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COMMONWEALTH NORTH

**Twenty Years of
Commitment to Alaska**

**Commonwealth North
Study Summaries**

Edited by Beverly Dennis
Hartig Research Fellow

May 1999

NORTH

Reports and Publications

DATE

November, 1979

STUD

Solutions to the National Energy Crisis: Why Not Alaska?

OVERALL SUMMARY

An answer to dwindling domestic energy production and foreign oil dependency. Development of Alaska's ample natural resources would provide a solution to the energy gap of the 1980's

ASSUMPTIONS

1. There is a danger that there will be a shortage of oil which will instigate an energy crisis. 2. Alternative sources of energy will not reverse the ever-weakening national energy picture in the next 5 to 15 years. 3. Alaska's natural resources can provide many sources of energy for the nation. 4. Congress is about to lock up energy potential lands before they have been explored and inventoried. 5. The Arctic's energy resources can be tapped without harming the land or the wildlife.

RECOMMENDATIONS

1. Congress must resist the political pressure to lock up Alaska until there have been thorough inventories of the energy resources of the state. 2. The Secretary of the Interior should expedite the leasing of onshore and offshore federal lands in Alaska that have high oil and gas potential. 3. The State of Alaska should create a transportation infrastructure so that its resources can get to market at a reasonable cost. 4. The federal government must streamline the permit system that now has Alaska in a regulatory straightjacket. 5. The government should get out of the energy exploration business and encourage private enterprise to find and produce energy. 6. The national media must investigate the skillful campaign of those who would lock up Alaska.

CHAIRS

Robert L. Hartig

DATE

March, 1980

STUD

North Slope Natural Gas: Transportation Alternatives and the Promise of World Scale Petrochemical Industry

OVERALL SUMMARY

Intended as an interim statement on the issue, this report examines the difficulties in getting Alaska's natural gas to market.

ASSUMPTIONS

1. No state policy currently exists which guides decisions on the state's role in the gas pipeline project and the development of the petrochemical industry. 2. There is no commitment to any in-state use of North Slope gas. 3. The producers will have to participate financially in order for the gas pipeline project to succeed. 4. The federal government is strongly advocating that the state make a significant financial commitment to the project. 5. Alaska is an abundant source of high quality feedstocks, is in close proximity to the Pacific Rim markets, and has a relatively stable wellhead price. 6. Alaska must again control of the producers' share of the liquids in order to maintain a position which will allow maximum flexibility to develop its petrochemical potential.

RECOMMENDATIONS

1. The State should develop a strategy to promote the petrochemical development opportunities regardless of the outcome of the pipeline project proposed by Northwest Alaska Pipeline Co. 2. A comprehensive state policy regarding petrochemical and natural resource processing within the state must be developed. 3. Specific legislation is needed to initiate a feasibility study for construction and operation of a gas liquids line, sale of North slope gas liquids to petrochemical producers and specific direction regarding the role of the state in launching petrochemical industry. 4. The Mayor's Task Force should provide a watchdog role over the negotiations to acquire the gas liquids.

CHAIRS

Millett Keller

DATE

December, 1980

STUD

Alaska's Golden Opportunity: Resource Revenues and State Spending

OVERALL SUMMARY

An analysis of the best ways to invest Alaska's resource revenues for the long-term benefit of the state.

ASSUMPTIONS

1. Alaska has a "colonial economy" which is characterized by its dependence on the federal government and the export of raw materials. 2. Across the board tax burden reduction is necessary to strengthen Alaska's private sector and reduce the size of government. 3. The State needs to provide an infrastructure that will move Alaska away from its economic dependence on the rest of the nation.

RECOMMENDATIONS

1. The State needs to draft a 5-6 year Capital Improvement Plan and publish a series of projections illustrating anticipated growth in both state revenues and expenditures. 2. Tax credits should be established for the purpose of encouraging business reinvestment in Alaska. 3. The growth of state and local government operating budgets should be tied to the annual fluctuation of the non-government work force. 4. An Alaska Investment Fund should be established to finance large, self-liquidating projects. 5. State loan programs should be strictly limited and contain a provision for independent audit systems. 6. The Permanent Fund should be invested in appreciable assets so that its income will keep pace with inflation.

CHAIRS

William Sheffield

DATE

May, 1981

STUD

The Promise and Pitfalls of Alaska's State Loan Program

OVERALL SUMMARY

An examination of the State's loan agencies. State loan programs need to be regulated and, where necessary, consolidated to insure that the State does not overwhelm private lending agencies.

ASSUMPTIONS

1. State loan agencies have proliferated to the point of threatening to overwhelm the private sector. 2. Current state loan programs have created inequities which need to be corrected. 3. The State has a "crisis mentality" that does not allow a long-term approach to state loan programs

RECOMMENDATIONS

1. Drop the 12 redundant loan agencies from the books. 2. The Alaska Renewable Resource Corporation and the Commercial Fishing and Agricultural Bank should be abolished or severely curtailed. 3. Combine the remaining loan programs into 3 loan authorities. 4. Confine state government lending to secondary market activities. 5. Launch an independent audit and examination of all state loan programs.

CHAIRS

David Chatfield

DATE

June, 1981

STUD

Investing in Alaska's Future: The Capital Investment Fund

OVERALL SUMMARY

A second fund, like the Permanent Fund, should be created to provide stability to Alaska's economy. This fund would provide investment in an infrastructure designed to broaden Alaska's economic base.

ASSUMPTIONS

1. Alaska needs to build an economic backbone. 2. It is imperative that there be a reinvestment of current revenues within the state to prevent a "boom and bust" economy. 3. There is a clear need to develop cost-effective, modern utilities and upgrade transportation facilities. 4. The public sector has the opportunity and the ability to invest in transportation and power projects that will allow the economy to diversify. 5. Alaska is unique and requires a unique solution.

RECOMMENDATIONS

1. Create an "Alaska Capital Investment Fund" whose aim is to channel a portion of current revenues into the financing of Alaska's economic infrastructure. 2. The Fund will insure that Alaskans have inflation-proof energy and vital transportation links. 3. The Fund will represent an investment in the future as does the Permanent Fund, but the Capital Investment Fund's dollars will be mandated to be invested in the state. 4. The "dividends" of the Fund will be new jobs, new services and economic security.

CHAIRS

Loren Lounsbury

DATE

November, 1981

STUD

Moving North Slope Natural Gas to Market: A Positive Alternative

OVERALL SUMMARY

A study of the proposed natural gas pipeline. Both the cross-Canada and all-American plans are discussed. This study re-examines the issues raised in the 11/81 natural gas study

ASSUMPTIONS

1. The North Slope contains a vast, untapped supply of natural gas. 2. National policy makers must determine if the Alaska natural gas transportation system is in the best interest of the nation. 3. In addition to federal subsidies and loan guarantees, Alaska will have to participate in the financing of the gas line. 4. It is in the nation's best interest for Alaska to add value to its raw resources through in-state processing. 5. The all-American gas line proposal is being ignored. It is a viable alternative that should be considered.

RECOMMENDATIONS

1. The state should take the leadership in fostering the building of a high-pressure gas line from Prudhoe Bay to tidewater. 2. Alaska should provide equity investment or loan guarantees to the pipeline project if it is built through Alaska to an ice-free port

CHAIRS

William Egan, Walter Hickel

DATE

January, 1982

STUD

The Transfer of the Alaska Railroad

OVERALL SUMMARY

Initial study of the feasibility of purchasing the railroad from the federal government and railroad line expansion.

ASSUMPTIONS

1. An efficient, improved and expanded Alaska Railroad is vitally important to the future of Alaska. 2. The federal government wants to dispose of the railroad. 3. There are issues concerning access across both private and federal lands which may compromise expansion.

RECOMMENDATIONS

1. All 38,000 acres now controlled by the railroad should transfer to the state and disputes should be handled through normal judicial means and not put in the transfer legislation. 2. No amendment to bill S.1500 should be allowed to disrupt the water-borne railroad car link that exists between Alaska and the lower 48. 3. The legislature should set up a Railroad Authority independent of the Department of Transportation to receive the railroad from the federal government. 4. The Federal Railroad Administration must use the period prior to the transfer to approve the investment of on-going profits in deferred maintenance and capital projects.

CHAIRS

William Tobin

DATE

October, 1982

STUD

Shall There Be a Constitutional Convention?

OVERALL SUMMARY

A thorough discussion of the pros and cons of convening a constitutional convention.

ASSUMPTIONS

1. Alaska's constitution requires that the public will have an opportunity every 10 years to decide on the necessity of a constitutional convention. 2. There are three areas that need further consideration: use of the initiative for constitutional amendment, use of a Constitutional Revision Commission and use of a legislative steering committee.

RECOMMENDATIONS

1. The use of initiative for constitutional amendment needs to be improved. 2. The Constitutional Revision Commission should be created with a bi-partisan body with an appointee from each government branch and 4 elected public members. 3. The Alaska Legislature should establish its own standing committee to implement the amendment process.

CHAIRS

Helen Fischer, Judge Ralph Moody

DATE

January, 1984

STUD

The New Alaska Railroad

OVERALL SUMMARY

The issue of the State's purchase of the Alaska Railroad is the question this study answers. The study recommends that the State purchase the railroad and operate it like private business.

ASSUMPTIONS

1. The railroad can be self-sufficient if it is allowed to be fully competitive, is organized as an independent corporation and the cost of transferring the railroad is funded by the state. 2. The faster the railroad shows itself capable of self-sufficiency, the sooner it will be attractive to a private buyer. 3. Adequate safeguards exist within the ICC and federal antitrust laws to protect competing private carriers from predatory railroad pricing.

RECOMMENDATIONS

1. The state should buy the Alaska Railroad. 2. The legislature should refuse special interests that propose to limit the railroad's scope of operations. 3. The legislature should appropriate \$37.7 million to the Alaska Railroad Corporation for the purpose of meeting transfer related liabilities and \$22.3 million to the federal government for the purchase of the Alaska Railroad.

CHAIRS

Richard F. Barnes

DATE

February, 1985

STUD

Compass North - Five Challenges for Alaska

OVERALL SUMMARY

Discussion of Alaska as an "owner state" in which the state owns a substantial amount of land and resources. As the owner, Alaska has an obligation to provide its residents with a sustainable economy. To do this, the state must use its land and capital to preserve and enhance the private enterprise system.

ASSUMPTIONS

1. Alaska is an "owner state", unique from other states. 2. The Alaska government has an obligation as an owner to help sustain the economy. 3. The state government should use its power in partnership with the private sector to create new opportunity and wealth. 4. If the state government does not stop dissipating its capital base on current operations, the result may be a failed economy.

RECOMMENDATIONS

1. Alaska's ownership revenues should be divided equally between the Permanent Fund and a new capital investment fund. 2. The legislature should enact legislation which establishes long-term goals for the Permanent Fund. 3. Current spending must be reduced to levels that can be sustained in the future. 4. The state government must refrain from using its wealth to usurp local decisions or displace local responsibility. 5. Alaska's statehood lands and resources should be managed as capital assets. 6. The governor should forge the resource development strategy necessary to enact legislative policy. 7. The state should determine its role as an investor in the development of Alaska's resources.

CHAIRS

Max Hodel, Harold Heinze, Sue Linford, Richard Barnes, Millett Keller

DATE

February, 1988

STUD

Using the Permanent Fund as a Positive Counter-cyclical Force in the Alaskan Economy

OVERALL SUMMARY

Meant to be considered in conjunction with the Alaska Development Board proposal, this study states that the earnings of the Fund should be used in two ways. First, in good times, the earnings should be placed back in the Fund. Second, in the event of a fiscal need, the earnings should be appropriated directly into municipal and state government expenses.

ASSUMPTIONS

1. The Permanent Fund was created to remove a portion of Prudhoe Bay revenues from the appropriations table. 2. There is no consensus on how to use the Fund's earnings, except for the dividend program

RECOMMENDATIONS

1. Permanent Fund earnings should be used as a positive counter-cyclical force in the Alaskan economy. 2. Fund earnings should be appropriated directly to municipalities on a per-capita basis as needed. 3. The Legislature should create an Alaska Development Board which will research and recommend to the Legislature major revenue generating in-state investments to expand and diversify the state's economy. 4. The Legislature should establish an Alaska Development Fund by using a portion of the PF's Earnings Reserve Account. 5. The Permanent Fund Dividend should be capped. 6. Use of the Fund's earnings to "inflation proof" the Fund should be in proportion to the health of the state's economy. 7. The Fund's earnings should be used for state government operations only in dire emergencies. 8. Strategies for using Fund earnings should be written in statute.

CHAIRS

Dave Chatfield, Julius Brecht

DATE

April, 1988

STUD

The Alaska Railroad and its Future

OVERALL SUMMARY

Proposed development of the Alaska Railroad to provide a transportation system that will aid the economic stability of Alaska.

ASSUMPTIONS

1. The Alaska Railroad Corporation Act of 1984 charged the state with the responsibility of developing the railroad but gave it no clear guidelines. 2. A rail system provides the best year-round surface transportation network. 3. Expansion of the rail lines would result in substantial economies to serviced areas, but there are obstacles to rail corridors which create great impediments to expansion. 4. The railroad should not be sold but maintained in a state of readiness for sale to a private entity to ensure that it will be continued to be operated profitably. 5. The management of the railroad deserves high marks for operating within their revenues, working with the union, and safety upgrades.

RECOMMENDATIONS

1. The legislature should amend the existing legislation to provide the clear guidelines needed to manage this entity. 2. The legislature should create an Alaska Development Board to work in conjunction with the railroad's board of directors to propose extensions and more effective land use. 3. The railroad should not even be considered for sale prior to January 6, 1990. 4. The board of directors should be free of politicization and consist of individuals with proven state-wide business acumen. 5. The Corporation Act should be amended to allow for long-term leases in excess of 35 years and management should continue to improve the marketing arm of the Corporation.

CHAIRS

Loren Lounsbury, Frank Danner

DATE

April, 1988

STUD

Redesigning the Front Door to Anchorage thorough the Relocation of th
Anchorage Railroad Yard

OVERALL SUMMARY

Proposal to move the central railway yard from Anchorage to Eagle River. This relocation will allow for a redesign of the port area and will add to the economic viability of the Eagle River area.

ASSUMPTIONS

1. The Alaska Railroad's central yard, depot and administrative offices are outdated, poorly designed and inefficient for best utilization. 2. The railroad is in an inappropriate location for the future development of the central city area. 3. The highest and best use of this land is not as a central railyard. 4. Freeing this area for planned development will revitalize this area of Anchorage now and in the future. 5. The railroad owns land in Eagle River which is more suitable an appropriate for the railyard.

RECOMMENDATIONS

1. The Alaska Railroad Corporation is urged to initiate immediate efforts to plan for the relocation of the central railyard to Eagle River. 2. The Mayor and the Municipal Government are urged to participate with the railroad in the feasibility study for this move. 3. The Municipality and the State should examine options for financing this timely project.

CHAIRS

Loren Lounsbury

DATE

June, 1988

STUD

Fire Island: A Maritime Center for the North Pacific

OVERALL SUMMARY

With expansion of the Port of Anchorage limited by its geography and year-round traffic restricted by mid-winter ice, Fire Island is an ideal location for a maritime center in the North Pacific. This center will replace the dependency on Seattle-area support services

ASSUMPTIONS

1. There is a need for a maritime center in the North Pacific. 2. The Port of Anchorage is inadequate to address these needs due to size limitations and ice accumulation in the winter months. 3. Fire Island is the best alternative location.

RECOMMENDATIONS

1. The current economy makes the infrastructure in Anchorage significantly underutilized. 2. Fire Island is a prime location with economical construction and the ability to handle an major influx of population. 3. A North Pacific Maritime Center should be built on Fire Island.

CHAIRS

Loren Lounsbury, Frank Danner

DATE

October, 1988

STUD

The Alaska Development Board

OVERALL SUMMARY

Statement of the need for in-state investment in revenue-generating projects to diversify the economy

ASSUMPTIONS

1. The state needs capital investments which generate revenue, repay their cost, pay their own O&M and facilitate resource development. 2. Prudhoe Bay will soon begin its decline and the state needs in-state investment in revenue-generating projects to diversify the economy.

RECOMMENDATIONS

1. A bill is to be put before the legislature creating the Alaska Development Board in the Office of the Governor. ADB will research feasibility and whether projects are revenue-generating and merit state investment.

CHAIRS

Rick Barrier, Joe Hayes

DATE

October, 1989

STUD

An Alaskan View of ANWR

OVERALL SUMMARY

Position paper proposing immediate development of oil and gas reserves i
ANWR.

ASSUMPTIONS

1. The government should not enter the oil business by financing a government exploration program. 2. The protections and requirements for oil development in Prudhoe Bay and Endicott are adequate for the Arctic Coastal Plain and ANWR. 3. The State of Alaska should stand its ground regarding the 90% royalty voted upon at the time of statehood. 4. Labor and the oil industry must find a means for accommodating each other's needs in developing ANWR. 5. The ANWR bill should not include land trades between private entities and the federal government. 6. The National Petroleum Reserve Alaska, the Tongass National Forest and additional National Park Service wilderness areas should be addressed separately by Congress.

RECOMMENDATIONS

1. It is essential to the mutual interests of Alaskans and the nation to encourage the immediate development of the oil and gas resources of the Coastal Plain of ANWR. 2. The Arctic Coastal Plain must be developed with the utmost care for environmental and wildlife issues. 3. Time is of the essence and Congress must be encouraged to act on this issue. 4. Exchanges of public or privately owned inholdings in federal conservation system units for leases in ANWR should be encouraged as part of an open, competitive bidding process. 5. The state should encourage a high level of Alaska hire and fair wage during ANWR exploration and development. 6. The State of Alaska must mount a major educational campaign to inform Congress and the American people about ANWR

CHAIRS

Max Hodel, John Hoyt

DATE

May, 1990

STUD

Going Up in Flames: The Promises and Pledges of Alaska Statehood Under Attack

OVERALL SUMMARY

Examination of the legal underpinnings of statehood and a discussion of the growth of federal powers in general. Areas of federal interference with Alaska's goals are identified. Success stories reveal ways in which many obstacles can be overcome.

ASSUMPTIONS

1. The victories Alaskans have achieved in gaining support and assistance from the federal government have been the result of years of hard work and personal sacrifice by individual Alaskans. 2. In order to build the necessary grassroots support for a successful outcome in Congress Alaskans must be informed and united. 3. Federal power and responsibility is pervasive and dispersed and this diversity of leadership must be understood if Alaskan concerns are to be adequately addressed.

RECOMMENDATIONS

1. The governor and the state's congressional delegation should act as a catalyst to ensure that the recommendations of this report are adopted. 2. A unified position of Alaska's interests must be established in support of a common goal. 3. Today's generation of Alaskans must identify and foster champions and allies in the federal establishment who can assist Alaska in making its case. 4. Alaskans and their institutions must do a better job of educating themselves and others on the state's unique status. 5. The governor should establish a special arm of the attorney general's office to litigate federal infringements of statehood rights. 6. Interstate coalitions on common problems should be established. 7. Alaska must inform and educate the nation on the unique responsibilities of ownership placed on the State of Alaska. Unlike other states, Alaska was created as an "owner state" with extraordinary fiduciary responsibilities that go beyond the normal role played by other state governments. 8. Alaska's leaders must make a tenacious commitment to ensure victory in the federal arena.

CHAIRS

Malcom Roberts

DATE

March, 1991

STUD

Fire Island: A North Pacific Maritime Center

OVERALL SUMMARY

A study of the viability of a major maritime center at Fire Island. The study concluded that a maritime center will attract new facilities and services which will stimulate industrial growth.

ASSUMPTIONS

1. Alaska needs a port for the growing world of trade. 2. Industrial port activities need a new home. 3. The cost of building a causeway and port at Fire Island is estimated in the range of \$226 million. 4. Fire Island is a natural deep water port that provides the best location in south-central Alaska for port expansion. 5. The economic benefits to the community and the state will be substantial.

RECOMMENDATIONS

1. New tourism, recreation, retail and light industrial businesses should move into the Ship Creek area. 2. There is an urgency for action now while the state can fund such a project that will return to the state many times its initial cost. 3. Financing for the project should be a joint venture between the public and private sector.

CHAIRS

Joe Griffith

DATE

August, 1992

STUD

Shall There Be a Constitutional Convention?

OVERALL SUMMARY

Originally studied in 1982, the issue of the necessity of a constitutional convention is revisited. The report concludes that there is little need to change the 1982 findings and that the subject merits serious study.

ASSUMPTIONS

See October, 1982

RECOMMENDATIONS

See October, 1982

CHAIRS

Helen Fischer, Judge Ralph Moody

DATE

October, 1993

STUD

Commonwealth North Budget Conference: Closing the Gap

OVERALL SUMMARY

Proceedings and conclusions of Commonwealth North's budget conference held October, 1993. Issues discussed included: fiscal gap, spending regulation, use of liquid reserves, taxation, Permanent Fund and economic development.

ASSUMPTIONS

1. Alaska has a fiscal gap and it is growing. 2. Spending controls are necessary but not without real political and programmatic problems. 3. Liquid reserves should be used to close the gap, but done so in a controlled way. 4. New taxes, primarily an income tax, will be needed to bring the budget into balance. 5. Permanent Fund monies should not be used for the state budget, but dividends should be capped. 6. The state needs a stable tax policy and removal of regulatory hurdles to encourage new economic developments.

RECOMMENDATIONS

1. All reserves and natural resource revenues should be deposited in the Permanent Fund from which a fixed percentage would be allocated for expenditure each year to maintain a stable and predictable economy (Cremo plan). 2. To reduce spending two mechanisms are proposed: a forced ratcheting down of spending and the creation of a commission to make budget recommendations

CHAIRS

Scott Goldsmith, Lee Gorsuch

DATE

March, 1994

STUD

Breaking the Fall: Budget Recommendations for Alaska

OVERALL SUMMARY

Budget actions to take immediately as well as long term. Immediate actions: Cut Spending, Increase Revenues, Get a Plan. Long Term: Hold future budgets to a set level, reduce PFD expenditures, Reimpose personal income tax, establish consolidated accounting for existing reserves, Emphasize equities in PFD investments, Re-evaluate PFD dividend program and controls, Provide a positive economic and regulatory climate, Continue to market oil and natural gas.

ASSUMPTIONS

1. Declining oil revenues are bringing Alaska's state government closer to financial crisis. 2. The state currently faces a \$1 billion budget deficit.

RECOMMENDATIONS

1. Freeze the operating budget and hold future budgets below inflation. 2. Increase taxes including a personal income tax. 3. Create an Alaska Finance Commission to produce a 4-year plan. 4. Encourage increased oil and gas exploration and development. 5. Establish a consolidated account for existing reserves with restrictive access provisions.

CHAIRS

Lee Gorsuch

DATE

August, 1994

STUD

Health Care: Finding an Alaskan Prescription

OVERALL SUMMARY

Discussion of the adequacy of the current health care system. Focus on the unique issues in Alaska and discuss Alaskan's needs on the individual and state levels.

ASSUMPTIONS

1. Alaska has a large geographical area and a small widely dispersed population. Access to health care is not only a function of cost and coverage, but of the actual existence and proximity to services. 2. Government spending accounts for over 60% of total health care spending in Alaska with 40% of Alaskans eligible for coverage through federal programs. 3. No HMOs operate in Alaska.

RECOMMENDATIONS

1. Special consideration is necessary for health care reforms in Alaska. Reforms must be responsive to the large number of small businesses and seasonal fluctuations. 2. Reform is necessary due to the likelihood of increasing health costs. 3. A comprehensive study must be undertaken on this issue to provide accurate data to facilitate reform.

CHAIRS

Dr. Milton Byrd

DATE

October, 1994

STUD

Breaking the Fall: Budget Recommendations for Alaska

OVERALL SUMMARY

Development of a long-term financial plan that will compensate for declining oil revenues. This plan would be developed by a citizen-based commission. Recommendations: cut spending, increase revenues, get a plan via the creation of an Alaska Finance Commission.

ASSUMPTIONS

1. Declining oil revenues are bringing Alaska's state government closer to financial crisis. 2. The state currently faces a \$1 billion budget deficit.

RECOMMENDATIONS

1. Freeze the operating budget and hold future budgets below inflation. 2. Increase taxes including a personal income tax. 3. Create an Alaska Finance Commission to produce a 4-year plan. 4. Encourage increased oil and gas exploration and development. 5. Establish a consolidated account for existing reserves with restrictive access provisions.

CHAIRS

Lee Gorsuch

DATE

September, 1995

STUD

Partners in Alaska's Future: Team Alaska Phase II

OVERALL SUMMARY

Define partnering techniques and show how such alliances have worked in the past. Propose partnering arrangements of cooperative decision making as a policy of structural process. The state should have partnering legislation and establish a partnering council and mediation panel.

ASSUMPTIONS

1. Alaskans are evolving a new means of cooperative decision making referred to as partnering. 2. Partnering is the structured process of cooperation to assist parties interested in an issue to achieve a mutually advantageous outcome. 3. Partnering can be used by private parties and the government.

RECOMMENDATIONS

1. The business community and the government should recognize and use partnering techniques more frequently. 2. Establish partnering as a policy of the state. 3. Enact partnering legislation. 4. Establish partnering council. 5. Establish partnering mediation panel

CHAIRS

Jamie Linxwiler

DATE

June, 1997

STUD

Agenda 2000: Alaska's Future in a New World

OVERALL SUMMARY

An analysis of the condition of Alaska's economy, quality of life, educational systems and government at a pivotal point in its history.

ASSUMPTIONS

1. Oil production remains the foundation of the state's economy and ne exploration in frontier areas and investment in existing fields should be encouraged. 2. Improving transportation and communications will shrink distances opening the way for new commerce. 3. Alaska is losing the opportunity to develop the brain power of its young people and the opportunities they need to reach their potential. 4. Alaska needs to get its fiscal house in order and develop priorities for investing in new initiatives and decide how to pay for those investments without deterring the economic development on which they hinge.

RECOMMENDATIONS

1. Use Alaska's unique ownership position and geographic location to expand and encourage natural resource development, to add value to development through in-state processing and to stimulate investment in a broader range of resource activities. 2. Make Alaska an international logistics center. 3. Build Alaska's full potential as an international tourism mecca. 4. Strengthen Alaska's sense of community and collective vision for the future. 5. Make education a priority. 6. Adopt higher education as a full partner in Alaska's development.

CHAIRS

Joe Griffith, Cynthia Parker, Jim McElroy, Eleanor Andrews, Patricia DeMarco, Dr. Joyce Murphy, Beverly Beeton, Cheryl Frasca

DATE

December, 1998

STUD

Alaska's Asset Portfolio: Managing for Maximum Return

OVERALL SUMMARY

Alaska's assets were examined to identify the management principles which, if consistently applied, would improve their financial return and enhance Alaska's economic stability.

ASSUMPTIONS

1. Assets from the state land-grant should be managed consistently with the constitutional mandate to maximize their use and benefit to the people of Alaska. 2. The constitutional prohibition against dedicated funds is recognized as a policy principle which provides that the public interest is served when all state revenues are available for appropriation by the legislature. 3. There are 2 types of returns: financial and beneficial and each must directly or indirectly benefit the people. 4. Effective asset management requires a flexible structure. 5. Performance measures are essential. 6. Private enterprise should be the first resource to develop public assets. 7. Maximizing returns will enhance revenue to the state and provide economic stability.

RECOMMENDATIONS

1. Clarify roles and responsibilities. 2. Measure and disclose performance. 3. Manage assets as a portfolio. 4. Pay returns to the general fund. 5. Create a system to achieve these recommendations

CHAIRS

Nancy Usera, Scott Goldsmith

DATE

May, 1999

STUD

Permanent Fund Earnings--Phase II: A Cornerstone for Fiscal Certainty

OVERALL SUMMARY

Recommends uses of Permanent Fund earnings in the context of total state fiscal needs

ASSUMPTIONS

1. The earnings of the Permanent Fund must be considered part of Alaska's total fiscal package. 2. Current general fund revenues are insufficient to balance the general fund budget. 2. The Constitutional Budget Reserve will run out in three years at current levels. 3. Use of PF earnings must be addressed immediately.

RECOMMENDATIONS

1. Add unrealized gains, realized gains and a portion of the earnings reserve account into the corpus of the PF. 2. Define earnings as 5% of the five-year trailing average of the total value of the PF. 3. Use 40% of earnings to continue the PFD. 4. Use 30% of earnings to support state government. 5. Use 20% for a Community Dividend Plan. 6. Use 10% for statewide capital expenditures.

CHAIRS

Max Hodel, Joe Griffith

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Alaska's Asset Portfolio: Managing for Maximum Return

A Commonwealth North Study

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Appendix A
Agency groupings used in "Alaska's Asset Portfolio: Managing for
Maximum Return"

PRODUCTION AND MANUFACTURING

Department of Fish and Game
Division of Forestry
Alaska Correction Industries
Oil and Gas Development
Division of Mining
Division of Agriculture

RESEARCH AND DEVELOPMENT AND SUPPORT SERVICES

Alaska Seafood and Marketing Institute
Alaska Tourism Marketing Council
Alaska Science and Technology Foundation
Alaska Aerospace Development Corporation

LOANS AND INVESTMENTS

Alaska Industrial Development and Export Authority
Alaska Housing and Finance Corporation
Alaska Permanent Fund Corporation
Alaska Fish and Agriculture Bank
Municipal Bond Bank
Student Loan Corporation

AVAILABLE FOR DEVELOPMENT AND REAL ESTATE

Division of Land
Alaska Mental Health Trust Authority
University of Alaska Lands
Department of Transportation Public Facilities
Pioneer Homes
Alaska Psychiatric Hospital

TRANSPORTATION

Alaska Railroad Corporation
Alaska Marine Highway
International Airports
State Airports and Harbors

Appendix B
Factual Summary of Agencies

Management Review

Mission, Structure & Measures

Asset: Alaska Aerospace Development Corporation (AADC)

Mission: To promote the general welfare by establishing & operating a commercial space launch facility. To promote aerospace related economic growth and to develop corresponding technology & support services.

Business Activities: Launch facility currently being built. Business is being sought for this facility.

Management Structure:

Chief Executive: Pat Ladner, Executive Director.

Management Oversight: 9 member board composed of 1 member of the UAA board of Regents, President of UAA, Director of UAA's Geophysical Institute, Executive Director of ASTF, Commissioner of DCED, 2 space industry members, 1 public member.

Financial Oversight: Through State Legislature.

Financial Overview:

Total Revenues: No operating revenue as AADC is in the startup mode.

Total Operating Budget: \$1M, \$641K of which \$520K held in cash designated for the current construction of the launch facility.

Fund Balance: \$.5M

Contributions to State of Alaska Operating Budget: None

Performance Measures: None

Present Return on Asset/Activities:

Primary Return: None

Secondary Return: Expect a positive impact on Alaska's economic growth and stability.

Public Benefit: Possible job creation.

Historical Footnotes Affecting Returns: AADC is in the startup phase of its development. The current construction of the rocket launch facility is using Air Force funds (\$18M), ASTF funds (\$5M) and NASA funds (\$5M).

Asset: Alaska Correctional Industries

Mission: Assist in the rehabilitation of prisoners by providing realistic work experiences as much like those that prevail in private industry. Operate a work program for prisoners that will be nearly self-supporting.

Business Activities:

- Juneau commercial & hospital laundries.
- Kenai office systems and metal plant.
- Palmer auto body plant.
- Palmer meat processing plant.
- Fairbanks garment/flat goods shop.
- Seward furniture plant and assembly /repackaging of electrical supplies.

Management Structure:

Chief Executive: Correctional Industry Commissioner

Management Oversight: 9-member board of directors. 7 appointed by the Governor plus Commissioners of Administration and Corrections.

Financial Oversight: Board reviews annual budget.

Financial Overview:

Total 1997 Revenues: \$3,316,165

Total 1997 Operating Budget: \$3,149,511

Fund Balance : \$166,654

Contributions to State of Alaska Operating Budget:

Performance Measures: Undetermined.

Present Return on Asset/Activities:

Primary Return: Program is self-supporting and prisoners directly benefit from its activities.

Secondary Return: Wages earned by prisoners are required to be disbursed in the following order of priority: prisoner's dependents, reimbursement to the State, payment of civil judgements, payment of fees, purchase of commissary items, payment of restitution.

Public Benefit: Returning prisoners to society with the skills to succeed in the labor force.

Historical Footnotes Affecting Returns:

- Wages paid to prisoners may not exceed 50% of minimum wage unless there is another requirement for higher wages.
- Work activities must have a minimal negative impact on an existing private industry or labor force.

Asset: Alaska Housing Finance Corporation (AHFC)

Mission: Manage capital assets and grants to provide Alaskans equal access to safe, quality, affordable housing and in so doing, affirmatively create jobs and value-added industries.

Business Activities:

- Mortgage loan financing to low and moderate income borrowers, veterans and those living in rural areas of the state.
- Principle source of residential financing in the state and functions as a secondary mortgage market.
- Operate state public housing and subsidize rents.
- Provides funding for the construction and acquisition of public buildings for lease to the state.
- Provides grants to non-profit organizations.

Management Structure:

- Self-supporting, non-stock public corporation.
- Management Oversight: Seven member Board of Directors, 4 of whom are appointed by the Governor, plus the Commissioners of Revenue, Community and Regional Affairs and Health and Social Services.
- Financial Oversight: Annual operating and capital budgets are reviewed by the Governor and Legislature.

Financial Overview:

1997 Total Revenues: \$328,000,000.

1997 Total Operating Budget: \$30,000,000 (\$18,000,000 HUD).

1997 Fund Balance: \$1.8 Billion.

1997 Contributions to State of Alaska Operating Budget: \$50,000,000.

Performance Measures: Annual HUD Public Housing Management Assessment Program required. AHFC also conducts surveys on home ownership and homelessness, the number of program participants, number of awards received.

Present Return on Asset/Activities:

Primary Return: 2.4%

Secondary Return: Undetermined

Public Benefit: Creates jobs, reduces unemployment by maintaining a healthy home-building industry; reduces dependencies on public housing and welfare programs through Family Self - Sufficiency Program. Reduces energy bills via the Weatherization Program.

Historical Footnotes Affecting Returns:

- Most investments purchased with the proceeds of tax-exempt bonds are subject to interest rate yield restrictions of 1.125% to 1.15% over the yield of the bonds.
- Some of the tax-exempt bonds are subject to rebate provisions that may result in a payment due to the IRS.

Asset: Alaska Industrial Development and Export Authority (AIDEA).

Mission: To promote, develop and advance the general prosperity of the people of Alaska. To relieve the problems of unemployment and to create additional employment by providing various means of financing and facilitating the financing of industrial, manufacturing, export and business enterprises and other facilities within the State.

Business Activities:

- Acts as a secondary market for financial institutions by purchasing loan participations and providing guarantees on bank originated loans.
- Issue general obligation indebtedness to own certain development projects. The investment is repaid through user fees.
- Invests a portion of its liquid assets in investment securities that are primarily short to medium term Treasury and Agency obligations.

Management Structure:

- Public corporation of the State
- Management Oversight: Five-member board consisting of 3 gubernatorial appointees, the Commissioner of the Department of Revenue and the Commissioner of the Department of Commerce and Economic Development.
- Financial Oversight: Board of Directors, Legislature.

Financial Overview:

1997 Total Revenues: \$66,800,000.

1998 Total Operating Budget: \$4,000,000.

1997 Fund Equity: \$916,000,000.

1997 Contributions to State of Alaska Operating Budget: \$16,000,000.

Performance Measures: Earnings, number of loans participated in or guaranteed, number of jobs created or retained and number of development projects are all measures of agency performance.

Present Return on Asset/Activities:

Primary Return: 3.64% in 1997.

Secondary Return: Undetermined.

Public Benefit: Creation and retention of jobs.

Historical Footnotes Affecting Returns:

- Reduced levels of financing, beginning in 1987, due to statewide economic recession and changes in federal tax laws, reduced uses of tax-exempt debt for economic development.
- Statutory limitation placed on interest rate charged on funds obtained by bonds.

Asset: Alaska Mental Health Trust Authority.

Mission: To administer the Mental Health Trust established in perpetuity, to have the fiduciary responsibility to its beneficiaries to enhance and protect the trust and to provide leadership in advocacy, planning, implementing and funding of a comprehensive, integrated mental health program to improve the lives and circumstances of its beneficiaries.

Business Activities: To manage its asset consisting of: 500,000 acres of Federal land, 500,000 acres of replacement land, and \$200 Million in cash.

Management Structure:

Chief Executive: Executive Director.

Management Oversight: Undetermined.

Financial Oversight: \$200 Million in cash is combined with the assets of the Permanent Fund for investment purposes. Division of Natural Resources manages the land assets.

Financial Overview:

Total 1997 Revenues: \$2,507,000.

Total 1998 Operating Budget: \$759,900.

Fund Balance: Undetermined.

Contributions to State of Alaska Operating Budget: Undetermined.

Performance Measures: Undetermined.

Present Return on Asset/Activities:

Primary Return: Undetermined.

Secondary Return: Undetermined.

Public Benefit: Creation and sustenance of comprehensive mental health programs for Alaskans.

Historical Footnotes Affecting Returns: Undetermined.

Asset: Alaska Permanent Fund Corporation (APFC)

Mission: To provide a means of conserving a portion of the state's revenue from mineral resources to benefit all generations of Alaskans. To maintain the safety of the principal while maximizing total return. To use the fund as a savings device managed to allow the maximum use of disposable income from the fund for the purposes designated by law.

Business Activities: Invest money received via oil revenues, legislative appropriations and earnings on investments to earn income.

Management Structure:
Public Corporation.

Executive Director appointed by the Board of Trustees and is not a member of the Board. The Governor appoints the six-member board. And includes the Commissioner of the Department of Revenue.

Management Oversight: Board of Trustees and Governor

Financial Oversight: Board of Trustees and Legislature

Financial Overview:

Total 1997 Revenues: \$2.1 Billion

Total 1998 Operating Budget: Estimated at \$30 Million

1997 Fund Balance: \$17.9 Billion

1997 Contributions to State of Alaska Operating Budget: \$1.7 Million. \$746.8 million distributed to the residents of the State.

Performance Measures: The market.**Present Return on Asset/Activities:**

Primary Return: 9.2% return in FY 97

Secondary Return: \$746.8 million distributed to the residents of the State.

Public Benefit: Lower unemployment.

Historical Footnotes Affecting Returns: Statutory restrictions as follows:

- The fund may at no time own more than 5% of the voting stock of a corporation.
- Domestic stocks, except for bank and insurance company stocks, must be listed at the date of purchase on an exchange registered with the SEC.
- At the time of each investment, the aggregate investment of the fund in each stated category of investment may not exceed the following percentages: 15% mortgages, 15% real estate, 20% CD's or term deposits, 50% corporate stocks.

Asset: Alaska Railroad Corporation (AKRR)

Mission: To provide safe, economic and efficient rail transportation to freight users, businesses, passengers and military installations in the state. To foster and promote the long term economic growth and development of the state. To develop and implement plans for a rail transportation network. To foster and promote the development of the state's land and natural resources.

Business Activities: Provides freight and passenger service throughout the railbelt. Owns and manages 578 miles of rail right of way from the Port of Seward, through Anchorage and to Fairbanks, with a line from Fairbanks to Eielson AFB. The Corporation owns approximately 38,000 acres of land including the rail right of way.

Management Structure:

- Independent corporation owned by the state of Alaska.
- Management Oversight: Seven-member board of directors appointed by the Governor.
- Financial Oversight: The Board approves the annual budget and all capital projects. Legislative oversight provided by the Legislative Budget and Audit Committee.

Financial Overview:

Total 1997 Revenues: \$76,386,000, Grant Revenues: \$1,230,000.

Total 1997 Operating Budget: \$75,200,000.

Equity Balance: \$84.040,000, which includes State of Alaska investment of \$34,174,000.

Contributions to State of Alaska Operating Budget: None.

Performance Measures: An annual Performance Audit is prepared by an outside expert in the railroad business. The railroad also submits to the legislature an annual report of the year's activities.

Present Return on Asset/Activities:

Primary Return: 1997 Net income of \$10,590,000.

Secondary Return: Undetermined

Public Benefit: Undetermined

Historical Footnotes Affecting Returns:
Undetermined.

Asset: Alaska Science & Technology Foundation (ASTF)

ASTF was created through statutory authorization (37.17.01 0). Funded by an endowment of \$101 million.

Mission: Enhance the development and application of science and technology for the direct benefit of Alaskans. ASTF will help establish an environment where Alaska has the confidence, know-how, technology and risk capital to grow an economy of sustainable wealth.

Business Activities:

- Makes grants to technology-based firms with preference to startups and existing firms branching into new products or processes.

Management Structure:

- Independent Agency.
- Management Oversight: Board of directors appointed by the Governor; Legislative confirmation required.
- Financial Oversight: Governor appointed board of directors makes all funding decisions and the Legislature approves the budget.

Financial Overview:

Total 1997 Revenues: Two types: Investment income and grant/loan repayments

Total 1997 Operating Budget: Approximately \$9 million.

Fund Balance (if any): Endowment is \$101 million with additional earnings of \$15 million.

Contributions to State of Alaska Operating Budget: None.

Performance Measures: Undetermined.

Present Return on Asset/Activities:

Primary Return: Increased science and engineering capability to sustain the economy.

Secondary Return: More R&D and headquarter functions to aid in gaining control over Alaska's economic destiny.

Public Benefit: Latest evaluation shows 615 jobs as a result of ASTF projects.

Historical Footnotes Affecting Returns: ASTF's goal is to help finance and put together projects to reach the above goals. The Board has discussed the possibility of privatizing the ASTF, but are not at all clear that the Legislature would want to accept this loss of control or accountability. Moving to a two-year budget would be an improvement on the existing system thus eliminating the threat to the future of the organization each year. There is a concern that certain non-revenue functions of ASTF would go away if privatized. The threat to ASTF's existence is to transfer the endowment to support a perceived financial crisis.

Asset: Alaska Seafood Marketing Institute

Mission: To increase the consumption of Alaska seafood and to promote the quality and superiority of Alaska seafood products.

Business Activities: Promote through marketing programs the consumption of Alaska seafood. To promote within the industry a program to improve the quality of Alaska seafood.

Management Structure:

Chief Executive: Barbara Belkamp, Executive Director.

Management Oversight: Oversight is by a 25-member board. Twelve members are fishermen and twelve members are processors. One member is from the general public.

Financial Oversight: Through the State Legislature.

Financial Overview:

Total Revenues: Revenue is obtained by a 1% salmon tax, a .3% processor tax and some federal export monies that require a state match. FY97: \$6.2 M (\$3.5 M from the 1% salmon tax, \$2.7 M from the .3% processor tax).

Total Operating Budget: \$.9M Administration, \$.2M R&D, the balance to programs.

Fund Balance: Minimal.

Contributions to State of Alaska Operating Budget: None.

Performance Measures: Internally they have well defined performance measures in the marketing program, restaurant usage and quality programs. The one problem area is in getting information from retailers and they consider such information confidential.

Present Return on Asset/Activities:

Primary Return: None

Secondary Return: Undetermined.

Public Benefit: Jobs in the seafood industry.

Historical Footnotes Affecting Returns: Since the majority of the monies spent are from self-taxation or federal sources, the organization is not a drain on the general state treasury.

Asset: Alaska Tourism Marketing Council

Mission: To stimulate statewide economic growth, diversification and employment through the promotion of Alaska as a visitor destination.

Business Activities:

- Design and execute an integrated marketing program directed at U.S. and Canadian markets determined to have the greatest potential for producing new and repeat visitors.
- Dissemination of visitor information by media advertising, public relations and research.

Management Structure:

Chief Executive: Director of the Division of Tourism

Management Oversight: 21-member board, 10 appointed by the Governor, 10 appointed by Alaska Visitor's Association, plus the Director.

Financial Oversight:

Financial Overview:

Total Revenues: No direct revenues generated.

Total FY97 Operating Budget: \$5,310,600.

Fund Balance : N/A

Contributions to State of Alaska Operating Budget: No direct contributions, however tourism yields \$124 Million in taxes and fees.

Performance Measures: Undetermined.

Present Return on Asset/Activities:

Primary Return: Increase in the number of year-round visitors from the U.S. & Canada.

Secondary Return: Increase in jobs in the tourism industry. Additional fees going to state and municipal treasuries.

Public Benefit: Allows small businesses with affordable access to a national marketplace. Increased tourism benefits the overall economy.

Historical Footnotes Affecting Returns:

- ATMC is a public corporation within the Department of Commerce & Economic Development.
- A joint venture between the State and private sector. The Alaska Visitor's Association represents the private sector.

Asset: Department of Natural Resources, Division of Agriculture

Mission: To administer promotional and experimental work, agricultural projects and long term, low interest loans for the purpose of promoting and developing the agricultural industry within the state.

Business Activities:

- General agricultural development and administration.
- State Fairs
- North Latitude Plant Materials Center (NLPMC) which supports industry through production and development of plant materials.
- Agricultural Revolving Loan Fund (ARLF).

Management Structure:

Chief Executive: Division Director

Management Oversight: Commissioner of DNR.

Financial Oversight: Governor submits the budget to the Legislature for review and approval.

Financial Overview:

Total Revenues: \$352,000 of Federal funds and \$508,000 from ARLF.

Total 1997 Operating Budget: \$940,000 for NLPMC.

Fund Balance:

Contributions to State of Alaska Operating Budget: None

Performance Measures: None found.

Present Return on Asset/Activities:

Primary Return: Undetermined.

Secondary Return: Undetermined.

Public Benefit: Agricultural commodities priced at market-clearing rates.

Historical Footnotes Affecting Returns:

Legislature has replaced General Fund support for the Division with assets from ARLF.
Assets are declining as they are appropriated for the Division's operating costs.

Asset: Department of Fish & Game

Mission: To maintain and enhance the health and population of the various species of fish and animals, including habitat protection, and then to allocate the harvest of fish and game among sport, subsistence and commercial users, and escapement, using the principle of sustained yield.

Business Activities:

- Strategic management and allocation of the various resources.

Management Structure:

Chief Executive: Commissioner of the Department of Fish & Game.

Management Oversight: Board of Fish & Game.

Financial Oversight: Legislative.

Financial Overview:

Total Revenues: Unavailable.

Total Operating Budget: Unavailable.

Fund Balance: Unavailable.

Contributions to State of Alaska Operating Budget: Unavailable.

Performance Measures: Undetermined.

Present Return on Asset/Activities:

Primary Return: Undetermined.

Secondary Return: Undetermined.

Public Benefit: Sustained resource.

Historical Footnotes Affecting Returns: Undetermined.

Asset: Alaska Department of Natural Resources, Division of Forestry.

Mission: To protect the State's forested land and forest resources and to manage them for multiple use and sustained yield.

Business Activities: Manage timber sales and issue personal use fuelwood, houselog and sawlog permits. Fight wildfires, plant seedlings, support public education and research. Administration of Rural Community Fire Protection Grants.

Management Structure:

Chief Executive: State Forester who is under the Commissioner of DNR.

Management Oversight: Alaska Board of Forestry appointed by the Governor.

Financial Oversight: Legislature.

Financial Overview:

1997 Total Revenues: \$1,200,000.

1997 Total Operating Budget: \$9,826,800.

1997 Fund Balance: None.

1997 Contributions to State of Alaska Operating Budget: None.

Performance Measures:

- Number of timber sales, volume of timber sold.
- Numbers of firefighters trained and number of fires fought and controlled.
- Numbers of acres inventoried and assessed for insect and disease conditions.
- Number of permits for public use.
- Research results from collaborators at U of Alaska or federal agencies.

Present Return on Asset/Activities:

Primary Return: \$1,268.656 return from 1996 timber harvest.

Secondary Return: Response to wild fires, wildlife habitat improvement, and forestry research.

Public Benefit: Permit issuance for personal use timber, timber sales provide employment, public education on forestry issues.

Historical Footnotes Affecting Returns: Undetermined.

Asset: Department of Natural Resources, Division of Mining

Mission: DNR's mission statement is, "To develop, conserve and enhance natural resources for present and future Alaskans". Mining Division adds, "To facilitate the development and stewardship of Alaska's mineral resources...by processing major mineral and coal actions necessitated for tracking title and compliance requirements".

Business Activities:

- Regulation of the mining industry
- Resource development
- Program administration
- Public safety
- Property rights

Management Structure: The Division of Mining & Water Management is a division of the Department of Natural Resources that answers to the Governor.

Chief Executive: Director of the Division of Mining & Water Management.

Management Oversight: Alaska Mineral Commission, Department of Natural Resources, Governor.

Financial Oversight: Annual State budget process.

Financial Overview: FY 98

Total Revenues: \$3,450,000

Total Operating Budget: \$3,888,900

Fund Balance: N/A

Contributions to State of Alaska Operating Budget: Undetermined.

Performance Measures:

- Input from interested groups: Alaska Miner's Association, Div. Of Geological & Geophysical Surveys, Div. Of Trade and Development, Division of Fish & Game, Alaska Minerals Commission, Environmental groups.
- DNR-Division of Mines provides performance criterion.

Present Return on Asset/Activities:

Primary Return: Mineral royalties, rental fees, lease fees, permit fees, and permit assistance fees.

Secondary Return: Job creation, infrastructure development, and resource development.

Public Benefit: Same as Secondary Return.

Historical Footnotes Affecting Returns:

- Assets consist of state lands for mineral production
- Revenues are derived from taxes on mining, claim rental fees, net license tax, mine application assistance, net royalty from state owned lands, corporate income tax
- Additional revenues come from federal abandoned mine program grants
- Expenditures in FY 98 are \$3,889,000 and will be cut to \$1,996,000 in FY 99.

Asset: Department of Natural Resources, Oil & Gas Development

Mission: To maximize economic and physical recovery to the state from its oil and gas resources. Five items are important to decision making:

- Economic and physical recovery
- Maximizing competition
- Maximizing use of Alaska's human resources
- Encouraging assessment of the state's resources
- Minimizing adverse impact

Business Activities: Issuing and controlling oil & gas leases.

Management Structure:

Chief Executive: Director of management unit

Management Oversight:

Financial Oversight: Legislative budget and audit as part of the annual budget process.

Financial Overview:

Total Revenues: Undetermined.

Total 1997 Operating Budget: \$4.2 million.

Fund Balance: Undetermined.

Contributions to State of Alaska Operating Budget: Undetermined.

Performance Measures: Undetermined.

Present Return on Asset/Activities:

Primary Return: Undetermined.

Secondary Return: Undetermined.

Public Benefit: Undetermined.

Historical Footnotes Affecting Returns: Undetermined.

Asset: University of Alaska Lands. Statewide Office of Land Management (SOLM).

Mission: The purpose of land ownership is to support the operations of the University.

Business Activities: SOLM currently generates the majority of University real property income from timber harvesting, residential/recreational subdivision and other land sales, and from commercial leasing. More than 50% of the land does not produce income, but does incur costs such as monitoring trespass/theft of resources, processing requests for easements and protecting the land from environmental contamination.

Management Structure:

Chief Executive: Martin Epstein, Director

Management Oversight: Accountable to the University Board of Regents.

Financial Oversight: SOLM reports to the University's VP of Finance.

Financial Overview:

Total Revenues: FY 97: \$5.8 M, FY 98: \$9.0 M, (Forecast) FY 99: \$7.5 M, FY 00: \$8.0 M.

Total Operating Budget: \$2.6 M.

Fund Balance: 6/30/97 \$80 M.

Contributions to State of Alaska Operating Budget: None.

Performance Measures: The University's Statewide Office of Land Management publishes an annual report which includes a Financial Report, Annual Progress Report toward their Strategic Plan and a review of both investment property and educational property projects.

Present Return on Asset/Activities:

Primary Return: Provides for the University students.

Secondary Return: Jobs are created as a result of certain land office transactions/timber harvests, etc.

Public Benefit: The presence of a University for Alaska.

Historical Footnotes Affecting Returns: Gross revenues from real property have increased from \$200,000 in FY 85 to \$10 M in FY 94 as a result of change of focus in the management and development office. The University is running out of prime land holdings for generating income.

Appendix C
Agency Interview Questions

1. Are the public purposes well defined and relevant?
2. Is the fiscal structure sound and realistic given the purpose?
3. Does the management structure adequately balance the beneficiary purposes of the agency/asset against the interest of the equity owner and other public purposes?
4. Are there current performance measures? Is this reporting adequate?
5. Does the agency know and track its beneficiaries? Does it monitor its effectiveness in meeting its public purpose with these beneficiaries?
6. To what extent does this entity compete with the private sector for goods or services?
7. What are the explicit or implicit expectations of beneficiaries, the legislature, the general public and others with this agency/asset?
8. What changes to the structure of the agency/asset management would the managers themselves make?
9. Does this agency/use of this asset have an appropriate public purpose?
10. What other paradigms/structures might be appropriate for the management of this asset?
11. Most assets are managed for dual objectives—either ownership/regulatory (land) or public service/return on investment. How is the balance between these objectives handled within the management of the agency/asset?

Appendix D
Biographies of Co-chairs

N A N C Y B E A R U S E R A

Nancy Bear Usera is currently Senior Vice President for Corporate Relations at Alaska USA Federal Credit Union. Prior to accepting that position in 1995, Usera served in key positions in the Administration of Governor Walter J. Hickel. Over the four-year term she served as Commissioner of Labor, Commissioner of Administration and as the Governor's Chief of Staff. She also served on a number of state boards including the Alaska Permanent Fund Corporation and Alaska Housing Finance Corporation.

Prior to state service, Usera spent 20 years representing a variety of state and national trade associations and was active in civic affairs. She currently serves on the boards of Commonwealth North, Anchorage Economic Development Corporation and the Alaska State Chamber of Commerce.

Before moving to Alaska in 1981, Usera was vice president of a Washington, D.C. association management and lobbying firm. She currently resides in Anchorage and has three sons.

O L I V E R S C O T T G O L D S M I T H

Professor Scott Goldsmith was been a faculty member of the Institute of Social and Economic Research, a public policy research arm of the University of Alaska, Anchorage, for 23 years. He holds a joint appointment in the College of Business and Public Policy at UAA. His research interests include regional economics, Alaska fiscal policy and energy demand. He has constructed several Alaska economic models that are regularly used at the Institute for a variety of political analyses and projections. He is the principal author of the ongoing *Fiscal Policy Paper* series, which examines the fiscal implications of the dominance of petroleum in Alaska's tax base. Professor Goldsmith contributes the results of this research regularly to academic journals as well as to a more general audience through Institute publications and frequent speaking engagements. His teaching interests include business forecasting and mathematics for economists.

Professor Goldsmith is active in professional service to the community, having served as Chairman of the Anchorage Municipal Budget Advisory Commission, as a member of the Alaska Bypass Mail Post Office Task Force and the Child Support Enforcement Task Force, as well as on various other councils and boards over the years. He is also a member of the United Way of Anchorage Allocation Panel and on the boards of a number of Anchorage athletic events.

Professor Goldsmith is a native of Chicago, a graduate of Princeton, and holds a Ph.D. in Economics from the University of Wisconsin. He is married and has two daughters.

Appendix E

Study Group Members

PRODUCTION AND MANUFACTURING:

(Fish & Game, DNR timber, Alaska Correctional Industries, oil & gas, mining, agriculture)

Chair: Cheryl Frasca – C. Frasca Co.

Sole proprietor of government relations consulting firm with expertise in the legislative process and state fiscal policy issues. Past positions include Deputy Chief of Staff to the Governor; Director, Division of Budget Review; and Chief of Staff to the Senate President. Civic board/leadership positions include Anchorage Chamber of Commerce; Budget Advisory Commission; Small Business Development Center Advisory Board; American Society for Public Administration; and Alaska Council on Economic Education. Ms. Frasca holds a Master of Public Administration from University of Alaska Southeast, and a BA. in political science from California State University Hayward.

Matthew Cronin – LGL Alaska Research Associates, Inc.

Mark Dawson – Swalling Construction, Inc.

David Hudspeth – First National Bank

James Kenworthy – Alaska Science and Technology Foundation

Steven Rieger – S. Rieger & Co.

Kirk Wickersham – Attorney at Law

RESEARCH AND DEVELOPMENT AND SUPPORT SERVICES:

(ASMI, ATMC, ASTF, Alaska Aerospace Development Corp.)

Co-chair: Mary Ann Pease – Aurora Power Resources, Inc.

Vice President of Aurora Power Resources, Inc., and is the former Finance Director for Municipal Light and Power. She has a master's degree in finance from the University of Bridgeport, Connecticut. She is on the board of directors for Alaska Children's Services and is on the Anchorage Chamber of Commerce Municipal Committee.

Co-chair: Tim Wiekping – Cardiff Wireless Communications

Operations Manager for Cardiff Wireless Communications. He has a BS degree in Business Administration from the University of Colorado in Boulder and is currently working toward his MBA degree from the University of Alaska, Anchorage. His past employment includes operating his own business and Budget and Policy Analyst for the Municipality of Anchorage.

John Hoyt – Brigadier General (retired)

Dave Kester – Ribelin Lowell & Co.

Gene O'Hara – Providence Alaska Medical Center

Jerry Strang – Remax Properties

LOANS AND INVESTMENTS:

(AIDEA, AHFC, APFC, Alaska Fish & Agriculture Bank, Municipal Bond Bank, Alaska Student Loan Corp.)

Chair: Phoebe Wood – ARCO Alaska, Inc.

Vice President of Finance, Planning and Control for ARCO Alaska, Inc. Responsibilities include ARCO Alaska's information systems, materials, purchasing, contracting, planning, evaluation, accounting and financial analysis. Ms. Wood has been Vice President for Business Development at Vastar Resources, Inc., Vice President of Finance, Planning and Control at ARCO British Ltd., Planning and Evaluation Manager for ARCO International Oil and Gas Company, and Manager of Corporate Finance at ARCO Corporate. She currently serves on the Board of Trustees of Alaska Pacific University, and on the Executive Committee of the Boys and Girls Clubs of Greater Anchorage. Ms. Wood is a graduate of Smith College and holds a MBA degree from UCLA.

Richard Barnes – Enstar Natural Gas Co.

Carla Beam – BP Exploration (Alaska), Inc.

Joe Griffith – Chugach Electric Association

Max Hodel – Commonwealth North Founding Member

Jo Li Sellin – National Bank of Alaska

Mead Treadwell – Institute of the North

AVAILABLE FOR DEVELOPEMENT AND REAL ESTATE:

(Division of Land, Mental Health Trust, U of A lands, DOT public facilities, Pioneer Homes, Alaska Psychiatric Hospital)

Chair: Patricia DeMarco, Ph.D. – AEDC

President of Anchorage Economic Development Corporation. A graduate of University of Pittsburgh with degrees in the field of genetics. She spent seven years conducting biochemical research at Yale University and Boston University Medical Center prior to entering the field of energy and environmental policy analysis. She served as Executive Director of the Power Facilities Siting Council and as Senior Rates Specialist to the Department of Public Utility Control for Connecticut. Dr. DeMarco operated a consulting firm for four years, and in 1989 joined the Connecticut Municipal Electric Energy Cooperative as Senior Policy Advisor, where she was instrumental in founding the technology transfer company, TECHCONN, Inc. Dr. DeMarco is a member of the Anchorage Downtown Rotary and the Log Cabin Quilters.

Don Dietz – Port of Anchorage

Mano Frey – Alaska State AFL-CIO

Gov. Walter J. Hickel – Hickel Investment Co.

Lana Johnson – Northwest Strategies

TRANSPORTATION:

(AKRR, Marine Highway, International Airports, State airports, harbors and ports)

Chair: John Copeland – Elmendorf Air Force Base

Chief Information Officer for the 611th Air Support Squadron and Federal Mediator and counselor for the 3rd Wing at Elmendorf. Previous positions have included remote radar sites at Shemya Island for the 5099th Civil Engineer Squadron, the Alaska Railroad, IBM Corporation, and the United States Air Force at Elmendorf Hospital.

Wiley Brooks – Wiley Brooks Co.

Milton Byrd – Charter College

Darrell Chambers – ARCO Alaska (former Hartig Fellow)

Joseph Henri – Southcentral Timber Development, U of A Regent

Loren Lounsbury – International Management Group

Alaska's Asset Portfolio: Managing for Maximum Return A Commonwealth North Study

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Agency groupings used in "Alaska's Asset Portfolio: Managing for Maximum Return"	2
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Appendix B

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Appendix A
Agency groupings used in "Alaska's Asset Portfolio: Managing for
Maximum Return"

PRODUCTION AND MANUFACTURING

Department of Fish and Game
Division of Forestry
Alaska Correction Industries
Oil and Gas Development
Division of Mining
Division of Agriculture

RESEARCH AND DEVELOPMENT AND SUPPORT SERVICES

Alaska Seafood and Marketing Institute
Alaska Tourism Marketing Council
Alaska Science and Technology Foundation
Alaska Aerospace Development Corporation

LOANS AND INVESTMENTS

Alaska Industrial Development and Export Authority
Alaska Housing and Finance Corporation
Alaska Permanent Fund Corporation
Alaska Fish and Agriculture Bank
Municipal Bond Bank
Student Loan Corporation

AVAILABLE FOR DEVELOPMENT AND REAL ESTATE

Division of Land
Alaska Mental Health Trust Authority
University of Alaska Lands
Department of Transportation Public Facilities
Pioneer Homes
Alaska Psychiatric Hospital

TRANSPORTATION

Alaska Railroad Corporation
Alaska Marine Highway
International Airports
State Airports and Harbors

Appendix B
Factual Summary of Agencies

Management Review

Mission, Structure & Measures

Asset: Alaska Aerospace Development Corporation (AADC)

Mission: To promote the general welfare by establishing & operating a commercial space launch facility. To promote aerospace related economic growth and to develop corresponding technology & support services.

Business Activities: Launch facility currently being built. Business is being sought for this facility.

Management Structure:

Chief Executive: Pat Ladner, Executive Director.

Management Oversight: 9 member board composed of 1 member of the UAA board of Regents, President of UAA, Director of UAA's Geophysical Institute, Executive Director of ASTF, Commissioner of DCED, 2 space industry members, 1 public member.

Financial Oversight: Through State Legislature.

Financial Overview:

Total Revenues: No operating revenue as AADC is in the startup mode.

Total Operating Budget: \$1M, \$641K of which \$520K held in cash designated for the current construction of the launch facility.

Fund Balance: \$.5M

Contributions to State of Alaska Operating Budget: None

Performance Measures: None

Present Return on Asset/Activities:

Primary Return: None

Secondary Return: Expect a positive impact on Alaska's economic growth and stability.

Public Benefit: Possible job creation.

Historical Footnotes Affecting Returns: AADC is in the startup phase of its development. The current construction of the rocket launch facility is using Air Force funds (\$18M), ASTF funds (\$5M) and NASA funds (\$5M).

Asset: Alaska Correctional Industries

Mission: Assist in the rehabilitation of prisoners by providing realistic work experiences as much like those that prevail in private industry. Operate a work program for prisoners that will be nearly self-supporting.

Business Activities:

- Juneau commercial & hospital laundries.
- Kenai office systems and metal plant.
- Palmer auto body plant.
- Palmer meat processing plant.
- Fairbanks garment/flat goods shop.
- Seward furniture plant and assembly /repackaging of electrical supplies.

Management Structure:

Chief Executive: Correctional Industry Commissioner

Management Oversight: 9-member board of directors. 7 appointed by the Governor plus Commissioners of Administration and Corrections.

Financial Oversight: Board reviews annual budget.

Financial Overview:

Total 1997 Revenues: \$3,316,165

Total 1997 Operating Budget: \$3,149,511

Fund Balance : \$166,654

Contributions to State of Alaska Operating Budget:

Performance Measures: Undetermined.

Present Return on Asset/Activities:

Primary Return: Program is self-supporting and prisoners directly benefit from its activities.

Secondary Return: Wages earned by prisoners are required to be disbursed in the following order of priority: prisoner's dependents, reimbursement to the State, payment of civil judgements, payment of fees, purchase of commissary items, payment of restitution.

Public Benefit: Returning prisoners to society with the skills to succeed in the labor force.

Historical Footnotes Affecting Returns:

- Wages paid to prisoners may not exceed 50% of minimum wage unless there is another requirement for higher wages.
- Work activities must have a minimal negative impact on an existing private industry or labor force.

Asset: Alaska Housing Finance Corporation (AHFC)

Mission: Manage capital assets and grants to provide Alaskans equal access to safe, quality, affordable housing and in so doing, affirmatively create jobs and value-added industries.

Business Activities:

- Mortgage loan financing to low and moderate income borrowers, veterans and those living in rural areas of the state.
- Principle source of residential financing in the state and functions as a secondary mortgage market.
- Operate state public housing and subsidize rents.
- Provides funding for the construction and acquisition of public buildings for lease to the state.
- Provides grants to non-profit organizations.

Management Structure:

- Self-supporting, non-stock public corporation.
- Management Oversight: Seven member Board of Directors, 4 of whom are appointed by the Governor, plus the Commissioners of Revenue, Community and Regional Affairs and Health and Social Services.
- Financial Oversight: Annual operating and capital budgets are reviewed by the Governor and Legislature.

Financial Overview:

1997 Total Revenues: \$328,000,000.

1997 Total Operating Budget: \$30,000,000 (\$18,000,000 HUD).

1997 Fund Balance: \$1.8 Billion.

1997 Contributions to State of Alaska Operating Budget: \$50,000,000.

Performance Measures: Annual HUD Public Housing Management Assessment Program required. AHFC also conducts surveys on home ownership and homelessness, the number of program participants, number of awards received.

Present Return on Asset/Activities:

Primary Return: 2.4%

Secondary Return: Undetermined

Public Benefit: Creates jobs, reduces unemployment by maintaining a healthy home-building industry; reduces dependencies on public housing and welfare programs through Family Self - Sufficiency Program. Reduces energy bills via the Weatherization Program.

Historical Footnotes Affecting Returns:

- Most investments purchased with the proceeds of tax-exempt bonds are subject to interest rate yield restrictions of 1.125% to 1.15% over the yield of the bonds.
- Some of the tax-exempt bonds are subject to rebate provisions that may result in a payment due to the IRS.

Asset: Alaska Industrial Development and Export Authority (AIDEA).

Mission: To promote, develop and advance the general prosperity of the people of Alaska. To relieve the problems of unemployment and to create additional employment by providing various means of financing and facilitating the financing of industrial, manufacturing, export and business enterprises and other facilities within the State.

Business Activities:

- Acts as a secondary market for financial institutions by purchasing loan participations and providing guarantees on bank originated loans.
- Issue general obligation indebtedness to own certain development projects. The investment is repaid through user fees.
- Invests a portion of its liquid assets in investment securities that are primarily short to medium term Treasury and Agency obligations.

Management Structure:

- Public corporation of the State
- Management Oversight: Five-member board consisting of 3 gubernatorial appointees, the Commissioner of the Department of Revenue and the Commissioner of the Department of Commerce and Economic Development.
- Financial Oversight: Board of Directors, Legislature.

Financial Overview:

1997 Total Revenues: \$66,800,000.

1998 Total Operating Budget: \$4,000,000.

1997 Fund Equity: \$916,000,000.

1997 Contributions to State of Alaska Operating Budget: \$16,000,000.

Performance Measures: Earnings, number of loans participated in or guaranteed, number of jobs created or retained and number of development projects are all measures of agency performance.

Present Return on Asset/Activities:

Primary Return: 3.64% in 1997.

Secondary Return: Undetermined.

Public Benefit: Creation and retention of jobs.

Historical Footnotes Affecting Returns:

- Reduced levels of financing, beginning in 1987, due to statewide economic recession and changes in federal tax laws, reduced uses of tax-exempt debt for economic development.
- Statutory limitation placed on interest rate charged on funds obtained by bonds.

Asset: Alaska Mental Health Trust Authority.

Mission: To administer the Mental Health Trust established in perpetuity, to have the fiduciary responsibility to its beneficiaries to enhance and protect the trust and to provide leadership in advocacy, planning, implementing and funding of a comprehensive, integrated mental health program to improve the lives and circumstances of its beneficiaries.

Business Activities: To manage its asset consisting of: 500,000 acres of Federal land, 500,000 acres of replacement land, and \$200 Million in cash.

Management Structure:

Chief Executive: Executive Director.

Management Oversight: Undetermined.

Financial Oversight: \$200 Million in cash is combined with the assets of the Permanent Fund for investment purposes. Division of Natural Resources manages the land assets.

Financial Overview:

Total 1997 Revenues: \$2,507,000.

Total 1998 Operating Budget: \$759,900.

Fund Balance: Undetermined.

Contributions to State of Alaska Operating Budget: Undetermined.

Performance Measures: Undetermined.

Present Return on Asset/Activities:

Primary Return: Undetermined.

Secondary Return: Undetermined.

Public Benefit: Creation and sustenance of comprehensive mental health programs for Alaskans.

Historical Footnotes Affecting Returns: Undetermined.

Asset: Alaska Permanent Fund Corporation (APFC)

Mission: To provide a means of conserving a portion of the state's revenue from mineral resources to benefit all generations of Alaskans. To maintain the safety of the principal while maximizing total return. To use the fund as a savings device managed to allow the maximum use of disposable income from the fund for the purposes designated by law.

Business Activities: Invest money received via oil revenues, legislative appropriations and earnings on investments to earn income.

Management Structure:
Public Corporation.

Executive Director appointed by the Board of Trustees and is not a member of the Board. The Governor appoints the six-member board. And includes the Commissioner of the Department of Revenue.

Management Oversight: Board of Trustees and Governor

Financial Oversight: Board of Trustees and Legislature

Financial Overview:

Total 1997 Revenues: \$2.1 Billion

Total 1998 Operating Budget: Estimated at \$30 Million

1997 Fund Balance: \$17.9 Billion

1997 Contributions to State of Alaska Operating Budget: \$1.7 Million. \$746.8 million distributed to the residents of the State.

Performance Measures: The market.**Present Return on Asset/Activities:**

Primary Return: 9.2% return in FY 97

Secondary Return: \$746.8 million distributed to the residents of the State.

Public Benefit: Lower unemployment.

Historical Footnotes Affecting Returns: Statutory restrictions as follows:

- The fund may at no time own more than 5% of the voting stock of a corporation.
- Domestic stocks, except for bank and insurance company stocks, must be listed at the date of purchase on an exchange registered with the SEC.
- At the time of each investment, the aggregate investment of the fund in each stated category of investment may not exceed the following percentages: 15% mortgages, 15% real estate, 20% CD's or term deposits, 50% corporate stocks.

Asset: Alaska Railroad Corporation (AKRR)

Mission: To provide safe, economic and efficient rail transportation to freight users, businesses, passengers and military installations in the state. To foster and promote the long term economic growth and development of the state. To develop and implement plans for a rail transportation network. To foster and promote the development of the state's land and natural resources.

Business Activities: Provides freight and passenger service throughout the railbelt. Owns and manages 578 miles of rail right of way from the Port of Seward, through Anchorage and to Fairbanks, with a line from Fairbanks to Eielson AFB. The Corporation owns approximately 38,000 acres of land including the rail right of way.

Management Structure:

- Independent corporation owned by the state of Alaska.
- Management Oversight: Seven-member board of directors appointed by the Governor.
- Financial Oversight: The Board approves the annual budget and all capital projects. Legislative oversight provided by the Legislative Budget and Audit Committee.

Financial Overview:

Total 1997 Revenues: \$76,386,000, Grant Revenues: \$1,230,000.

Total 1997 Operating Budget: \$75,200,000.

Equity Balance: \$84,040,000, which includes State of Alaska investment of \$34,174,000.

Contributions to State of Alaska Operating Budget: None.

Performance Measures: An annual Performance Audit is prepared by an outside expert in the railroad business. The railroad also submits to the legislature an annual report of the year's activities.

Present Return on Asset/Activities:

Primary Return: 1997 Net income of \$10,590,000.

Secondary Return: Undetermined

Public Benefit: Undetermined

Historical Footnotes Affecting Returns:
Undetermined.

Asset: Alaska Science & Technology Foundation (ASTF)

ASTF was created through statutory authorization (37.17.01 0). Funded by an endowment of \$101 million.

Mission: Enhance the development and application of science and technology for the direct benefit of Alaskans. ASTF will help establish an environment where Alaska has the confidence, know-how, technology and risk capital to grow an economy of sustainable wealth.

Business Activities:

- Makes grants to technology-based firms with preference to startups and existing firms branching into new products or processes.

Management Structure:

- Independent Agency.
- Management Oversight: Board of directors appointed by the Governor; Legislative confirmation required.
- Financial Oversight: Governor appointed board of directors makes all funding decisions and the Legislature approves the budget.

Financial Overview:

Total 1997 Revenues: Two types: Investment income and grant/loan repayments
Total 1997 Operating Budget: Approximately \$9 million.

Fund Balance (if any): Endowment is \$101 million with additional earnings of \$15 million.

Contributions to State of Alaska Operating Budget: None.

Performance Measures: Undetermined.

Present Return on Asset/Activities:

Primary Return: Increased science and engineering capability to sustain the economy.

Secondary Return: More R&D and headquarter functions to aid in gaining control over Alaska's economic destiny.

Public Benefit: Latest evaluation shows 615 jobs as a result of ASTF projects.

Historical Footnotes Affecting Returns: ASTF's goal is to help finance and put together projects to reach the above goals. The Board has discussed the possibility of privatizing the ASTF, but are not at all clear that the Legislature would want to accept this loss of control or accountability. Moving to a two-year budget would be an improvement on the existing system thus eliminating the threat to the future of the organization each year. There is a concern that certain non-revenue functions of ASTF would go away if privatized. The threat to ASTF's existence is to transfer the endowment to support a perceived financial crisis.

Asset: Alaska Seafood Marketing Institute

Mission: To increase the consumption of Alaska seafood and to promote the quality and superiority of Alaska seafood products.

Business Activities: Promote through marketing programs the consumption of Alaska seafood. To promote within the industry a program to improve the quality of Alaska seafood.

Management Structure:

Chief Executive: Barbara Belkamp, Executive Director.

Management Oversight: Oversight is by a 25-member board. Twelve members are fishermen and twelve members are processors. One member is from the general public.

Financial Oversight: Through the State Legislature.

Financial Overview:

Total Revenues: Revenue is obtained by a 1% salmon tax, a .3% processor tax and some federal export monies that require a state match. FY97: \$6.2 M (\$3.5 M from the 1% salmon tax, \$2.7 M from the .3% processor tax).

Total Operating Budget: \$.9M Administration, \$.2M R&D, the balance to programs.

Fund Balance: Minimal.

Contributions to State of Alaska Operating Budget: None.

Performance Measures: Internally they have well defined performance measures in the marketing program, restaurant usage and quality programs. The one problem area is in getting information from retailers and they consider such information confidential.

Present Return on Asset/Activities:

Primary Return: None

Secondary Return: Undetermined.

Public Benefit: Jobs in the seafood industry.

Historical Footnotes Affecting Returns: Since the majority of the monies spent are from self-taxation or federal sources, the organization is not a drain on the general state treasury.

Asset: Alaska Tourism Marketing Council

Mission: To stimulate statewide economic growth, diversification and employment through the promotion of Alaska as a visitor destination.

Business Activities:

- Design and execute an integrated marketing program directed at U.S. and Canadian markets determined to have the greatest potential for producing new and repeat visitors.
- Dissemination of visitor information by media advertising, public relations and research.

Management Structure:

Chief Executive: Director of the Division of Tourism

Management Oversight: 21-member board, 10 appointed by the Governor, 10 appointed by Alaska Visitor's Association, plus the Director.

Financial Oversight:

Financial Overview:

Total Revenues: No direct revenues generated.

Total FY97 Operating Budget: \$5,310,600.

Fund Balance : N/A

Contributions to State of Alaska Operating Budget: No direct contributions, however tourism yields \$124 Million in taxes and fees.

Performance Measures: Undetermined.

Present Return on Asset/Activities:

Primary Return: Increase in the number of year-round visitors from the U.S. & Canada.

Secondary Return: Increase in jobs in the tourism industry. Additional fees going to state and municipal treasuries.

Public Benefit: Allows small businesses with affordable access to a national marketplace. Increased tourism benefits the overall economy.

Historical Footnotes Affecting Returns:

- ATMC is a public corporation within the Department of Commerce & Economic Development.
- A joint venture between the State and private sector. The Alaska Visitor's Association represents the private sector.

Asset: Department of Natural Resources, Division of Agriculture

Mission: To administer promotional and experimental work, agricultural projects and long term, low interest loans for the purpose of promoting and developing the agricultural industry within the state.

Business Activities:

- General agricultural development and administration.
- State Fairs
- North Latitude Plant Materials Center (NLPMC) which supports industry through production and development of plant materials.
- Agricultural Revolving Loan Fund (ARLF).

Management Structure:

Chief Executive: Division Director

Management Oversight: Commissioner of DNR.

Financial Oversight: Governor submits the budget to the Legislature for review and approval.

Financial Overview:

Total Revenues: \$352,000 of Federal funds and \$508,000 from ARLF.

Total 1997 Operating Budget: \$940,000 for NLPMC.

Fund Balance:

Contributions to State of Alaska Operating Budget: None

Performance Measures: None found.

Present Return on Asset/Activities:

Primary Return: Undetermined.

Secondary Return: Undetermined.

Public Benefit: Agricultural commodities priced at market-clearing rates.

Historical Footnotes Affecting Returns:

Legislature has replaced General Fund support for the Division with assets from ARLF.
Assets are declining as they are appropriated for the Division's operating costs.

Asset: Department of Fish & Game

Mission: To maintain and enhance the health and population of the various species of fish and animals, including habitat protection, and then to allocate the harvest of fish and game among sport, subsistence and commercial users, and escapement, using the principle of sustained yield.

Business Activities:

- Strategic management and allocation of the various resources.

Management Structure:

Chief Executive: Commissioner of the Department of Fish & Game.

Management Oversight: Board of Fish & Game.

Financial Oversight: Legislative.

Financial Overview:

Total Revenues: Unavailable.

Total Operating Budget: Unavailable.

Fund Balance: Unavailable.

Contributions to State of Alaska Operating Budget: Unavailable.

Performance Measures: Undetermined.

Present Return on Asset/Activities:

Primary Return: Undetermined.

Secondary Return: Undetermined.

Public Benefit: Sustained resource.

Historical Footnotes Affecting Returns: Undetermined.

Asset: Alaska Department of Natural Resources, Division of Forestry.

Mission: To protect the State's forested land and forest resources and to manage them for multiple use and sustained yield.

Business Activities: Manage timber sales and issue personal use fuelwood, houselog and sawlog permits. Fight wildfires, plant seedlings, support public education and research. Administration of Rural Community Fire Protection Grants.

Management Structure:

Chief Executive: State Forester who is under the Commissioner of DNR.

Management Oversight: Alaska Board of Forestry appointed by the Governor.

Financial Oversight: Legislature.

Financial Overview:

1997 Total Revenues: \$1,200,000.

1997 Total Operating Budget: \$9,826,800.

1997 Fund Balance: None.

1997 Contributions to State of Alaska Operating Budget: None.

Performance Measures:

- Number of timber sales, volume of timber sold.
- Numbers of firefighters trained and number of fires fought and controlled.
- Numbers of acres inventoried and assessed for insect and disease conditions.
- Number of permits for public use.
- Research results from collaborators at U of Alaska or federal agencies.

Present Return on Asset/Activities:

Primary Return: \$1,268.656 return from 1996 timber harvest.

Secondary Return: Response to wild fires, wildlife habitat improvement, and forestry research.

Public Benefit: Permit issuance for personal use timber, timber sales provide employment, public education on forestry issues.

Historical Footnotes Affecting Returns: Undetermined.

Asset: Department of Natural Resources, Division of Mining

Mission: DNR's mission statement is, "To develop, conserve and enhance natural resources for present and future Alaskans". Mining Division adds, "To facilitate the development and stewardship of Alaska's mineral resources...by processing major mineral and coal actions necessitated for tracking title and compliance requirements".

Business Activities:

- Regulation of the mining industry
- Resource development
- Program administration
- Public safety
- Property rights

Management Structure: The Division of Mining & Water Management is a division of the Department of Natural Resources that answers to the Governor.

Chief Executive: Director of the Division of Mining & Water Management.

Management Oversight: Alaska Mineral Commission, Department of Natural Resources, Governor.

Financial Oversight: Annual State budget process.

Financial Overview: FY 98

Total Revenues: \$3,450,000

Total Operating Budget: \$3,888,900

Fund Balance: N/A

Contributions to State of Alaska Operating Budget: Undetermined.

Performance Measures:

- Input from interested groups: Alaska Miner's Association, Div. Of Geological & Geophysical Surveys, Div. Of Trade and Development, Division of Fish & Game, Alaska Minerals Commission, Environmental groups.
- DNR-Division of Mines provides performance criterion.

Present Return on Asset/Activities:

Primary Return: Mineral royalties, rental fees, lease fees, permit fees, and permit assistance fees.

Secondary Return: Job creation, infrastructure development, and resource development.

Public Benefit: Same as Secondary Return.

Historical Footnotes Affecting Returns:

- Assets consist of state lands for mineral production
- Revenues are derived from taxes on mining, claim rental fees, net license tax, mine application assistance, net royalty from state owned lands, corporate income tax
- Additional revenues come from federal abandoned mine program grants
- Expenditures in FY 98 are \$3,889,000 and will be cut to \$1,996,000 in FY 99.

Asset: Department of Natural Resources, Oil & Gas Development

Mission: To maximize economic and physical recovery to the state from its oil and gas resources. Five items are important to decision making:

- Economic and physical recovery
- Maximizing competition
- Maximizing use of Alaska's human resources
- Encouraging assessment of the state's resources
- Minimizing adverse impact

Business Activities: Issuing and controlling oil & gas leases.

Management Structure:

Chief Executive: Director of management unit

Management Oversight:

Financial Oversight: Legislative budget and audit as part of the annual budget process.

Financial Overview:

Total Revenues: Undetermined.

Total 1997 Operating Budget: \$4.2 million.

Fund Balance: Undetermined.

Contributions to State of Alaska Operating Budget: Undetermined.

Performance Measures: Undetermined.

Present Return on Asset/Activities:

Primary Return: Undetermined.

Secondary Return: Undetermined.

Public Benefit: Undetermined.

Historical Footnotes Affecting Returns: Undetermined.

Asset: University of Alaska Lands. Statewide Office of Land Management (SOLM).

Mission: The purpose of land ownership is to support the operations of the University.

Business Activities: SOLM currently generates the majority of University real property income from timber harvesting, residential/recreational subdivision and other land sales, and from commercial leasing. More than 50% of the land does not produce income, but does incur costs such as monitoring trespass/theft of resources, processing requests for easements and protecting the land from environmental contamination.

Management Structure:

Chief Executive: Martin Epstein, Director

Management Oversight: Accountable to the University Board of Regents.

Financial Oversight: SOLM reports to the University's VP of Finance.

Financial Overview:

Total Revenues: FY 97: \$5.8 M, FY 98: \$9.0 M, (Forecast) FY 99: \$7.5 M, FY 00: \$8.0 M.

Total Operating Budget: \$2.6 M.

Fund Balance: 6/30/97 \$80 M.

Contributions to State of Alaska Operating Budget: None.

Performance Measures: The University's Statewide Office of Land Management publishes an annual report which includes a Financial Report, Annual Progress Report toward their Strategic Plan and a review of both investment property and educational property projects.

Present Return on Asset/Activities:

Primary Return: Provides for the University students.

Secondary Return: Jobs are created as a result of certain land office transactions/timber harvests, etc.

Public Benefit: The presence of a University for Alaska.

Historical Footnotes Affecting Returns: Gross revenues from real property have increased from \$200,000 in FY 85 to \$10 M in FY 94 as a result of change of focus in the management and development office. The University is running out of prime land holdings for generating income.

Appendix C
Agency Interview Questions

1. Are the public purposes well defined and relevant?
2. Is the fiscal structure sound and realistic given the purpose?
3. Does the management structure adequately balance the beneficiary purposes of the agency/asset against the interest of the equity owner and other public purposes?
4. Are there current performance measures? Is this reporting adequate?
5. Does the agency know and track its beneficiaries? Does it monitor its effectiveness in meeting its public purpose with these beneficiaries?
6. To what extent does this entity compete with the private sector for goods or services?
7. What are the explicit or implicit expectations of beneficiaries, the legislature, the general public and others with this agency/asset?
8. What changes to the structure of the agency/asset management would the managers themselves make?
9. Does this agency/use of this asset have an appropriate public purpose?
10. What other paradigms/structures might be appropriate for the management of this asset?
11. Most assets are managed for dual objectives—either ownership/regulatory (land) or public service/return on investment. How is the balance between these objectives handled within the management of the agency/asset?

Appendix D
Biographies of Co-chairs

N A N C Y B E A R U S E R A

Nancy Bear Usera is currently Senior Vice President for Corporate Relations at Alaska USA Federal Credit Union. Prior to accepting that position in 1995, Usera served in key positions in the Administration of Governor Walter J. Hickel. Over the four-year term she served as Commissioner of Labor, Commissioner of Administration and as the Governor's Chief of Staff. She also served on a number of state boards including the Alaska Permanent Fund Corporation and Alaska Housing Finance Corporation.

Prior to state service, Usera spent 20 years representing a variety of state and national trade associations and was active in civic affairs. She currently serves on the boards of Commonwealth North, Anchorage Economic Development Corporation and the Alaska State Chamber of Commerce.

Before moving to Alaska in 1981, Usera was vice president of a Washington, D.C. association management and lobbying firm. She currently resides in Anchorage and has three sons.

O L I V E R S C O T T G O L D S M I T H

Professor Scott Goldsmith was been a faculty member of the Institute of Social and Economic Research, a public policy research arm of the University of Alaska, Anchorage, for 23 years. He holds a joint appointment in the College of Business and Public Policy at UAA. His research interests include regional economics, Alaska fiscal policy and energy demand. He has constructed several Alaska economic models that are regularly used at the Institute for a variety of political analyses and projections. He is the principal author of the ongoing *Fiscal Policy Paper* series, which examines the fiscal implications of the dominance of petroleum in Alaska's tax base. Professor Goldsmith contributes the results of this research regularly to academic journals as well as to a more general audience through Institute publications and frequent speaking engagements. His teaching interests include business forecasting and mathematics for economists.

Professor Goldsmith is active in professional service to the community, having served as Chairman of the Anchorage Municipal Budget Advisory Commission, as a member of the Alaska Bypass Mail Post Office Task Force and the Child Support Enforcement Task Force, as well as on various other councils and boards over the years. He is also a member of the United Way of Anchorage Allocation Panel and on the boards of a number of Anchorage athletic events.

Professor Goldsmith is a native of Chicago, a graduate of Princeton, and holds a Ph.D. in Economics from the University of Wisconsin. He is married and has two daughters.

Appendix E

Study Group Members

PRODUCTION AND MANUFACTURING:

(Fish & Game, DNR timber, Alaska Correctional Industries, oil & gas, mining, agriculture)

Chair: Cheryl Frasca – C. Frasca Co.

Sole proprietor of government relations consulting firm with expertise in the legislative process and state fiscal policy issues. Past positions include Deputy Chief of Staff to the Governor; Director, Division of Budget Review; and Chief of Staff to the Senate President. Civic board/leadership positions include Anchorage Chamber of Commerce; Budget Advisory Commission; Small Business Development Center Advisory Board; American Society for Public Administration; and Alaska Council on Economic Education. Ms. Frasca holds a Master of Public Administration from University of Alaska Southeast, and a BA. in political science from California State University Hayward.

Matthew Cronin – LGL Alaska Research Associates, Inc.

Mark Dawson – Swalling Construction, Inc.

David Hudspeth – First National Bank

James Kenworthy – Alaska Science and Technology Foundation

Steven Rieger – S. Rieger & Co.

Kirk Wickersham – Attorney at Law

RESEARCH AND DEVELOPMENT AND SUPPORT SERVICES:

(ASMI, ATMC, ASTF, Alaska Aerospace Development Corp.)

Co-chair: Mary Ann Pease – Aurora Power Resources, Inc.

Vice President of Aurora Power Resources, Inc., and is the former Finance Director for Municipal Light and Power. She has a master's degree in finance from the University of Bridgeport, Connecticut. She is on the board of directors for Alaska Children's Services and is on the Anchorage Chamber of Commerce Municipal Committee.

Co-chair: Tim Wiepking – Cardiff Wireless Communications

Operations Manager for Cardiff Wireless Communications. He has a BS degree in Business Administration from the University of Colorado in Boulder and is currently working toward his MBA degree from the University of Alaska, Anchorage. His past employment includes operating his own business and Budget and Policy Analyst for the Municipality of Anchorage.

John Hoyt – Brigadier General (retired)

Dave Kester – Ribelin Lowell & Co.

Gene O'Hara – Providence Alaska Medical Center

Jerry Strang – Remax Properties .

LOANS AND INVESTMENTS:

(AIDEA, AHFC, APFC, Alaska Fish & Agriculture Bank, Municipal Bond Bank, Alaska Student Loan Corp.)

Chair: Phoebe Wood – ARCO Alaska, Inc.

Vice President of Finance, Planning and Control for ARCO Alaska, Inc. Responsibilities include ARCO Alaska's information systems, materials, purchasing, contracting, planning, evaluation, accounting and financial analysis. Ms. Wood has been Vice President for Business Development at Vastar Resources, Inc., Vice President of Finance, Planning and Control at ARCO British Ltd., Planning and Evaluation Manager for ARCO International Oil and Gas Company, and Manager of Corporate Finance at ARCO Corporate. She currently serves on the Board of Trustees of Alaska Pacific University, and on the Executive Committee of the Boys and Girls Clubs of Greater Anchorage. Ms. Wood is a graduate of Smith College and holds a MBA degree from UCLA.

Richard Barnes – Enstar Natural Gas Co.

Carla Beam – BP Exploration (Alaska), Inc.

Joe Griffith – Chugach Electric Association

Max Hodel – Commonwealth North Founding Member

Jo Li Sellin – National Bank of Alaska

Mead Treadwell – Institute of the North

AVAILABLE FOR DEVELOPEMENT AND REAL ESTATE:

(Division of Land, Mental Health Trust, U of A lands, DOT public facilities, Pioneer Homes, Alaska Psychiatric Hospital)

Chair: Patricia DeMarco, Ph.D. – AEDC

President of Anchorage Economic Development Corporation. A graduate of University of Pittsburgh with degrees in the field of genetics. She spent seven years conducting biochemical research at Yale University and Boston University Medical Center prior to entering the field of energy and environmental policy analysis. She served as Executive Director of the Power Facilities Siting Council and as Senior Rates Specialist to the Department of Public Utility Control for Connecticut. Dr. DeMarco operated a consulting firm for four years, and in 1989 joined the Connecticut Municipal Electric Energy Cooperative as Senior Policy Advisor, where she was instrumental in founding the technology transfer company, TECHCONN, Inc. Dr. DeMarco is a member of the Anchorage Downtown Rotary and the Log Cabin Quilters.

Don Dietz – Port of Anchorage

Mano Frey – Alaska State AFL-CIO

Gov. Walter J. Hickel – Hickel Investment Co.

Lana Johnson – Northwest Strategies

TRANSPORTATION:

(AKRR, Marine Highway, International Airports, State airports, harbors and ports)

Chair: John Copeland – Elmendorf Air Force Base

Chief Information Officer for the 611th Air Support Squadron and Federal Mediator and counselor for the 3rd Wing at Elmendorf. Previous positions have included remote radar sites at Shemya Island for the 5099th Civil Engineer Squadron, the Alaska Railroad, IBM Corporation, and the United States Air Force at Elmendorf Hospital.

Wiley Brooks – Wiley Brooks Co.

Milton Byrd – Charter College

Darrell Chambers – ARCO Alaska (former Hartig Fellow)

Joseph Henri – Southcentral Timber Development, U of A Regent

Loren Lounsbury – International Management Group