

LEGISLATIVE FINANCE - HOUSE / SENATE FINANCE COMM. FILES 8879

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1984 S-K Awards

<u>Project Title</u>	<u>Recipient</u>	<u>Funding</u>	
		<u>Federal</u>	<u>Match</u>
<u>Alaska Region</u>			
1. Pollock Industry Development	Alaska Fisheries Development Foundation Anchorage, AK	\$1,300,000	\$849,200
2. Alaska Pollock Promotion and Education	Alaska Seafood Marketing Institute Juneau, AK	321,000	232,700
3. Recommended Whitefish Quality Guidelines	Alaska Seafood Marketing Institute Juneau, AK	18,700	11,300
4. Americanization of the Northeast Pacific Fisheries	Pacific Seafood Processors Association Seattle, WA	250,000	132,080
5. Quality Assurance Education Program/Groundfish	University of Alaska Anchorage, AK	112,570	49,227
<u>Northwest Region</u>			
6. Food Service and Institutional Seafood Marketing Development	West Coast Fisheries Development Foundation Portland, OR	250,000	117,500
7. Development of Methods for Washed Fish Flesh Production Utilization	West Coast Fisheries Development Foundation Portland, OR	100,000	45,880
8. Restaurant Training Module	West Coast Fisheries Development Foundation Portland, OR	33,460	17,000
9. White-Fleshed Fish in the Diet	West Coast Fisheries Development Foundation Portland, OR	23,730	13,733

## 1983 S-7 Awards

<u>Project Title</u>	<u>Recipient</u>	<u>Funding</u>	
		<u>Federal</u>	<u>Match</u>
<u>Alaska Region</u>			
1. Pollock Industry Development	Alaska Fisheries Development Foundation Anchorage, AK	\$1,644,123	\$1,167,500
2. Minced Pollock Pilot Project	Alaska Fisheries Development Foundation Anchorage, AK	143,715	105,000
3. Groundfish (Whitefish) Marketing	Alaska Seafood Marketing Institute Juneau, AK	100,000	99,675
4. Sablefish Market Development	Alaska Longline Fishermen's Association Anchorage, AK	132,500	52,215
<u>Northwest Region</u>			
5. West Coast Seafood Marketing Program	West Coast Fisheries Development Foundation Portland, OR	540,000	270,000
6. White Fish in the Diet & Plasma Cholesterol Level	West Coast Fisheries Development Foundation Portland, OR	18,000	12,000
7. Assessment of Fishery Potential for <u>Loligo Opalescens</u>	West Coast Fisheries Development Foundation Portland, OR	60,000	17,467
8. Development of an Oregon Squid Fishery Market	Southwestern Oregon Community College Coos Bay, OR	70,000	65,000
9. Development of a Washington Squid Fishery	Washington State Department of Fisheries Olympia, WA	41,493	17,603
10. Public Education Program for Recreational Shellfish Fishery	Washington State Department of Fisheries Olympia, WA	26,060	11,200

1982 S-R Awards

<u>Project Title</u>	<u>Recipient</u>	<u>Funding</u>	
		<u>Federal</u>	<u>Match</u>
<u>Alaska Region</u>			
1. Model Whitefish Processing Plant	Alaska Fisheries Development Foundation Anchorage, AK	\$548,825	\$195,000
2. Demonstration Longliner - Processor Aleutian Mistress	Alaska Fisheries Development Foundation Anchorage, AK	123,825	95,200
3. Sablefish Market Development	Alaska Fisheries Development Foundation Anchorage, AK	186,325	123,500
4. Octopus Fishery in the Aleutian Area	Alaska Fisheries Development Foundation Anchorage, AK	70,825	22,000
5. Hydraulic Clam Dredge	Alaska Fisheries Development Foundation Anchorage, AK	123,325	76,000
6. Quality and Preservation of Alaska Groundfish	Alaska Fisheries Development Foundation Anchorage, AK	85,725	21,000
7. Canned Pollock Marketing Test	Alaska Fisheries Development Foundation Anchorage, AK	93,225	19,200
8. Atka Mackerel Product Evaluation	Alaska Fisheries Development Foundation Anchorage, AK	187,825	130,600
9. Pacific Salmon Export Development Program	Alaska Seafood Marketing Institute Juneau, AK	302,825	254,000



ALASKA FISHERIES DEVELOPMENT FOUNDATION, INC.

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“We look to AFDF as a fountainhead of information about the industry. The seafood and surimi industry is growing in volume and potential, and as a major food ingredients supplier, we have to know what the latest developments are. I look to AFDF for the latest information. They know what's happening faster than most other organizations do. AFDF is riding the crest of a huge new industry that is just being born, and which is going to have a huge impact in feeding the world. We consider our membership in AFDF a tremendous benefit, because they tell us what we need to know.”

-- Bob Campbell  
Pfizer Chemical Division

“During our three-year membership in AFDF, we have seen opportunities become realities, as a direct result of the Foundation's development projects. Membership in AFDF allows direct participation in the design and guidance of the Foundation's projects. This ensures that the Foundation funds are channeled into areas that open doors for the industry and enhance the opportunities available to our companies, our clients and suppliers.”

--Steve Smith, President  
Kemp Pacific Fisheries, Inc.

“We first joined AFDF in its early years to channel S-K dollars into projects that would have the greatest benefit to the fishing industry. Since then, AFDF has helped Alaskan fishermen tremendously, not by direct grants — we never needed anyone to teach us how to fish! — but through their projects, which opened up new markets and new opportunities. The results have brightened the future for fishermen operating small, medium and large vessels. The spinoff has been tremendous, and we look forward to the same kind of new opportunities as AFDF broadens its focus toward flatfish and other underutilized species.”

-- Al Burch  
Alaska Dragners Association

“We joined AFDF to have access to its technical literature, and to establish contact with people in the business. As a Midwestern egg company that knows very little about the seafood industry, AFDF seemed best equipped to help us make the contacts we needed and to provide technical data we could use to expand our market base. The Foundation promotes the Alaskan industry, but with far-reaching ramifications for the future of U.S. seafood industry in general.”

-- John Toney  
Henningsen Foods, Inc.

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## *Bridging the gulf in new seafood technology*

Alaska Fisheries Development Foundation bridges the gulf between current technology and new opportunities in Alaska's seafood industry. The Foundation helps its members and the industry gain new knowledge, develop new technology, and make new contacts that help the industry become more stable, grow more consistently, and become more profitable year by year.

AFDF is a catalyst between the seafood and the food and protein industries, bringing together problems, possibilities and potential solutions. We provide the impetus for new ventures that bring the promise of a more stable, vivacious seafood industry in Alaska.

We are a non-profit, industry-directed firm funded by the Saltonstall-Kennedy program administered through the National Marine Fisheries Service. These funds come from import tariffs on foreign-produced marine products.

### *Setting a new course*

AFDF sponsors research and demonstration projects that open the way to significant new opportunities, but which are too risky or expensive for a single company to conduct. We demonstrate for Alaskan fishermen and processors how to adapt new technologies to their boats or plants, and profitably expand their participation in the world food industry.

From trying out a new gear type to developing a whole new seafood industry, AFDF has expedited development in all sectors of the industry. These projects are always guided by the firm hand of experience provided by AFDF's members and other industry leaders.

### *Informing our members*

The information generated from Foundation projects is immediately accessible to AFDF members, and to the industry. The Foundation publishes technical data and industry information in its journal, *The Lodestar*, and AFDF reports, and disseminates new information through other industry publications. Project data, technical information, and the resulting discussions are the lifeline of our vital projects. Members also use our information network to promote their new systems or services.

### *Making creative contacts*

One of the Foundation's essential services is its interactive information channel, through which the staff, AFDF members and those on the leading edge of their industries exchange data, ideas and concerns.

AFDF maintains a broad network of industry experts who, through AFDF, exchange the kind of information not available through conventional industry channels. We preserve and nurture these communication lines with dedication and verve, believing that if we can get the right people together in the right environment, the industry's potential for creative development is unlimited.

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## Harvesting

AFDF is dedicated to increasing the ex-vessel value of Alaskan seafood resources by enhancing quality and consistency, developing new on-board technology, and testing gear modifications. In addition, AFDF has:

- Studied the effects of refrigerated seawater (RSW) holding on Alaska pollock quality;
- Applied RSW studies to the end quality of pollock surimi;
- Sponsored test conversion of a large crabbing vessel to longline gear to demonstrate new opportunities for Alaska's idle crab fleet;
- Initiated a project demonstrating optimum flatfish handling techniques to increase ex-vessel value of groundfish by-catch and to investigate opportunities for small boats in the trawl fisheries;
- Sponsored several projects for small-boat harvesters focusing on remote-area cod, squid, octopus and other underutilized species;
- Worked with pink and chum salmon harvesters to open new opportunities for their products.

Five Alaskan harvesters sit on the AFDF Board of Directors.

## Processing

AFDF was the primary architect of the U.S. surimi industry. Through our five-year surimi industry development project, AFDF designed and contracted for the first commercial shore-based pollock surimi facility in the U.S. We have dedicated nearly \$4 million to testing and upgrading the traditional surimi production process by incorporating Japanese skills with new technologies from the European seafood industry and the sophisticated U.S. food industry.

As a result of our surimi project, several processors and a number of food companies have entered the surimi business. A reliable U.S. surimi supply is now established, and many other Alaskan seafood processors now are participating in the profitable bottomfish processing industry.

AFDF also:

- Helped ease financial and technical barriers for Alaska's first large-scale white fish plant as it pioneered shore-based processing of cod and pollock, providing the industry with a model plant by which to assess their own opportunities in Alaska's cod and pollock fisheries;

- Sponsored a new processing technology demonstration for flatfish to expand profit opportunities for processors;

- Conducted numerous seafood and surimi quality studies to help processors achieve greater product consistency; and

- AFDF also has sponsored several small-scale industry development projects to benefit small and large seafood processors.

Five Alaskan processing companies are represented on AFDF's Board of Directors.

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## *Product and technology development*

The most effective way to increase profitability of a certain seafood species is to increase the number of potential uses for the product. Some of AFDF's most dramatic successes have come from product development projects, in which we have provided samples, technical advice and financial assistance to companies experimenting with new uses for seafood proteins. These projects open opportunities to food companies looking for new protein sources with high functionality, and also benefit seafood producers willing to adjust their product mix to capture new, profitable markets.

In this area, AFDF has:

- Distributed samples of frozen and dried surimi, salmon and other products free of charge to companies experimenting with new systems, ingredients, or flavors, or testing Alaskan seafood proteins in their formulations;

- Allowed equipment and systems manufacturers to test their equipment during AFDF's demonstration projects to determine the potential profitability of new technologies in Alaska's fisheries;

- Encouraged experimental use of different ingredients, flavors, and cryoprotectants to improve the quality and profitability of Alaska's seafood products;

- Sponsored the industry's pursuit of USDA approval for surimi in processed meats. This effort helped develop several new surimi/meat products, and a significant data bank regarding the interaction of surimi and muscle meats and the microbiology of surimi. Several meat companies now are actively studying surimi as a binder and a protein ingredient;

- Made profitable connections for companies making salmon or pollock leather, salmon patty ingredients, new food products, fish oils and gelatins and other seafood-related products in their pursuit of seafood processors who could supply their needs;

- Sponsored a nationwide New Product Development Contest to encourage innovative uses for Alaska's seafoods. This contest resulted in nearly \$100,000 in financial aid for new product development demonstrations that focused only on Alaskan seafood; and

- Made a pilot-scale surimi and crab analogue line available to equipment and ingredients companies and food processors for experimental purposes.

Two members of the food, ingredient, equipment or support industries sit on the Board of Directors.



# The LODSTAR

Charting the

Alaska Fisheries

Development Foundation

## Special Issue: AFDF at ten

This special 10th Anniversary Celebration issue of The Lodestar tells the story of Alaska Fisheries Development Foundation.

It recalls the beginnings of AFDF, its first board of directors, its struggle for life, and its first projects. It tells the tale of efforts successful and frustrated, of people coming and people going. Even if The Lodestar were more than eight pages, there would not be enough room to tell all the stories, to introduce all the characters, and to remember all the moments that were turning points in the Foundation's history.

But this is a start. It will help acquaint newcomers to the Foundation and its beginnings. It will stir long-time associates to remember things they might have forgotten. It will possibly encourage more people to join the Foundation and be involved in its projects in the coming ten years.

This issue of The Lodestar not only celebrates the achievements of the Foundation; it also celebrates all the people who have been associated with AFDF through the past decade. There won't be room to mention them all, though their names and efforts are inscribed on the inner halls of the Foundation's collective memory.

And what a collective memory it is. Just for starters, we thank our 1988 board of directors:

### President

Al Burch, Alaska Druggers Assoc.

### 1st Vice President

Steve Smith, Kemp Pacific Fisheries

### 2nd Vice President

Phil Hanson, UniSea

### Secretary/Treasurer

Rod McLachlan, Trident Seafoods

John Sevier, Alaska Pacific Seafoods

Oscar Dyson, All Alaskan Seafoods

Henry Mitchell, Bering Sea

Fishermen's Association

Hank Eaton, F/V Skagit Bay

Phillip McCrudden, McCrudden

Fishing Ventures

Rae McFarland, McFarland Foods

Gil Gunderson, Northern Fury

Seafoods

William Reinke, Van Camp Seafood

In addition to the board of directors, AFDF relies on and gains much from the direction of Carl Rosier, Chief of Industry Services at National Marine Fisheries Service Alaska Region in Juneau.



## A Decade

By Kryc Holmes

Looking back, the path the Foundation has taken seems direct, planned, 1978 looking forward and sometimes staggering past.

Like most things in the fish business, it started with a rumor. The way Sara Hemphill of National Marine Fisheries Service got \$3 million of federal Saltonstall money going to give part of it to New York was a white fish development project.

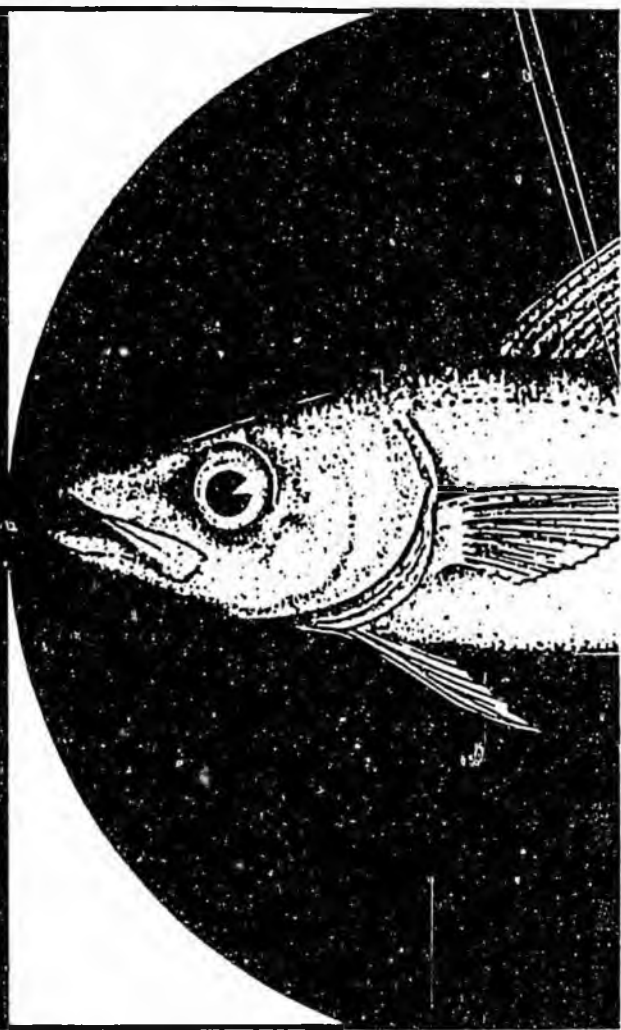
"In typical Alaskan style, the rumor spread," Hemphill said. It seemed like a contract without bids, and New York got the money. NMFS called a meeting and expected only a few people. The money was there.

"What came out of that meeting was that NMFS couldn't let a \$3 million

# ★ STAR

fisheries development today.

Volume VI Number 4, Autumn 1988



## e of Development

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contract, and that

we should set up some organization that could funnel the Saltonstall-Kennedy money to the industry," Hemphill said.

Almost twenty months later, the Alaska Fisheries Development Corporation, with \$100,000 startup money from the state of Alaska and Sara Hemphill as executive director, embarked on its first white fish development project, a \$1.475 million demonstration of the economical and technical feasibility of Alaskan fishing vessels and processing plants going after the foreign-controlled Alaskan white fish industry.

The Saltonstall-Kennedy fund was created by a 1954 act of Congress to devote one-third of all revenues from import tariffs on marine products, including coral, pearls and seafood products, to the U.S. seafood industry. The money was to be used for fisheries development projects, and its application was to be industry-directed.

"That first project had something for everybody," Hemphill said. The project was segmented to include activities from all parts of the state and to include fishing, processing

and marketing. It included shrimp boats, longliners, crew training programs and processing demonstrations. It touched on pollock, cod, sablefish, and black cod.

## 1978

Alaska Fisheries Development Corporation was formed, the first organization in Alaska to include both fishermen and processors, and to span all industry interests. Ron Jensen was the president of the board of directors. Other board members were: Patrick Pletnikoff, Pete Harris, Connie Taylor, Al Burch, Larry Painter, Jim Ferguson, John Enge Sr., Robert Morgan, and Jim Marr. Hemphill was Acting Executive Director, and was soliciting applications for the permanent post until the board convinced her to stop fooling around and apply for the job herself. She did; she was Executive Director until 1982.

"After many months of careful planning and preparation, the public trust in fisheries development is now an active, tangible reality."

—AFDF Bulletin August 1980

Through the first year of AFDC, members were most concerned with increased foreign allocations of bottomfish under the one-year-old 200-mile limit law. A November 10 AFDC newsletter quoted attorney Ed Furia speaking to a U.S. bottomfish workshop: "We found out this morning ... that the State Department is considering increasing the allocation of Alaska bottomfish to Korea and to Poland so that they can sell those bottomfish in the United States....We think this is incredible."

The goal seemed clear to membership: to capture the profitable fishing and processing activity that was given to foreign companies. The methods seemed less clear. The Alaskan fishing industry was segmented, with many separate groups representing gear types, regions and activities.

The same AFDC newsletter of Nov. 10, 1978 tells a story of two boys trying to balance on railroad tracks. Neither could make it far, until they discover that by holding hands across the expanse they could keep each other balanced. "AFDC symbolizes the hands held across the track," wrote editor Connie Taylor.

## 1979

After riding a "rollercoaster on the funding issue" through the winter of 1978-79, Sara Hemphill announced in the spring of 1979 that Congress had finally approved \$1.445 million, promised the year before. But it would take until September to see the first dollar of S-K money. In the meantime, the

"Government must recognize that its agencies are not experts; the expertise resides in the private sector. Government must assist without interfering, challenge without destroying and encourage without building a false foundation."

—The LodeStar Autumn 1983

board updated its white fish development project proposal, and prepared for some smaller projects.

In October, bids were solicited for a bottomfish trawler, a shrimp trawler and a longline vessel, and for shore-based or floating processors who would handle the product harvested

by the project's boats. It was a small step toward Americanization of Alaska's bottomfish resource.

Also in 1979, the board of directors decided one change had to be made to ensure the organization of its non-profit status, and to underline the philanthropic purpose that characterizes the organization: they changed its name to Alaska Fisheries Development Foundation.

## 1980

"Working to meet the diverse self-identified needs of the Alaskan industry is a monumental task," wrote Sara Hemphill in February 1980. As a first step, the AFDF board drafted a mission statement, affirming that the Foundation's purpose was "to encourage the full and viable domestic utilization of all Alaskan fisheries consistent with wise resource management and healthy development of Alaska's fishing communities."

By this time AFDF had developed a reputation as the only arena in which fishermen and processors, on-shore and off-shore, Southeast to the Bering Sea, could communicate needs and cooperate in solutions.

AFDF's 1980 projects included helping create a shore-based white fish processing plant, originally sited at Alaska Food Company at Gibson Cove, in Kodiak; and equipping a 124-foot combination crabber/longliner called the *Aleutian*

*Mistress* with a Mustad auto longlining system. Both projects would see plenty of changes before they were finished. The *Aleutian Mistress* was the first of many projects in which Baader North America contributed technology, time and expertise to an AFDF project.

AFDF also arranged to place U.S. observers aboard the German factory trawler *Friedrichs Busse* to collect harvesting, processing and economic data. Participants confirmed that the North Pacific bottomfish learning curve was indeed very long, and that the market had no patience for those who were still on it.

Ron Jensen resigned from the board in 1980 and was replaced by Bob Anderson. AFDF hired Sharon Gwinn as assistant executive director; she was with the Foundation until 1985 and returned in 1986 as acting executive director. Bettymae Jones was hired as office manager.

## 1981

"U.S. development of an Alaska pollock fishery will probably not be viable until we develop successful methods of using minced pollock either as an export commodity or in products acceptable for domestic consumption," said Dick Nelson of NMFS in 1981. His comment solidified ideas AFDF had been tossing around that fisheries development would not depend solely on fishing and processing Alaska's bottomfish, but on developing new, marketable products from Alaska's most abundant raw material.

A huge slate of 17 projects received \$1.9 million in S-K funds for fiscal year 1981-82. They included shore-based and at-sea cod, salt cod and pollock processing, demonstrations of longline gear, baiting systems and fishing, a fish waste recovery project, several small fishery studies, a fishing vessel safety project, a study of cold storage and transportation needs in Alaska, and several marketing and informational projects.

In November 1981, AFDF sponsored a conference entitled, "Alaska Pollock: Is it a Red Herring?" The meeting would finally set fire to Alaska's bottomfish development.

The AFDF board of directors in 1981 included Bob Anderson (as president), Al Burch, Jesse Foster, Greg Favretto, John Enge, Hank Eaton, Dan Flynn, Richard Pace, Ken Allread, and Jake Phillips. Charlene Wilson and Michael Broilij joined the staff in this year.

## 1982

Greg Cushing and Bill Woods joined the AFDF board of directors; Sara Hemphill resigned, citing a need for "new blood"—she may have felt she'd already spilled enough of her own—and Christopher K. Mitchell was hired as AFDF's second executive director. In an *Anchor-age Times* interview, Hemphill said she favored hiring Mitchell because "he asked harder questions of us than we asked of him."

In 1982 the Model White Fish Processing Demonstration Project was moved from Kodiak to Akutan, on the Aleutian Chain 700 miles west of Anchorage. There Trident Seafoods had built a 100,000 square foot plant dedicated solely to white fish processing. The Trident plant, the first of its kind ever built in Alaska, could handle more fish than Oregon's entire annual harvest. The project would begin with a target production of split, salted Pacific cod in March, and frozen filets later.

AFDF circulated 400 questionnaires to Alaskan fishermen and processors to help identify future projects that might have a significant impact on the future of Alaska's fisheries economy. The Foundation received 42 project proposals that year.

"Our most important mission," reads a newsletter from early 1982, "is to accelerate the growth and diversification of Alaska's seafood industry." With that goal in mind, the AFDF staff applied another year of S-K funds toward enhancing shore-based white fish processing at Akutan, completing the *Aleutian Mistress* project, demonstrating the quality and preservation of Alaskan groundfish, and exploring the feasibility of several new fisheries targeting on pollock, Atka mackerel, razor clams, sablefish and octopus.

By 1982 it was clear that developing the pollock fishery would depend on developing products to make from pollock—primarily surimi. A May/June AFDF Bulletin brings surimi to the Foundation forefront for the first time. "Sea food Alchemy: Turning croaker into crab legs" reads the headline; the story told of Nichibe Fisheries in Alabama



the company where AFDF would later find surimi technician Billy Thrash, who aided AFDF in its first tentative months of surimi production.

By 1982 the Foundation staff had increased to include Anita Murphy, Sharon Tyone, Linda Allen and Florence Scott. Late in the year, Ellen Wilson was hired as secretary. And on March 1, a day that will live in infamy for both AFDF and the pyrotechnics industry nationwide, (he once set fire to a stack of old Wall Street Journals on his desk while negotiating fantasy stock deals with Doug Humes) Chris Riley joined the staff as project manager.

## 1983

Throughout the history of AFDF run several common themes: creating opportunities for fishermen, filling the gaps in U.S. seafood processing technology, and exploring new uses for Alaska's seafood products. But in 1983, under the direction of Chris Mitchell and the nervously supportive eye of Carl Rosier of NMFS, AFDF took a dramatic turn: the Foundation moved away from its "scattershot" projects, planted most of its resources behind one concentrated, multi-year project, and dedicated itself to discovering and developing new methods of producing surimi from Alaska pollock.

"We're looking for a few greedy people," read a brochure AFDF produced that year. To succeed in a risky project like the surimi program—going against the political tides and certainly against the Japanese interests now very powerful in the Alaskan seafood industry—it would be necessary to make sure everyone had something to gain from the project. In 1983, AFDF submitted its surimi project proposal to NMFS, and began to lay groundwork for the project that would put AFDF on the map.

The staff contacted 500 U.S. companies—suppliers of ingredients, equipment, materials and knowledge—and sent out samples of Japanese surimi for product development purposes. Within months, companies across the country were twisting, poking, flavoring, coloring and tasting surimi.

The staff, hoping that at least some of these companies would find surimi profitable, pumped out as many samples and as much information as they could get hold of. And in the interests of better communications, *The Lodestar* was born.

In December 1983, AFDF selected from among five bidders one plant to conduct its surimi production project. After hours of proposal review, analyses and deliberation, a specially-selected board of advisors awarded the project to Royal Alaskan Seafoods in Dutch Harbor. The plant would be shut down within a year, and the deliberations would have to be repeated the following year. But, Chris Mitchell was quoted as saying, the level of knowledge demonstrated by the companies proposing for the project indicated "a growing strength of knowledge and commitment" to building an Alaskan surimi industry.

In early 1983, Barbara Culver joined the AFDF staff as accountant.

Also in 1983, the Trident Seafoods

plant in Akutan—after only one year of operation—burned to the ground.

## 1984

If 1983 was AFDF's Year of the Pollock, 1984 was the Year for Surimi. AFDF published "Hooked on Surimi," a directory of companies offering services and equipment to the surimi industry. The staff continued to investigate uses for surimi. The Foundation and National Food Processors Assoc. held a surimi conference in Washington, D.C. that drew 200 people and seemed to set fire under each of them.

But primarily, the energy of AFDF and its associated companies was toward building the first commercial surimi plant in Alaska. With Bob Ryan as chief engineer and Billy Thrash as surimi consultant, Royal Alaskan began small-scale surimi production on May 4. The quality was low, but excitement was high. Despite much talk to the contrary, Alaska had proved that it could make good surimi.

That summer, Royal Alaskan was shut down, the surimi project halted, and AFDF issued a second RFP for shore-based surimi production. This time, rather than a pilot-scale plant, AFDF went for full-scale commercial production of surimi. Alaska Pacific Seafoods of Kodiak was the winner this time, and late in the year all the surimi equipment was moved to Kodiak.

## 1985

"Surimi: It's American Now," announced *The Lodestar* in January 1985, under an illustration of the Norman Rockwell Thanksgiving table spread with surimi-based products. The illustration has become one of AFDF's trademarks. The message was twofold: Not only was it proven that Americans could make high-quality surimi on shore in Alaska, but the surimi was made with a combination of traditional Japanese and modern American and European technology.

Two hundred people came to "White Gold," a grand opening of the surimi plant, to get their shoes wet and see American surimi made. Once on shore, surimi began to capture the imagination of food executives and technologists. One company experimented with a surimi-based cheese log; another with surimi in cake mix; another with baby food. The potential value of an Alaska pollock industry profiting from waste, mince, meal, oil and surimi was estimated above \$6 billion per year.

Knowledge about the pollock market coincided with the opening of the rebuilt Trident Seafoods plant. Owner Chuck Bundrant had turned disaster into an opportunity, and had included

in his rebuilt plant design for pollock and cod processing equipment. With the new plant, Bundrant was set up to process 52,000 lbs. of pollock per day, worth over \$1 million per month, which at capacity would pay fishermen about \$260,000 per month.

In 1985 the pollock biomass seemed unending. Yet it became clear, from a standpoint of economics, efficiency, and resource management, that a successful pollock plant would have to fully use every ounce of protein an Alaska pollock has to offer.

With nearly a million pounds of surimi on their hands, the AFDF staff turned their attention to market development. How to create entirely new markets and uses for a material few knew very much about? A few analog plants were springing up in the Lower 48. AFDF concentrated on working with food develop-

ers, those who would create products beyond the imitation seafood market. It was the beginning of an endeavor still continuing, though today the effort centers not only on surimi but on all seafood forms.

## 1986

A good year for the product development effort for surimi at AFDF. The year dawned with a new line of health food products including a granola bar and a powdered protein drink, all using surimi. Next, Lynda Nestelle created a moisturizing cream using surimi as the binder. The trend continued with AFDF's first visit to the Western States Meat Association convention, where the little fisheries booth was nearly bowled over by eager meat packers who were either checking out the opportunity or the competition—even they may not have been sure which.

AFDF had achieved three important goals in its surimi project: it had successfully produced surimi in the U.S.; it had proven that existing technology could be improved upon using existing American equipment and techniques; and it had marketed the surimi in the U.S. and Japan.

And so, AFDF began the process of stepping back from the forefront of surimi industry development. By this time there were two other surimi plants on shore in Alaska and several floating processors being built. Work was being done independently of the AFDF project that indicated the surimi industry was on strong footing. It was time to start looking to the future.

In the spring of 1986, Chris Riley left AFDF and the surimi project he had devoted himself to. In the fall, Chris Mitchell resigned to start his own company in Seattle. In September Sharon Gwinn, who had left in 1985 to start a business with Richard Rhoda, returned to fill in as acting executive director.

## 1987

Ten years after that first December meeting that sowed the seeds that would become AFDF, foreign fishermen harvested Alaskan white fish in U.S. waters for the last time.

The new year brought high prices for U.S. pollock fillets and blocks, and doubled production of surimi for Alaska Pacific Seafoods. The economy of Alaska was deep in a recession but Kodiak boomed from bottomfish activity. AFDF started a project to enhance fish waste processing technology, and focused on gaining USDA approval for surimi as an ingredient in meats.

In March, AFDF published *Surimi: It's American Now*, the first compendium of surimi knowledge in the U.S.

On April 1, Mel Monsen joined the staff as executive director. Soon after, he hired Loretta Lure and Peter Moore, who had been temporary contractors to AFDF during the transitional period.

The effort to move AFDF from its surimi project toward the future began with a flatfish demonstration project, a new seafood product development contest, and a study of pollock liver oil and its potential uses. The Foundation had moved from the uncertainty of its start, through the process of proving itself by aiding different segments of the industry, into a very focused project that was planned to benefit the entire Alaskan seafood industry directly or indirectly—and now began broadening its vision again to encompass the areas that still needed the unique kind of activity only the Foundation can conduct.

## 1988

In its tenth year, the Alaska Fisheries Development Foundation enjoys the stability that comes with having a history. Not everyone has supported AFDF or its projects, or agrees with the directions it has taken. Many agree the Foundation has been a force of change and growth in the industry; some think it hasn't done enough to benefit small Alaskan operators.

There were a few successes in 1988: Surimi gained approval from the USDA as a processed meats ingredient; The tenth U.S. surimi factory ship has been launched; a salmon chili that resulted from the Foundation's new product contest is entering commercial production; Koriak Reduction, Inc. added a dryer to its meal plant and the flatfish project at Eagle Fisheries is moving piecemeal toward profitability.

AFDF celebrates its tenth anniversary with a taste of uncertainty flavoring the punch. The SK Program funneled less money to fisheries development projects this year than ever before. Some member companies are beginning to question if the priorities outlined by NMFS speak to the needs of the industry. But a few things are clear: AFDF was set up as a catalyst for public funds directed toward private industry, to benefit the greatest number of people with the smallest amount of bureaucracy. Members agree that, whatever direction the Foundation takes in the future, its role as high-risk catalyst will continue.



# Back to the Future: What's AFDF up to now?

*Alaskan flatfish impresses the U.S. market;  
a new surimi product—possibly for fast food;  
and the search is on for oil processors*

**A**laskan flatfish is attractive to the domestic market because of its reasonable price and high quality, but bad weather and scattered stocks make it a questionable wintertime fishery.

Those are some preliminary conclusions from the Eagle Fisheries flatfish demonstration project, where Eagle has produced mechanically-processed fresh and frozen fillets and frozen fillet blocks from the region's flatfish resource since February of this year.

In their November monthly report, the Eagle staff wrote, "A major national restaurant chain has tested Alaska's flatfish and accepted them for a test marketing program to place Danish flounder. The reason? The price is low and the quality is high."

Most high-quality flounder produced in the U.S. is generally siphoned off to pricey fresh markets; the rest are frozen, Eagle said. Asia exports a more reasonably-priced IQF yellowfin sole produced at-sea, but quality of that product ranges from "OK to awful," Eagle reports.

"Like many other Alaskan products, it appears that a niche between the two extremes of low-priced seconds and high-priced fresh is the ultimate direction for IQF Alaskan sole."

In most developing fisheries, the assumption has been that, if there's a market for the fish, the fishermen will be able to deliver. However, Eagle is the first shore-based flatfish plant to remain operating through the winter, and the plant is learning some unique lessons about Gulf of Alaska flatfish.

The many species of Alaskan flatfish, which congregate during the warmer summer months, moved out of their traditional grounds in the fall and now, when they can be found, they're less concentrated than before. As a result, landings in September and October were far lower than the million-plus-pounds monthly landings in July and August. October brought only 390,507 lbs. in flatfish landings at Eagle. Rex sole comprised 36% of the catch, Dover sole 33%, rock sole 20% and flathead 11%. All species were in varying stages of roe development.

To maintain production consistency for the one Baader 175 flatfish filleter at Eagle, the plant established a 70,000 lb. trip limit for its boats. It has been a moot point: average deliveries in October were 24,000 lbs., and the

largest single delivery was 50,000 lbs.

"Though the fishery has indications (that it can) support a substantial fleet, weather limitations in wintertime still may not allow a plant to work at capacity," Eagle's report said. "Regardless of a vessel's size, it appears that mixtures of marketable soles with other, perhaps unmarketable species, make this wintertime fishing for sole only a 'scratch' proposition at best. The offshore location of stocks does not make fishing impossible, apparently, but it does make proper sorting and icing at sea of the delicate sole unlikely during periods of bad weather."

Production yields continue to increase over yields attained early in the project. Yields to trim weight in October averaged 29.3%, and overall plant yield after packaging was 27.1%. Yields by species were: Dover, 31%; rex 30.3%; flathead 26.9%; rock sole 26.2%.

One of the goals of the project is to compare yield averages of the Baader 175 to those of experienced hand filleters. In October Eagle hired two hand filleters. A preliminary production test run showed the hand filleters attained yield figures averaging about 1% higher than the Baader 175 for each species. However, in controlled tests the Baader 175 and the hand filleters achieved the same yields.

The goal of AFDF's flatfish demonstration project is to investigate the technical and economic feasibility of a shore plant entering into Alaska flatfish production. The cornerstone of this project is the Baader 175 flatfish filleting machine, which is in use on flounder and sole worldwide. However, it has been discovered during this project that some Alaskan flatfish species are physiologically different from their Atlantic or European brethren, and some adjustments to the filleting machine, and to the Baader 52 skinning machine, have been made for applications in Alaska.

Baader North America donated the use of its 175 filleter and its 52 skinning machine for the flatfish project. The Baader 52 was removed from Eagle last summer to make adjustments for Alaskan fish; it will return to the plant in the upcoming weeks.

Trio Industrier of Norway also contributed use of its Trio Skinner, which now is in operation behind the Baader 175, and reportedly is an excellent machine for Alaskan flatfish.

Eagle has also acquired a Scanvaegt automatic sorting machine, which weighs and sorts the frozen fillets into boxes for shipping.

AFDF publishes a monthly newsletter called "Sole Source" that covers the progress of the flatfish demonstration project. It is available free of charge. For more information about the flatfish project, call Peter Moore at AFDF.

*Will surimi be used  
in formed steak?  
Could be at a fast-food  
restaurant someday*

"Nobody offers a steak sandwich in the fast food business," a meat processor said at the Western States Meat Association Expo in November. "They can't afford to make it. But if they had surimi, maybe they could."

As part of the Expo, Dr. John Carpenter of the University of Georgia in Athens presented findings from a study of surimi as a binder in restructured steak. His study was part of AFDF's New Product Development Contest, which began last summer and was designed to encourage development of new commercial non-analog products from surimi, minced pollock and minced salmon.

Dr. Carpenter's study centered on developing restructured beef steaks using available plant machinery. He purchased fresh beef knuckles from a local butcher, removed all the fat, connective tissue and muscle sheaths, and cut the muscle meat into cubes measuring either 1x1x1" or 1x1x2" (to test the effect of meat particle size.) The surimi, with 0.5% sodium chloride

and 5% sodium tripolyphosphate added, was added to the meat in a mixer by extruding the surimi from a syringe with the tip cut off, a method that allowed very easy blending of the surimi and meat. The mixture was then stuffed with a vacuum stuffer into bologna casings, allowed to set at 4°C and then sliced into 3/4-inch steaks.

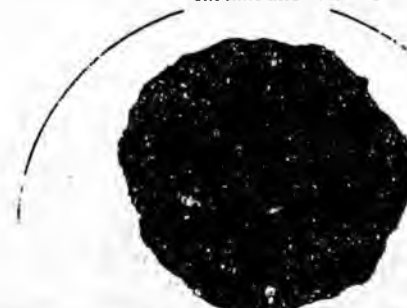
Dr. Carpenter wanted to find out two things: first of all, would a restructured steak using surimi have an acceptable texture, flavor and moisture? And second, how much surimi should be added, and how would the level of surimi used affect the overall characteristics of the product?

Taste panelists in Athens and in Anchorage agreed that the product was acceptable. The restructured steaks rated high in taste, mouthfeel, texture and juiciness. Even one sample that was deliberately overcooked came out no worse than any normal beef steak cooked too long.

But how much surimi should be used? Dr. Carpenter experimented with levels from 0.5% to 3%, including one sample with 1% surimi and 1.5% sodium caseinate. He evaluated the products at 0, 7, 14, and 20 days, and found that there was a marked deterioration of aroma and texture by the seventh day, though flavor and mouthfeel were not affected. But by 14 days the scores were back up again. Panelists did find some overall differences in aroma and flavor after the product had been stored 20 days. And one experiment revealed a preference of 1% surimi over 1.5% surimi levels used in the product. The product with sodium caseinate was not preferred by any of the panelists.

Dr. Carpenter also conducted studies on the relative bind of surimi at different levels, and of the microbiological differences of product using different levels of surimi and at different time intervals. His results are

*Dr. Carpenter's reformed steak with surimi as a binder: Good bind, good bite, good idea.*



# READ OUR FINE PRINT

charted in progress reports; AFDF will publish his final report early next year.

"Surimi structured steaks have the unique potential to be marketed in the fresh state," Dr. Carpenter reported. "There existed a protein/protein interaction between the beef and surimi that further accommodated the binding effect. From these results, it was determined that much less surimi could be used and that larger meat pieces could be successfully bound in the raw state. It appears that 1% is the best level of surimi to add."

For more information call Loretta Lure at AFDF, or Dr. Carpenter, University of Georgia College of Agriculture, Athens, GA 30602; (404) 542-2286.

## At last: Some real economic data on the Alaskan seafood industry

A cooperative venture by several public and private organizations will result in three related documents that will provide for the first time information about the economic importance of Alaska's seafood industry.

The three reports are all due out within the next six months, and together will give public and private interests alike the kind of industry-wide information on which decisions can be made about investment, community development, infrastructure needs and business development plans.

The first report out will be "A Comprehensive Fisheries Economic Development Plan," published by the Southwest Alaska Municipal Conference from data collected by Graystar Pacific Seafood, Ltd. and Coopers & Lybrand. This study will involve analysis of trends in fishery resources, industry activity, and markets in the Southwest Alaska region. It will also outline the area's requirements for development and an economic development plan for the region.

The plan is scheduled to be published in December 1988. For more information call John Levy, Southwest Alaska Municipal Conference, at (907) 274-7555.

A cooperative study sponsored by the Alaska Seafood Industry Study Commission, in which AFDF is a participant, will evaluate the value and economic importance of the seafood industry to the economy of the state of Alaska.

This study is being conducted by The McDowell Group of Juneau, through surveys of processors, fisheries organizations and fisheries-related agencies, and through intensive data collection from the Commercial Fisheries Entry Commission (CFEC), the Alaska Department of Labor (ADOL), and National Marine Fisheries Service (NMFS). From ADOL, the McDowell Group is collecting employment and payroll data; from CFEC, regional and statewide summaries of seafood processor production and wholesale value statistics by species

and product. NMFS will help compile data on joint venture and foreign catch statistics from 1977 to 1987, and domestic catcher/processor and mothership production statistics for 1986-87.

The Alaska Seafood Industry Study also includes regional and statewide seafood catch statistics from the Department of Fish & Game; fish tax and license revenue data from Department of Revenue, and other related information such as processor permits, seafood exports, investment history, employment levels, budgets of public agencies, and net earnings by species, gear type and area. The Alaska Seafood Marketing Institute, Alaska Factory Trawlers Association, the International Trade Administration, and several other companies and agencies are participating.

The final report, scheduled to be completed in January 1989, will be the first compilation of such information yet to be made available. Copies will be distributed through AFDF, and through some of the other participating firms. For more information call project coordinator Loretta Lure at AFDF, or Eric McDowell at The McDowell Group, (907) 586-6126.

## ...And a new white fish oil study begins

One of the primary goals of the fisheries development community in Alaska is to learn how to make better use of the material now wasted in seafood processing.

AFDF issued bid solicitations on November 21 for processors interested in trying out hydrolyzing equipment on white fish processing waste for use in pet foods, animal and aquaculture feeds, protein supplements and protein blends for institutional use.

Interested processors must handle at least three groundfish species (cod, pollock, sablefish, flatfish, etc.) and be willing to produce samples from other species as well. The demonstration will run from January to March 1989, and AFDF will provide a hydrolyzer from Advanced Hydrolyzing Systems along with appropriate technical training.

This pilot-scale project will help train processors in handling and production, and marketing to some degree, of white fish oils and hydrolysate. AFDF plans to set up a full-scale commercial demonstration of hydrolyzing technology next year.

The deadline for submitting proposals is December 15, 1988; a processor will be selected on January 2, 1989. For a copy of the request for proposals or for more information, call Loretta Lure at AFDF.

"Hazard Analysis Critical Control Points: An Outline for the Surimi Industry," 53 pp. The first comprehensive safety assurance program for surimi producers. This document outlines critical points in the production process where microbiological problems are most likely to arise, and presents a program to prevent all potential safety hazards. Compiled through much industry input by Manning, Batson & Assoc., it includes a plant sanitation program, quality assurance, physical/chemical hazard prevention, microbiological safety, and how to document and audit programs once they're in place. Available from AFDF at no charge.

"Partial Quality Control: Surimi/Meat Products," 7 pp. Any shore- or ship-based surimi producer interested in supplying surimi to meat processors will want to know what quality control procedures to follow to satisfy the needs of this new market. Compiled by Manning, Batson & Assoc., free of charge from AFDF.

"Product Development: Surimi and Meat," 16 pp. Creative minds in both the surimi and the meat business will want to read this practical how-to for developing new products combining meat and surimi. It covers the characteristics of surimi, technical data, general guidelines for its use, a liquid cookout chart and some generic surimi/meat nugget formulations. Compiled by Manning, Batson & Assoc., free of charge from AFDF.

"Salmon Oil Recovery at North Pacific Processors," 7 pp. An interim report on the progress being made at North Pacific Processors, where AFDF is sponsoring a project to recover salmon head oil using hydrolyzing equipment designed to digest 500 lbs. of salmon heads per hour. Project is to test the feasibility of producing salmon head oil and hydrolysate paste from the waste stream of salmon processing. Project is ongoing. Copies are free from AFDF.

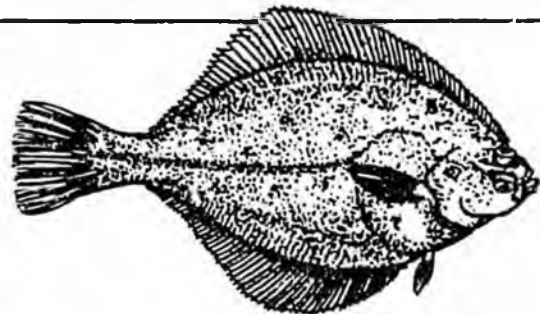
"New Zealand's ITQ Program," 40 pp. The Alaska Commercial Fisheries Entry Commission has produced a detailed review of the Individual Transferable Quota (ITQ) program in New Zealand. The program has been successful in providing a market in which participants are able to plan for the future, while some dramatic changes in its fishery management programs. Copies available from the Commission, call Ben Muse, (907) 465-4081.

### Free product samples from our store....

Samples of high quality pink salmon head oil from North Pacific Processors are now available from AFDF free of charge to companies conducting product development with such materials. Those interested may arrange with AFDF for shipment of 4- to 5-gallon samples of the oil.

AFDF also is offering samples of flatfish filets to companies who would like to become familiar with the high-quality flatfish species produced at Eagle Fisheries in Kodiak. Sample packs include frozen filets of varying sizes for each species.

For sample shipments, contact Barbara Cuhver at AFDF.



*"The person who thinks he can survive in constant change is a threat to all those who think they can only survive in safety."*

—A. Rae McFarland 1988

# GUEST Editorials

## *If we had known more, we'd have attempted less*

By Sara Hemphill  
AFDF Executive Director  
1978-1982

Ten years ago this month I was packing my children into what little space was left in my 1972 Toyota to head north to Alaska to an adventure that was to prove to be the most rewarding and challenging I've ever had.

We left Seattle in a downpour and rocked leisurely to Juneau on the *Matanuska*. Ben woke me the third day with, "Mom, Mom, come and look. It's just like a Christmas card!" And it was. Juneau was dusted with snow, the sky was overcast and looked like evening rather than sunrise, with a few lights twinkling among the dark green trees. It promised good things.

This adventure had begun a year earlier in Anchorage during a special meeting called by National Marine Fisheries Service following the December North Pacific Council meeting. Few of us present suspected that the seeds for AFDF (later to become AFDC) had been sown. It was three months and many drafting sessions later that a proposal was forwarded to Washington, D.C. requesting \$2.8 million in S-K funding to launch the U.S. groundfish effort. Few knew, or cared, what we were about. Indeed, the most frequently asked question was, "What's groundfish?"

It was another year and then some before final approval for the funding was a reality. The Christmas card promise seemed to have become a blistery wind from Scrooge's Christmas Past. The in-fighting and struggle for control that ensued were energy-sapping and expensive. Nonetheless, they forced a consolidation of participants and a honing and refining of the individual projects and budgets that served us well in the long run.

Finally, in October 1979, we had operating funds for specific programs, the "queen pin" of which was the longline large boat project—later awarded to Sea West and the *Aleutian Mistress*. Darryl Petersen, then President of Sea West, deserves special recognition for the outstanding contribution he made to the industry.

There was relatively little public enthusiasm for the AFDF undertaking. Without the dedication and support from key individuals, the program would have floundered. In addition to the staff, Board members and especially Ron Jensen who served as president, Pete Harris, Sig Jaeger, Walt Jones, Lee Alverson, Steve Hughes, Linda Chaves, Keith Specking, Jim Branson and the NPFMC, Wesley Johnson, Jim Hemming, Bert Larkins, Dick Reynolds, John Schmiedtke, Barry Fisher, NMFS staff, Dana Resecker, Bob Balkovic, Peter Barling-Doug, Bill Phillips, Steve Perles, Rod

Moore and, of course, the NMFS contracts officer John Hinman were unsung heroes who deserve applause for their invaluable help shepherding AFDF through its childhood.

The task of balancing what the public sector wanted to fund with what the private sector was prepared to (or interested in) undertake was a challenging one. Certainly the perception of which projects were effective and which were not ran the gamut from disaster to raging success, depending upon who was doing the perceiving.

Our goal initially was simply to get the ball rolling, or as Sig Jaeger said, "Prime the pump." Yet it was critical to have not only successful projects but ones that the industry felt were worthy. Choosing those first projects was tough; there were so many opportunities and needs. For the most part the processing sector was not interested in investing in a fishery before the harvesting capacity was proven. Likewise, the fishermen were not enamored with the idea of spending hundreds of thousands on trawl gear when there was no market for the product they would be trawling.

Fortuitously, Wally Peyreya and Marine Resources Company were just breathing life into joint ventures, the shrimp resource was declining, Al and Oral burch had both the vision and the fortitude to commit to a risk, and then the demise of the crab resource got

everyone's attention; AFDF was out of the starting box.

In those days there always seemed to be more skeptics than enthusiasts for the program. Most people with whom I spoke during the start-up phase said fishermen and processors would never work together; we proved them wrong and set an example that was later followed by the creators of Alaska Seafood Marketing Institute. offshore, big boat projects were suspect in the eyes of many; yet the information that developed through these projects proved invaluable to small and grand alike.

Finally in 1981, Pete Harris saw the processing plant project he had shepherded for many years implemented, and the second phase of AFDF was born. Chris Mitchell, my able successor, stepped in to write the second chapter.

Reflecting back, I think of AFDF as a work horse rather than the sleek race horse some thought we had acquired. The endless hours of research and preparation, deliberation and argument spent by thousands of committed folks over the years will never fully be credited. Certainly, we never enjoyed any glory. I trust, however, that they, like I, gained from the experience and are as proud to have been a part of this most significant chapter in the evolution of our industry as I am. I thank you, one and all.

## *The Old Map-Makers used to say, 'Beyond this place there be Dragons'*

By Chris Mitchell  
AFDF Executive Director  
1982-1986

Dragons, dragoons, dollops, doublings, dollars and a decade of development... While ten years may seem like a long time in passing, it's but a brief moment on the horizon of time. But in that ten years Alaska has taken over the entire harvesting, and large portions of the processing, of more than 2 million metric tons of American fishery resources from foreign fleets. At the dawning of the last decade, the U.S./Alaskan fishery was only targeting a few very specific, high-valued species.

We thought we could not afford to bother, care nor compete on the rest of that other "trash fish." Isn't it interesting how a lot of trash fish became a lot of cash fish in that time? Why did it happen? How did it happen? And how can we continue to make similar things happen in the next ten years?

Development of Alaska's fisheries to this point didn't occur calmly or at an evenly measured pace. In fact, for the

first few years, little progress was visible. The industry was still fat and sassy on King Crab, shrimp and salmon...so what else did they need? There was no way Americans could afford to catch, process and market all the low-value fish. Where to begin?

Since good questions outnumber easy answers, the industry and all its players, most especially AFDF, began searching high and low for that magic potion or solution. For most of the first half of the decade, we asked a lot of people a lot of questions. We poked and prodded in countless directions. But when we reeled in our line, alas, there was little on it. We learned through this process what DIDN'T work. And sometimes that's more important than success.

A lot of people got discouraged, but the sheer magnitude of the "pot of gold" that would come with development of these fisheries was so great that others, including the Foundation, persevered. These positive thinkers believed the answers were there. There was a destiny to be reached if we could but pull together in the same

direction just once.

That pulling together of one's failures and successes toward a common goal began to occur in the early 1980s with the creation of the Foundation's multi-faceted surimi project. Surimi brought together for common benefit fishermen, processors, equipment manufacturers, food scientists, reprocessors, government bureaucrats and politicians, among others. The result is that just four years later the Alaskan pollock industry is a blossoming reality producing in excess of 40,000 metric tons of surimi and pot-loads of filets and blocks. Not only has the import hemorrhaging stopped but pollock has become an export star.

While the Foundation has some minor mopping up to do on the surimi question, it has moved on to other needs, concerns and opportunities. It has approached its next major undertaking, Alaskan flatfish, with a methodology not too dissimilar to that used on pollock. From what I've seen and heard so far, flatfish from Alaska will, one day in the not too distant future, be

another feather in AFDF's cap.

So where does the Foundation and its partners in development go from here? Certainly I have no answers. One can but "point one's sails into the wind and aim for landfalls over the horizon."



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Krys Holmes, Editor

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Barbara Culver, Controller  
Loretta Lure, Asst. Project Manager  
Peter Moore, Project Manager  
Mel Monson, Executive Director

# Director's Log

Never our potential so high; never our funding so low

By Mel Monsen  
Executive Director

My first memory of the Foundation is nearly nine years old. Though I had no idea then how it was organized and what it did, I stopped in as I made the rounds looking for a job. Little did I know that my visit would lead to a relationship that has culminated in my current position as executive director.

The Foundation has accomplished a lot in these first ten years, taking a new program from infancy into maturity. Initial power struggles and direction-finding have been overcome, and the Foundation has been able to participate in and positively affect many projects that have benefited the seafood industry. The results, though directed at the Alaska industry, have had national, even international ramifications.

By now readers must be aware of the Foundation's biggest success, the multi-year surimi project. The results of that effort are mind-boggling. The surimi production off of Alaska for 1989 has been estimated at an incredible 100,000 m.t., requiring a pollock

harvest of 500,000 m.t. There are four shore-based surimi production plants, and (so far) ten surimi factory ships operating in Alaska. Of course, the Foundation can't take all the credit for these accomplishments. The number of contributors is immense, but the system that allowed the Foundation to identify and take action on an unrealized opportunity deserves credit.

Projects of the kind the Foundation conducts depend on private industry for their direction and most of their activity. Most of the projects, including those at Trident Seafoods, Alaska Pacific Seafoods, and the *Aleutian Mistress*, have left in their wake some real successes: There are four shore-based surimi plants and 10 surimi factory trawlers operating in Alaska today; most of Alaska's plants process white fish of some species. The Foundation has helped set the stage for significant profits in the private industry.

This success would lead one to believe that the Foundation has a bright future. But it may not be so. As you may know, the funding source for the Foundation is very unstable and is constantly under attack.

The 1989 Saltonstall-Kennedy appropriation (funded from U.S. tariffs on imported seafood products) is only \$5 million for the entire country. This is the lowest appropriation level in the ten years AFDF has been operating. In addition, there are rumblings about using less of the allocation for industry-directed projects.

This is all happening at a time when the industry is expanding into new fisheries at an incredible rate, creating research and development needs that S-K projects should be fulfilling. Perhaps the best example of the level of need is the proposals which are submitted to National Marine Fisheries Service in response to the S-K solicitation. In 1988 the U.S. seafood industry submitted 209 proposals totalling \$22 million. Of these only 91 proposals totalling \$7.5 million were selected.

We are at a critical point both in the need for industry-directed research and development projects, and in the commitment to make funds available for their realization.

The Alaska Fisheries Development Foundation stands as an example of what industry can do.

## Off the Cuff

By Kys Holmes

*"Tomorrow hangs on the knife edge of today, needing out the barest breath of free will or circumstance to direct it one way or another."*

—Robert Kanigel

Compiling this special 10th Anniversary Issue of The LodeStar was a lesson in perspective. AFDF has seen some hopes dashed, some projects skunked, and some good efforts go to waste. The Foundation has also created some powerful momentum for many companies to use to their own benefit. And it has successfully tamed some dragons so private companies wouldn't have to.

You can't achieve anything without enduring the first and the credit of the start. It's the contributors that through this process AFDF has taken on the responsibility to try to steer the successes toward the private companies involved in its projects. I continue to be active and renew my membership yearly because I respect its courage, its audacity, and in some cases, its recklessness. AFDF is a peculiar creature, stepchild in a rocky marriage between industry and the feds. It has grown up with ambiguities, it thrives on risk. For that reason alone it has my respect.

It is inevitable that in ten years an organization that was created to further the interests of such a broad constituency will fall somewhat at some time. AFDF has collected its share of disappointed critics, of fishermen who say they've seen no benefit from AFDF, of processors who say they could just as well have run the race alone, of companies who feel they didn't get enough publicity from their work with AFDF.

These are only some of the risks AFDF faces in its annual direction-finding quest. How to perform the tasks that will be most meaningful to private industry? How to prioritize overlapping goals? How to pursue the broader, more wide-reaching objective without disenfranchising the small-time operator? As the impact of AFDF's work is more widely felt throughout the U.S. food and protein industries, this last question is particularly pertinent.

These questions—some of them are AFDF's biggest problems—come as a direct result of its biggest successes. As the Foundation's effectiveness increased, demands on its energies increased. As more people hear about AFDF, more people had contributed opinions on where they wanted the Foundation to spend its resources next. Which is exactly what AFDF's about.

In the next ten years, I hope to see more participation in the Foundation's program development process, and membership rosters, and its continuing efforts, and in its search for alternative funding sources, and in the Alaskan fishermen and processors who have let their membership speak, or who have never joined. More members, and more active members, will be an important resource for AFDF's future.

## Where would you like to see AFDF go in the next ten years?

Rae McFarland:

In the next ten years, we need to see a two-fold development: First, replace

dropping consumption of ground beef with minced re-processed fish that will give higher nutritional value and lower fat; and second, learn how to use by-products for higher-quality animal feeds, to bring more agricultural activity to Alaska. For this, we will need a \$25 million budget for AFDF in the next ten years.

I think we're going to replace 10% of the ground beef now being produced in the U.S. with ground fish. There are 125 million head of cattle in the U.S. They average about 250 lbs. each of dressed, boneless meat; 100 lbs. goes into hamburger. I think minced fish and surimi can capture 10% of that market. That would mean 500 million lbs. of minced fish. That's what I see for the future.

Al Burch:

In our first ten years, we've done a credible job in picking projects—most of them, anyway—that have been significant to development of the fisheries in Alaska. I hope we can continue to get the same participation that will allow us to make good decisions for the next ten years.

Our primary goal right now is flatfish. We have seen a tremendous increase in flatfish out here, and a decrease in pollock. I hope the Foundation can find some way to develop the flatfish species out here.

It's becoming increasingly important to develop more coordination and cooperation between the Foundation and the state of Alaska. By developing more industry participation and coordination with the state, the Foundation will continue to make a significant impact on Alaska's seafood industry.

Oral Burch:

The Foundation is 100% necessary. It provides to the industry a forum for cooperation within the industry, and the exchange of information that otherwise would not be possible. And neither aspect would be worthwhile without the other.

Chris Riley:

The major contribution of the Foundation is exploring ways to process groundfish out of the FCZ. In the next 10 years, the full OY of traditional groundfish species in the Bering Sea and Gulf will be harvested and processed domestically. Then there are two directions to go: one is to look at other species that have value but haven't

been exploited. The other direction is to increase the value that can be exploited from every ton of fish. The Foundation has already begun this.

Part of increasing value of the fish is increasing efficiency, and reducing the cost of producing groundfish products. So we have many alternatives, and I think the decision of a focus should be made on an opportunistic basis—where there seems to be opportunity, go after it.

Just because actually managing to kill & process fish doesn't mean you're at the end of the learning process. It just means you've started.

Chris Mitchell:

The whole philosophy behind the science of development is that if you are successful, you quickly find yourself out of a job. Knowing when to move on is the key. It's not easy to walk away from "Da Glory Road," but AFDF has made the successful transition.

As individuals and companies, we all need to leave the comfort zone and move into the unknown from time to time. AFDF has been able to do this in the past; I hope it will continue to do so.



# INDUSTRY News

## On the trail of those high-seas salmon poachers

The U.S. State Department, the Governor of Alaska, industry groups and private companies are making some progress in the fight against illegal harvests of U.S. salmon on the high seas.

Pacific Seafood Processors Association (PSPA), a group of U.S. seafood processors, has led the fight to identify companies peddling illegal salmon at prices that undercut legitimate suppliers. PSPA estimates that at least 10,000 metric tons of salmon worth \$15 million have been pirated from U.S. migrating stocks by the Taiwanese squid fleet. New evidence suggests that Japanese and Korean companies are also involved.

The illegal harvest concerns U.S. processors for two reasons: first, the product is being sold at prices far below U.S. product, and therefore is closing out markets for legally-caught salmon. Second, the fish appearing on the market are small, indicating they're immature, and that these harvests will have a long-term detrimental affect on the resource. Decreased run sizes of pinks and cohos in Southeast Alaska in 1988, and a substantial number of salmon marked with gillnet marks, add to these fears.

Frozen coho, sockeye and chum salmon is sent to Singapore and Japan for sale. PSPA charges. Often the product is unloaded under cover of dark-

ness, its paperwork altered. PSPA has documented that between 4,000 and 8,000 metric tons of pink salmon have been shipped to Thailand for canning and re-export.

An October 31 story in the *Bangkok Post* reported that the Thai government has been asked by the U.S. State Department to help investigate the source of salmon shipped to Thai canneries. Thailand is a re-processing center for many fisheries companies worldwide, including U.S. tuna companies. Some Thai canneries are seeking supplies salmon from U.S. producers for canning and re-export.

Information about the activities of individual processors is hard to come by. Salmon canning statistics—including production levels and source of raw material—are held secret by the canning companies. However, one source in Thailand confirmed that at least some of the salmon canned there this year came from Taiwanese fishing boats operating in the North Pacific.

The governments of Thailand, Japan, Singapore and Taiwan have pledged to aid the U.S. effort to stop illegal salmon harvests in the Pacific. At the 1987 meeting of the International North Pacific Fisheries Commission, Japan called for cooperation among the traditional salmon fishing nations to "make every possible effort to prevent

such activity."

Efforts are thwarted, however, by the fact that those countries whose help is most needed in the investigation are the countries whose people profit most from the activity.

In the meantime, Gov. Steve Cowper and a contingent from the Alaskan seafood industry have begun drafting a cooperative agreement with the Soviet Union for monitoring high seas activity. In a landmark meeting in October, U.S. and Soviet representatives agreed to work together to put a stop to high seas salmon interception, and to join forces to study unregulated groundfish harvests in the international waters of the Bering Sea.

For more information about the high seas salmon interception issue, call Barry Collier at PSPA, (206) 281-1667. For more information about the joint U.S.-Soviet agreements, call Henry Mitchell at Bering Sea Fishermen's Association, (907) 279-6519.



## RALSTON PURINA SELLS VAN CAMP

ST. LOUIS, MO - Ralston Purina Company on November 15 completed the sale of its Van Camp Seafood division to a group of investors led by PT Mantrust. The sale price was approximately \$260 million. PT Mantrust is a privately-held company in Indonesia. Van Camp is expected to continue marketing its "Chicken of the Sea" canned tuna and salmon products.

Van Camp Seafood has been a member of AFDF for several years, and R&D Director Bill Reinke is a member of the AFDF Board of Directors.

# the **LODESTAR**

Charting the course of fisheries development today  
Alaska Fisheries Development Foundation, Inc.  
Volume VI Number 4, Autumn 1988

*"Let us run with perseverance the race that is set before us."  
— Hebrews 12:1*

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HUR

35

# HOUSE COMMITTEE REPORT

(11)

Date Referred: January 19, 1990

FURTHER REFERRALS:

Date of Committee Action: 1/23/90

The FINANCE Committee considered:

HJR 35

HOUSE JOINT RESOLUTION NO. 35

COOPERATION WITH FOREIGN NATIONS

Proposing an amendment to the Constitution of the State of Alaska relating to right of the state to cooperate with foreign nations.

**RECOMMENDATIONS:**

- be replaced with \_\_\_\_\_  the same title
- have attached amendment(s)  a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of intent

ATTACHES NEW FISCAL NOTE(S):  
(Dept)

APPROVES PREVIOUS:

(Date/Dept)

- fiscal impact ELECTIONS
- zero fiscal note \_\_\_\_\_
- zero with analysis \_\_\_\_\_

- fiscal note(s) \_\_\_\_\_
- zero fiscal note(s) \_\_\_\_\_
- zero fn/analysis \_\_\_\_\_

**SIGNING DO PASS:**

**SIGNING:** 7  
(Check approp. column)

Do Not Pass    No Rec    Amend

Ronald J. Long

John Hoff

Bob Weiler

John Brown

Mike Johnson

Mark Miller

Tommy Barnes

ROD E. COLE

Steve Kegan

<u>F. Kay Walker</u>		✓	

John Hoff  
Chairman's Signature

Ronald J. Long

**FISCAL NOTE**

**REQUEST:**

Revision Date: 12/8/89  
Title: Right of the State to cooperate with foreign nations.  
Sponsor: Boucher  
Requestor: Boucher

Agency Affected: Office of the Governor  
BRU: Division of Elections  
Components: II Elections  
Primary & General Elections

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	2.2*	-0-	-0-	-0-	-0-	-0-
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>2.2*</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

**FUNDING: (Thousands of Dollars)**

GENERAL FUND	2.2*	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>	<b>2.2*</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

**ANALYSIS : (Attach a separate page if necessary)**

\* Costs included cover 2 to 3 pages in each Official Elections Pamphlet, for printing and typesetting, and costs estimated to cover computer programming requirements for vote counting purposes. (Continued)

Prepared by: Linda Edgeworth Phone: 465-4611  
Division: Division of Elections Date: 12/8/89

Approved by Commissioner: [Signature] (Acting) Date: 12-11-89  
Agency: Division of Elections

**Distribution (by preparer):**

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

CONTINUATION OF FISCAL NOTE ANALYSIS

For Bill/Resolution No. HJR 35

However, these costs are based on the assumption that all candidates and issues will fit on three ballot cards, which is the norm. It should be noted, however that should the inclusion of this issue require a 4th ballot to be printed, the cost increase would have to be calculated at 16 cents per ballot x approximately 320,000 voters. The total cost of printing the additional ballot card would be \$51.2

Under these circumstances the fiscal note would be:

53.4

1 IN THE HOUSE

BY BOUCHER

2

HOUSE JOINT RESOLUTION NO. 35

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

SIXTEENTH LEGISLATURE - FIRST SESSION

5

Proposing an amendment to the Constitu-

6

tion of the State of Alaska relating to

7

right of the state to cooperate with

8

foreign nations.

9

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10

\* Section 1. Article XII, sec. 2, Constitution of the State of Alaska,

11

is amended to read:

12

SECTION 2. INTERGOVERNMENTAL RELATIONS. The State and its

13

political subdivisions may cooperate with the United States and its

14

territories, and with other states and their political subdivisions on

15

matters of common interest and to the extent consistent with the

16

Constitution of the United States, with foreign nations. The respec-

17

tive legislative bodies may make appropriations for this purpose.

18

\* Sec. 2. The amendment proposed by this resolution shall be placed

19

before the voters of the state at the next general election in conformity

20

with art. XIII, sec. 1, Constitution of the State of Alaska, and the elec-

21

tion laws of the state.



## Representative H.A. "Red" Boucher

---

Chairman House Committee on State Affairs • Special Committee on Telecommunications

January 12, 1990

Representative Ron Larson, Co-Chairman  
Representative Lyman Hoffman, Co-Chairman  
House Finance Committee

Dear Rep. Larson and Rep. Hoffman:

I would like to request that HJR 35 be scheduled for a hearing at your earliest convenience.

HJR 35 is an amendment to the Constitution of the State of Alaska relating to the right of the state to cooperate with foreign nations. As you know HJR 35 passed both the House State Affairs and House Judiciary Committees last session.

HJR 35 relates to the number one recommendation of the 1984 Alaska Statehood Commission report "A More Perfect Union". That recommendation made it clear that Alaska become an activist state taking a lead among the states in defining the boundaries of state powers within the union.

The constitutional authority to deal with foreign nations is of particular importance to Alaska as we become increasingly involved in foreign trade. It should be noted that the Governor's recent State-of-the-State address strongly emphasized foreign trade as one of the keys to our future. Thus language should be placed in the Alaska Constitution making foreign trade a stated right. It should be noted that the language in HJR 35 was originally recommended as a part of the Alaska Constitution at the Constitutional Convention in 1955. The reason it was not included was that it was felt that this statement might affect Congress' approval of Alaska statehood.

The following Commission members would appreciate your consideration in scheduling this important resolution:  
Brian Rodgers, Ruth Burnett, Jack Coghill, John Dapcevich,

---

P.O. Box V • Juneau, Alaska • 99811 • (907) 465-4931  
3111 C Street • Suite 445 • Anchorage, Alaska • 99503 • (907) 561-7624

Representative Boucher  
Page 2

Miles Davic, Ed Merdes, Evelyn Conwell, Susan Greene, and  
Gregg Erickson.

Sincerely,



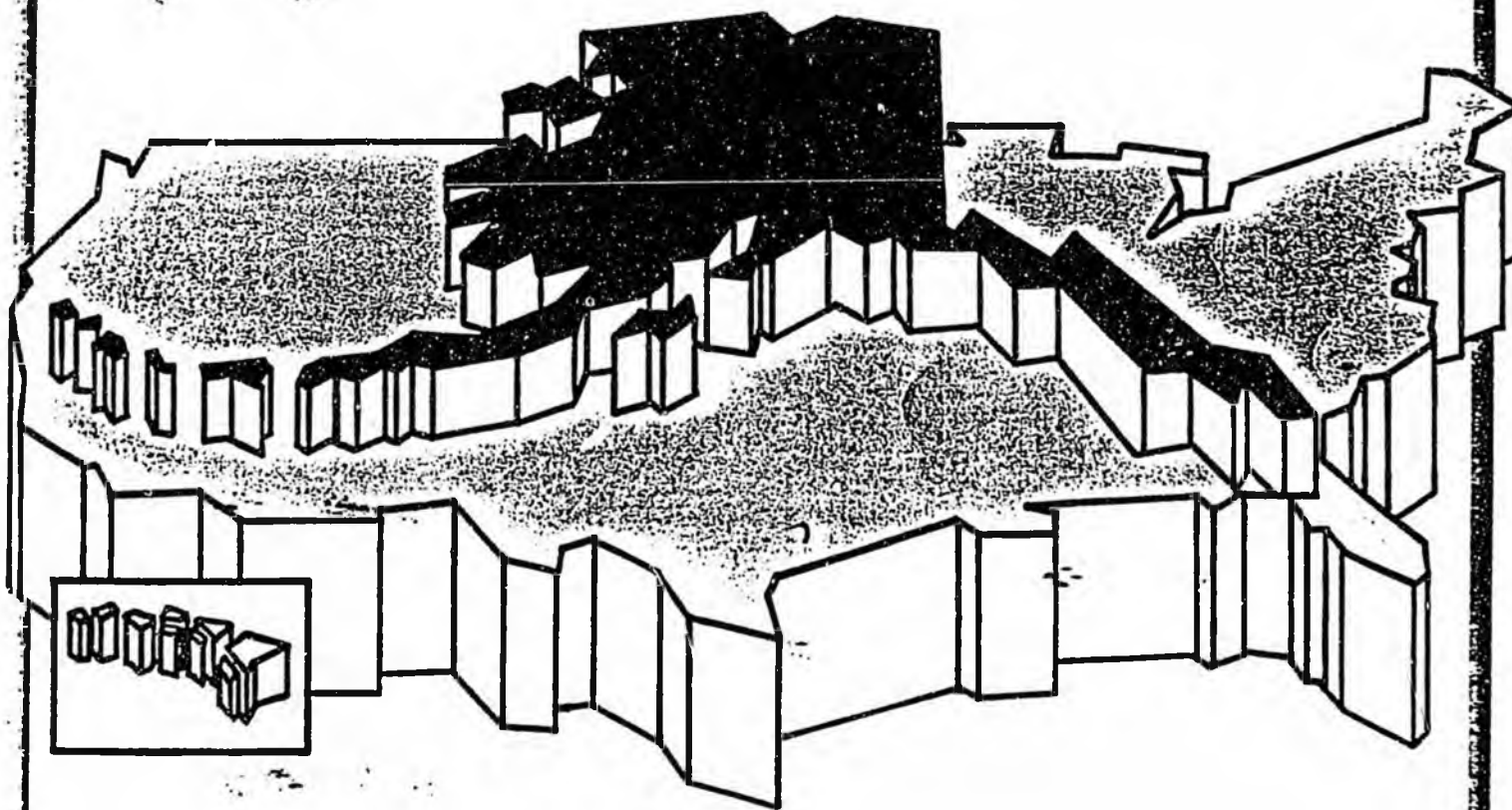
H.A. "Red" Boucher,  
Representative

THE FOLLOWING DOCUMENT HAS  
NOT BEEN FILMED BUT IS  
AVAILABLE IN THE ORIGINAL  
FILE

# MORE PERFECT UNION

---

A Plan for Action



## FINAL REPORT

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By the Alaska Statehood Commission

January 24, 1983

President of the Alaska Senate  
Speaker of the Alaska House

Dear Mr. President and Mr. Speaker:

We submit the Alaska Statehood Commission's final report as required by Chapter 161 SLA 1980 and by vote of the people. This report concludes our two-year study of Alaska's relationship to the United States. It sets forth a plan for action to improve that relationship.

In our first year we studied alternative forms of association that the people of Alaska might seek with the United States. We determined that all alternatives to statehood are now undesirable. We have concentrated our final efforts on the positive contributions that Alaska might make to improve the union. The evolution of our nation is not complete--nor are the promises of Alaska's Statehood Act of 1958 all fulfilled.

Once a forgotten territory, Alaska today is a state unique in size, cultures, and resource potentials. Alaska is a redoubt of the nation's military defense. Alaska daily pumps one out of every five barrels of oil the nation produces.

But with our new prosperity and importance come louder demands from our countrymen. Events of the 1970s and now congressional moves to limit state resource revenues teach us that we cannot afford to ignore developments from the Potomac.

As the least populated state of 50, our hopes lie in persuasion and a commitment to national unity.

When a dispute looms with the federal government, we must be ready to act. We must have research facilities already in place with facts in hand. We must stimulate coalitions of like-minded states. We must bring to Alaska those who make or sway national opinion so that they can see our situation for themselves. We must take our cases to the courts. We must gird ourselves with facts and friends.

We thank the people of Alaska for this opportunity to study and to serve. We submit this plan for action with the conviction that good government can be made better.

Sincerely,

John B. (Jack) Coghill, Chairman

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# MORE PERFECT UNION

A Plan for Action

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FINAL REPORT

By the Alaska Statehood Commission

January 1983

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## PREFACE

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A majority of Alaskans voting on Aug. 26, 1980, authorized the creation of the Alaska Statehood Commission. They directed the commission to study the status of the people of Alaska within the United States, and to make recommendations on that relationship.

It was the first time since the Civil War that citizens of a state have by their vote indicated unease with federal union.

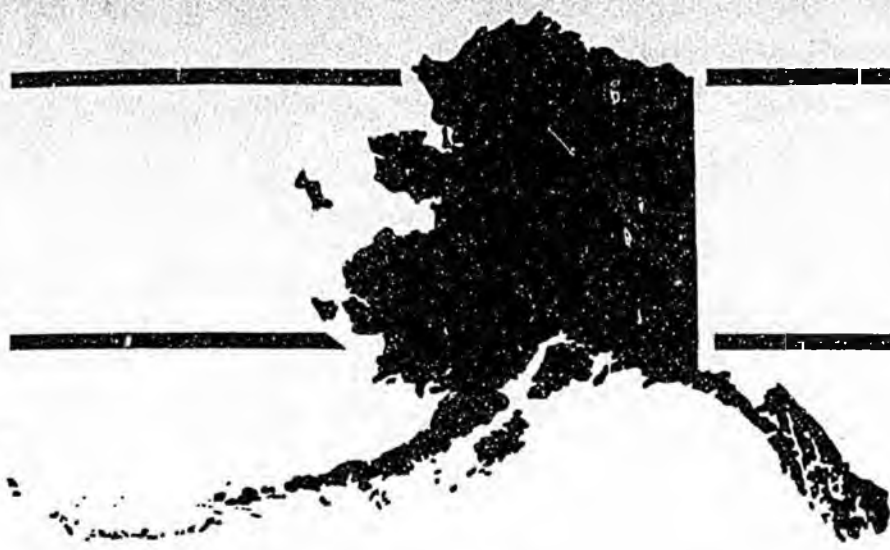
The law provides for 11 commissioners: five appointed by the governor, two appointed by the president of the Senate, two by the House speaker, and two by the Legislative Council. We first gathered on Oct. 22, 1980, in Constitution Hall at the University of Alaska-Fairbanks. In 27 months of work, we met and heard public comment in Barrow, Kotzebue, Anchorage, Nenana, Fairbanks, Juneau, Ketchikan, Sitka and Homer. We contracted for 14 expert studies totaling 2 000 pages, on topics ranging from an oral history of the statehood movement to an analysis of the flow of funds between Alaska and the federal government. Commission staff prepared other research at our direction.

In the final pages of this report readers will find a research bibliography. Full copies of our contract research are available at state legislative information offices and most public libraries.

In January 1982 we published our first findings, entitled *More Perfect Union: A Preliminary Report*. That spring we held statewide teleconference hearings on the report.

In this final report, we set forth 20 recommendations. Some of them do not originate with the Statehood Commission; for example, a legal action fund for the states is a suggestion from the U.S. Advisory Commission on Intergovernmental Relations. Because our enabling legislation charged us to preserve Native interests, we checked to ensure that none of the actions we recommend would interfere with the legal rights of Natives. None would.

Together, our two reports give a complete picture of our duties and how we discharged them. Our preliminary report stressed findings and conclusions--few of which changed after its publication. Our final report recommends deeds; hence the title, *More Perfect Union: A Plan for Action*.



## Executive Summary

History, economics and technology have combined to offer Alaska a chance for leadership beyond its borders. Once isolated, but no more, Alaska must become a vigorous actor on the national scene, eager to dispel ignorance about itself, a state eager to support the powers of all states, a state willing to break new trails with other states in forming new compacts and coalitions to solve mutual problems. Alaska must speak out against abuses of federal power, in the press and in the courts and in councils of the states and of the nation.

In August 1980 Alaskans created the Alaska Statehood Commission to study and make recommendations on the relationship of Alaska to the United States.

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*We considered the benefits and liabilities of commonwealth, of free association, of territoryhood, and of partition. We studied independence by legal means. None is preferable to statehood.*

---

We have spent more than two years on this work. We compared the government we have with the Constitution we honor. We studied alternative forms of association with the United States.

We considered the benefits and liabilities of commonwealth, of free association, of territoryhood, and of partition. We studied independence by legal means. None is preferable to statehood.

We do believe that our union needs fundamental change, for federal influence has grown without guidance. But one state out of 50 can do little on its own. All states must share in the work: to write rules to clarify Article V of the U.S. Constitution, which empowers states to propose amendments; to take joint legal action to oppose federal intrusions; to sponsor a national gathering to forge a balanced federalism. Gaining control of our union will take decades of work.

Alaska has the money and the need to spur these and other nationwide projects. We must

become an activist state, reaching out for coalitions obvious (western and resource states) and not so obvious (the fishing states of Massachusetts and Maine). We must defend our regional interests with research, persuasion, and pragmatic politics. We must refuse federal grant money if it comes with conditions that undercut our self-determination.

States cannot passively depend that court decisions will quote the 10th Amendment to stop federal action. The 10th Amendment, which reserves unspecified powers to the states, needs action by the states to flesh it out.

We learned that full statehood has not yet come to Alaska.

The Alaska Statehood Act contains mutual promises between the people of Alaska and the federal government. The federal government in 1959 promised to transfer to Alaska an entitlement of 103 million acres of land by 1984. The national government would not meet that deadline and had to extend it to 1994. Alaska sued to get action. The Interior Department promised in a 1981 out-of-court settlement to transfer 13 million acres each year until the total is satisfied. The lesson of the past is clear: the federal government will not honor the land and revenue-snaring pacts of the Statehood Act without Alaska's constant vigilance.

Alaskans also have agreements to keep. When we voted for the Alaska Constitution and for the Statehood act we promised to surrender forever all claims to federal lands in Alaska. We should not now repudiate this "clause irrevocable" to pursue fruitless court suits claiming title to this land.

This report is addressed to Alaskans and dwells on Alaskan particulars. But every state has some problems with federal dominance, be it Hawaii with the Jones Act, Florida with immigration, California with accelerated federal oil leasing of the Outer Continental Shelf, or the New England states with federal treaties that parcel out fisheries.

We studied the powers of the states. We reject the notion that our governmental system forms a pyramid of power with the federal government seated on top. The states and federal government

are partners. Each has important duties. States contribute new ideas. They train national leaders. States adapt national goals to local realities. We are a federal republic and federalism thrives in diversity, on pluralism. A federal nation will always have variety; states have different needs and incomes, different economies, different penalties for crimes, different kinds of local government powers. And, at any given time, some states once poor--like Alaska--prosper while others count pennies. This is nothing new. Wealth flows among the states under the pull of the fickle but irresistible tides of population, economy, and technology. Some resource-poor states would breast these tides. Their officials appeal for federal laws to cap state severance taxes on energy resources, encouraged by a 1981 U.S. Supreme Court opinion<sup>1</sup> that Congress does have power to limit states' mineral revenues. They call for changes to the Windfall Profits Tax<sup>2</sup> to put a levy on states' royalty incomes. Either law would pull down a pillar of state sovereignty: the power to raise necessary revenues. Either law eventually would hurt the states now advocating them, for the precedent once established would spread to all state revenue measures.

We Alaskans wince at the unfamiliarity the leaders of these states display about our wealth, our resources, our climate, and our needs for the highways and the sewers and the safe-water systems that other states take for granted. We must dispel this ignorance with facts and better press relations. We also must educate our own children about the history and cultures of our state, and its niche in the union. We must teach every schoolchild the rights and responsibilities of American and Alaskan citizenship.

Resource-poor states, mainly those of the Northeast and Midwest, also lobby for new grant formulas which would cut federal aid to prosperous states. Alaskans do not automatically oppose some level of redistribution. Already the federal government collects \$3 in taxes on general economic activity in Alaska for every \$1 it spends here. It collects 46 percent of the total revenue from the Prudhoe Bay oil field owned by the state. The state collects 31 percent.<sup>3</sup>

We must make clear that a healthy and prosperous Alaska is in every American's interest. From Alaska comes one-eighth of the nation's gold; one-fifth of the nation's oil production; and two-fifths of its harvested fish. Off Alaska is the world's richest salmon fishery. Alaska has 10 of 16 strategic minerals needed for the nation's security.<sup>4</sup> In Southeast Alaska is one of the world's biggest metal deposits: a mountain of molybdenum called Quartz Hill. Alaska--once

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## *A federal nation will always have variety; states have different needs...*

---

thought hopelessly distant from arteries of trade --now sits at the hub of international air routes and the Pacific Rim trade. Half the world's population lives on the Pacific Rim.

Alaska's bounty and its trade suffer under such federal laws as the Export Administration Act of 1979, which bans the export of Alaska oil, and the Jones Act, which requires U.S. shipping between U.S. ports. Some Alaska oil fields and mineral deposits will never develop due to the artificially high transportation costs these shipping acts breed. Further, these laws sap revenue from the deposits we have already opened. Lifting the oil export ban could raise Alaska's oil revenues \$500 to \$800 million yearly, and increase federal revenues \$1.2 to \$1.8 billion yearly.

Problems like the Export Administration Act need immediate attention. Other tasks--like rebuilding the powers of the states--will take years. Some changes we Alaskans may have to accept for the good of the nation though they do not profit us in the short term. But eventually we will see the states transformed, giving new life to the nation Abraham Lincoln called the "last, best hope of earth."

Therefore, we recommend:

1. Alaska should become an activist state. It should take a lead among states to define the boundaries of state powers in our union.
2. Repeal of the Jones Act will serve Alaska's and the nation's interest, and Alaska should seek repeal. In the short term, the state should dedi-

---

<sup>1</sup> *Commonwealth Edison v. Montana*, 69 L.Ed.2d 884.

<sup>2</sup> A federal district court judge in Wyoming recently ruled the Windfall Profits Tax Act unconstitutional on the grounds that geographic distinctions in the act exempting some areas of Alaska from taxation violate Article I, Section 8 of the U.S. Constitution. This section requires that "excises shall be uniform throughout the United States." Whatever the outcome of the lawsuit, Alaskans should consider the advantages of dropping the current geographic exemption in favor of an exemption for new oil development regardless of location. Such an approach might answer both the constitutional challenge and legitimate national energy interests. It might strengthen Alaska's role in the federal system.

<sup>3</sup> Industry collects 23 percent. These percentages reflect the total take of revenue from the field. They do not reflect the shares which would be taken by each if wellhead price went up. If the wellhead price goes up, the division of these additional dollars is weighted even more toward the federal government, largely due to the federal Windfall Profits Tax. If, for example, wellhead price of Alaska oil went up one dollar after repeal of the Jones Act, the federal government would capture about 60 cents of the increase, the state 28 cents, and industry 10 cents.

<sup>4</sup> These are in deposits believed to be commercially viable. However, the bulk of Alaska's cobalt and nickel ores are located in Glacier Bay National Park, which is not open to mining. Geologists estimate that Alaska has one-sixth of the nation's cobalt reserves and one-fifth of its nickel.

cate itself to getting the Jones Act amended to allow the use of foreign-built ships in the Jones Act trade.

3. Alaska and our congressional delegation should vigorously oppose extension of that portion of the Export Administration Act of 1979 which bans the export of Alaska North Slope oil. This law expires in September 1980.

4. Alaska must act immediately to create in Washington, D.C., a research and advocacy institute and ask other resource states to join in supporting it. The institute would combat efforts in Congress to limit or tax state resource revenues.

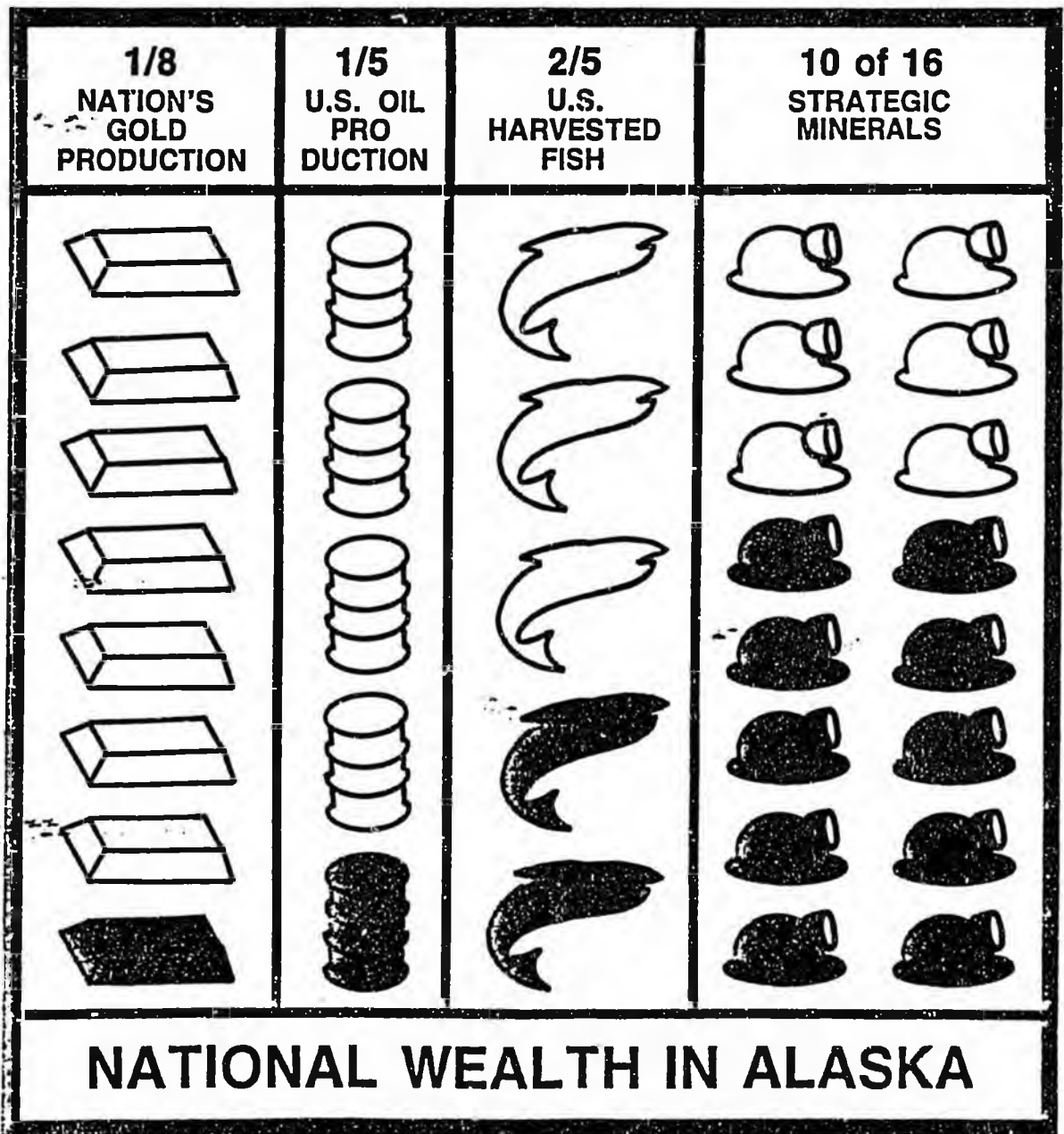
5. The state Board of Education and Alaska school districts should require the teaching of Alaskan history, citizenship and culture.

6. The Alaska State Legislature should pass a

resolution applying to Congress under Article V of the U.S. Constitution for the calling of a national constitutional convention. The convention's sole duty would be to define the procedures governing all future constitutional conventions called by the states.

7. Alaska should take the initiative to establish a legal action fund for the states. Lawyers for this fund would sue to oppose illegal and coercive federal restrictions, regulations burdensome to state and local government, and excessive use by Congress of its commerce powers to override state and local laws.

8. Alaska should provide seed money to the National Governors' Association or like organization to sponsor a national convocation on federalism in the United States.



Shown here are some of the national assets Alaska supplies.

9. Alaska and other states should consider amending the U.S. Constitution to strengthen the role of the states.

10. The governor of Alaska should prepare the political impact statements on proposed major federal actions. Eventually, the National Governors' Association should prepare them on the behalf of all states.

11. Alaska's governor should invite the leaders of northwestern states and the western Canadian provinces and territories to join Alaska in establishing a conference modelled after the New England Governors and Eastern Canadian Premiers Conference. The governor should establish in the executive branch an interagency task force on foreign relations.

12. The Legislature and the governor should immediately invite representatives of Hawaii and the noncontiguous possessions to meet with them to explore setting up a permanent coalition to deal with such common interests and problems as the effects of discriminatory transportation laws.

13. Alaska must vigorously police federal implementation of the Alaska Statehood Act. We should insist that the remaining land transfers be completed within four years, and we must guard against congressional attempts to unilaterally change the Statehood Act or Alaska Constitution. The Legislature should authorize and direct the lieutenant governor to place all such attempted changes in the Statehood Act or Alaska Constitution before Alaskan voters in a ballot proposition.

14. Alaskans should consider two amendments to the state constitution which will clarify Alaska's powers as a sovereign state and its authority to engage in foreign relations.

15. State officials should refuse federal grants carrying particularly burdensome requirements.

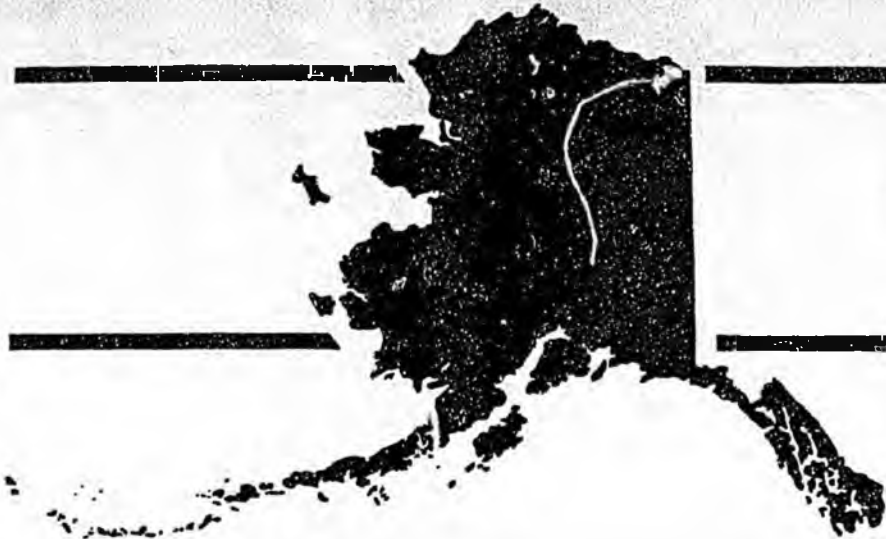
16. The Legislature should fund the Department of Revenue or other appropriate agency to make an annual study of and report on the flow of federal spending and revenues in Alaska.

17. The governor should establish an office of external relations on his staff, to be headed by a special assistant charged with coordinating Alaska's expanded relations with other states and with foreign nations.

18. The State of Alaska should explore with the federal government and Native organizations the establishment of a permanent joint fact-finding and advisory body to air and help reconcile problems that arise over land, resources and other interests.

19. The Legislature, in order to give all Alaskans the greatest measure of home rule, should divide Alaska's single unorganized borough into regional unorganized boroughs in accordance with the intent of the state constitution.

20. The state should establish an Alaska information office under the governor's direction to produce clear, objective, precise information about Alaska for nationwide distribution and to arrange for visits to Alaska by members of the national press corps, members of government and other opinion-makers.



## The State-Federal Relationship

We on the Statehood Commission believe that the state of Alaska has a special role to play in the nation--one that it must play if it and other states are to preserve their historic and constitutional jurisdictions in the American republic.

Alaska, we think, must become a vigorous actor on the national scene. It must become a state eager to dispel ignorance about itself, a state eager to support the powers of all states, a state willing to break new trails with other states

---

*Alaska, we think, must become a vigorous actor on the national scene.*

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in forming new compacts and coalitions in order to solve mutual problems. Alaska must be willing to speak out against abuses of federal power, in the press and in the courts and in the councils of the states and of the nation--not just for its own purposes but just as much to maintain the relationship known as federalism, in which the states have their important roles to play and the national government has its separate and co-equal role.

This report is addressed to Alaskans and thus dwells on Alaskan particulars.<sup>5</sup> But it could just as well dwell on the problems that New England and Pacific Northwest states have with federal treaty making on fisheries; on Hawaii's difficulties with the Jones Act; on California's concerns about federal oil leasing of the Outer Continental Shelf; on Nevada's complaints against the dominant landlord within its borders, Uncle Sam; on Washington State's battle to prevent Washington, D.C., from overriding state rules on siting energy facilities; or on Montana's efforts to retain some control over how strip mines are developed within its borders.

In our preliminary report we told Alaskans that "Alaska's short history as a state happens to

coincide with a 20-year national diminution of the power of all the states through the actions of the federal government," and added that "Our studies on the status of Alaska within the United States have shown us...that the penetration of the federal government into the farthest corners of American life is the rule, not the exception. We share the burden with others" (*More Perfect Union: A Preliminary Report*, p.1).

We still hold to this view. The question is: What can Alaska do about it?

"The states' principal tasks," write Daniel Elazar and Stephen Schechter of the Center for the Study of Federalism in a report prepared for the Statehood Commission and Office of the Governor,<sup>6</sup> "are to govern--to make and implement policies within their respective spheres of jurisdiction, not simply to administer programs developed by the federal government--and to share in the governance of political conduct for the country as a whole.

"This role of the states--as polities, not middle managers--is constitutionally correct and historically accurate." (p. ii.)

Schechter and Elazar call for the states to rebuild their roles in the federal system by practicing "federalism without Washington"--by educating their citizens to what statehood means, by strengthening bonds between citizens and their states, by exercising such constitutional powers as amending the U.S. Constitution, by forming coalitions and making compacts with other states without federal approval, and by entering into relations with foreign governments, notably Canadian provinces.

By circumstance, Alaska now has the financial resources that will allow it to move out of its traditionally isolated position in the family of states to become a catalyst for change in the nation--if it chooses to do so. If we Alaskans choose to become isolated, choose to curse the

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<sup>5</sup>Readers will note that some federal-state issues--like state control of fisheries or state authority to give resident preference--do not receive much attention in this final report. This is not to suggest that these conflicts are unimportant or soon to be solved. Rather, we found the key questions in these conflicts either too technical (e.g., the biological justification for the North Pacific Fishery Management Council's cutback in the king salmon harvest) or too quick-changing. As a short-lived study commission with limited resources, we directed our efforts to research which would not go quickly out of date.

<sup>6</sup>*The Role of the States as Polities in the American Federal System*, 1982

darkness when providence has provided us with a plenitude of candles to light, then we shall make no lasting contribution to the nation which we love. And our particular problems with the federal government, of which also we have a plenitude, will continue to bear sore upon us.

Our charge on the Statehood Commission over the past two years has been to examine our state's relationship with the United States, study alternatives, report and recommend.

We reported that statehood is eminently preferable to any alternatives to statehood. We see no reason to change that conclusion. We also reported that one state among 50 is weak. Only states acting together can determine where the limits to federal power may be.

Deliberate federal policies delaying the transferral of lands owed the state under the Statehood Act of 1958 did anger Alaskans. Deliberate federal actions shrinking the amount of available lands from which the state might make its choice for transfer also angered Alaskans. That anger cooled recently after the U.S. Department of the Interior, in order to settle a suit brought by the state of Alaska, agreed to complete the land transfers. It promised to be Alaska's "good neighbor."

But as we have warned, these changes in policy are as much political as legal. A later administration may revert to delays and sleight of hand. Vigorous monitoring of land transfers and a resolve to use all legal and political means to enforce them remain our only guarantee that soon the state of Alaska will acquire all of its promised lands of 103 million acres.

We retain our sympathies with those in this state and others who would lay state claim to title to the federal public lands. Sentiment for such action is strong in this state, as the results of the November 1982 election show. But we must repeat that making such a claim in court would be futile. It would waste time and money and deliver disappointment. No such claim has ever succeeded in the federal courts.

For Alaska to make such a claim would violate the language of Article XII, Section 12 of the state Constitution, by which "The State of Alaska and its people forever disclaim all right and title in or to any property belonging to the United States or subject to its disposition, and not granted or confirmed to the State or its political subdivisions, by or under the act admitting Alaska to the Union."

*The most dangerous threat to this state and all the states remains the orchestrated efforts of Northeast and Midwest members of Congress to put a federal limit or tax on state resource revenues.*

Bills pend in Congress. Pressure, excited by propaganda, builds to pass them.

These measures aim to nationalize, for the first time in the republic's history, the main revenues of resource states. These bills also seek to dictate how resource states may spend any resource-tax dollars left to them. Should one of these bills become law, it would strike away one pillar of the

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*The most dangerous threat to this state and all states remains the orchestrated efforts of Northeast and Midwest members of Congress to put a federal limit or tax on state resource revenues.*

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states' sovereignty: the power to raise and allocate revenues within their borders.

All states should fear such a new, radical federal intrusion.

Resource states will need friends in this battle for self-determination. When we Alaskans ponder how to spend our short-lived oil bounty--whether on dams, roads, environmental protection or on checks to all residents--we must give regard to what people in other states think. Residents of other states see oil from Alaska as their oil too. We must respect their opinions by providing them with precise, clear information about how well we are managing our resources:

"Americans must perceive that Alaskans are managing their wealth in a manner consistent with the national interest. To the extent that Alaskans are seen departing from that national interest, the federal government, responding to public opinion, will intervene to limit or cut off the revenue flow. ....Americans are somewhat tolerant of great wealth but *only* when wed to some concept of stewardship" (Havelock, p. 9).

Alaska, like Hawaii and most of the other non-contiguous parts of the United States, plays unwilling host to the extra U.S. maritime costs imposed on it by the federal Jones Act--the Merchant Marine Act of 1920. Alaska by itself supports one-third of the Jones Act fleet.

That fleet, protected from foreign competition, takes huge amounts of money from the pockets of Alaskans, individually and corporately. The act adds \$41 million a year to the cost of goods coming into the state, and thereby helps raise our cost of living.

But the worst effects of the Jones Act are those on the state's revenues from oil and on the future of state mineral development. Each year, because of the Jones Act, the state treasury is denied from \$63 million to \$176 million in oil revenues (Tussing, p. 25). As Tussing points out, the long-range

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See also the Statehood Commission publication *The Jones Act and its Impact on the State of Alaska*, by Simon, Hellesen and Eichner, 1982; and Congressional Research Service, "Effect of the Jones Act on the State Economy of Alaska."

effects of the act will be to chill exploitation of oil fields with high developmental costs--including that of the Ugnu field on the North Slope of Alaska, possibly the biggest oil deposit in North America. Every oil field that the Jones Act prevents from being developed is an oil field removed from the nation's strategic oil reserve. In times of national crisis, an undeveloped oil field cannot yield a drop for the national welfare.

Alaska must exert all of its political and persuasive powers to get national support to amend and then repeal the Jones Act. Hawaii and the U.S. island possessions are natural allies for that effort. But other states will join us when they learn that the Jones Act, written to preserve a national maritime fleet for use in time of war, instead has acted to make that fleet shrink.

A related and equally major problem is the federal ban on the export of Alaska oil to Japan and other nations. Lifting this ban might ultimately raise Alaska's oil revenues \$500 million to \$800 million annually (Tussing, p. 27 ff.). Since the

federal government earns more than twice as much in taxes on each barrel of Alaska oil than does the state of Alaska, lifting the export ban could also increase federal revenues by \$1.2 to \$1.8 billion yearly. Exporting Alaska oil to Japan would help balance our country's \$16 billion annual trade deficit with that nation.

The Export Administration Act of 1979 imposes the export ban. That law expires Sept. 30, 1983. Alaska's officials must create the national will to ensure that this portion of the Export Administration Act expires forever. The entire nation will benefit.

The particulars of Alaska's actual or potential problems with the federal government can fill a catalog. It is no wonder that the state is suing the federal government over federal plans to allow wide-open oil exploration and development of the Outer Continental Shelf (as are California and Washington). *Three quarters of the Outer Continental shelf under the U.S. flag--74 percent--surrounds Alaska. The impact of development will fall on fisheries, wildlife and small vil-*



Economic activity in Alaska puts more dollars into the federal treasury than the federal government spends in Alaska.

lages in remote Alaska. However, the state will derive no major revenues from successful OCS oil discoveries. Nor will other OCS states. That money will go to the federal treasury.

Alaska's large fisheries are finite; the demand on them is heavy. Like other coastal states, Alaska manages streams and manages coastal areas out to the three-mile limit. But the Alaska resource swims in and out of federal treaty areas and international zones of management and the fishermen follow. A host of federal and state agencies and advisory and rule-making bodies involve themselves in regulating the fragile resource. The resulting management complexities fuddle laymen and turn ordinary fishermen into frustrated pilot-house lawyers. Federal treaty-making and management powers require unceasing vigilance from the state's chief officials and virtually dictate that Alaskan fisheries officials seek to make common effort on the federal level with their counterparts from Maine and Massachusetts, and from Washington, Oregon and California.

The large federal presence in Alaska (one out of five nonagricultural jobs) creates special sensitivities to the gyrations of national budget making. While the federal government spends large amounts in Alaska that benefit the economy, it must be recognized that for every \$1 that the national government spent in this state in fiscal year 1981, the U.S. Treasury earned \$3 from general economic activity in Alaska (Institute of Social and Economic Research, 1982).

Alaskans must not shy from pointing out that the oil wealth benefiting this state pours huge sums into the coffers of the national government. Alaska is paying its own way in the family of states and could pay more if oil export is allowed and if oil development is allowed without unnecessary federal fetters.

Our research indicates that problems are bound to flow from the complicated patterns of land ownership developing in Alaska because of federal land withdrawals and because of the federal government's land transferrals to the state and to Alaska Natives.

When the transferrals are complete, Natives and their organizations will have title to 11 percent of Alaska's land. The state will have title to about 29 percent. Private ownership other than that of Native organizations will be about 1 percent. The federal government will own and manage the rest, nearly 60 percent. All these land-owners will meet in conflicts over road and other transportation corridors. They will differ over management of fish and game. A permanent way must be found to ease these difficulties and resolve the important factual disagreements.

Frictions also will result from national laws that apply with peculiar force to unique conditions in Alaska. Under the laws the U.S. Army Corps of Engineers is charged with issuing permits to

allow discharge of dredge and fill materials into United States waters, including wetlands. Few will argue the necessity for such regulation in general. But 57 percent of all of Alaska (223 million acres) is wetlands, including 75 percent of the North Slope, where major oil development is centered (Arctic Policy Review, p. 8). We cannot believe that Congress intended to put more than half of the entire area of a single state under the Corps' permitting procedures.

We should like to return to the point made at the beginning of this discussion: Alaska shares with other states a general loss of state powers because of recent federal growth into state and local affairs in the past two decades.

This raises an implied question: What are states good for?

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### *When a federal program fails...the shock waves vibrate from Key West to Kotzebue.*

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States can be excellent problem solvers. In this regard, they have been innovators--"laboratories of democracy." States pioneered open-meetings laws, campaign-reporting laws, pollution-control laws, open-housing laws, and job-safety laws, to mention a few. Not every idea in every state is good. But when a program fails, the state line confines the error. When a federal program fails--witness federal regulations and spending for standardized wastewater treatment plants--the shock waves vibrate from Key West to Kotzebue.

States serve as "fail-safes" when federal action fails to occur or breaks down. In the energy crises of the past decade, the states acted to ration gasoline while the federal government debated. They also enacted energy-saving codes and restrictions and energy-related loan programs, all tailored to their unique conditions.

States train leaders for national office. Of 40 U.S. presidents, 24 had held state or local office; 14 were governors.

States protect diversity. Within the bounds of the Constitution, citizens of a state may impose upon themselves political limits that citizens in other states may not relish. Some states impose a death penalty. All regulate liquor and its use, but differently. All administer a special body of criminal and civil law. Alaskans for instance, have set for themselves stronger rights of personal privacy than people elsewhere.

States, by encouraging citizen participation in the democratic process, provide political access to those desiring a change in national policy. Where a central government controls all governmental affairs, political dissidence is shut out, if not silenced. No better reason exists for maintaining the powers and the health of all the states.

But more than all these, states remain independent governments under the U.S. Constitu-

tion, with independent rights. It is the Constitution which is supreme over the states, not the national government,<sup>8</sup> though the practice of the past 20 years has worked to establish federal supremacy.

This situation has stemmed from the national government's need to concentrate its powers to meet economic and military crises. It has also stemmed in great part from the federal government's overwhelming ability to create and control money. States, municipal governments, private firms and other special interests have lined up to dip dollars out of the national pool, to water such programs as job training, public housing and mass transit, the upgrading of schools and the studies in them, and to fund a host of new social services.

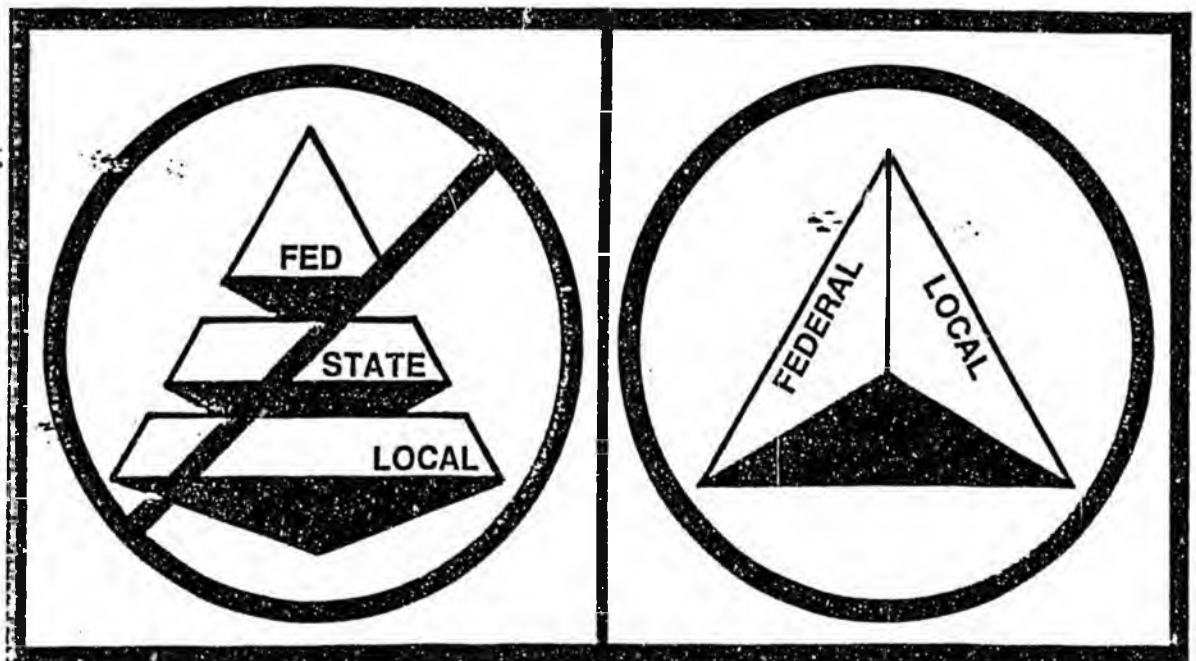
This federalizing of state and local matters has created a false metaphor. It is that of the intergovernmental pyramid. In this metaphor at broad bottom rests a foundation of municipal governments. In the middle hunch the states. At the peak, at the top of the heap, drawing sustenance from below and dispensing money and orders from above, is the federal government. This model, as Schechter and Elazar point out, perverts history and the Constitution.

The states are not "middle managers," responsible for carrying out the federal directives from above. The states are partners under the Constitution with the national government. They must assert their role in that partnership--manage their own affairs and polish their powers.

Alaska, to deal with its particular problems,

must brandish the benefits of statehood. For the good of the nation, it and other states must resist the federal drive toward supremacy. Our problems cannot be dealt with passively. Alaska should exercise its rights to make compacts with other states; should exercise its power to contract with Canadian provinces and territories; should exercise its voice in urging other states to join with it in coalitions to solve mutual difficulties; should use its wealth to defend its prerogatives and thus the prerogatives of all states.

That is why, after two years of study, we recommend that Alaska become an activist state, one willing to dispel ignorance about itself, one willing to break trails, and one willing to speak out knowledgeably--in the press, and in the courts and in the councils of the states and the nation.



The false metaphor of federal dominance distorts the historical and constitutional basis of the Union.

<sup>8</sup>See *The Role of the States as Politics in the American Federal System*, by Schechter and Elazar, p. 12 and the Constitution's "supremacy clause," Article VI, Section 2.



## Recommendations

**1** Alaska should become an activist state. It should take a lead among states to define the boundaries of state powers in our union.

In our two years of work, we have studied federal-state conflicts both past and present. We noted the powers at stake. We considered who won each argument, and why. Distilling these principles, we applied them to the state of Alaska.

*Our conclusion is that action must force each issue.*

If resource states feel threatened by propaganda from the Northeast-Midwest Institute, the solution is to generate our own research and distribute it in the same circles of press and Congress. If other resource states are slow to get underway on this, then Alaska should put up seed money to get a research agency started.

If we need an agreement with another state or a Canadian province, we should proceed to get it. We need not seek Congress's approval. Our research shows that the Supreme Court rarely invalidates such agreements for lack of congressional consent. In fact, seeking congressional approval often produces delay and unwanted conditions tied to this consent.

Some federal grants require a reorganization of state practices as a condition of receiving money. If we do not like to be thus dictated to, we should refuse the grant and take our protest to those who write the conditions.

In government, power flows to those who use it.

Across the nation, state officials moan about federal intrusion. Yet they have shunned using the built-in control the Constitution offers: the states' power to propose and ratify amendments

independent of Congress. The framers saw amendments suggested by the states sitting in convention as vital to equilibrium between states and the national government. But the states have never held such a convention.<sup>9</sup> All proposals have seeped through Congress, which consistently favors federal sprawl at the expense of the states.

The greatest hindrance to a convention for proposing amendments is the lack of procedural rules. If the states want results, they should first assemble a constitutional convention solely to set rules for future conventions.

If Alaska or another state feels a federal action violates the constitutional balance of powers, it should promptly sue. As important as the suit is getting support from all states and municipalities affected by the action. The best way to organize this support is through a legal action fund.

Our point is simple: the federal government responds poorly to suggestions from the sidelines. To preserve their powers states must use their powers and accept the risks that such action brings.

**2** Repeal of the Jones Act will serve Alaska's and the nation's interest, and Alaska should seek repeal. In the short term, the state should dedicate itself to obtaining an amendment to the Jones Act which would allow the use of foreign-built ships in the Jones Act trade.<sup>10</sup>

Alaskans have long felt that the federal law called the Jones Act, also known as the Merchant

<sup>9</sup>It is important to add that states can--with their resolutions calling for a convention--push a reluctant Congress into action. The U.S. Senate long opposed direct election of senators, but after two-thirds of the state legislatures called for a convention to propose this amendment, Congress did pass a similar proposal which was ratified as the 17th Amendment in 1913. If 34 states call for a convention to propose rules for Article V conventions, Congress will probably propose the rules in legislation to prevent such a first convention being held.

<sup>10</sup>Commissioner Davic strongly disagrees with the commission's conclusions and recommendations concerning the Jones Act. Commissioner Davic submitted additional materials supporting his position which are part of the official record of the commission.

Marine Act of 1920, works to the state's disadvantage. Our research on the economic effects of the Jones Act on Alaska confirms this intuition. We also found that the Jones Act--intended to protect and nurture a merchant marine for the nation's benefit in war and peace--is in fact destroying it.

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*This is one of the ironies of the Jones Act...our merchant fleet has dropped by half since World War II while the world tonnage has gone up sixfold.*

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The Jones Act requires that vessels carrying goods between U.S. ports be built in the U.S.; registered in the U.S.; and owned and manned by U.S. nationals. Jones Act vessels enjoy protection from free-market competition by foreign ships, which have much lower construction and manning costs.<sup>11</sup>

As typical of protected markets, higher freight rates result in the U.S. coastwise trade. In the contiguous states, where ships face lively competition from land transport, the coastwise liner trade in most cargoes has priced itself out of business. Rail and truck lines move the goods more cheaply.

*This is one of the ironies of the Jones Act. It seeks to build a sheltered environment for U.S. vessels to create domestic prosperity and wartime security. Yet our merchant fleet has dropped by half since World War II while the world tonnage has gone up sixfold.<sup>12</sup>*

Because they have no legal alternative to the Jones Act fleet, Alaska and Hawaii and the contiguous territories (except the Virgin Islands, which is exempt from the act) pay the higher freight rates which it imposes. These freight rates amount to a subsidy--the lifeline of the remaining Jones Act fleet.

If the nation feels it benefits from the Jones Act, it should distribute its costs evenly across the nation. *As matters are, the Alaska trade now supports nearly one-third of the entire Jones Act fleet.*

The Jones Act burdens Alaska in several ways. Its strongest effect is to reduce state oil revenue. The act also raises the cost of all domestic freight coming to Alaska. And it discourages the development of new oilfields and mineral deposits in Alaska.

The Jones Act decreases state oil revenues because the extra shipping costs it imposes decrease the "wellhead" price of Alaska oil. Each extra dollar of shipping costs decreases the wellhead price by a like amount.

Wellhead price is the price upon which Alaska levies royalties and taxes.<sup>13</sup>

Our research shows that the Jones Act, by requiring the use of high-priced American tankers, reduces the wellhead value of Alaska oil by at least \$225 million yearly, and perhaps as much as \$630 million yearly. Because Alaska would get about 28 cents of each dollar increase in wellhead value (in taxes and royalties), *this means Alaska is foregoing between \$63 and \$176 million dollars yearly in state revenue.*

In addition to its effect on oil income to the state, the Jones Act adds approximately \$41 million yearly to the cost of goods coming to Alaska in the liner trades, mostly consumer goods, building materials and business supplies.

The Jones Act chills the development of oil fields and mineral deposits which would be on the "margin" between profitable and unprofitable. An example is the huge Ugnu/Kuparuk oil-tar deposit west of Prudhoe Bay. If developed, it will have very high production costs. An extra dollar of shipping cost per barrel of oil can knell financial death for such a field.

This is perhaps the worst effect of the Jones Act--that down the years, the act will continue to sour the development of Alaska.

Strong lobbies back the Jones Act. We fear that total repeal of the act is unlikely to occur in the near term, though the entire nation would benefit from repeal. More domestic cargoes would move by water than now do (Tussing, p. 40). The federal government would reap \$135 to \$378 million more each year in revenue from Alaska oil, since it gets about 60 cents of each dollar increase in wellhead value.<sup>14</sup>

The state's long range goal must be to get the act repealed. One amendment to the Jones Act holds immediate promise. It would allow into the Jones Act trade *foreign-built ships* that meet American safety standards. It would keep in force the requirements of U.S. manning, U.S. registry, and U.S. ownership. The requirement of U.S. construction--by far the most expensive feature of the Jones Act--would be dropped. This would ease the burden on Hawaii, Alaska and other noncontiguous parts of the U.S. and would help expand the size of the U.S. merchant fleet.

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<sup>11</sup> See the Alaska Statehood Commission publication, *The Jones Act and its Impact on the State of Alaska*, by Simat, Hellesen and Eichner, Inc., 1982.

<sup>12</sup> See the Alaska Statehood Commission publication, *Alaska's Economy and the Merchant Marine Act of 1920*, by Arlon R. Tussing and Associates, Inc., 1982.

<sup>13</sup> Wellhead price equals the price a refinery pays for a barrel of oil minus the cost of moving that oil from well to refinery. The price the refinery pays is roughly the "world price" for that grade of oil as determined by world market conditions and actions of the Organization of Petroleum Exporting Countries.

<sup>14</sup> Based on an annual increase in wellhead price of \$225 to \$630 million (Tussing, 1982, p. 2)

Our research shows that this change would bring a net increase in U.S. shipping jobs. New jobs in the resurrected contiguous-states coast-wise trade would more than offset the jobs lost in U.S. shipyards now building merchant vessels.

We would hear the objection that some U.S. shipbuilding capacity would not be available should another protracted, non-nuclear conflict like World Wars I or II occur. Congress should weigh the alleged national defense benefits against the present-day costs of the act. The Jones Act breeds high prices and inefficiency. It is slowly destroying our U.S. merchant marine. The act must be amended; it ought to be repealed.

**3** Alaska and our congressional delegation should vigorously oppose extension of that portion of the Export Administration Act of 1979 which effectively bans the export of Alaska North Slope oil.

Federal law prevents the export of Alaska North Slope oil and keeps it from a natural market:

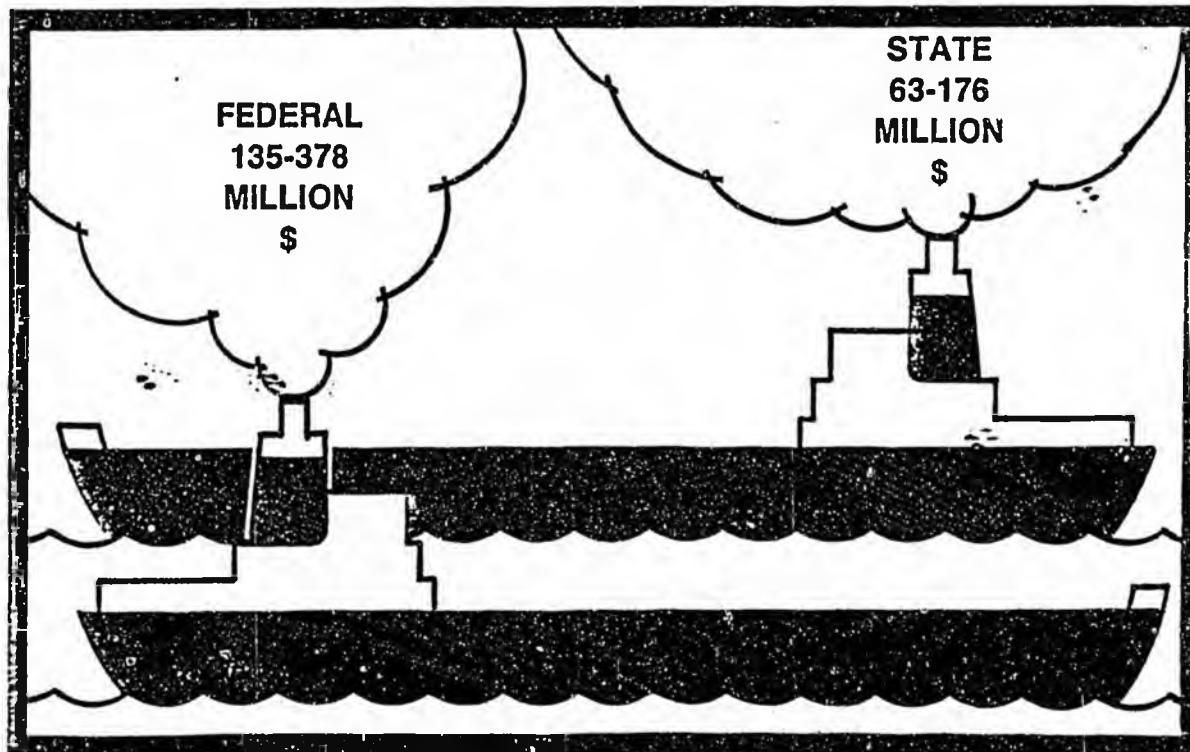
Japan and the Orient. It forces this oil into expensive American tankers and depresses the price of Alaska oil in other ways as well. Lifting the export ban might ultimately increase Alaska's oil revenue by \$500 to \$800 million annually.<sup>15</sup>

Two federal laws encumber the export of North Slope oil. One is the Trans-Alaska Pipeline Authorization Act of 1973. It places difficult, but not insurmountable, obstacles to the export of any oil which has flowed down a pipeline sitting on leased federal land. (This law covers the Alaska pipeline and some pipelines in other states as well.)

The second law is a section of the Export Administration Act of 1979. It aims only at Alaska North Slope oil. It sets conditions so numerous and so harsh that, in effect, it lays a total ban on the export of this oil.

*The Export Administration Act of 1979 expires on Sept. 30, 1983. State officials and the Alaska congressional delegation should devote themselves to blocking extension of that part of the act relating to North Slope oil. If Congress renews it, a national opportunity to export our oil will not come again for years. North Slope production may be declining by then.*

The export prohibition, by default, requires



## OIL REVENUES LOST FROM JONES ACT RESTRICTIONS

The effect of the Jones Act on wellhead price depresses federal and state oil revenues, in the dollar ranges shown.

See pp. 25-28 of the Alaska Statehood Commission publication *Alaska's Economy and the Merchant Marine Act of 1920*, by Arlon R. Tussing and Associates, Inc., 1982.

transport on high-priced Jones Act vessels, since we can't move our oil to other states by land. This is one factor depressing the wellhead price. The export ban also depresses wellhead prices by forcing Alaska oil into the wrong markets: the West Coast, which is flooded with Alaska and California crude; and the Gulf and East Coasts, which dictate a long and expensive round trip by U.S. flag vessels of 13,000 nautical miles via the Panama Canal, or 30,000 miles via Cape Horn. The round trip between Valdez and Yokohama, Japan, is about 7,000 miles.

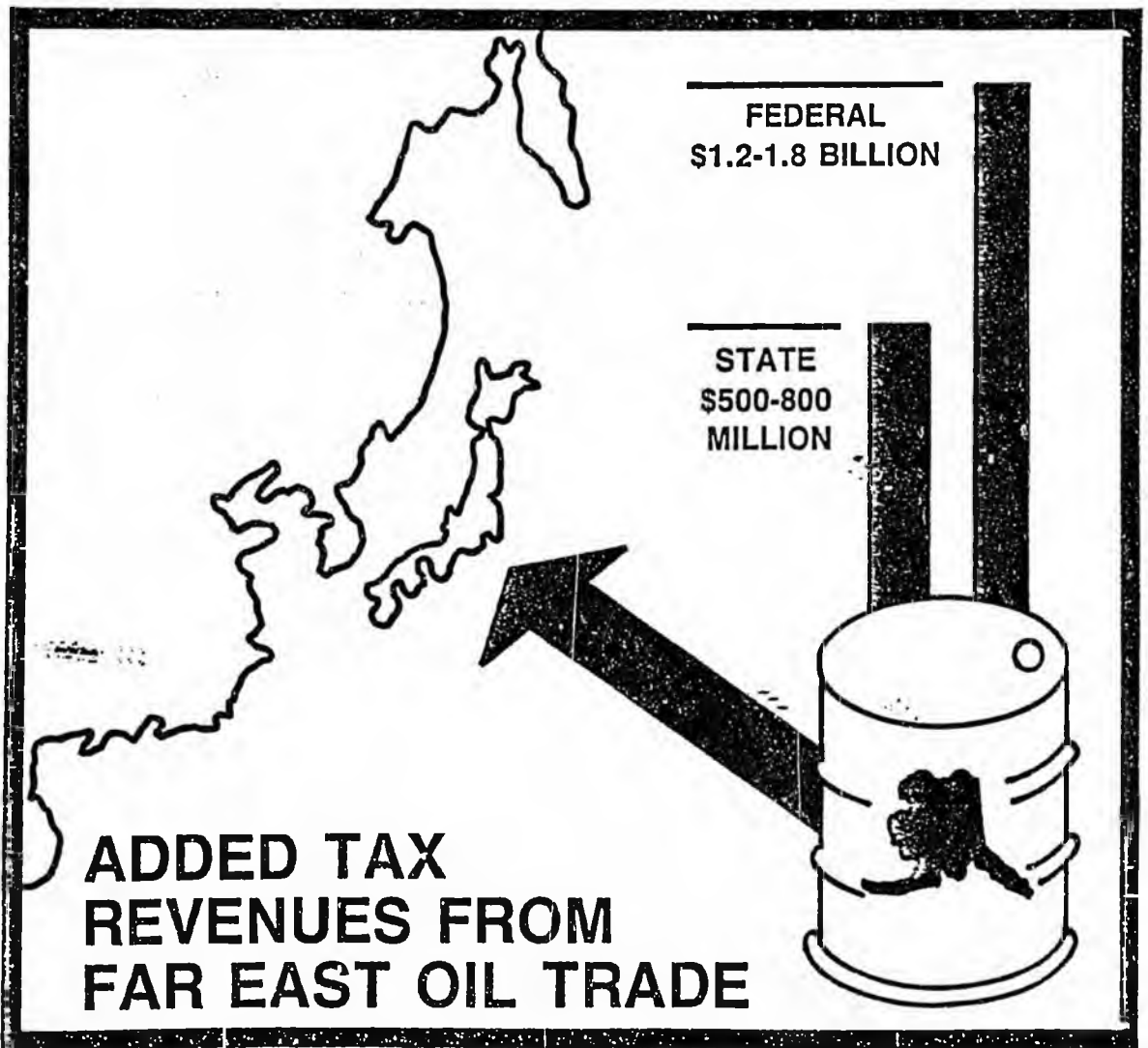
Removing the export ban could ultimately raise wellhead prices by \$2-3 billion per year, and state revenues by \$500-800 million per year. It could raise federal revenues by \$1.2 to \$1.8 billion per year.<sup>16</sup> Exporting Alaska's oil would help balance

our nation's \$16 billion trade deficit with Japan.

If Congress were to lift the ban, probably all the Alaska oil now going to the Gulf and East Coasts, and the Alaska oil now surplus to the West Coast, would go to the Far East.<sup>17</sup> The shortfall resulting on the Gulf and East Coasts would be filled with Mexican and Mideast oil now going to Japan.

This "triangle trade" would have advantages to all concerned. Transportation costs would drop, Mexico would earn more per barrel for its oil, and U.S. Windfall Profits Tax receipts would climb. Japan and the U.S. would even their trade imbalance. The change would ease the West Coast oil glut.

Lifting the export ban would bring reason to the economics of Alaska oil.



Because of lower transportation costs to overseas customers, allowing the export of Alaska oil would increase the nation's and Alaska's tax revenues.

<sup>16</sup>These dollar savings would not show up immediately, however, as oil companies would want to pay off some of their capital costs: tankers in use and their commitments to a new Panama pipeline.

<sup>17</sup>We have considered the objection that foreign tankers would pose a hazard to Alaska waters. We feel that the hazard is not necessarily any greater than that by U.S. flag tankers. Foreign tankers can be required to meet U.S. safety standards. And foreign vessels now dock at Valdez, loading oil for the Amerada Hess refinery on St. Croix in the Virgin Islands. (The Virgin Islands, though an American possession, is exempt from the Jones Act, and foreign tankers take oil there.)

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**4** Alaska must act immediately to create in Washington, D.C., a research and advocacy institute and ask other resource states to join in supporting it. The institute would combat efforts in Congress to limit or tax state resource revenues.

Efforts to strip Alaska and other resource states of revenues from oil and other energy sources center around the Northeast-Midwest Congressional Coalition and its research arm, the Northeast-Midwest Institute.

The Institute has become the dominant source of detailed information about resource extraction and taxing available in Washington to the national press, members of Congress and other federal officials.

The Coalition and the 18 states it represents seek to have resource incomes of individual states pooled by federal law and redistributed to all states. Such federal action would be a major blow to one of the last pillars of state sovereignty: the power to raise and allocate revenues. The Coalition even wants the federal government to prescribe how individual states may spend resource revenues.

The Northeast-Midwest Institute is only too happy to provide facts, figures and research documents to bolster efforts in Congress to nationalize the incomes of what the Coalition has tagged the "United American Emirates," the oil-producing states.

A major political battle looms. It will be fought largely in the newspapers and on radio and television for the hearts and minds of the general public.

The need for a counterbalancing institute of resource states seems obvious and may be critical. Such an organization would perform and publish scholarly research on matters of special interest to the resource states. The institute must be located in Washington, D.C., for maximum accessibility, effect and credibility. It is very important for reporters, the administration, members of Congress and their staff to have personal access to the institute's researchers as well as to its publications.

Alaska must lead in starting such a research and advocacy institute and keeping it funded. The Legislature should provide the governor with money enough to fund the institute's first years and convince other states to join the effort. To do nothing or to delay too long in face of an obvious threat to Alaska's financial well-being will only turn the threat into an impoverishing reality.

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**5** The state Board of Education and Alaska school districts should require the teaching of Alaska history, citizenship and culture.

The Statehood Commission worries that in our oil-propelled rush into the mainstream of the nation's economy, we may be cutting our ties with what is special about Alaska. Further, by failing to attend to our history we risk repeating mistakes made during Alaska's early days of copper, gold and fishing booms and busts.

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*We have a system of public and private education second to none, and yet we do not require education about our state's history.*

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Alaska's long isolation from the other states has ended. Arctic villages once accustomed to occasional newspapers by barge and dogsled now receive their baseball games televised live via satellite. One out of three Alaskans has lived in the state less than five years.

It is not easy to preserve our heritage with such turnover and in the face of a mass culture tuned to a common denominator, but we must try. We have a system of public and private education second to none, and yet we do not require education about our state's history. We do not require instruction on our rich and varied regional and statewide cultures.

We should also teach every student--from elementary through post-secondary schooling--the reciprocal duties between citizen and state, and between citizen and national government. A citizenship program should teach respect for the dignity of every individual; the observance of rules written for the common good; respect for private and public property; strong ethical values; development of a social conscience; and democratic ideals.<sup>18</sup> If Alaska needs a model it need look only as far as the education required of aliens requesting U.S. citizenship. It is paradoxical that naturalized citizens often have a better knowledge about America than those born here.

The Legislature should speed development of the classroom material required, and make the materials available to all public and private school systems.

Education is Alaska's opportunity to invest in the next generation of voters and leaders. It is our preventive medicine against the repetition of past mistakes. It can be our way of preserving and

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<sup>18</sup>In 1980 the Anchorage School Board approved a similar list of goals for a citizenship education program

promoting our heritage as Alaskans, and our way of helping youth understand they have dual citizenship, to the state and to the nation.

**6** The Alaska State Legislature should pass a resolution which would apply to Congress under Article V of the U.S. Constitution for the calling of a national constitutional convention. The convention's sole duty would be to define the procedures governing all future constitutional conventions called by the states.

The national interest demands that these rules be written. Until they are, the states will continue to be shut out from proposing amendments in convention. The Founding Fathers thought this amending power fundamental to keeping the

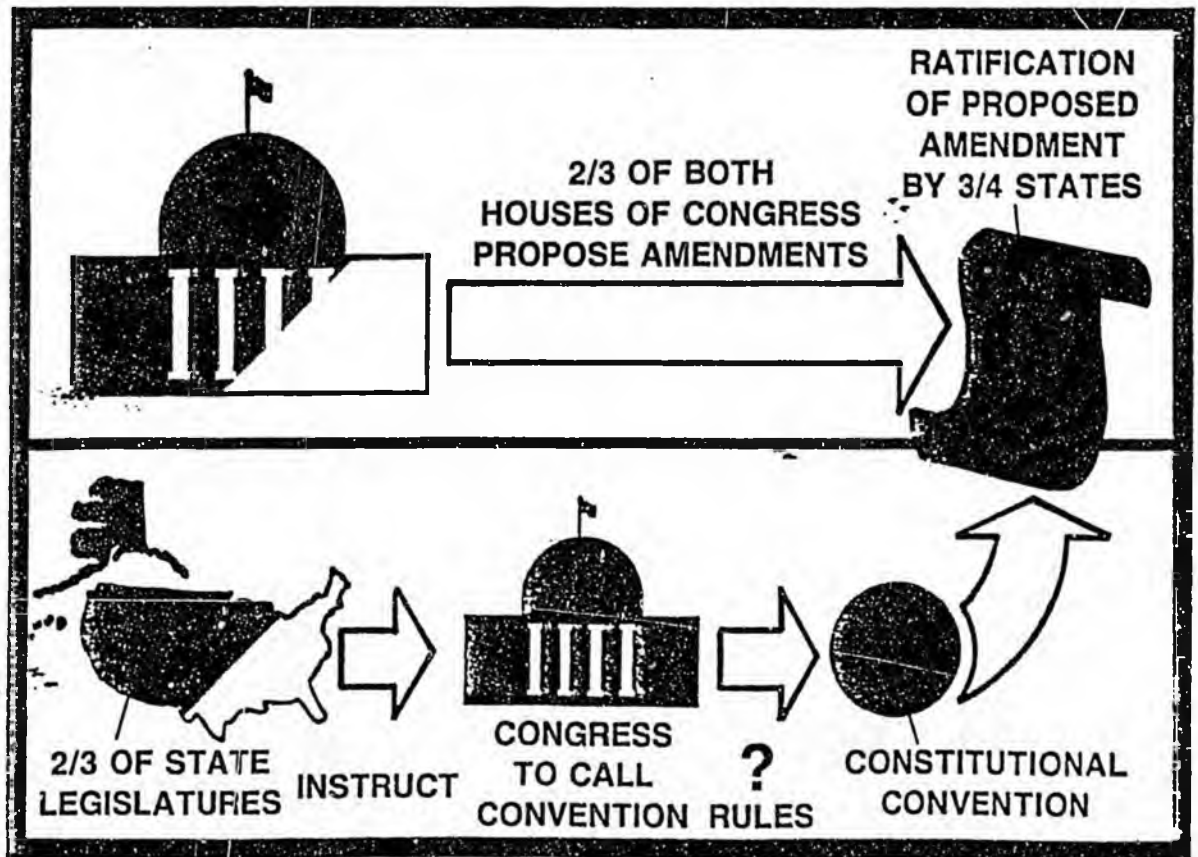
state-federal balance.

Alaska has much to gain by taking an early lead in causing discussion on the rules. High-population states may seek rules which would apportion votes to disfavor low-population states.

Under our Constitution an amendment must pass two hurdles: it must be proposed and it must be ratified. A proposal can come by way of Congress or by way of a national constitutional convention. Congress must call such a convention if two-thirds (now 34) of the states request it. After an amendment is formally proposed, three-quarters of the states (now 38) must ratify it through their legislatures or with in-state conventions called for that purpose. Ratification is difficult. Only 16 amendments have been ratified since the adoption of the Bill of Rights nearly 200 years ago.

The first and last constitutional convention was held in the summer of 1787.

Despite the success of the last convention, some fear that another convention would run wild, sack the Bill of Rights and demolish 200 years of constitutional carpentry. This fear has been nurtured by the lack of clear rules governing



Flow chart illustrates steps required for amending the U.S. Constitution.

## METHODS OF CONSTITUTIONAL AMENDMENT

a state-called convention to propose amendments.

The rules are long overdue, but we doubt that Congress will write them.<sup>19</sup> It prefers to hold up the specter of a runaway convention to discourage the states ever asking for one. In this way Congress keeps complete control over which amendments are submitted for ratification.

The states must force the issue under Article V by calling for a convention to amend Article V. Rules must set out how convention votes would be apportioned and should define the scope of a convention's proposing powers. We believe a convention should be limited to the consideration of subjects named in the state resolutions asking for a convention. It should not have blanket authority to propose other amendments.

For Alaska, a federal convention has both danger and opportunity. Much depends on how votes are apportioned at the convention. We recommend the Alaska Legislature, in its resolution, call for equal votes by state. Under this plan, if there were 500 votes to go around, Alaska would have 10 votes, or 2 percent.

Were apportionment to follow a congressional model (votes according to the size of a state's congressional delegation), Alaska would have only 3 out of 500, or 0.6 percent of the votes. If votes are apportioned strictly by population, Alaska would have still fewer: 1 out of 500, or 0.17 percent of the votes.

Equal votes among the states would be true to the plan of the Constitutional Convention of 1787. That convention was "first and foremost a gathering of states" (Rossiter, p. 68). We suggest emulating the U.S. Senate: two delegates per state in a constitutional convention, for a total of 100 votes.

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**7** Alaska should take the initiative to establish a legal action fund for the states. This fund would oppose illegal and coercive federal restrictions, regulations burdensome to state and local government, and excessive use by Congress of its commerce powers to override state and local laws.

At present no one adequately represents state and local views when federalism questions come

up in court--questions such as, "What does the Constitution say about this conflict between state and federal government?"

The federal government has the Office of the Solicitor General. Special-interest groups--often at odds with state and local governments--have

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*In short, state and local governments must start working together to oppose creeping federal intrusions.*

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their legal defense funds.

But lawyers for state and local governments find themselves outgunned in the higher courts on complex federalism questions. They speak only for their employer, but the court decisions handed down will infuse the internal workings of all state and local governments, rewriting charters and constitutions and increasing liability to civil lawsuits.

In short, state and local governments must start working together to oppose creeping federal intrusions.

They triumphed on one of the few occasions they did work together--in the mid 1970s, challenging federal power to impose minimum wage and overtime laws on state and local governments. The National League of Cities, the National Governors' Conference, 19 states, and three municipal governments joined in a lawsuit to defend their authority to set wages and hours. The outcome was a landmark victory for state and local powers: the Supreme Court decision in *National League of Cities v. Usery*, 426 U.S. 833 (1976). It was one of few times in which the Court has held that the 10th Amendment (reserving powers to the states) is a limit on federal action.

Alaska should take the lead to get a legal action fund for state and local governments underway. It should put up money to operate the fund for one year. Lawyers for this fund would file lawsuits and intervene in others as advocates for all state and local governments, at all levels of court.<sup>20</sup>

A century ago the fundamental questions of union and disunion, of federal and state powers, were debated on the floors of Congress and bloodied the fields of Shiloh and Antietam. Today the arena is not Congress, not the battlefield, not even the halls of bureaucracy. The deepest inquiries of our union now pivot on what judges say. States have ignored this fact too long. They should pool their energies and channel them accordingly.

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<sup>19</sup>The weight of academic opinion is that Congress does have the power to pass laws defining convention procedures

<sup>20</sup>A pilot project underway is a move in the right direction. A private foundation and seven nationwide state and local government organizations have brought to being the State and Local Legal Center. Two attorneys will monitor the Supreme Court and will research and help prepare arguments for these governments. However, current plans aim only at the Supreme Court and providing assistance there. We believe active intervention at all levels is needed.

**8** Alaska should provide seed money to the National Governors' Association or like organization to sponsor a national convocation on federalism in the United States.

Not since 1787 have the leaders of the nation met to talk over the health of the relationship between the central government and the states.

In that time the federal government has grown in power far beyond that envisioned by the nation's founders, for reasons good and bad. In

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*We think other Americans feel it is time to take a good look at what their governments have become....*

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the past year, we have discovered no evidence to make us retreat from our statement in our preliminary report that:

"By anyone's standards, the system of government in the United States has become greatly centralized, highly bureaucratized, frighteningly intergovernmentalized and often so complicated that it seems to be paralyzed..."

(*More Perfect Union*, p. 26)

On the national level, recent discussions about federalism have failed to center on a fundamental restructuring of the relations between Washington, D.C., and the 50 states. Instead they have dealt with the more superficial matter of swapping responsibilities for who pays for certain health and welfare programs.

There is no doubt that since the founding, and especially in the two decades just past, federal powers have waxed, while the powers of the states have waned. The question is whether this process should continue without examination by the president, the governors, and other chief appointed and elected officials of the nation and the states.

We think not. We think other Americans feel it is time to take a good look at what their governments have become, to determine what is the proper role of the central government and the sovereign states in our federal system.

There has long been talk about having a national meeting to raise national consciousness about the respective roles of the central government and the states. But no one has taken the first

step to make such a convocation happen.

Alaskans, if they are serious about staking out federal powers, can take that first step by putting down the seed money to have the nation's governors organize the convocation. Alaska can even offer to host the convocation in Alaska, in 1984 during the 25th anniversary celebration of Alaska's accession to statehood.

But whatever the place, Alaska should do what it can to stir the nation and get this convocation underway.

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**9** Alaska and other states should consider amending the U.S. Constitution to strengthen the role of the states.

Since the ratification of the 17th Amendment,<sup>21</sup> which took the duty of electing U.S. senators from the legislatures and replaced it with direct election by the people, the states have lacked a collective voice in setting national policy. The states should contemplate proposing substantive amendments to the Constitution which would strengthen state roles, protect proper state powers, and counter federal growth.

The topic of possible amendments is perfectly suited to the agenda of a national convocation on federalism (Recommendation 8).

Over the years a variety of amendments have been proposed to alter the relationship between federal and state governments. Among them:

- a "state veto" of federal legislation (except for federal laws dealing with defense, foreign affairs or civil rights) by a vote of two-thirds of the state legislatures;

- a measure prohibiting the federal government from imposing any condition upon the states by grant requirements that it could not impose constitutionally by statute or regulation; and

- a "court of the union" composed of the chief justices of every state's supreme court. Assembled at the request of five states, this court would have the power to overrule any U.S. Supreme Court decision.

We are not prepared to endorse any of these proposals. We offer them for scrutiny as ways in which states might assert more control over national decision-making.

Critics have pointed to the states' poor record in championing civil rights during the 1950s and 1960s. They argue that any amendment strengthening state powers will reverse the progress of the last 30 years.

State officials reply that states have come a

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<sup>21</sup> The original Constitution gave state legislatures named senators for each state. Alexander Hamilton said this power was "one which could not be dropped without 'an entire dereliction of the federal compact.'" (Federalist Papers, No. 59) Towards the end of the 19th Century, though, this duty was causing many states to call for the legislatures. By 1912 two-thirds of the states called for a national convention to elect U.S. senators. Congress forestalled this convention by proposing a direct election of U.S. senators in 1913.

long way since then; legislatures are now apportioned by population and four-fifths of the states have modernized their constitutions since 1950. The U.S. Advisory Commission on Intergovernmental Relations ran a diagnostic check on state governments recently and found a system vastly improved from 20 years ago. "The transformation of the states, occurring in a relatively short period of time, has no parallel in American history," said the group in 1981 (*State and Local Roles in the Federal System, In Brief*, p. 3). ACIR has been studying federalism since 1959.

What amendments are needed and what states would do with them are questions for the nation. We do feel that in a contest the rights of individuals must take precedence over both state and federal powers.

We are confident that one or more constitutional amendments, carefully drafted, could rebalance our union without endangering civil rights.

**10** The governor of Alaska should prepare political impact statements on proposed major federal actions. Eventually, the National Governors' Association should prepare them on the behalf of all states.

We agree with the finding of the Advisory Commission on Intergovernmental Relations that federal influence "has become more pervasive, more intrusive, more unmanageable, more ineffective, more costly, and, above all, more unaccountable."<sup>22</sup> Especially in the last 20 years, the federal government has grown a new limb for every problem brought to its attention until it has more legs than a centipede: it has grant programs aimed at urban unrest, railroad crossings, fire-fighting, the design of dam spillways, and thousands more. We have had rule by reaction.

The states are partly responsible. They have abdicated their role in formulating national policy. They have failed to react in a timely fashion to proposed extensions of federal power which shift the constitutional balance.

We recommend that the governor of Alaska selectively issue political impact statements on the likely effects--on all states--of proposed new federal policies. Later, Alaska should encourage the National Governors' Association to take over this duty for all states.

A political impact statement need not be as long as the average environmental impact statement<sup>23</sup> to be effective. Those charged with writing the political impact statements would monitor

proposed federal mandates, statutes, executive orders and new Supreme Court decisions. The writers would select perhaps a dozen impending federal actions per year for 10-page impact statements. The impact statements would describe the likely effects on state governmental organization, on present state programs, on innovation, on traditions, and on state citizenship.

Well-researched and objective political impact statements, if prepared enough in advance, will command attention from the nation's decision-makers and the press. The statements will speak about the health of our union.

**11** Alaska's governor should invite the leaders of other northwestern states and the western Canadian provinces and territories to join Alaska in establishing a conference modelled after the New England Governors and Eastern Canadian Premiers Conference. The governor can prepare for such a conference by establishing in the executive branch an interagency task force on foreign relations.

One of the ways a state can match powers with the federal government is by building coalitions. Coalitions have two virtues. Political strength is greater in sum than in parts, and coalitions can settle cross-border problems without intervention from Washington.

Since 1973 six New England governors have been meeting with the premiers of five eastern Canadian provinces. This organization is called the New England Governors and Eastern Canadian Premiers Conference. It is a model of state-provincial cooperation.

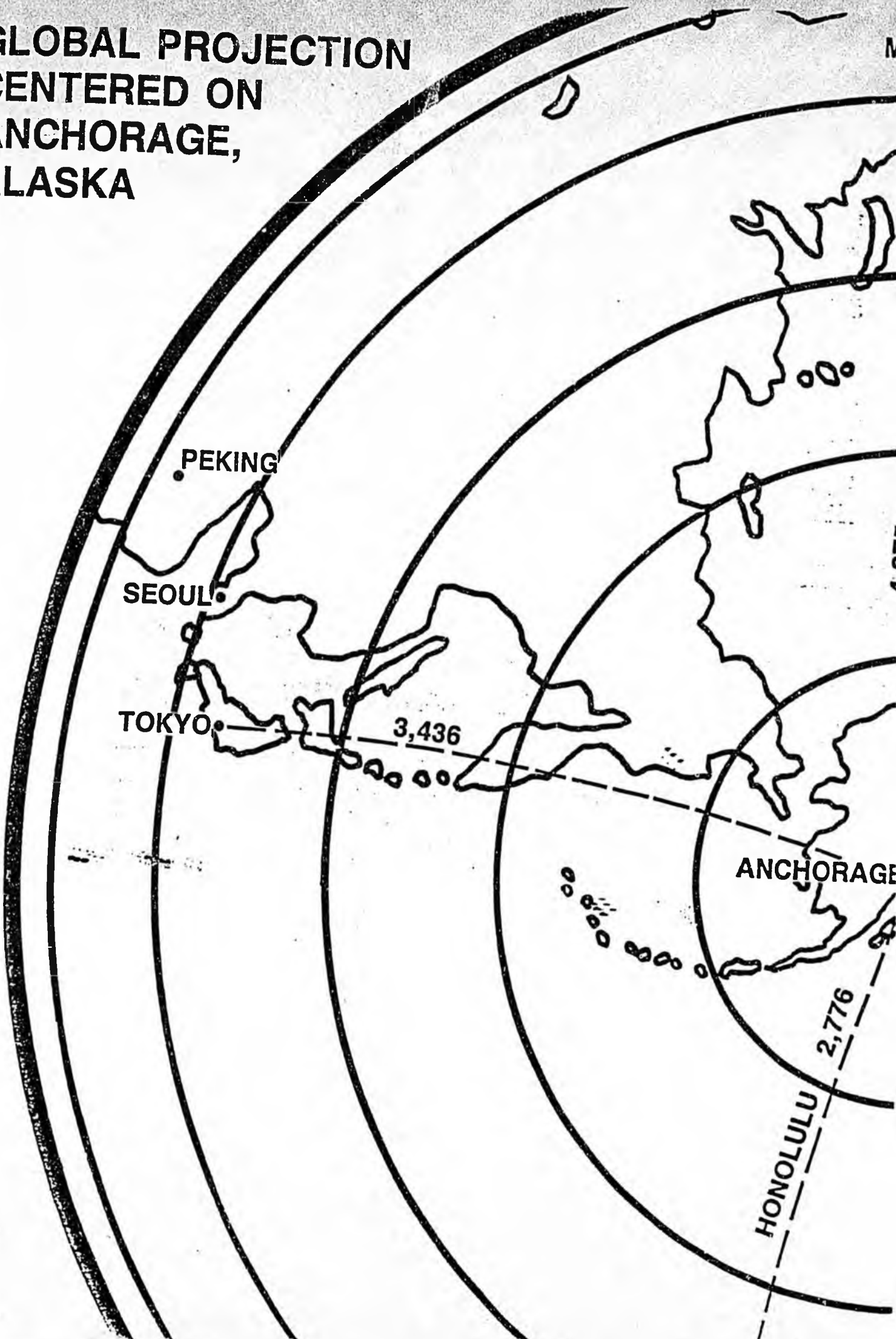
After 10 years, participants report themselves pleased with the progress made in smoothing potential conflicts, cooperating in projects, and exchanging information. "The search for answers need not stop at the boundary," says former Maine governor Kenneth M. Curtis (*Schechter and Elazar*, p. 64).

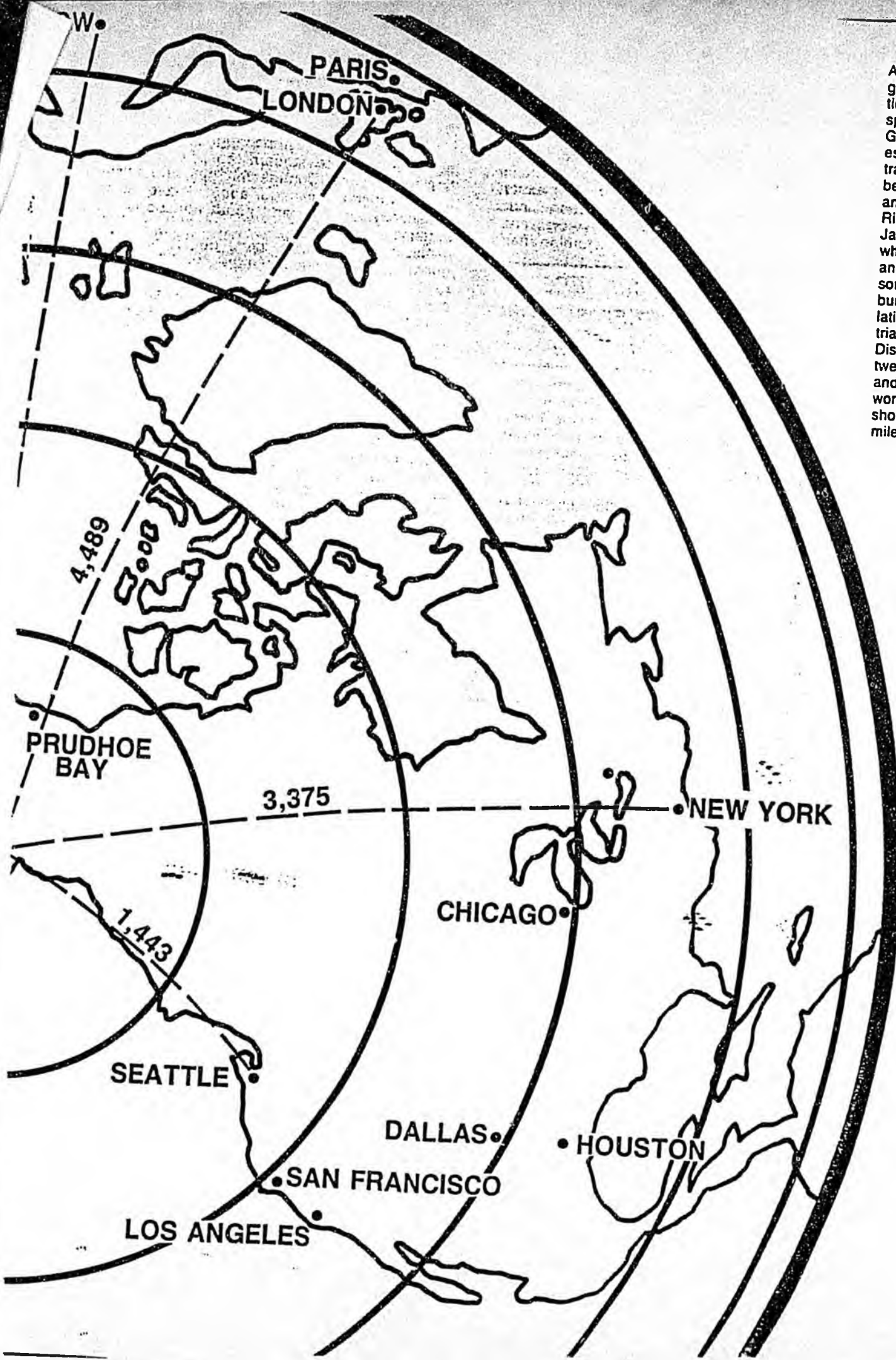
In 1983 the governor of Alaska should prompt a meeting with the leaders of the northwestern states, Alberta, British Columbia, and the Canadian territories. These leaders, joining in a Western States and Provinces Conference, would have much to discuss: minerals and port development, hydroelectric and other energy projects, a railroad to the Arctic, fisheries, tourism, cold-

<sup>22</sup>ACIR, *The Federal Role in the Federal System: The Dynamics of Growth, In Brief*, 1980.

<sup>23</sup>Required by federal law since 1969, these statements are written to describe the probable environmental effects of a new federal action. They list the effects of alternative actions as well. A typical EIS can run to hundreds or even thousands of pages.

**GLOBAL PROJECTION  
CENTERED ON  
ANCHORAGE,  
ALASKA**





Alaska's geographic role in national defense speaks for itself. Geography suggests a natural trade relationship between Alaska and such Pacific Rim nations as Japan and Korea which need food and mineral resources for their burgeoning populations and industrial enterprises. Distances between Anchorage and selected world cities is shown in statute miles.

climate research, and migratory wildlife management.

To facilitate this conference and to expand Alaska's relations with the international community at large, we recommend that the governor create an interagency task force on foreign affairs.

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*With such action states can take charge of the regional interests they claim Washington is neglecting.*

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This task force would join a foreign-relations specialist<sup>24</sup> on the governor's staff with representatives of the Council on Science and Technology, and the Departments of Fish and Game, Commerce and Economic Development, Natural Resources, Transportation and Public Facilities, and Law.

With such action states can take charge of the regional interests they claim Washington is neglecting.

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**12** The Alaska Legislature and governor should immediately invite representatives of Hawaii and the noncontiguous possessions to meet with them to explore setting up a permanent coalition to deal with common interests and problems, such as the effects of discriminatory transportation laws.

Not being geographically connected to the first 48 states has threaded the histories of Alaska, Hawaii, Puerto Rico, the Virgin Islands, American Samoa, Guam and now the Northern Marianas with a common experience—that of suffering second-class political citizenship.

Alaska and Hawaii overcame this burden in 1959 by achieving statehood, but even now, remnants of territorial status remain for them in the form of discriminatory laws. The Jones Act is the best example.

The nonstate possessions remain politically impotent. None have a voting delegate to Congress. None vote in elections for president.<sup>25</sup>

Helping any possession to achieve greater self-government through democratic means can only benefit Alaska. If statehood occurs, the new senators and the new congressmen will understand the problems of noncontiguity and can be supposed to join Alaska's delegation in overcoming them.

For the present, the noncontiguous states and possessions share concerns about oil exploration on the Outer Continental Shelf, about fishing, about treaty making, about delayed economic development, and about transportation systems or their lack.

Alaska, for example, must out of principle oppose any efforts to make the Jones Act apply to the Virgin Islands, the one island territory excepted from the act. The Virgin Islands has built an oil-refining industry around that exception, which lets foreign tankers carry American oil to Virgin Islands docks. Some of that oil is from Alaska.

One item for discussion by the noncontiguous parts of the United States could be the establishment of a federal Region 11 just to coordinate federal programs applying to them. Under the existing federal structure of 10 administrative districts, the needs of the noncontiguous areas sometimes get treated as the needs of barely remembered stepchildren.

The western noncontiguous states and territories should also have a distinct federal appellate circuit, the 11th Circuit Court of Appeals.

Alaska in any case has the need to develop new coalitions of friends, and it should reach out to Hawaii and the noncontiguous possessions to ask them to talk over the opportunities for mutual advantage.

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**13** Alaska must vigorously police federal implementation of the Alaska Statehood Act. We should insist that the remaining land transfers be completed at the rate agreed upon in 1981 (13 million acres transferred to the state per year) and we must guard against congressional attempts to unilaterally change the Statehood Act and the Constitution of the State of Alaska. The Legislature should authorize and direct the lieutenant governor to place all such attempted changes in the Statehood Act and the state's constitution before the voters in a ballot proposition.

In our preliminary report we documented the failure of the federal government to carry out the contract it made in the Alaska Statehood Act of

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<sup>24</sup>See Recommendation No. 17. We envision this task force as separate from but working with an office of external relations.

<sup>25</sup>For a complete description of the political status of America's possessions, see the Alaska Statehood Commission publication, *Hawaii and the U.S. Territories*, by Howard Gray and Doris Deakin, 1981.

1958.<sup>26</sup> Land conveyances are years behind schedule. The land freeze of 1986, followed by federal land withdrawals of the Alaska Native Claims Settlement Act (ANCSA) and the Alaska National Interest Lands Conservation Act (ANILCA, commonly known as the D-2 Act), prevented the state from choosing which lands it wanted for the remainder of its entitlement. The state is facing many difficulties gaining access to lands it holds within blocks of land withdrawn under ANCSA and ANILCA.

In an outrageous move to pre-empt all state opposition, Section 10 of ANCSA put a unique one-year statute of limitations on lawsuits by the state. It penalized legal action with a "blackmail clause"<sup>27</sup> promising to stop all state land transfers for the duration of any suit against ANCSA, however valid.

The federal government may renege again on its land conveyance obligations if Alaska fails to muster its full legal, economic, and political powers to compel the federal government to live up to its solemn promises.

We have been monitoring the fulfillment of an out-of-court settlement between Alaska and the federal government on the rate of land conveyances. In this settlement, *Alaska v. Reagan* (1981), the Interior Department promised to convey 13 million acres per year to the state.

The department has so far kept its promise. It conveyed 13,310,856 acres to Alaska in fiscal year 1981. At the agreed pace of 13 million acres per year, Alaska should have all its Statehood Act lands by the end of 1985.

By Oct. 1, 1982, the federal government had transferred 65,644,104 acres to the state, including about 62 percent of the state's general grant of 102,550,000 acres. Native corporations held 23,202,420 acres towards their entitlement of 40 million acres. Private holdings, not including Native lands, are approximately 2 million acres, or less than 1 percent of Alaska's land.

The federal budget will get tighter, however, and with four more years of conveyances to go, the pace of transfers could slow. State officials and Alaska's congressional delegation should make clear that federal funds for carrying out the Statehood pact are not "optional," to be cut back like a federal grant for library improvements or rat control.

It is time to wind up implementation of the Statehood Act. The federal government is already behind schedule, and in 1980 had to extend the compliance deadline to 1994, 10 years beyond the original 25-year deadline of 1984.

Alaskans should stand against any unilateral attempts by Congress to change any provision of the Alaska Statehood Act, for the act is a compact

between the United States and the people of Alaska. Similarly, Alaskans should not permit Congress to rewrite the Alaska Constitution.

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### *It is time to wind up implementation of the Statehood Act.*

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Congress may attempt to change the formulas contained in the Statehood Act for revenue sharing from mineral revenues from onshore federal lands: 90 percent to the state and 10 percent to the federal government. The Interior Department attempted a unilateral change recently. In 1975 and until corrected by the U.S. Supreme Court, Interior altered the sharing formula for oil revenues from the Kenai National Moose Range to give 75 percent to the federal government, 25 percent to the Kenai Peninsula Borough, and nothing to the state. The Supreme Court set the Interior Department straight on this matter, but we are concerned with the Court's language suggesting that these percentages can be changed in the future, at Congress's discretion.

*The Legislature in an omnibus bill should authorize and direct the lieutenant governor to place any proposed change to the Statehood Act or Alaska Constitution before Alaska's voters in a ballot proposition, asking them to say yes or no to the change.*

The Alaska Statehood Act required the consent of Alaskan voters to become effective.<sup>28</sup> Similarly, Alaskan voters should have the opportunity to pass upon suggested changes to the Statehood Act. If the voters disapprove the change the state will have a mandate to oppose the attempted change in court.

In our two years of study we have devoted more time to monitoring implementation of the Alaska Statehood Act than to any other issue. Other agencies will continue the scrutiny as the commission expires, for Alaska has not yet achieved full statehood.

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**14** Alaskans should consider two amendments to the state constitution which will clarify the philosophy and the powers of our state government in the federal union.

We suggest few additions to the Alaska Constitution. Ratified in 1956, it is recognized nationwide as a model charter, for its brevity, clarity, and innovations. Federal powers have done a lot

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<sup>26</sup> For a detailed discussion of the Alaska Statehood Act, see the Statehood Commission publication, *The Concept of Statehood Within the American Federal System*, 1981, pp. 89-120.

<sup>27</sup> Section 10 of ANCSA, 43 U.S.C. Sec. 1609.

<sup>28</sup> Sec. 8(b), Public Law 85-508, July 7, 1958.

of growing since then, however, and we offer two possible amendments to help define Alaska's role.

The first addition is modelled after Article I, Section 1 of the Texas Constitution. That section of the Texas Constitution reads:

"Texas is a free and independent State, subject only to the Constitution of the United States, and the maintenance of our free institutions and the perpetuity of the Union depend upon the preservation of the right of local self-government, unimpaired to all the States."

A similar amendment to the Alaska Constitution can serve to link the ideas of citizenship, statehood, and local self-government.<sup>29</sup>

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*The state should not hesitate to lay claim to all the authority given states by the history and practice of the U.S. Constitution.*

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A second amendment would clarify the state's power to cooperate with foreign nations.

Article XII, Section 2 of the Alaska Constitution now reads:

"The State and its political subdivisions may cooperate with the United States and its territories, and with other states and their political subdivisions on matters of common interest. The respective legislative bodies may make appropriations for this purpose."

We suggest adding a phrase after the words "on matters of common interest":

"...and to the extent consistent with the Constitution of the United States, with foreign nations."

An early draft of this section of the Alaska Constitution contained a very similar phrase<sup>30</sup> but the framers deleted it for fear that Congress would not approve a state constitution referring to foreign cooperation.

Research for: the Statehood Commission

<sup>29</sup>A detailed discussion of these and other amendments to the Alaska Constitution may be found in the Alaska Statehood Commission publication, *The Role of the States as Politics in the American Federal System*, by Stephen Schechter and Daniel Elazar, 1982.

<sup>30</sup>See committee proposal No. 12, introduced in the Alaska Constitutional Convention Dec. 16, 1955. That phrase read, "...and to the extent consistent with the laws of the United States, with foreign nations."

<sup>31</sup>This inventory is a good idea anyway, as the federal money available for grants is dropping sharply. The state should know in advance which grants are worth fighting for and which are not.

(Schechter and Elazar, pp. 57-68) shows that American courts allow states much leeway to engage in friendly relations with Canada and other nations. A 1978 study located 766 agreements and understandings between American states and Canadian provinces (Swanson, pp. 221-265).

The state should not hesitate to lay claim to all the authority given states by the history and practice of the U.S. Constitution. Our research shows that states are sovereign entities, and they do have some powers to engage in friendly foreign relations. The above two amendments to the Alaska Constitution would elaborate those powers.

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State officials should refuse federal grants carrying burdensome requirements.

The federal government exercises control over more subject areas by grant requirements than by direct orders to state and local governments. It is through grant conditions, for example, that the federal government enforces a national 55 mph speed limit upon the states.

The U.S. Supreme Court allows the federal government to impose controls on the states by conditional funding that would be otherwise unconstitutional if imposed by federal statute or regulation. The Court places few limits to what a federal grant can demand, reasoning that a state can always turn the money down.

In reality, most state and local governments cannot afford to turn down federal money even if they wish. In many cities, grants once seen as "extra" now keep the buses running and the lights on in City Hall. This poor state of affairs grows in part from the federal government's hogging of the tax base.

Alaska is prosperous enough--for the time being--to turn down some federal grants when the conditions or the paperwork required are not worth the dollars. State officials should inventory grant programs, comparing the drawbacks and benefits of each, and be prepared to turn down offers of federal money.<sup>31</sup> The state should reject grants demanding reorganization of state government.

Our research<sup>32</sup> indicates that a state can, by rejecting a grant it accepted in prior years, embarrass the federal bureaucracy into reforming the grant and pruning the tendrils of conditions which have sprouted from it.

**16** The Legislature should fund the Department of Revenue or other appropriate agency to make an annual study of and report on the flow of federal spending and revenues in Alaska.

Basic data about the federal government's economic relationship with Alaska has been difficult to obtain in coherent form from either federal or state agencies, though this information is critical for defending against congressional efforts to confiscate or limit state oil and other resource revenues.

The information is also critical for showing our fellow Americans through the national media that Alaska contributes more to the national treasury than it withdraws.

Because of the lack of available data, the Statehood Commission commissioned two studies on federal revenue and spending in Alaska from the University of Alaska's Institute of Social and Economic Research (ISER, 1981, 1982).

The first study, covering federal fiscal year 1980, showed that the federal government was earning \$2 from general economic activity in Alaska for every \$1 that it spent here. The second study, for fiscal year 1981, showed that by then the federal government was earning \$3 in Alaska for every \$1 that it spent.

The latter study showed that economic activity in Alaska accounted for one-sixth of all of the federal government's Windfall Profits Tax revenues in 1981 and one-twentieth of all of its revenues from corporate income taxes.

The studies also showed that the federal income tax lands unfairly on Alaskans, hurting families and businesses and distorting investment decisions in this state.

Put in the larger context of economic data about Alaska's high cost of living, its lack of transportation and of energy systems and its lack of adequate housing, the information from these economic studies can show the fair minded that Alaska not only is paying its way in the family of states but has urgent needs at home for its income from temporary oil supplies. Poor until recently, Alaska needs to catch up in supplying to its citizens the basic services that other states offer and most Americans take for granted.

A general theme in this final report from the Statehood Commission is that Alaska must collect more precise, reliable information about

itself and disperse it widely across the nation and the state.

Keeping up with how much the federal government earns from Alaska and how much it spends here is a key part of that effort.

**17** The governor should establish an office of external relations on his staff, to be headed by a special assistant to coordinate Alaska's expanded relations with other states and with foreign nations.

Much of this report argues the necessity for Alaska to reach out to other states and its neighbors in Canada to establish new coalitions, working groups and conferences to deal with mutual needs.

This work is so important that the Statehood Commission feels that one high-ranking official reporting directly to the governor should have the responsibility of coordinating and directing these efforts with all parts of state government.

It is just as important, however, that this office also concern itself with Alaska's efforts to strengthen its relationships with many foreign nations, especially those with which it trades and those with which it hopes to increase trade.

It is not generally known that in 1981 "Alaska ranked number one in the nation for exports as percentage of total shipments from the state. Furthermore, export-related employment in Alaska was 34.7 percent of jobs in Alaska's manufacturing sector, which includes seafood processing" (Hemphill, p. 2).

Alaska's exports to foreign markets in 1981 equalled \$1.2 billion; its imports from foreign countries totaled \$229 million, according to Hemphill. Alaska thus was one of the few U.S. states in 1981 with a positive trade balance and so made a significant contribution to the country's trade situation.

Japan bought most of Alaska's exports--\$935 million worth. Japan also was the largest exporter to Alaska--\$59 million in goods.

Four classes of goods made up the bulk of Alaska's 1981 exports: seafood products, at \$427 million; liquefied natural gas, at \$310 million; forest products, at \$278 million and fertilizers, at \$133 million. These figures do not include goods shipped from Alaska to other U.S. states for reprocessing and export.

The nation and Alaska need to expand markets for these products and to find markets for such other Alaska products as coal, other minerals and grains. Developing these markets demands con-

<sup>32</sup> See the Alaska Statehood Commission publication, *Shifting Power from the Federal Government to the State of Alaska* by Harold Hoey, 1982.

centrated, coordinated and sensitive effort from the state's administration.

An office of external affairs also can respond sensitively to events at home and abroad that will have major effects on Alaska's well-being. An example is the extensive ban and then recall of Alaska canned salmon last year after a Belgian died from botulism from a defective can. The ban by the United Kingdom and other members of the European Economic Community came as a surprise to which the state was slow to react because Alaska had no one representing its interests in Brussels, headquarters and economic intelligence center for the European Community.

The need to maintain and search out such overseas representation in Japan, Korea and other Pacific Rim nations speaks plainly from Alaska's export figures and from Alaska's geographical position.

Reaching out overseas and to our Canadian neighbors and to other U.S. states will be, we think, a most important task for Alaska and the nation's future. The direction and coordination must come from the governor through a permanent office.

problems that arise over land, resources and other interests.

The relationship between Alaska Natives and the state of Alaska is rich and complex. It affects and in turn is affected by the Natives' relationship to the federal government. This complexity alone guarantees many possible points of friction, some of which have been, are still or soon may be in the courts.

The state's 64,103 Native citizens comprise 16 percent of the state's 401,000 population (1980 Census). This density is twice that of any other state with large Native populations. Natives have a special trust relationship with the federal government which endows them individually and corporately with a web of rights additional to those enjoyed by the non-Native population.<sup>33</sup>

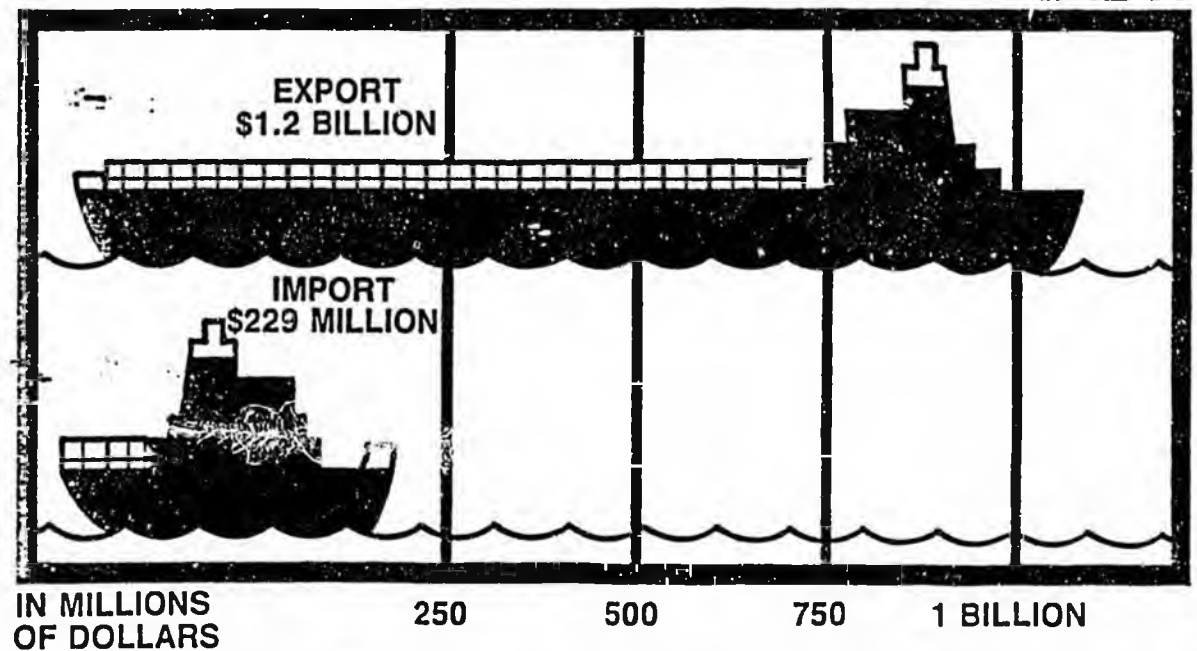
Overall, 80,287 Natives in and without the state are certified under the Alaska Natives Claims Settlement Act. Of the 64,000 living in the state, about 50,000 reside in villages, of which 212 are recognized by the Settlement Act. Beyond the villages, the act incorporates Natives into 13 regional corporations, 12 for Natives within the state and one for those without.

Native institutions own, will own or have in trust 11 percent of Alaska's land. The state owns or will own 29 percent. Private owners other than Native organizations have about 1 percent. The federal government will own the rest.

The complicated patterns of land ownerships and the speed with which some lands are being transferred from the federal government to other

**18** The state of Alaska should explore with the federal government and Native organizations the establishment of a permanent joint fact-finding and advisory body to air and help reconcile

## ALASKA'S ROLE IN FOREIGN TRADE



Graph illustrates Alaska's positive contribution to the nation's trade balance.

See the Alaska Statehood Commission publication, *Native Rights*, by the Alaska Department of Law, 1982

owners inevitably give rise to problems of arranging for or planning for rights of way and of preserving traditional means of access.

Central to land and other disputes which have or which will arise is the federal role. "The basic fact which must be considered by the state of Alaska in its dealings with the Alaska Natives is the overriding federal interest in this matter. All of the institutions of federal Indian law...have the effect of ensuring federal supremacy here" (Alaska Department of Law, p. 18).

The Statehood Commission thinks it would be wise to have in place a fact-finding and advisory body that through its presence and proceedings might allow disputes to reach amicable settlement without recourse to long and expensive lawsuits or emotionally rendering political action. The lessons learned through such a body might, in time, suggest pieces of intergovernmental legislation to formalize use of those pathways that lead away from disputes and toward mutual understanding and agreement.

## 19

The Legislature, in order to give all Alaskans the greatest measure of home rule, should divide Alaska's single unorganized borough into regional unorganized boroughs in accordance with the intent of the state constitution.

In our preliminary report, we urged the Legislature to take special notice of the desires within Alaska for greater regional self-government, noting that:

"...just as we ask the United States to listen to us, we must listen when we hear the requests from within Alaska for greater self-control of lives, land, waters, fish, game, trade or commerce."

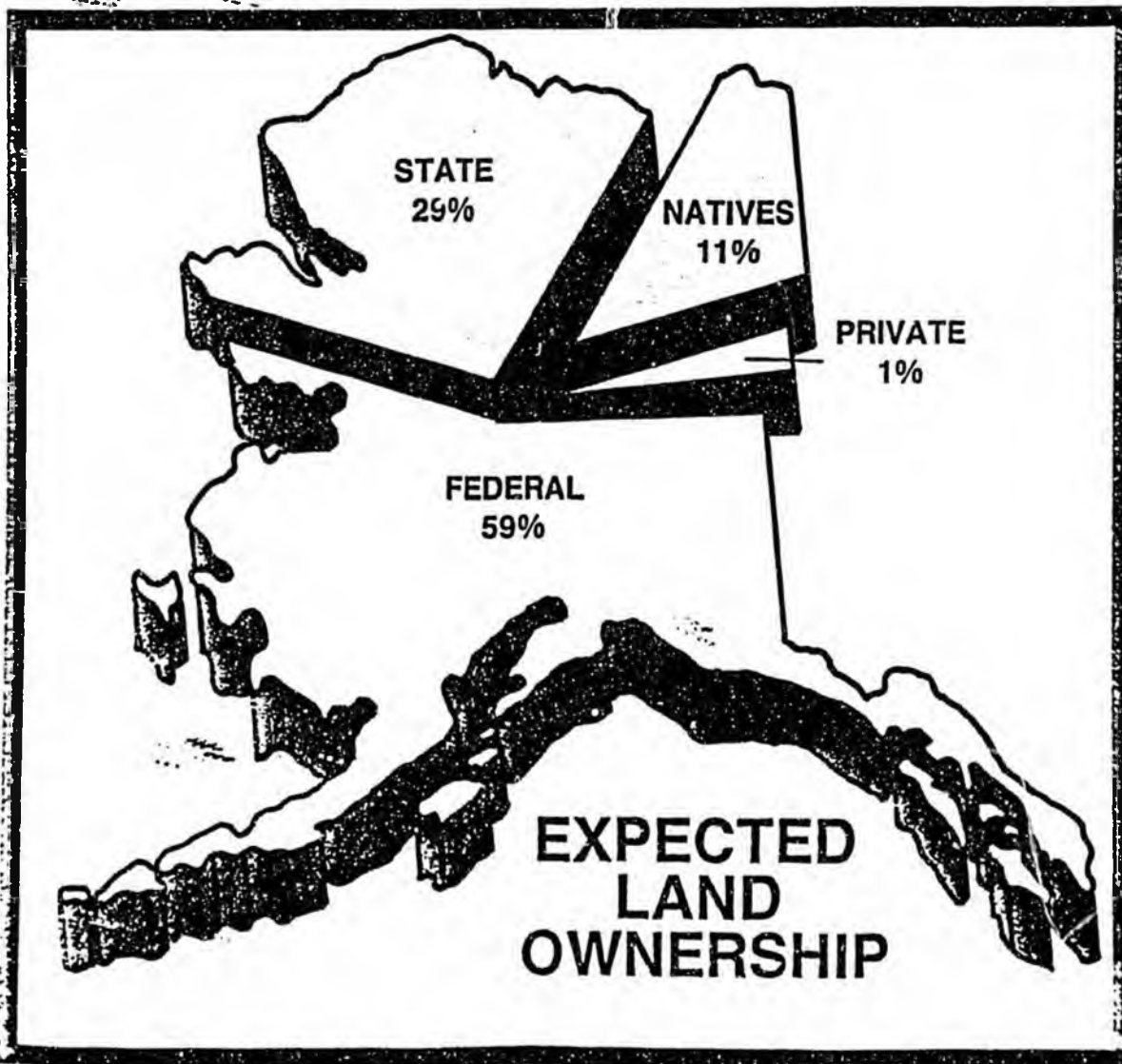


Figure shows only the percentage of ownership, not geographic distribution.

These requests are not new. The Legislature's Joint Committee on Local Government heard and studied them thoroughly in 1979. In its final report, "Local Government Study--1979," the committee proposed that the single unorganized borough be divided into regional unorganized boroughs "in accordance with the intent of the state constitution."

But legislative proposals stemming from that study have not progressed into law. The organized boroughs cover some but not all main population centers. The single unorganized borough covers the rest of the state--nearly 75 percent of Alaska's land area--as a kind of catch-all limbo.

There is no doubt that the writers of the state

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*...just as we ask the United States to listen to us, we must listen when we hear the requests from within Alaska for greater self-control of lives, land, waters, fish, game, trade or commerce.*

---

constitution intended for the whole state to be divided into both organized and unorganized boroughs, according to state Sen. Victor Fischer, a member of the Constitutional Convention's Committee on Local Government and author of an authoritative history of the convention. The working papers of the convention evidence the accuracy of his conclusion.

So we note the irony that Alaska, with its desire to keep power from centralizing further in Washington, D.C., is nevertheless the only state of size to govern many citizens in remote areas directly from the state capitol. There is no evidence that remote rule from Juneau is any better or wiser than remote rule from the Potomac.

The Legislature can remedy the situation by exercising its constitutional power to act as the assembly for the unorganized borough. It can divide the single, huge unorganized borough into smaller unorganized boroughs or service districts with regional headquarters. That will afford local people the chance to start evolving their own forms of home rule tailored to their varying local circumstances.

The sooner this division is accomplished, the nearer the state will be to the American ideal--and the Alaskan ideal--of letting local people manage their local affairs.

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**20** The state should establish an Alaska information office under the governor's direction to produce clear, objective, precise information about Alaska for nationwide distribution and to arrange for visits to Alaska by members of the

national press corps, members of government and other opinion-makers.

Alaskans complain that they are misunderstood by people in other states. The complaint surfaces when major Alaskan issues--federal land withdrawals, wolf control, \$1,000 payments to residents from the state's Permanent Fund earnings--stimulate coverage and opinions in the national media. Often the misunderstanding has major effects, especially when the issue pits Alaska against other interests seeking to determine the outcome of such major federal legislation as the Alaska National Interest Lands Conservation Act, which carved an area the size of California out of Alaska for federal preservation.

One poll (Dittman, 1981) indeed shows that while most Americans have romantic and fond feelings about Alaska, their actual knowledge about Alaska's conditions is poor, leading some (33 percent) to the opinion that Alaska should share any budget surpluses with other states. That opinion might be ignored were it not that pending in Congress are bills that would require Alaska to share its oil revenues with other states.

A follow-up poll by Boston University, the Office of the Governor reports, shows that a concerted nationwide informational campaign can change opinions about Alaska for the better--shows that facts induce most people to conform their opinions to reality.

Since Alaska's pending major battles must be fought in the national arena, it follows that an ongoing informational effort is necessary. Such an effort would alert the national press to credible information about Alaska. It would also take the form of offering press members and other opinion-makers tours of Alaska to witness the situation and the issues here for themselves.

A key part of the effort of a state information office would be to *anticipate* issues and reactions to them and prepare material accordingly.

Such an office cannot merely be part of a governor's regular press effort. Such an office must stay divorced from the daily fires of politics, so that it can work on the long-range information problems and look ahead to see what fact booklets, what films, what tapes, what tours and other efforts must be prepared. While its director must answer to the governor, its staff should have civil-service protection in order to carry out long-range work, maintain continuity and serve the Alaskan public at large.

In short, such an office must be part of the regular structure of government, regularly budgeted, and directed to overcome a major problem of this state's relations with the rest of the nation: ignorance.



## Conclusion

In a letter to New York City newspapers which was the first of 85 essays later known as the Federalist Papers, Alexander Hamilton raised the question of "whether societies of men are really capable or not of establishing good government from reflection and choice, or whether they are forever destined to depend for their political constitutions on accident and force."

Alaskans, with a vote setting up the Statehood Commission, asked whether we can *restore* a good government by the exercise of reflection and choice. A republic needs constant attention. Many forces work to skew and bend the structure of government. These forces, operating completely outside constitutions and charters, often spring from impulses of the moment.

More government is not necessarily a bad thing, but over the last century its growth--at all levels--has flowed down the channels of quick reaction and not those of conscious choice. The simple and clear words of our Constitution are so crusted with 200 years of courtroom interpretation that we govern ourselves today with a shadowy charter clear only to some federal judges and a small group of lawyers.

We have directed our attention to what the state can do. Alaska can be a leader, seizing opportunities for action to defend its interests, and reaching out to the nation with a message of what Alaska can offer. The last decade and its controversy over land withdrawals teach that we can find refuge in isolation no longer.

Alaska can build its strength from within by granting the regional self-government promised in the Alaska Constitution. Alaska can protect its revenue powers from raids by coalitions of resource-poor states by joining with other resource states for research, persuasion, and pragmatic politics. It can block federal intrusions by turning down grants and leading a call by the states for a convention to set the rules for future conventions to amend the U.S. Constitution. It can work with other nations.

In short, the powers of a state are defined not so much by words on paper but by its willingness

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*Alaska can be a leader, seizing opportunities for action to defend its interests, and reaching out to the nation with a message of what Alaska can offer.*

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and its ability to forge destiny by action and example.

Alaska is able. We are strong in revenues and resources. We have the resilience and the self-reliance of those who live in a land of climatic extremes that tolerates little weakness.

Are we Alaskans willing to undertake this work of years? We believe we are, for Alaskans--with a history of territorial paternalism followed by statehood--know that citizens receive precisely the quality of government that they demand.

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# Appendices

## Alaska Statehood Commission Members

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- |   |   |
|---|---|
| H.A. "Red" Boucher<br>Anchorage<br>Governor's Appointment<br>Sworn to duty Oct. 22, 1980*             | ✓ Miles Davic<br>Anchorage<br>Legislative Council Appointment<br>Sworn to duty Sept. 13, 1982     |
| Ruth Burnett<br>Fairbanks<br>Governor's Appointment<br>Sworn to duty Oct. 22, 1980                    | ✓ Gregg K. Erickson, Secretary<br>Juneau<br>Governor's Appointment<br>Sworn to duty Oct. 22, 1980 |
| Nelda Calhoun<br>Homer<br>Senate Appointment<br>Sworn to duty Oct. 22, 1980                           | Susan S. Greene<br>Juneau/Talkeetna<br>Governor's Appointment<br>Sworn to duty Oct. 22, 1980      |
| ✓ John B. (Jack) Coghill, Chairman<br>Nenana<br>Senate Appointment<br>Sworn to duty Oct. 22, 1980     | Edward A. Merdes<br>Fairbanks<br>Legislative Council Appointment<br>Sworn to duty Oct. 22, 1980   |
| ✓ Evelyn L. Conwell, Vice Chairperson<br>Kotzebue<br>House Appointment<br>Sworn to duty Aug. 20, 1981 | ✓ Brian Rogers<br>Fairbanks<br>House Appointment<br>Sworn to duty Oct. 22, 1980                   |
| ✓ John E. Dapceovich<br>Sitka<br>Governor's Appointment<br>Sworn to duty Oct. 22, 1980                | *Commissioner Boucher resigned and was reappointed.   |

## Commission Staff Members

---

- |  |   |
|--|---|
| ✓ John de Yonge, Executive Director<br>Fairbanks | Jim Chiles, Special Research Assistant<br>Fairbanks |
|  | Jacqueline Scholle, Secretary<br>Fairbanks          |

## Alaska Statehood Commission Former Members

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- |                             |                            |
|-----------------------------|----------------------------|
| Willie Hensley<br>Anchorage | Gordon Parker<br>Anchorage |
|-----------------------------|----------------------------|

*The commission expresses special appreciation for the staff services of Bonne' Woldstad and Michael Carey.*

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H I J K

L M

# HOUSE COMMITTEE REPORT

(11)

Date Referred: April 17, 1989

FURTHER REFERRALS:

Date of Committee Action: 4/25/89

The FINANCE Committee considered:

HJR 36

HOUSE JOINT RESOLUTION NO. 36

[OPPOSE CAP ON FED FISH & WILDLIFE FUNDS]

Opposing a ceiling on federal appropriations from the Pittman-Robertson and Dingell-Johnson funds for wildlife and sport fish restoration projects.

RECOMMENDATIONS:

- [ ] be replaced with \_\_\_\_\_ [ ] the same title  
[ ] have attached amendment(s) [ ] a new title  
 do pass  
[ ] do not pass  
[ ] no recommendation  
[ ] individual recommendations  
[ ] additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of intent

ATTACHES NEW FISCAL NOTE(s):  
(Dept)

APPROVES PREVIOUS:

(Date/Dept)

- [ ] fiscal impact \_\_\_\_\_  
[ ] zero fiscal note \_\_\_\_\_  
[ ] zero with analysis \_\_\_\_\_

- [ ] fiscal note(s) \_\_\_\_\_  
 zero fiscal note(s) 4/17 House Res.  
 zero fn/analysis \_\_\_\_\_

SIGNING DO PASS:

SIGNING:

(Check approp. column)

Do Not Pass No Rec Amend

[Signature]  
[Signature]  
[Signature]  
[Signature]  
[Signature]  
[Signature]  
[Signature]  
[Signature]  
[Signature]

	Do Not Pass	No Rec	Amend

[Signature]  
Chairman's Signature  
Ronald J. [Signature]

STATE OF ALASKA  
1989 LEGISLATIVE SESSION

BILL VERSION: HJR 36  
PUBLISH DATE: HOUSE 4/17/89

FISCAL NOTE ce

REQUEST:

Revision Date: \_\_\_\_\_ Agency Affected: Dent. Fish & Game  
 Title: Oppose Cap on Fed Fish & Wildlife BRU: \_\_\_\_\_  
 Funds: \_\_\_\_\_  
 Sponsor: Hoffman, Larson, Shultz, Menard, Nava See Hudson, Davidson  
 Requestor: House Resources Committee Components: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES	-0-	-0-	-0-	-0-	-0-	-0-
TRAVEL	-0-	-0-	-0-	-0-	-0-	-0-
CONTRACTUAL	-0-	-0-	-0-	-0-	-0-	-0-
SUPPLIES	-0-	-0-	-0-	-0-	-0-	-0-
EQUIPMENT	-0-	-0-	-0-	-0-	-0-	-0-
LAND & STRUCTURES	-0-	-0-	-0-	-0-	-0-	-0-
GRANTS, CLAIMS	-0-	-0-	-0-	-0-	-0-	-0-
MISCELLANEOUS	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
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REVENUE	-0-	-0-	-0-	-0-	-0-	-0-
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FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS	-0-	-0-	-0-	-0-	-0-	-0-
OTHER	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME	-0-	-0-	-0-	-0-	-0-	-0-
TEMPORARY	-0-	-0-	-0-	-0-	-0-	-0-

ANALYSIS : (Attach a separate page if necessary)

Prepared by: House Resources Committee Phone: 465-4944  
 Division: Representative Curt Menard, Chairman Date: 4/14/89

Approved by Commissioner: \_\_\_\_\_ Date: \_\_\_\_\_  
 Agency: \_\_\_\_\_

Distribution (by preparer):  
 Legislative Finance  
 Legislative Sponsor  
 Requestor  
 Office of Management and Budget  
 Impacted Agency(ies)

1 IN THE HOUSE

BY HOFFMAN, LARSON, SHULTZ,  
MENARD, NAVARRE, HUDSON AND  
DAVIDSON

2

HOUSE JOINT RESOLUTION NO. 36

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

SIXTEENTH LEGISLATURE - FIRST SESSION

5

Opposing a ceiling on federal appro-

6

priations from the Pittman-Robertson and

7

Dingell-Johnson funds for wildlife and

8

sport fish restoration projects.

9 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 WHEREAS the current federal budget submitted to the Congress by the  
11 Office of Management and Budget proposes a ceiling of \$100,000,000 on  
12 appropriations for the federal aid to wildlife restoration program, known  
13 as the Pittman-Robertson program, and for the sport fish restoration  
14 program, known as the Dingell-Johnson program; and

15 WHEREAS federal funds for the Pittman-Robertson program and the  
16 Dingell-Johnson program are derived from taxes and duties on sporting  
17 equipment and fuel paid by sportsmen and other recreational users of wild-  
18 life and fish resources; and

19 WHEREAS Pittman-Robertson funds and Dingell-Johnson funds are allo-  
20 cated among the states and can be used only to support specific activities  
21 related to wildlife, sport fish, and public access projects; and

22 WHEREAS the proposed ceiling on Pittman-Robertson funds and Dingell-  
23 Johnson funds will drastically affect the activities of the divisions of  
24 wildlife conservation and sport fish in the Alaska Department of Fish and  
25 Game by a 40 percent reduction in funding for research and management on  
26 wildlife and sport fish and for acquisition of public access; and

27 WHEREAS the sport hunting and sport fishing industries in the state  
28 provide thousands of jobs and generate millions of dollars to the state  
29 economy; and

1           WHEREAS subsistence users of the state's wildlife and fish resources  
2 annually harvest millions of pounds of these resources for personal use and  
3 benefit from the active research and management of wildlife and fish re-  
4 sources supported by the Pittman-Robertson program and the Dingell-Johnson  
5 program;

6           BE IT RESOLVED that the Alaska State Legislature respectfully ex-  
7 presses its strong opposition to the proposal to place a ceiling on appro-  
8 priations for the Pittman-Robertson program and the Dingell-Johnson pro-  
9 gram.

10          COPIES of this resolution shall be sent to the Honorable George Bush,  
11 President of the United States; the Honorable Dan Quayle, Vice-President of  
12 the United States and President of the U.S. Senate; the Honorable Jim  
13 Wright, Speaker of the U.S. House of Representatives; the Honorable George  
14 J. Mitchell, U.S. Senate Majority Leader; the Honorable Gerry E. Studds,  
15 Chairman of the Subcommittee on Fisheries and Wildlife Conservation and the  
16 Environment of the U.S. House Committee on Merchant Marine and Fisheries;  
17 and to the Honorable Ted Stevens and the Honorable Frank Murkowski, U.S.  
18 Senators, and the Honorable Don Young, U.S. Representative, members of the  
19 Alaska delegation in Congress.

# MEMORANDUM

# State of Alaska

DEPARTMENT OF FISH AND GAME

TO: Alison Elgee  
Director  
Office of Management and Budget FILE NO.:  
Governor's Office

DATE: February 6, 1989

TELEPHONE NO.: 465-4100

SUBJECT: FY 90 Proposed  
Federal Aid Cap

FROM: Don W. Collinsworth  
Commissioner  
Department of Fish and Game

The federal FY 90 budget submitted to Congress by the Office of Management and Budget proposes a \$100 million cap on both the Dingell-Johnson (D-J) and Pittman-Robertson (P-R) appropriations. As you know these funds are derived from taxes and duties paid on sporting equipment and fuel by sportsmen and other recreational users. By law, these funds are allocated to the states and can be used only for specific activities for sport fish, wildlife, and access projects.

This proposed cap would have the following monetary impact to Alaska:

	<u>FY 89 Appropriations</u>	<u>FY 90 Appropriation With Cap</u>	<u>Loss of Funds</u>
D-J Program (Sport Fish Programs)	\$ 8,975.0	\$4,700.0	\$4,275.0
P-R Program (Wildlife Programs)	5,126.0	4,008.0	1,118.0
Totals	\$14,101.0	\$8,708.0	\$5,393.0

Such a reduction would have a devastating impact on our Sport Fish and Wildlife Conservation Divisions. Significant cuts in management and research programs would be necessary and personnel layoff would be definitely required.

While I am confident you are already aware of this proposal, I wanted to apprise you of its significant impact on our department and its programs, and the need to forward the

Alison Elgee

-2-

February 6, 1989

information to our Congressional delegation. Should you have questions or need further information, I would be pleased to provide it.

Thank you.

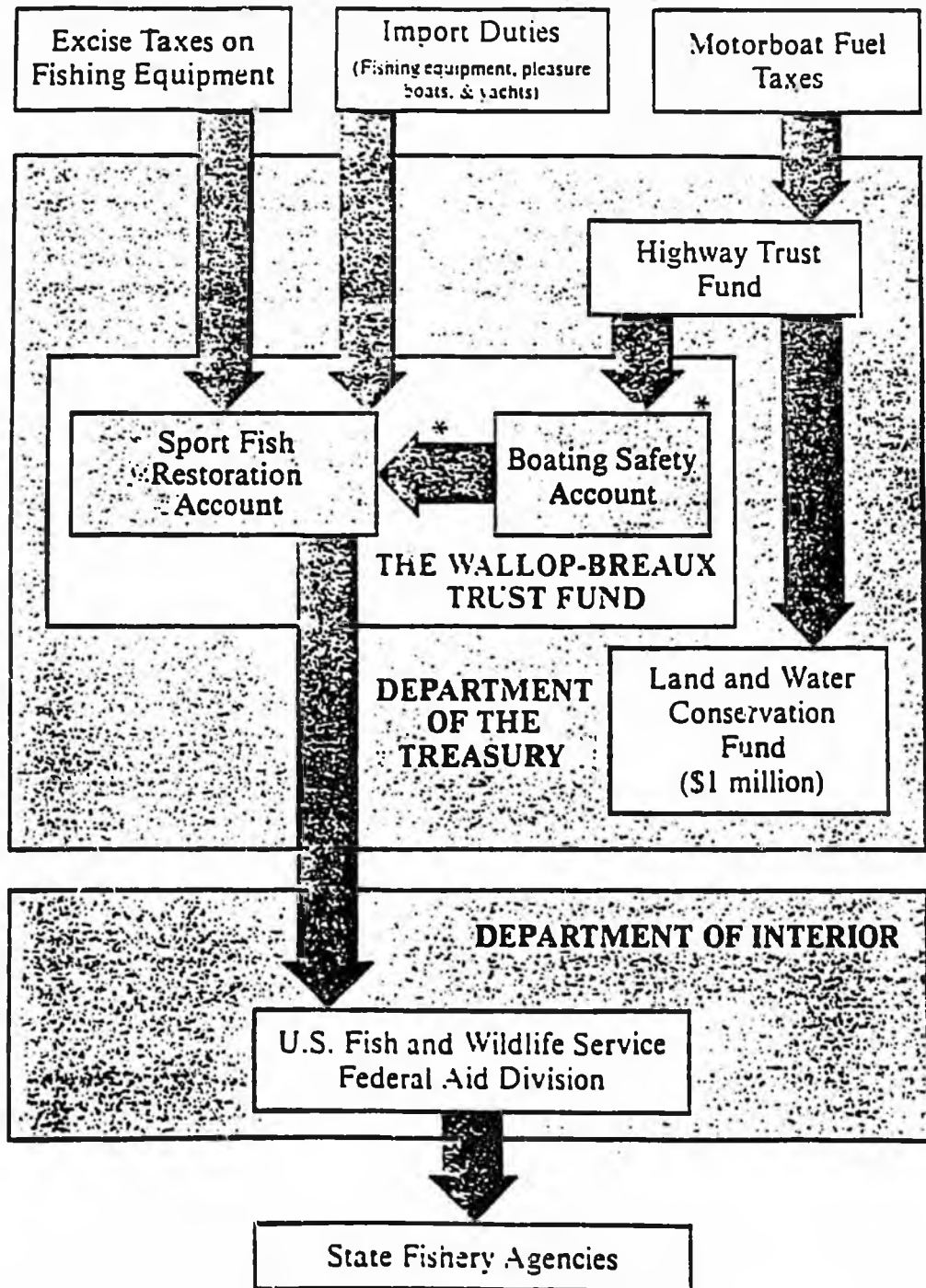
cc: Governor Steve Cowper

John Katz, Special Counsel for State/Federal Relations,  
Washington, D.C.

Law Pamplin, Director, Division of Wildlife Conservation,  
ADF&G

Norval Netsch, Director, Division of Sport Fish, ADF&G

Figure 2. Flow of the Three Primary Sources of Wallop-Breaux Funds



\*For Fiscal Year 1987 and 1988 the first \$60 million from the motorboat fuel tax is authorized by Congress to go into the Boating Safety Account, with the remainder going into the Sport Fish Restoration Account. The Boating Safety Account is administered by the U. S. Coast Guard.

## BACKGROUND INFORMATION

Since statehood the U.S. Department of the Interior, U.S. Fish and Wildlife has provided funding to the State of Alaska, Department of Fish and Game (DFG) in accordance with the Federal Aid to States in Fish and Wildlife Restoration Acts. The Dingell Johnson (DJ) Program provides funding for sport fish restoration and the Pittman-Robertson (PR) Program provides funding for wildlife restoration. The federal government provides an allotment to each state based on the state's land area and number of licensed anglers and hunters. Allotments are limited to 5% of the total apportionments. Alaska is one of three states which receives the maximum allowed annual allotments.

Funds allotted to the states are derived from excise taxes on certain sporting goods. In 1985 the DJ Program was amended, significantly increasing the funds available for allotment beginning in FY 86. Revenues were increased through an expansion of the number of sporting goods subject to the excise tax, an allocation of the federal gasoline excise tax (the portion attributed to outboard motor users), and an imposition of import duties on custom yachts.

DFG must submit annual project proposals to U.S. Fish and Wildlife for approval to secure the State's available allotments. Federal participation is limited to a maximum of 75% of eligible costs and the State must provide the balance. Activities involving enforcement of fish and game regulations, or public relations activities conducted to promote DFG are specifically excluded from eligibility. The eligible purposes for funding are as follows:

### Dingell Johnson (DJ) Program

Projects must be for the restoration, conservation, management, and enhancement of sport fish, and for provision of public use and benefits from these resources. Under the terms of the program, sport fish are limited to aquatic, gill-breathing, vertebrate animals, bearing paired fins, and having material value for sport or recreation.

The additional funds resulting from expansion of the DJ Program in 1985 are required to add to the existing state sport fishery program and not to substitute for or supplant other traditional funding sources. The state funded sport fish program includes all sport fish related expenditures by DFG, not just the required matching portion for federal funding. To comply with the maintenance of effort requirements, U.S. Fish and Wildlife requested that DFG establish its state funded sport fisheries base program by using FY 35 state funding or the average of FY 83 - FY 85.

The U.S. Department of the Interior determines whether substitution for or supplanting of state funding has occurred on a statewide sport fisheries program basis rather than project by project. This allows federal funds to be used for a particular project that has traditionally been state funded as long as the total state dollars spent on the sport fisheries program does not decrease. In other words if equivalent state funds are spent for traditionally federally funded projects or the state funded sport fisheries program increases proportionally for the federal funding of a traditionally state funded project, then supplanting will not have occurred and DFG will have complied with maintenance of effort requirements.

The U.S. Department of the Interior has also approved adjustments in the state funded sport fisheries base program when statewide budgets fluctuate. Base reductions must be justified and the percentage of reduction for state funded sport fish activities cannot be greater than the percentage of reduction for the whole department. The purpose of the maintenance of effort provision is to prevent the state funded sport fisheries program being targeted for reductions with the intent of using federal funds to replace state funds.

Ten percent of the total state apportionment is set aside by U.S. Fish and Wildlife for approved projects for recreational boating access facilities. Any portion of the 10% that is not expended or obligated within two years lapses back to the federal government. Not more than 10% of the State's annual apportionment may be spent on aquatic education projects. To date DFG has not spent any federal funds on aquatic education programs.

#### Pittman-Robertson (PR) Program

Projects must be for the restoration, conservation, management, and enhancement of wild birds and wild mammals, or to provide for public use of and benefits from these resources. Projects for the education of hunters and archers in the skills, knowledge, and attitudes necessary to be a responsible hunter or archer are also eligible for PR funding. Expenditures for wolf control are specifically excluded.

Budget Information for States

Agency: Dept. of Interior, U.S. Fish & Wildlife Service  
 CFDA Program Title: Federal Aid in Fish Restoration  
 CFDA Program Number: 15.605  
 Budget Account Number: 14-8151-0-7-303

(D. NIELL JOHNSON)

State/Territory	FY 1988 Actual Obligations	(Amounts in 000's) Estimated Obligations FY 1989		FY 1990	1990 State Estimated % of Total Based on Program Formula
		Carryover	New BA		
Alabama	\$2,024	\$512	\$2,473	\$1,583	1.68 %
Alaska	8,012	0	7,361	4,700	5.00
Arizona	3,934	200	3,209	2,026	2.18
Arkansas	1,621	2,227	2,606	1,634	1.77
California	7,794	1,208	7,361	4,700	5.00
Colorado	2,806	1,835	3,681	2,343	2.50
Connecticut	987	956	1,472	940	1.00
Delaware	871	695	1,472	940	1.00
District of Columbia	639	109	486	313	0.33
Florida	3,949	226	3,312	2,045	2.25
Georgia	2,388	924	2,974	1,877	2.02
Hawaii	1,096	1,471	1,472	940	1.00
Idaho	2,524	147	2,488	1,596	1.69
Illinois	4,480	489	3,106	1,977	2.11
Indiana	2,770	872	2,311	1,490	1.57
Iowa	2,485	638	2,149	1,300	1.46
Kansas	2,379	401	2,179	1,372	1.48
Kentucky	2,799	758	2,429	1,500	1.65
Louisiana	1,993	880	2,356	1,490	1.60
Maine	1,626	600	1,472	940	1.00
Maryland	1,756	575	1,472	940	1.00
Massachusetts	1,428	530	1,472	940	1.00
Michigan	8,624	0	5,521	3,649	3.75
Minnesota	5,697	194	5,329	3,368	3.62
Mississippi	1,809	583	2,046	1,311	1.39
Missouri	4,482	338	3,813	2,477	2.59
Montana	2,398	1,446	3,327	2,173	2.26
Nebraska	2,110	1,312	1,943	1,245	1.32
Nevada	1,919	2,187	2,267	1,441	1.54
New Hampshire	1,732	709	1,472	940	1.00
New Jersey	1,530	766	1,472	940	1.00
New Mexico	3,104	5	2,650	1,714	1.80
New York	3,788	54	3,725	2,453	2.53
North Carolina	2,146	926	2,135	1,349	1.45
North Dakota	1,595	3	1,605	1,010	1.09
Ohio	3,802	2,287	3,901	2,477	2.65
Oklahoma	3,089	324	2,753	1,719	1.87
Oregon	3,296	1,280	3,519	2,304	2.39
Pennsylvania	3,165	878	3,695	2,377	2.51
Rhode Island	1,628	939	1,472	940	1.00
South Carolina	1,810	90	1,664	975	1.13
South Dakota	2,023	185	1,796	1,130	1.22
Tennessee	2,624	552	2,621	1,733	1.78
Texas	7,048	862	7,361	4,700	5.00
Utah	2,866	51	2,459	1,550	1.67
Vermont	1,634	898	1,472	940	1.00
Virginia	2,536	391	2,311	1,491	1.57
Washington	3,413	1,251	3,342	2,164	2.27
West Virginia	1,312	223	1,472	940	1.00
Wisconsin	5,397	1,050	5,064	3,274	3.44
Wyoming	2,224	0	2,252	1,438	1.53
American Samoa	405	167	486	313	0.33
Guam	438	115	486	313	0.33
Northern Mariana Isl	778	86	486	313	0.33
Puerto Rico	1,071	1,017	1,472	940	1.00
Trust Territory	0	0	0	0	0.00
Virgin Islands	458	22	486	313	0.33
Indian Tribe Set Asi	0	0	0	0	0.00
Undistributed	6,619	1,063	7,192	6,000	N/A
<b>Total</b>	<b>\$58,909</b>	<b>\$ 38,507</b>	<b>\$ 154,384</b>	<b>\$ 100,000</b>	<b>99.98 %</b>

BUDGET INFORMATION FOR STATES

Agency: Department of the Interior, Fish and Wildlife Service  
 CFDA Program Title: Federal Aid in Wildlife Restoration  
 CFDA Program Number: 15.611  
 Budget Account Number: 14-9923-0-2-303

P. P. MAN - ROBERTSON

State/Territory	FY 1988	Estimate Obligations			1990 State Estimated % of Total Based on Program Formula
	Actual Obligations	Carryover	New BA	FY 1990	
Alabama.....	\$2,114	\$504	\$1,820	\$1,660	1.77%
Alaska.....	4,452	74	4,505	3,999	4.38
Arizona.....	2,655	344	2,345	2,062	2.28
Arkansas.....	1,789	112	1,738	1,597	1.69
California.....	4,315	851	3,929	3,441	3.82
Colorado.....	2,242	262	2,510	2,255	2.44
Connecticut.....	754	275	741	666	0.72
Delaware.....	609	18	597	533	0.58
District of Columbia.....	0	0	0	0	0.00
Florida.....	1,843	39	1,934	1,700	1.88
Georgia.....	2,303	1	2,324	2,121	2.26
Hawaii.....	954	1,169	597	533	0.58
Idaho.....	1,714	155	1,923	1,735	1.87
Illinois.....	2,229	816	2,078	1,872	2.02
Indiana.....	1,381	704	1,718	1,561	1.67
Iowa.....	1,724	140	1,677	1,511	1.63
Kansas.....	1,856	44	1,892	1,697	1.84
Kentucky.....	1,870	0	1,718	1,574	1.67
Louisiana.....	1,997	280	2,036	1,718	1.98
Maine.....	1,048	268	1,152	1,024	1.12
Maryland.....	987	0	1,018	918	0.99
Massachusetts.....	1,292	100	915	828	0.89
Michigan.....	4,427	733	3,713	3,310	3.61
Minnesota.....	2,675	231	2,859	2,571	2.78
Mississippi.....	1,606	36	1,666	1,492	1.62
Missouri.....	3,792	60	2,767	2,444	2.69
Montana.....	2,571	402	2,828	2,537	2.75
Nebraska.....	1,463	813	1,615	1,449	1.57
Nevada.....	2,310	1,885	1,831	1,623	1.78
New Hampshire.....	663	0	597	533	0.58
New Jersey.....	1,122	0	926	845	0.90
New Mexico.....	2,755	183	2,222	1,964	2.16
New York.....	3,132	205	3,209	2,840	3.12
North Carolina.....	4,120	0	2,067	1,843	2.01
North Dakota.....	1,439	38	1,378	1,239	1.34
Ohio.....	2,747	710	2,273	2,020	2.21
Oklahoma.....	1,889	29	1,862	1,713	1.81
Oregon.....	2,514	1,078	2,520	2,228	2.45
Pennsylvania.....	4,120	0	4,155	3,727	4.04
Rhode Island.....	623	169	597	533	0.58
South Carolina.....	1,807	178	1,255	1,071	1.22
South Dakota.....	1,610	934	1,656	1,419	1.61
Tennessee.....	2,488	52	2,561	2,332	2.49
Texas.....	4,294	1,326	4,824	4,295	4.69
Utah.....	1,848	0	1,892	1,696	1.84
Vermont.....	601	7	597	533	0.58
Virginia.....	2,254	26	2,242	2,049	2.18
Washington.....	2,238	1,049	2,047	1,821	1.99
West Virginia.....	1,418	0	1,306	1,180	1.27
Wisconsin.....	3,022	926	3,158	2,822	3.07
Wyoming.....	1,885	162	1,934	1,670	1.88
American Samoa.....	215	175	175	153	0.17
Guam.....	176	123	175	153	0.17
Northern Mariana Islands.....	217	84	175	153	0.17
Puerto Rico.....	450	0	432	- 385	0.42
Trust Territory (excluding NMI)....	0	0	0	0	0.00
Virgin Islands.....	167	0	175	153	0.17
Indian Tribe Set Aside.....	0	0	0	0	0.00
Undistributed.....	6,823	843	7,534	8,200	
<b>Total.....</b>	<b>\$115,605</b>	<b>\$18,613</b>	<b>\$110,387</b>	<b>\$100,000</b>	<b>100.00%</b>