumping oil for another 20 years, that's going to be growing. That's what we have. That's the nest egg for when we retire, in a manner of speaking, when the oil dries up and we don't have any more, that's what we've got left over. And it's earning money.

Then Russ was talking about a rainy-day fund. That's in case we have some kind of a disaster, the oil stops flowing and we need money to operate the government, the general fund for a year. That sounds totally reasonable

to me, so that we don't have to have an act of Congress to get into the fund. We've got a rainy-day fund so we're pretty much protected.

So it appears to me what we're looking at are the monies. The economist says the three things we should be investing in is human services, investing in people. To me that means jobs, training, whatever; public works. One of the economists talked about an airport in Hoonah. And he also mentioned small businesses that create additional revenues for the State are very good, they help the economy of the State, create jobs and all of that.

So it seems to me that those might be the areas we're looking at. We're looking at I don't know how many billions of dollars for the next ten years. So we might start looking at the kinds of things that we'd like to do with the surplus money.

We're already established our savings account. In fact, we're talking about maybe two savings accounts. So let's look at what we're going to do with the rest of that money.

Now, are we going to invest it, as one of the economists suggested, instead of using the money to put into bottom fishing and all of that? I honestly don't know. I'm not an economist. I'm not dealing in high finance. It sounded very reasonable to me. Borrowing money here for a

lower price and investing our money and making 15 percent sounds totally reasonable.

So we're left with the couple of billion dollars to put into the State, into the people. It seems to me that we ought to begin looking at those kinds of things. Where would we put a couple billion dollars?

And if we're going to do that, everyone says you're going to be left with a white elephant. When the money dries up, you create huge institutions, huge expensive educational systems. Are we going to be able to afford them when we don't have the billions of dollars anymore?

MS. SIMONDS: Some of our money should be spent in trying to develop things that will finance us after this decade when the oil revenues might be a lot less. So we should think in terms of things that will bring financial security beyond the future.

One part of the money should stand for that.

MR. SEIFERT: I want to reason this out and get something straight which is not straight in my mind about the permanent fund. I think it's clear we've been asked to recommend whether the permanent fund remain the same or be more. From my point of view, it's kind of exclusive from other revenues.

Because if you look at what the permanent fund

does, it takes money, invests it at at high percentage rate of interest, but that rate of interest is very, very close to the present rate of inflation. Even if it's 15 percent, it's still very close. And the net gain on the permanent fund isn't going to be a hell of a lot. It's just going to get sort of put in there and kind of idle along. And there will be maybe one or two percent accumulation on an annual basis if we retain the present rate of inflation, which it seems we're destined to do.

So I think the question becomes one of do you just simply set that money aside and it just kind of idles there, and what percentage that should be. And exclusive from that, there is a large additional amount of money which you have the option to invest, I think, more wisely, to be perfectly frank.

I think this lady's suggestion is the total nature of the focus we have to get on. What are we going to do when it's all gone?

I suggest we -- personally I would move that we maintain the permanent fund at the present level, since it seems as though it is not going to be any more than a simple stashing away of funds which we have presently no better use for.

MS. SHROYER: I keep hearing people say what are we going to do when the money is all gone. What I think wet

ought to do right now is to ensure that we have all that money 10, 15 20 years from now. We've got $3.5 billion. We can invest it. Surely there are expenditures that need it. When we have more expenditures 20 years from now, we have another $3.5 billion as we do now that came from the original money we have now.

MS. PORTER: One thing that has always bothered me about the permanent fund -- it's been a sore point in my life. Is that it appears to me that sometimes the State is kind of like a family, where you say to your children, "No, dearest, we're not going to eat this year. We're going to save that money for next year." Well, next year we're all going to be dead.

There are programs -- I'm serious. There are programs in this State that go unfunded. In Anchorage, you have one of the worst social problems with battered and abused children in a whole area that is just almost totally not funded. You've got 350 -- I don't know how many cases your social workers are working with now.

No place to put up the kids. We're losing all of those children. We're losing a valuable resource. But we're saving a lot of money. We've got a lot of money in the bank, but we're losing kids. We're wasting a lot of people away on alcoholism and drug abuse, but we got a lot of money in the bank. We may not have education, but we've got a lot of

the money in the bank. What the hell are we going to do with it?

If we keep the permanent fund, I say fine, maybe it's not going to hurt me. But I say let's put it back where we need it. We have not begun to address those problems in this state. I mean, all you have to do is walk out on the street here and you see a lot of those problems. And I think we ought to be looking at some of those areas and correcting. They may not be ongoing problems. We're always going to have the social problems. But if we put a lot of energy in and some bucks into it now, we might be able to save some of the children. We might not have to have such big jails in 10 or 20 years.

MR. PILLIFANT: I guess all I wanted to say is by having to have a permanent fund, it kind of shows we don't have much faith in our abilities to invest our money, because we apparently expect everything to go down the drain if we have to put something back and save it. I mean, it's as though we're saying that we can't invest it and get any money back. So we expect for all that money to just go down the tube. Well, it will if we invest in social programs only.

This lady down here I think is talking about investing in Alaskans: Alaskan businesses, getting back our money from those investments.

And I think that's where it's at, whether we invest or keep that 25 percent or 50 percent or whatever. But I think a minimal amount, because I think we're smarter than that. I mean, I hope we are. And that's what we're about here, I think, are we not?

MR. NASKE: Isn't it basically so that we have to create different economies based on renewable resources? because if oil is a one-shot deal, I mean, Prudhoe Bay, and there is no other field of comparable sizes come along. It's nice to spend it all on education and social programs and so on.

But basically right now it's something like maybe 60, 70 percent of revenues that derive from oil, one single source that will be gone within 30 years or so, at best.

So we have to look at renewable resources, build a different economy than the one we have right now. You know, we have to look at -- we have to invest in fisheries in a big scale, on a large scale, and we have to invest in timber, perhaps, and perhaps in agriculture as well. But we have to invest in renewable resources because the oil and the minerals, they will be gone within the foreseeable future.

And then, even with the permanent fund, that money would be sucked up very quickly, with just paying for ongoing programs. And the interest that we earn on that is

so negligible, really, that the interest alone would pay for very little. We would have to dip into the substance of it.

So we have to think of building an alternate economic system from the one that we have now.

MR. PADDOCK: I'm inclined to agree with Rosie. I think Alaska finds itself in very much the same position as Alie did in Wonderland where she was in that place where you have to run just as fast as you can to stay where you were. That's like our society today. Some of our problems that are public, health, social are accelerating. I agree they can't be ignored.

In response to those who want to save the total amount, I sort of feel like they must be firm believers in the approach that anticipation is far better than realization. They might not be so wrong always, but I this it's time that we realized a few things, instead of put things away totally in anticipation of how much better things might be some other day.

MS. RAY: I'm Joan Ray. And I would never go along with that idea, like saving the total amount. But I did like Russ' rainy-day concept, and I believe it would be a very prudent thing for us to consider in that, the way I understood, it would be a fund that would be there in case something were to happen to the state's money, that it

stopped coming in, some sort of national disaster. Any of the State disasters are taken care of by another disaster fund. But something where our money flow would actually stop, that there would be money there for us to continue on with the functions of the State government while we got our act together in getting going again.

But I would see the savings, the rainy-day fund, as quite a prudent first step. And I don't know what the percentage would be, what amount. That would be the kind of money that we're talking about that we have to spend. But to consider that as a first step and then go from there in looking at the other three areas which Mr. Daniels broke out.

THE MODERATOR: What rainy days do you have in mind?

MS. RAY: The way I understood Russ' concept was that if something were to happen to the funds coming into the State, something happening with the resource lines, with the money, the income that we have, and whether or not that would be some sort of disaster or a drying up of the resources. Something like that.

MR. POMEROY: Jack, I think it would be better if we didn't talk about a rainy-day fund, because it isn't a rain we have to worry about, it's a drought we have to worry about. Implicit in all we've heard about financing is that sooner or later the level of oil production is going down.

It's going down to the point where we won't be able with our normal taxes to meet our outgo.

I have no quarrel whatever with those who talk about unmet needs. I think that we are so fortunate, by courtesy of the Arab nations, to be in a situation that's beyond just keeping up with inflation. And Russ referred to that here.

So, where we have some leeway to do something we should do with our money toward a time of drought, and still do some of these other things -- and from all of the discussions that I've had as a member of the growth policy council with people around the State I find people do want to see improvement in services to people and some of the things that are talking about helping the villagers get along with their individual independent living. All of the things that we talk about.

But we must face the fact that it would be a worse gamble than going to Nevada and making a bet there to assume that, when Prudhoe Bay is finished, we're going to have enough more from our land to equal that and cover our budget. We started in 1969 spending the money, the 900 million we got. And we got up to spending twice as much dollars in real money - not inflated money, real money - as we spent, - we've gotten up to spending twice as much per capita as we spent before we got the 900 million. I don't

doubt we will spend some more than that.

But the situation that exists now - may I finish, please - the situation that exists now is that a billion dollar budget -- now I'm talking, you've got to be careful about what dollars you use, because you talk about a larger figure and you're talking about federal money. But our money, State money, we're spending a little over 250 million dollars a year, and oil is spending the rest of it, 750 million of a 50 billion dollar budget. And that's what we get from the sale of oil.

I don't think it makes a difference to us as to whether it's the permanent fund or just money, except the permanent fund by constitution can't be dissipated. It can be loaned out at one percent interest. There's nothing that says you have to get the very highest or do the very best. It seems what we're faced with here is try to take at look at what it would be prudent for us to do in trying to damp down a little bit the rate at which we're increasing our spending in the State. It's almost ten percent a year now, which means that instead of being a 1,200,000,000, in eight years or so at ten percent, what is it? It's 2,400,000,000; something like that.

At the same time we look at dealing with some of the needs we have, and then see what we think we should shoot at as money that we do retain, and think of the

dollar as being a medium of exchange.

We have been told by our experts that that isn't value, that isn't assets. We can use it, we can invest it here, we can invest it in anything we want to invest it in, but retain enough so that, when the flow of revenue does go down, that we'll have enough revenue from all of these assets so that we won't face disastrous increases in taxes.

THE MODERATOR: Marty?

MR. MOORE: I'm not a financial expert or anything of that sort, but I'd like to talk in the terms of my experience. I know that we received the 900 million dollars for the State of Alaska, and I know the native people received some money.

I was one of the committee investment members for my corporation, and we received in one day 24 million dollars. Well, our task was to protect that money from being spent. Our task was to get that money to earn money. That was our appointment.

So we did it. And we made nine percent here, we made eight and a half percent here, we made six percent there. But the average return was seven percent for the 24 million dollars when we finally invested the whole dollars in.

Well, as an experience, I was happy that we had that 24 million, and I know that we were making money. We

were not losing any money.

But, you know, as soon as you put it into the hands of the political people, one being myself, board member, the money just went down the tube. Everybody just wanted to spend it. Now the 24 million dollars is gone. Instead of having profits, you know what we're having? We're having deficits; deficits. Every year, deficit.

That's the reason why I like to protect that permanent fund in there so that we could live off its interest and perhaps help some of the business people make their money. I think we will make a big mistake if we don't put a control.

If we don't have a control in that money, the legislature will spend it. Or anybody with political thing, they don't have to have any reason to spend it, just have enough political pressure, and there you go. I want to get re elected, so I'm going to have to spend money here. We have to have control over that money and that permanent fund will support us.

That's just my statement.

MS. PORTER: I'm afraid we're going to have to get the economists back here to talk to them about the loan programs that they were talking about. Getting outside money to fund things like the bottom fish industry, or fishing industry anywhere, herring, salmon, or bottom fish,

to develop that industry. And use surplus money. They're talking about setting up some kind of fishing committee.

MR. ECKHOLM: There are a number of existing programs. I think I've heard Mr. Daniels speak of before, like the Alaska Industrial Development Authority. There's a fishing farm bank that was set up for specifically fisheries and agricultural development. I think that they're not talking about creating new institutions but sticking enough money in those institutions so that they're able to invest in money coming back in.

MS. PORTER: So assuming that that area is taken care of, I don't know whether people would grab it, just take the bucks and put it into developing onshore processes which are desperately needed if we're going to be into the bottom fish industry, whether they want to put a couple million dollars into several hundred people who want to go into bottom fishing in the State, so that we can control that wealth. That wealth is going to make the State wealthy even when the oil runs out; the bottom fish are still going be there. That is a tremendous, tremendous resource that I guess is going to be addressed properly. I certainly hope it is going to be addressed properly.

But if that's the case, if there is a way of funding that industry without using the surplus money and the agriculture industry without using the surplus money,

what are we going to do with the surplus money if we have set aside a permanent fund. We've got the loan organizations that are going help do the bottom fish thing. Then what are we going to do with that surplus money?

MR. PILLIFANT: I guess I just don't understand why should we invest it outside and get our interest come back here, invest in our own people? Why can't we take the money and invest it in people and let them pay the money back so we can build industry up here? I don't understand the difference.

In other words, it kind of sounded like they were saying we'd make more money by investing outside, taking the money that we got off of our investments outside, and then investing in business inside the State. Right?

But if we loan our money, what we have over to the fishermen or to the small businessman or to whoever needs a loan, we have young people in this State who are wanting to go into business, for instance. There's no money for them to borrow. Can't we trust our people, loan them the money, charge them interest on it, put the money back in? We have our own fund statewide going. I personally would like to see that happen. And I think our economy would boom, our own people would be getting the money, and it would be just revolving here within the State.

Unless they think that maybe getting it outside

it would help the south too.

MR. NASKE: They didn't say that. You misunderstood.

MR. PILLIFANT: Explain to me exactly what they mean.

MR. NASKE: What he said is the monies, the oil monies that are coming in, or some of them, at least, are to be used as leverage, that they're invested on a worldwide scale and that then would become a major banking institution, as it were, and that the money that is here will attract outside monies, that outside people would lend us the money, which then can be invested in Alaskan affairs. All this would double --

MR. PILLIFANT: Why do we need it lent to us, if we have it?

MR. NASKE: Because we're making more on the international money markets. We're multiplying the money we have, and attracting investors into Alaska.

MR. PILLIFANT: You don't think if we start growing with our own money people aren't going to invest?

MR. NASKE: We would grow on that schedule that Belden proposed.

MR. PILLIFANT: But we won't grow if we loan ourselves our own money?

MR. NASKE: No, not anywhere near, as I understand him.

MR. ECKHOLM: It's sort of like buying a house for cash or putting down $10,000, instead of using $50,000 of

the bank's money.

MR. PILLIFANT: Normally I would have some of the money back that I would be able to use for other things. In other words, if I had $20,000, I invested 10,000 in the house, borrowed the rest from the bank, I'd still have 10,000 that I'd be using for something else. And I could see that benefit. But otherwise --

MS. SHROYER: It's the same idea.

MR. PEQUERO: I don't see how can we think in the idea of making more money by investing outside when the greatest unemployment rate is right here in Alaska. And when all the social problems that we try to resolve with money are created exactly because of the unemployment rate.

Then it really don't make sense. Here we are pumping the money in social programs which are not going to be solved with that money, and then over there trying to take other money and put it outside, while the problem is over here, on whether the working population is happy.

The project I came here, I was more interested in the extension of the Alaska railroad from Alaska to Canada to the contiguous Lower 48. I think that it's the best project that we can buy.

First, because it's a project that it will pay itself; second, because it will bring down the cost of living in Alaska, which is mainly transportation, higher

than in the Lower 48; third, there is no use to open up the land if there is not a means to mine it, to make what you are going to mine outside.

Then the whole question that we should be dealing here, if we want to have money forever is to open up the land. And in opening up the land, you have to create railroad. And I think we should be dealing here more with projects that will create a permanent work force and not in how we are going to invest the money just to make more money. That's the function of a bank.

But the function of government, it is not the function of a bank. It is not the function of a business person.

Therefore, I think that the project that we -- the money should be invested in projects. And I propose that we endorse the extension of the railroad from here to Canada, to the contiguous Lower 48 as one of this group.

MS. SIMONDS: There's an article by David Rose, a long term investment and funds leveraging in our white papers. And I think that will help, if you read that will help a little more of what they're talking about.

Now, as far as getting -- we do need capital. Sure we'll have three and a half billion dollars but to extend a railroad could well cost several billion.

MR. PEQUERO: No.

MS. SIMONDS: Anyway, I'm sorry, it could cost a lot. And then if we want to have transportation developed over the State, that would cost a lot of money. If we go into hydroelectric, it's going to cost a lot more than the billions that we have.

So, part of that has to be to secure loans and to deal with the getting capital from outside.

And I think that's all part of this leveraging and why we are involved with even talking about outsiders because the capital to do those things will have to come outside to help us along as we're developing.

MS. RAY: I would like to just bring forth a concrete example of something in the fisheries area and where I believe that we could well spend some of this money.

And I've been spending the past year on a sea food processing plant for a native corporation who wants it built in their village. In the Alaska Industrial Development Board, we were able to use that board as a window in which to obtain some bonding money and we are also able to get up to a maximum of 500,000 per project, is what their particular guidelines are. So we're going to get 500,000 from the State on an approximately seven million dollar job.

But our problem is we're having a lot of trouble getting the financing for this within the banking community.

There isn't the money available. And it is very, very difficult and we are being forced to look at Japanese markets for getting this plant going, and the village is most desirous of it happening.

But it's just up to the 500,000 that we were able to get from the State. And I wish that, if we did have the excess money that we're talking about, that there could be more areas for this kind of development.

MS. PORTER: Obviously, with the surplus monies that we have, not just one thing should be considered. As the economists said, there are several areas. We're looking at shoestring, whether they're business incentives or out and out loans, some enhancement to keep small businesses and increase small businesses in the State.

Another area is the whole area of public works, where the bucks are not wasted. It does create jobs. They're not jobs forever.

But there are several areas that I think we should be looking at. Maybe I'm living under a misapprehension that we have to look at just one thing.

I think we can look at many areas. We do have a lot of money to work with. There should be areas that we should look at, not just simply one area. We do need to create industry that is going to continue to produce revenue that will support the State in the event the oil

ever does dry up.

And, as far as the $500,000 loans, that's a very unfortunate thing that the State is thinking so small when we're looking at the fishing industry, because we're going to lose it by thinking that small. We have to begin thinking in millions of dollars, instead of hundreds of thousands. That might be another thing that we might want to address, pump more money into something like that.

THE MODERATOR: Are we ready for a coffee break? About ten minutes.

(A recess was taken.)

THE MODERATOR: What we thought we'd try to do is maybe Eric can try to summarize what he's heard and what kind of issues have been raised and give some back to you what maybe we've heard and then see where we want to go from there.

What I've heard is that we got money; we want to go from nonrenewable to renewable; we want to put some of that money into social services, schools, et cetera, but with a heavy emphasis on we want to invest it and get it returned to us at a later date for future generations. In other words, loan it.

I hear you people talking about a State being a bank.

Does anyone have any problems about elected or

appointed officials making loan decisions with your money?

MR. MERDES: I do now, with the Commerce Department and Veteran Affairs, and the federal government does with FHA and SBA.

MS. RAY: We're talking about government departments, whether it's renewable resources fund or whatever would be actually handling the money. It wouldn't be like a political football that we go through every session, necessarily.

MR. ECKHOLM: The fact is we already are a bank, too.

MS. RAY: Pardon me?

MR. ECKHOLM: The fact is the loan programs, we already are a bank, the second biggest bank in the State.

MS. SCHIRMER: Do people have confidence in our getting the right people to manage these large amounts of money?

MS. SHROYER: I, for one, have a lot of confidence in Alaska and putting that money into investments that would become the best thing for Alaska. I have a lot of confidence, yes.

MR. SEIFERT: I'd like to speak to that, too. I went to a hearing on permanent fund administration. Another gentleman got up and he said, "I really like the fact," he made the analogy that financial experts and economists are like analygous to a mechanic for your car. They're sort of an mechanic for your bank. He says, "I really like having

that mechanic around, because when I have a problem that requires special tools and special needs, I can go to him and I can count on it. But I don't ask him where I should drive my car. He's a mechanic, and he helps me for my needs."

But there is no analogy that says a fisherman or a farmer doesn't make a good analyst. I think people have an inherent sense, cross evidence of what's here, inherent sense of what's going to make it and what isn't. I don't think that's something to worry about it. I have a lot of confidence in this.

MR. ECKHOLM: Let's sort of go around the room and have you tell us where you want to drive the car, specific recommendations of where you think the money ought to be spent in terms of just one recommendation apiece. Martin?

MR. MOORE: Let some of the fund go into fishing industry, or even bottom fishing industry, because much of our renewable resources has supported the State for such a long time, and we really don't have a control over the market. And I think one of the wisest investments that could benefit and have a little bit more control over our renewable resources would be fishing industry.

And that would be one that I would suggest that would be one of the areas of investment.

MR. ECKHOLM: Thank you.

MR. HARTLE: I think what we're doing now is

converting the energy that we own, the oil, into dollars. And the value, as we all know, of the dollars is dropping, inflation is whatever it is, tremendous. And the value of the energy is increasing. So that I think that one thing we can do with our money, energy converted into dollars, to reconvert it into energy, because that's something that will retain its value. And I think that we need to look for that.

MR. ECKHOLM: You're talking about hydroelectric, wind?

MR. HARTLE: Sources that are not oil and that will last beyond the oil years and that will not harm the environment. I'm sure we're all concerned with that. And I think that would be among the best investments for our money.

MS. STRASSBURG: I think we should make this money available to our local banking houses because certainly they know the problems inherent in a locality, and they know the people personally that they're going to be dealing with, which is something that, much as we appreciate our State loan programs, most of the time I think the local banks can handle them better and they have a little bit better handle on what people are going to do with it.

Now, the money would be deposited from the State to the banks and the banks would then go by the rules and regulations set up by the people in the Capitol, in the

legislature.

But I do think that the local people need to disperse it, per se. I think they have a better knowledge of the people involved.

MR. ECKHOLM: Thank you.

MS. RAY: Money now available for housing out in rural areas at a low percentage rate, the beginnings of a really good program there. But the housing, the loans that are available for the urban house fires, I think we're in a very difficult situation.

And I think that some involvement there is appropriate.

MS. SIMONDS: Housing?

MS. RAY: Yes.

MR ECKHOLM: Has Rosie disappeared? Rosie, where are you?

MS. PORTER: I've got a long list. Do you want me to just say one thing?

MR. ECKHOLM: I wasn't soliciting.

MS. PORTER: One thing? I have 15.

MR. ECKHOLM: I think we should kind of limit ourselves. Could you put all of your 15 into a broad category?

MS. PORTER: No.

MR. PADDOCK: I've got a brought category. I agree

wholeheartedly with what Mrs. Strassburg said. I'm a retired employee of the State of Alaska. As such, having been a government watcher for the last 25 years, I think what the State can do private enterprise can do better.

I agree that the thing that Alaska needs is to further her own economy. I think that the big business generally comes from little business growing up. And I would like to see the opportunity for small businesses in Alaska to grow up. And I like the idea of putting the money into programs that are not necessarily administered by the State, but the State program says that this money is going to be utilized by local banks, local lending institutions.

These people know the risks of the individuals applied to them better than any State program can. They know the needs of their area. And I think if we're going to have more fish processors, the logical way to do it is to assist the local fisherman who may have aspired to be entrepreneurs, to develop into that. I'd much prefer to see that than to make it possible for some big outside corporation to move in big overnight. They have problems when they do that, because they don't know the local problems like some of our leading people in the industry, whether it's fishing, logging, farming, whatever it is.

I like your suggestion very, very much, Mrs. Strassburg.

MR. ECKHOLM: Are you saying what Belden said, stay away from big programs and go for small ones?

MR. PADDOCK: Yes. I agree with that. I think that by starting small the process of survival of the fittest will determine who is going to come out big.

I have nothing against small business turning into big business; absolutely nothing against it. But I hate to see the State backing big business because one reason that I'm opposed to that is because it means, I think, just by the law of supply, that there are a lot of little people who are thereby precluded from ever growing up into that big business.

I hate to see the State get into a program that's in competition with private enterprise, especially small private enterprise.

MR. ECKHOLM: Mr. Pomeroy?

MR. POMEROY: May I ask a question of what he means by I hate to see the State get into competition with private enterprise? What did you mean by that?

MR. PADDOCK: This may be a little uncomfortable, and I'll apologize if it steps on anybody who is present. But on the flight up from Juneau, for instance, I sat by a friend of mine who has a little tour boat, he invested a lot of money in it in Ketchikan. I don't know the details on this, but he tells me that he's hurting because somebody

in the State made the decision that the State ferry system is going to run the State ferries into the area in which he operates and he feels that this has deprived him of much of his local market.

In fact, it reduced the price of the commodity, the price that he can charge for his commodity, because the State set a level for tickets on the State ferry on this tour trip that is at a level substantially below what he feels he needs to charge.

I think this is an instance of the State being in competition with private enterprise. I'm sure that there are a number of excellent reasons for the State doing this, but still, I wonder if those excellent reasons are really adequate in a situation of this sort where --

MR. ECKHOLM: Excuse me, Mr. Paddock. Could you make that into a recommendation, or could we move on, because we are sort of short on time.

MR. PADDOCK: Did I respond, sir, to your question?

MR. POMEROY: Pretty well, yes, you did. And I can pick it up from there.

MR. ECKHOLM: I'm sorry if I cut you off on that.

MR. PADDOCK: No. No. No. I don't feel like I was cut off. But I was just trying to explain to make up for loose ends, that perhaps you, sir, or Mrs. Strassburg would like to assist in wording a recommendation.

MR. POMEROY: Well, are we not sort of in this kind of a situation of there being an apprehension that in our eagerness to promote enterprise, to make jobs, that we may unnecessarily get into business that we need not get into. And my own personal view is that, wherever it is avoidable and we can further a good purpose of development or service and use our private enterprise structure, that we should do so rather than directly take jurisdiction ourselves. And that is very close to the matter of who handles money.

We have an infrastructure, a financial infrastructure that can perform the services of handling money. I don't deny that there might be some special condition that involved something otherwise because I'm not knowledgeable enough to know about how we handle our money that we get that's tax free. I don't know what limitations there are. But in general, I concur with what has been said here and what has been said here, and then I would extend my remarks only this much to say that, with respect to the money we have, it's a medium of exchange. These dollars that we get, whether we will it or not, we're getting a hell of a lot more than would be to our best advantage.

And so our purpose is to think as broadly as we can as to how we may be able to farm that money and convert it into investments of whatever will do best without a concern about whether we have a business here in Alaska

that employs the unemployed.

Now, that may seem like a harsh thing to say, Mr. Chairman, but it's not a harsh thing to say, because if the requisite conditions are healed economically for a business to live, it's going to live one way or another. That is, to say, and it may be that we have money that comes in and becomes an investment one way and another. But to sharpen up the point, I would say that we're going to be money managers that in the long run will give us the best return for all of our people.

We have businesses that -- well, we have a buesiness that's going to cost a billion dollars and it will only employ 60 people.

And would we want one that employed 6,000 people and cost us in the treasury $2,000 apiece.

So I mean simply to emphasize that our concern has got to be good hard managers, because that's going to be the best way to get the best return for the people. And we use the infrastructure we have rather than trying to replace it.

MS. SIMONDS: Belden said that. I agree that the banks might be more competent to decide who should have those, because the fatality of small business is fantastic. And everyone thinks he's capable of running the business. Not only that, the retail stores in Anchorage, they get loans.

They're all using borrowed money. Builders use borrowed money.

I do think it should be done through the banks, because the competency is very important to protect the taxpayers' money.

MR. ECKHOLM: I don't think we should have too much discussion about recommendations right now. I think we should go through and make recommendations and then go back and have discussions.

MR. MURDES: It bothers me what you say about big, because that's a tough term to define. What constitutes big and small.

I happen to have a little banking background. If we're going to be putting millions of dollars in State banks, there should be some strings attached. I agree they administer better than the State does. But the point is, for example, historically, we've been paying more interest than anybody in the State. Our cost of living is higher. The people of Alaska ought to be just like they benefitted before this bonanza came up. We ought to attach low interest rates on these loans and long term. Because if you let the banks have the money, they're going to give it to you at relatively short term, and at the market interest rates. And they're going to get all the prof.ts. They should get a reasonable profit, but not the profit the

market is calling for right now, 14, 16 percent.

And, secondly, if you're going to give them the money, I think you ought to also beef up some of your State program. Like, for example, I am opposed to the State veteran's program. I think that's a disgrace. We ought to take a strong position on the reinstatement.

MR. ECKHOLM: Is that a recommendation?

MR. MERDES: You talk about small business, you can't rent a farm for less than a million dollars. Now, is that a small business or a big business? You got to be careful what's small business and large business.

How about it, Jack?

MR. ECKHOLM: Excuse me. Would you recommend that we reinstate the veterans loan?

MR. MERDES: I move it right now. Don't you agree?

MR. NASKE: I have two recommendations. One is that we invest in an integrated transportation system in the State. Take a hard look; is it really worthwhile to build more roads, which are very expensive to keep up and so on. Perhaps we might think of going back to barges and the interior and various things.

And, secondly, that we invest more money than we previously have done in the resource management. I think in the areas of scientific research enforcement, the whole spectrum of resource management I think has been really

starved in the past.

MS. SHROYER: I have two questions before I want to think about a recommendation, and I'd like local bank control of our loan programs, but I don't really understand the banking system.

We have the federal reserve, which controls our local banks and we have the FDIC corporation. Now, would the federal people with that kind of control have control over how we distribute the monies? Okay? I don't know. No, they won't? Is that the answer?

MR. MERDES: The federal reserve supplies the money to the federal bank system. They don't supply any money to the State bank system in terms of control of it.

MR. REAVES: You disagree with Ed, he said that the State gives money to banks. The State is prudent enough not to give money to the banks. As a matter of course, the banks bid for the money from the State.

MR. MURDES: We're talking about the future, now.

MR. REAVES: This is history.

MR. ECKHOLM: Excuse me. I think I would like to try to get a list of recommendations and then we'll go back and talk about them point by point and decide. Because there are some things, like the State already does involve the bank and money of the loan programs. But I'd like recommendations first so we can get those all and go back.

Is that all right with the group, that we don't discuss them point by point now?

MR. PADDOCK: You asked for a recommendation from me. Did you get a recommendation out of this three-way conversation that we had here?

If not, I would like to recommend that we consider a program in the future whereby State monies are made available to Alaskan banks under a program which will ensure special benefits to Alaskan businesses. And I would appreciate some help from Ed in putting some bones on that skeleton to define Alaskan businesses.

I agree, a million dollar business is not a big business anymore. When I say big business, I think in terms of the fishing industry, largely. And Alaskan processors, some of them just graduated out of the fish boat into a small processing business. Maybe they've got a million dollars, maybe it's two million, maybe it's three million, but they are small businesses when you compare them with the large Japanese trading companies or even the large Japanese fishing companies. They are infinitessimal. That's what I think of when I think of big businesses, or some American businesses, Council & Cook, New England Fish Company, a subsidiary of British Columbia Company, one of the largest in the world.

Those are tremendous businesses, and they are

good and legitimate, and I would hope some day we would have Alaskan-based businesses of similar size. But you've got to start small.

MR. ECKHOLM: I'm passing out a paper from Mrs. Aleck, who is here. Some of you have it already.

MS. RAY: I recommend that we establish a rainy-day insurance fund.

MS. PORTER: I've narrowed it down to one.

MR. ECKHOLM: Rosie?

MS. PORTER: I would suggest that we pour some bucks into public works, which would include alternate energy development. That's like waters and harbors, hydroelectric, waste, heat, airports, intercommunity roads; that kind of thing.

MR. HARVEY SAMUELSON: I'd like to recommend that lump sum liquidation of the amount due to the native fund be paid by the State.

MR. ECKHOLM: Could you explain that a little bit for us?

MR. HARVEY SAMUELSON: The royalty to be paid to the Alaskan natives. And this way it would help the Alaska economy inject quite a bit of money into the private sector.

MR. POMEROY: How much will you discount?

MR. HARVEY SAMUELSON: Pardon me?

MR. POMEROY: I said how much will you discount?

MR. HARVEY SAMUELSON: Nothing. I got the back-up material.

MR. ECKHOLM: How much money are you talking about?

MR. HARVEY SAMUELSON: 400 million dollars.

MR. NASKE: There were two sources where the money came from, the 962.5 million all together and 500 came from a two percent overriding royalty from mineral leasing. And this came out of State funds, you know. And the 462 have been paid already or in the process over a certain number of years. I don't know how it was handled. But it comes from two sources: State participation for 500 million and 462.5 came out of the federal treasury.

MR. ECKHOLM: So it's a debt the State owes, and you're succeeding the State accelerate its payment on that debt?

MR. HARVEY SAMUELSON: Yes. I got material on the whole works here.

MS. ALECK: From what period of time does that cover?

MR. NASKE: Until it's paid off.

MS. ALECK: From what period of time frame is it covering, the accumulated amount now?

MR. HARVEY SAMUELSON: Until 85.

MS. ALECK: Beginning when?

MR. NASKE: 71.

MR. HARVEY SAMUELSON: This past year. State's share.

MS. SIMONDS: I'd like to recommend that the State from an improved communications system to draw us all closer together.

MR. POMEROY: Mr. Chairman, without a money man here from the State to answer questions, I certainly wouldn't feel qualified to vote on a thing like that. That's a lot of money.

MR. ECKHOLM: That's maybe asking if we go back and discuss it, if you do want to consider it, we'll talk about it more this morning or this evening --

MR. POMEROY: I'm not expressing opposition, you understand. I want to know.

MR. ECKHOLM: Yes, sir.

MR. HARTLE: I'd like to recommend that the State invest in higher education and research. And that that can pay its own way in a few years. There is a certain amount of lead time until the pay back, but I'm sure it will, training people to work in the State, basically.

MS. SHROYER: Vocational and trade schools.

MR. ECKHOLM: There has been a concept around for a number of years that the State take the money and pass it back to the citizens in some sort of form. The income tax, all of those ideas seem to have a lot of play among the government type people.

Is there anybody here who has any thinking along

those lines?

MS. SIMONDS: I protest that --

MR. ECKHOLM: Go ahead.

MS. SIMONDS: I protest AGSOG, because there's no insurance that if the money is lost we will have to pay the debt. If it was all profit, it would be fine. But we might be liable for a debt.

MR. POMEROY: AGSOG is different. He's not speaking of AGSOG.

MR. ECKHOLM: There are a number of different schemes to distribute well.

MR. POMEROY: AGSOG is not our money. AGSOG is a special type of corporation which I suggest be given quite different treatment.

MS. PORTER: It would be just like General Motors.

MS. SIMONDS: If the money is tax money that goes into it. Mr. Nordstrum.

MR. NORDSTRUM: I'd like to recommend a tax credit for the Alaskan homeowner of perhaps $200 a year.

MR. MERDES: That's revenue sharing.

THE MODERATOR: Can I speak up, there? That's my kind of bag, you know, going through revenue sharing, though. I don't think it ought to go to the State back to the people. I think it ought to go to the communities. They're the ones that need real estate tax act.

MR. NORDSTRUM: As a homeowner, you bear all the expenses of the community. You're the salt of the earth. You'll probably have one or two cars. We can't hit it at the pumps, except our lag time, but we still pay a pump price. We're producing perhaps one-fifth of the oil, fuel, consumed a day. So I think that if we can go a tax credit, it's a direct return to Alaskans, rather than --

MR. ECKHOLM: Tax credit based on what? Energy use? Personal property?

MR. NORDSTRUM: Energy use, whether it be electricity, natural gas, oil, heat, coal.

MR. MERDES: There was something brought up along that line. The idea of when people improve their home, you know what the burrough does, don't you? I think just the opposite. When people improve their home, they should get their taxes reduced through revenue sharing. We thought about that the last time, but nobody picked up on it. But that's an incentive to beautify your community. And I recommend that strongly.

MR. ECKHOLM: Do you want to put that into a recommendation?

THE MODERATOR: He mentioned homeowners. That's what triggered me. That would apply all over Alaska.

MR. NORDSTRUM: Year round. Throughout Alaska, a home in Susitna, everywhere. But this is a direct return to

Alaskans.

MR. POMEROY: That's to help him in what way?

MR. NORDSTRUM: Well, energy tax credit that he gets a direct --

MR. POMEROY: Suppose he's a renter?

MR. NORDSTRUM: Well, it could be at a scale, you know. It's just like similar to paying the Alaskans having one home exempt.

MR. POMEROY: But if he rents his home, you still would give him a credit?

MR. NORDSTRUM: You could, but it would be scaled down to a third of that to the homeowner. That is a proposal.

MR. ECKHOLM: Do we have any other areas? Jerry.

MR. McCUTCHEN: I'd like to see a direct distribution of the funds.

MR. ECKHOLM: How much of the funds? What funds?

MR. McCUTCHEN: How much? How much have you got? Does that answer your question? They tried to ask in a town meeting, and Daniel Shore won't let him, and he tried to probe the question out there in the audience, how much do you want distributed. We can meet those programs and a number of others fairly easily. So how much more did you want?

MR. ECKHOLM: How much are you suggesting?

MR. McCUTCHEN: I don't know. Maybe $4,000 or $5,000 at

the upper limit.

MR. ECKHOLM: Per person?

MR. McCUTCHEN: Per person. You can do it any way you want to. I'll sit down and write it out between now and tomorrow, if you like. I think the upper limit of $4,000 or $5,000. I'm not much for giving the municipality money. Because I think the municipality taxes ought to be there. The saddest thing is the revenue sharing that's going on now, because it's made our local governments inefficient. One day we will have to come to grips with that. That's going to be one great load. The money will have to go to the citizen. If he feels like giving it to the municipality, that's fine. That's up to him.

MR. POMEROY: On that point, I have no trouble with the concept of that. And I would like to suggest that we all think in these terms when we come to something like this.

We're talking about a social purpose, actually. We are the highest cost place in the United States for living. And we pick at some of these problems, we pick at these problems by conning Uncle Sam in selling some bonds tax exempt and a few people get a few houses with a little better interest rate, and this and this and this and this.

And whether you're distributing money or whether you're trying to do something to help people have the cost

of houses less, and I'm not making a recommendation on that, I'm simply pointing out that we're talking about a social purpose that we're trying to serve for all the people as equitably as possible.

MR. ECKHOLM: Are you making a recommendation? Are you reaffirming?

MR. POMEROY: I'm saying that I concur in the principle.

MR. HARTLE: I'd like to recommend against distributing the state's wealth, excess revenues, whatever, by a means of, for instance, repealing the income tax. Because I think that that particular method is inequitable in that it returns the most benefit to those who least need the benefit, those who pay the most tax. And secondly, the biggest windfall is the federal government, since they would get the most money.

MR. PADDOCK: I'm glad that that subject was brought up. I didn't want to bring it up myself because I've already put in more than my two bits worth. But I think this group ought to address themselves to the question that's very, very current now in our society, about are we going to do away with the State income tax.

And I don't think that the federal government is the biggest recipient, because the biggest recipient would be the nonresident who comes to Alaska and extracts money

from Alaska and would leave no money in Alaska if the individual income tax were done away with.

I do think that this group could well go on record in favor of some sort of tax credit system for resident Alaskans and I think that might meet the objections that you had and it might fall in very well with what you're saying.

MR. HARTLE: It wouldn't meet the objection that it would give the most benefit to the richest people who pay the most taxes.

MR. ECKHOLM: Excuse me. Could we go on?

MS. SIMONDS: I'd like to see money and planning put into rehabilitation of people in our correctional system so that they aren't constantly recidivists.

MR. PADDOCK: That's a losing proposition.

MS. ALECK: We have one continually expanding resource and that happens to be the growth of our State government.

MR. POMEROY: Resource or a liability?

MS. ALECK: I would like to see that $100,000, which is a very, very minor figure, invested in the capitol site planning commission to provide an alternate plan based on the mini-capitol concept, or just the necessary central State government to be relocated from the present site in Juneau to the site selected by the voters, mainly because we are currently leasing one-third of many office spaces in

Juneau. The other one-third is being leased from OSHA, and the State actually owns something less than a third. There is no additional State-owned land in Juneau to expand. And we are expanding at a tremendous rate.

I have listed some current capital expenditure figures at the bottom, which this last fiscal year was over 17 million in State travel and per diem, the telephone bill has increased now to 6.6 million for this last fiscal year, and it is presently under an 87 percent interest rate increase.

And with the additional square footage facilities that will be required in the near future and the fact that most of our leases are currently expiring, it is necessary to implement.

MR. ECKHOLM: So what would be your specific recommendation?

MS. ALECK: Well, my specific recommendation would be to go ahead and allow at least the $100,000 in order for the capitol site planning committee to come up with an intelligent, reasonable plan, which is what the people wanted in the first place.

MR. POMEROY: Couldn't we have a list to read and take this up tomorrow?

MR. ECKHOLM: We may be duplicating some of our discussions when we get into resources and direct services.

We'll be coming up with these points and more specific and better recommendations.

MS. SHROYER: I would just like to say one thing to counter the last recommendation. I would rather see monies put into ways of bringing our government down to a smaller size, having services taking care of through maybe a private sector and doing with what we have instead of spending outrageous amount of money to move the capitol.

MS. ALECK: Well, if you can read the comparative cost studies of capitol buildings remaining in Juneau, again, the big factor is we're leasing private space. And if there's any further construction, private land has to be purchased before the construction can begin.

Okay. You retain the regional offices in Juneau, you retain the regional offices in Fairbanks, as well as Anchorage. The administrative cost that will be saved, we're talking about big millions per annually, which five years down the road you're going to be at least doubling, will be more than enough to offset any bonding requirement. And also don't forget the offset of the sale of land at the site. We're talking about a gain rather than a loss in financial expenditures.

MR. POMEROY: I haven't had a chance to read it. I recommend if we could save time and do it tomorrow.

MR. ECKHOLM: Are there some people here who haven't

made recommendations that would like to make recommendations?

MS. RICHCREEK: I would like to recommend tourism be expanded such as in the way of advertising, et cetera.

MR. ECKHOLM: Advertising outside Alaska?

MR. PEQUERO: Outside.

MR. REAVES: I would like to make a recommendation that -- I'm not very familiar with this industry, but I think it should be supported. From what I understand, it could be the largest industry we have in the State, and this is the timber industry.

MS. SCHIRMER: I'd like to second that. We shouldn't forget the timber and the agriculture business, the farming.

MR. ECKHOLM: You know, what you are all saying right now is that, except for a little bit on education, there have been no recommendations to increase government services any. The bulk of the recommendations that you people are saying to do with the money is to invest it in the economy. Does that mean that you think we have enough government services now, that the government is providing the needs that government is supposed to provide and that it's enough?

MS. STRASSBURG: If you invest in capital expenditures, you have employment, you have less need for services.

MS. SIMONDS: Regional government is services. And

public works.

MR. ECKHOLM: Go ahead.

MR. MERDES: There's something that came up, in 1972, when they gave the State oil to Sohio, unconditionally. They are paying less for the gas and less for the heating oil, anywhere except Alaska. When they sell royalty oil to anybody, people of Alaska, because it's their oil, they ought to at least get lower price for heating oil, not necessarily gasoline. If there is royalty given to anybody, there are conditions that the people of Alaska get that cheaper.

MR. PORTER: I just really wonder if we did this exactly backwards. We have to go through yet a lot of the issues that we've touched upon today. And one of them is Direct Services.

MR. ECKHOLM: Right.

MR. PORTER: I do have a list of a number of things here. But I really don't feel they're appropriate now. I think after we go through all those other, transportation, communications, direct services, energy, then I think our recommendations are going to be how to spend the bucks; honed down. So this might be kind of a practice run. We might want to do it very quickly after we go through all those other topics.

MR. ECKHOLM: We may not go back and finalize

these as recommendations, but I'll have it maybe drafted up and typed up for things for you to work on and then towards the end when we're working on Friday or Saturday, we'll go back over things and have a lot more information.

MR. PORTER: Would you like the rest of my list?

MR. ECKHOLM: Let's do it, then.

MR. POMEROY: I have a specific recommendation. Reference was made to the income tax. I recommend that we oppose the repeal or reduction of the income tax. It's an established --

MR. ECKHOLM: We have that one already.

MR. POMEROY: You've got it?

MR. ECKHOLM: Yes. Mr. Hartle recommended that.

MR. McCUTCHEN: The gentleman here who proposed the reduction, I'd like to tack something on that opposition to tax reduction. Senator Stevens has recommended we don't do it at this time because of what's occurring on the national scene. I think we ought to pay attention to what's happening here. They're eyeballing everything we do here. You can call it whatever you want to; anything.

But as long as the tax law is on the books, there, if you were to distribute, say, $5,000, you'd wipe out most of the tax for most of the people and accomplish the same thing. And if you don't go the other way in making a distribution, you're going to find yourselves in a position

making a distribution based on social services. If not this time, that's certainly going to be coming out of something to subsidize the villagers, for pioneers and this kind of thing. For those who are in the pioneer home, make a distribution. They just turn around and put it back in the same pocket now.

MR. PORTER: Are you talking about just a one-shot deal, or for every year?

MR. McCUTCHEN: Every year, just like stock dividends from the year. If you made it a one-shot operation, you couldn't put length of residence involved.

MR. POMEROY: To the recorder, I should have said I actually wanted to add something to the matter of the income tax, that it would seem strange indeed for us to reduce at all the approximately 25 percent we are paying, as long as it seems to be woven through all of our discussions, the need to save money for the future. Something of that sort, I should like to see, if it's consistent.

MR. ECKHOLM: In terms of timing and investment and stuff, would you like to see investments made in businesses? Say that if Alaskan businesses were allowed to borrow as much money as they needed to, and as long as it was reasonably sound, and that would then stimulate a strong economic climate in that the State would attract probably a

fairly sharp population rise. Because jobs, people almost directly follow jobs up to the State.

Would you want to go ahead with such a program even though it would mean a probably significant population increase?

MR. McCUTCHEN: Leaving what's reasonable and sound in the definition of some politician's hand depends on how much money transpires in campaign contributions. If you're going to make a distribution of money or make money available, make it for a target area that you want to do something in, rather than bulk.

MR. ECKHOLM: So you're not just saying blanket drop a whole bunch of money on problem areas. Which problem areas are you talking about?

MR. McCUTCHEN: Oh, I would say bottom fishing is one.

MR. PADDOCK: Mr. Chairman, I think that the previous discussion when we talked about following this through the local bank pretty well adequately takes care of that. Because most of our experience with bankers has been that they're not in it for charity. And they're not going to loan money to something that will not fly. If it will fill a given felt need in the community, then the bankers will look at it.

MR. ECKHOLM: Should the banks have to put some risk into it themselves?

MR. PADDOCK: I'd defer to Ed Merdes on that. But I agree with him wholeheartedly and with Mr. McCutchen, that you should target on areas, that there's a broad basis of agreement, that these areas need assistance.

MR. ECKHOLM: Then to focus this discussion, I've heard bottom fish. Are there any other critical --

MR. McCUTCHEN: As you go through the resources, like shouldn't those occur as we go along, in tourism?

MR. ECKHOLM: Are there areas that you think are overbuilt or overstimulated that shouldn't have money poured into them at this time?

MR. PADDOCK: The bankers will tell us that.

MR. McCUTCHEN: Right now, housing.

MR. PADDOCK: In certain areas.

MR. McCUTCHEN: Like Anchorage. At this juncture, I would just set loans up to bail the people out, but I wouldn't go for any construction, because you can't sell what you've got.

MS. SIMONDS: There are too many restaurants around Anchorage.

MR. POMEROY: I wouldn't bail them out. It was a bad deal.

MR. McCUTCHEN: It was something that was known ahead of time. Without getting into politics, it's something the Hammond administration should have planned on and did not.

I'll drop it with that. I think you're going off saying where you want to go with your money, rather than where you don't want to go with your money.

MR. ECKHOLM: Would you want to weight it? Mr. Daniels in his recommendation said weight the loans in rural areas. Would you like to see preferences given to loans if they were in rural rather than urban areas?

MS. SCHIRMER: What do you call rural and urban?

MR. ECKHOLM: What do I call it personally?

MS. SCHIRMER: A city of 5,000, is that rural or urban?

MR. ECKHOLM: In my mind, that's rural. That's my personal opinion.

MR. PADDOCK: I think the federal government has defined guidelines. It seems to me that Fairbanks just a certain point here a year or two ago matured to the point where it was urban.

THE MODERATOR: Below 50,000 is rural.

MR. ECKHOLM: Is anybody interested in making that a recommendation, or not?

MR. PADDOCK: I'd like to debate on that.

MR. POMEROY: Unless we have a very specific idea of the social purpose that we want to serve, I should say it should be on the basis of economic feasibility and what it contributes to the community.

MR. ECKHOLM: That might be very difficult to decide.

because if you're talking about economic feasiblity, that would count out a lot of businesses because of the higher cost of everything.

MR. PORTER: You mean the limit would have to be more?

MR. ECKHOLM: It's more economic to do anything in a central area.

Let's move on.

MR. PADDOCK: Mr. Chairman, I think there should be some thought given to that because I remember a few years ago you could not get money in rural areas because the banks had more potential to service, in this case, specifically the Anchorage area than they could handle. So a rural development was just totally out of the question.

I think these guidelines that Ed Merdes spoke of would address that and say, "All right, for this period of time, we want these monies spent to such a such and a percent in rural, and you can spend X percent in urban areas."

This is subject to change from time to time. You're not going to have a healthy infrastructure in urban areas unless you have a healthy support system based in the urban centers.

MS. SCHIRMER: If you're going to get development of ongoing economy in the rural areas, you're going to have to kind of say to the banks, "Now, look, we'll give you this

but you've got to see to it that a fair share of it is used outside of the rail belt." Or they will do what's natural for them, which is to lend it in the rail belt.

MR. POMEROY: I need a question answered. We're talking about investing money, we're talking about aiding development. Is it implicit in that that we are either for or against subsidies, that businesses must pay their way? What about that?

MR. ECKHOLM: That's, I think, a very good question. There are some figures that Belden Daniels -- we'll discuss this later. Go ahead.

MR. MOORE: I think that there should be some special policies how the money should be put in the rural villages. For example, we have a co-op in Yucon Delta, where I am from. And it took five years to develop a program to even convince the federal government to at least give us a loan to start the co-op. It took about $671,000 to finally convince them.

But the bank would never even give us that chance.

I wish this group of people here would at least know that there's an opportunity, give us a little bit more chance to develop the fishing industry that is probably now in the Bering Sea area where there is nonemployment in existence. I think that it would be a benefit for the whole State if we could be able to borrow some money and make the

money turn a little bit more in the communities.

For example, we have five fishing fleets that come in from Seattle. They take the money, and they take the money back out. If we had a better opportunity, we would probably have more companies or more employment right in the local village there and the money would stay. That's why I would strongly suggest that in this loaning programs that these villages be given the opportunity to have loans which are not available at the moment.

Many people even now cannot borrow any money even to build their homes because we still have the problem of whether you have title to your land or you have enough property there. They're still in a working system. And I don't know when we're going to get the final title to the land in order to qualify for some of these small business loans that are not available to us.

MR. PORTER: Martin has brought up an interesting subject that we may want to talk about later, and that is coordination of services, specifically loans. When you're looking at rural development, loans for small business sounds good, let's dump a bunch of money into the bush. But without a small boat operator, as an example, the herring industry is beginning to take off. We got a billion-dollar industry. Almost half the boats were wrecked there a couple of weeks ago. We need ports, we need docks, we need energy,

whether it's hydroelectric or whatever.

There needs to be a whole coordination, a whole look at the economy and not just say, "Well, let's give them some loans." But there needs to be some coordination.

MR. NASKE: There is a recommendation in the transportation system, an integrated transportation system.

MR. ECKHOLM: You realize what we're doing here. We almost spent seven billion out of the eight point five that is sitting on Russ' desk right now. I think it's good, but in order to be real about this thing, we're going to have to start judiciously saying when and how much. I don't think we should do it today, but I think we should start thinking about it. And maybe focus everything and say, okay, the three and a half billion dollars we've heard about we're going to have next year once we get all the recommendations, how much, maybe we'll divvie that up and say how much goes to where and what, so we put some reality into our recommendations.

THE MODERATOR: Let me add something here. I read my notes from ten years ago last night by chance. And so much of that ten years ago was devoted to shall we invest in rural Alaska or in the cities. Incredible. That ran through the whole thing.

Now, Marty and you have sort of begun to discuss that. Do you give a preference, not a preference,

necessarily, but do you get money out into the bush and rural development. I'm just wondering, is that no longer an issue in the State?

MR. PORTER: Can I give you a classic? There are two million fish in Bristol Bay that couldn't be sold because they couldn't get it out. The runway is too short at Dillingham. The planes cannot carry a full payload. They can't get off the ground. There is no way to get the fish out. Just wonderful fishing season, couldn't sell the fish. We're going to experience that problem over and over again. So it's not a matter of giving fisherman loans, giving them boats, but it's the total picture in the rural area.

MR. MOORE: May I finish that story about the co-op? At the moment, a couple of years ago, the fish didn't come and it was a financial handicap for the co-op and the co-op couldn't again borrow money to keep that going. We went to Seattle, tried to convince the bank owners and they wouldn't even look at it. It was fortunate that the Nenana Corporation had $250,000 that they loaned a regular commercial interest rate and they survived. People are hired there and it survived.

Without our aid, it would have gone bankrupt long ago. That's why I think it's important to give us an opportunity to give us commercial loans in that area.

MR. McCUTCHEN: Can I go in that thing? I keep sticking

my hand up and every time you nod to me, he answers.

Jack, I've got a question. In your operation out there, what is it you can do in the rural areas having those hot spots like Dutch Harbor where they need houses, and there is no money for it? Can you do anything at all?

THE MODERATOR: We can make loans to low- and moderate-income people. A person in Alaska has to have an income of $23,400 or less to get one of our houses. That's his Farmer's Home Administration. We put about 30 million dollars into rural Alaska last year in housing. The problem is you get out into the bush in Alaska, or Nenana, they've got to have public sewer and water, you see. You've got to put a person in there that can afford the mortgage for a $70,000 home plus pay his taxes, insurance, get title insurance on his land that he says he doesn't have title to. So, in effect, fireman's home is not in Nenana.

MR. McCUTCHEN: You can't be effective. I think this is one area, get a hot spot that's going, divert some funds, and I agree with the lady there, that you have to look at the whole system.

Here's what happened in Valdez. After the earthquake, they built them a new town and they laid the whole thing out, water, sewer, paved streets, buried power lines, gave them a city hall, post office, grade school building, high school building. And this was all paid for.

This is great.

So the thing was going to be fishing in Valdez, and so the SBA came on along. I've gotten million dollars out there so far. This is just the groundwork, okay. And they go out and they get an SBA loan and they build a brand new modern plant really built right. It gets down to the last $80,000 to put the equipment in to make the plant blow and the SBA cuts the money off and says no way. And the plant was finally used as a warehouse and burned up.

But this is the typical thing. It got shut off because the reason is they lost that extra amount of money for the equipment. The equipment was already aboard railroad cars to be sent to Valdez. The reason is they didn't have any operating capital, the corporation which was going to be given to the City of Valdez. They couldn't get anywhere.

Later on in Valdez, when the pipeline was under way and they were tangled up in the court system, now you have sewer, water, title, and everything you want to have, through there was no housing money because the banks wouldn't look because the thing wasn't under way. When the time came for the housing in Valdez, then came the housing and you had to do two things at one time. This is where the State capital can go into and do ahead of time. When you realize something is going to happen, you can go ahead and

prepare for it and do it. It should be an area where a bank can't get into or some other kind of lending institution can't get into, so it solves some kind of personal need.

MR. ECKHOLM: Let's wrap this thing up.

MS. RICHCREEK: I would like to add one other thing, and that is the State come up with some lands for sale where the people can buy the land to build a house. The reason I'm saying this, out in the Glenn Allen Copper Basin area it's owned by the University or the State of Alaska. People wonder why it's one mile wide and ten miles long, and that's the reason, because it belongs to one or the other.

MS. ALECK: I wanted to add something on this bank acting as a loaning agent for the State funds for personal or business and so forth.

That if the State deposited funds in various banks throughout the State, then they should also set down the criteria as to how these loans should be handled, perhaps even the interest rate. So, in other words, the whole thing isn't up to the bank and they turn around and say, "Oh, yeah, if you need our criteria, we'll loan it to you at 14 percent," or who knows what. You are trying to get the money into people's hands who need it halfway reasonably. Acting more as an agent.

MS. SCHIRMER: I think it's more consent.

MR. ECKHOLM: You realize that by the State taking money and loaning it out at eight percent, if the going rate is 18 percent, if that is money that is, say, permanent fund money or other money, that you're losing that money eventually, you're spending it. It won't be returned to you. It's drawing down. So what you're spending it for, you're not going to replenish the fund. What you're spending it for is going to have to replenish the fund.

MS. ALECK: I'm not saying eight percent per se. Some kind of a fair rate. This is enabling business and construction all over the State.

MR. POMEROY: You said something earlier about we might already have added up an awful lot of money than we have to spend. I am assuming, personal assumption, that we're talking about the kind of investments that are cost effective, whether they're for private business or whether they're for an infrastructure in a harbor. And my position is going to be consistent. It's got to be cost effective. It's got to be able to pay its own way, showing as well as you can show with an investment.

MR. PORTER: One more thing, Mr. Chairman. Also to keep in mind we're talking about the next ten years. We're not talking about tomorrow or the next ten months.

MS. SIMONDS: There may be duplications on the list that are in the office, too. Probably a lot of people are

asking for the same time type of things. So you can compare them and cross off the list and have the same.

MR. PADDOCK: I was going to second Rosie's statement that I think we're doing this wrong.

Will we be going back over this list again before we get through this thing?

MR. ECKHOLM: I'm starting to feel now that we just kind of started to warm up. We're starting to get to know each other, we're getting at areas that are of broad general concern. That are consistencies, and I don't think there is time enough that we have information to go ahead and specify things.

What do you want to do from here? Essentially what we've got is we've got all day tomorrow, and that's about it. And Saturday, they go in the general group and this is what we decide on.

MR. PADDOCK: I think before we finish we ought to go through this shopping list and do some prioritization. But it might be a good idea to trot this list out now.

But certainly I think there should be some reference back to it before we conclude because this lady over here mentioned rehabilitation. I think we sort of sailed by that, subject to Direct Services. Right at this point, without having discussed it, I think we're all looking at other things. We're looking at Christmas gifts

instead of the groceries. And certainly we don't want to give this business of rehabilitation a short shrift. However, I would hope that everybody will take in this -- is it tomorrow morning that George Hohman said we're scheduled for this "Outward Bound"?

MR. ECKHOLM: What I'd like to do is what you're saying: We don't come up with recommendations, and instead of spending the day on one thing, try to compress into two or three hours tomorrow at the end on recommendations, and decide upon all of the recommendations at that time as a group and we don't decide on anything right now until after we've gone over the areas that we have looked at.

MR. POMEROY: Pardon me. But in connection with that, we've certainly got to relate all we've said about what we think about endowing ourselves to think of the future when oil begins going down. Whatever we think about it, we've got to say something about it.

THE MODERATOR: After our breakfast, we have Milton Lipton coming in at 9:00. So we'll start off in the morning with him.

We meet at 8:30?

MR. ECKHOLM: You have 8:30 a.m. It's an assembly.

(The's proceedings recessed at 6:00 P.M.)