

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 8672

859 SSCOMM30: CONFERENCE ON ALASKA'S FUTURE FRONTIERS 1979

Mention should be made at this time of the adverse effect that the lack of sufficient transportation corridors in the Land Claims Settlement Acts and subsequent Acts resulting therefrom could have on the development of a road transportation system in this State. It seems as though a deliberate effort has been made to encompass the resource areas of the State within Federal withdrawals or to extend these withdrawals in such a manner as to block the designation of a transportation corridor in logical or needed locations. It has been stated by Congress that provisions in the D-2 Act are sufficient to provide needed access. In my opinion, the possibility of obtaining access following the procedures outlined is indeed remote and the time frame required, if it were possible, would be at least twenty years. Without access provisions which are workable or without designated corridors as a part of D-2, the development of this State is indeed "Locked-Up".

In a study of the road needs of this State, it is evident that the needs as expressed by the public and by organized entities are those needs that would take care of their immediate problems. In Southeastern Alaska, we must upgrade the roads and streets to handle increased traffic. We must provide access up the Stikine to join in to the Canadian road system and reduce our State ferry runs. We must connect Sitka with Rodman Bay to put Sitka on the main ferry run. In Central Alaska, we must upgrade the roads and streets to handle the traffic generated by runaway development. We must upgrade the Seward and Glenn Highways. In Western and North Interior Alaska, we must build access roads to airfields, boat landings, material sources and garbage dumps. We must improve the village streets and develop material sources. We must not connect these villages with a highway system. A road between Nome and Kotzebue should be considered. In Southcentral Alaska, we must upgrade the Tok Cutoff and Richardson Highways. In the Interior of Alaska, we must upgrade local roads and streets to carry the increasing traffic and reduce maintenance costs. We must also upgrade the year-round maintenance of the road to the North Slope.

As can be seen from the foregoing paragraph, none of the comments pertain to the State as a whole or to our needs as they may develop in the future. They are immediate needs and they are regional in consideration. We must consider ours and the nation's future needs and to do this we must consider the State as a whole. We can no longer afford the luxury of ignoring the resources of this State and what those resources mean to the future of our nation.

The State must develop a surface transportation system to tie the regions of the State together and to utilize the resources available. It has frequently been said that we can develop our minerals using aircraft. I say we can no longer afford such a luxury. We must develop surface transportation systems to meet our transportation needs.

Directions

The State should immediately fund a highway construction program to upgrade roads and streets in metropolitan areas and some roads in rural areas, to improve village roads and streets and to consider extending construction on some designated routes. A program of 100 million dollars a year for a period of five years should be considered. When setting up this program, one should consider the effect it will have on the construction industry and on the engineering profession in the State. One should also consider possible conflicts between this program and the Gas Pipeline construction from Prudhoe Bay. With enough forethought in the planning, the results of a program of road construction can only be beneficial.

Biographical Sketch

Woodrow Johansen was born in Eyak, Alaska on November 24, 1913. Education: Cordova Public Schools; University of Alaska, 1940, B.S. in C.E. B.C.E.; University of Illinois, 1949, M.S. in C.E. Marital Status: Married; Wife-Carolyn, Children: Martha, Anton, Carl and John. Experience: Corps of Engineers 1940-42; University of Alaska 1942-1953; Alaska Highway Department 1953-1979. Organizations: Fellow American Society Civil Engineers; Member American Society Professional Engineers; Honorary Member Alaska Chapter, Associated Contractors of America; Life Member Pioneers of Alaska; Registered Civil Engineer, State of Alaska; Registered Land Surveyor, State of Alaska; Registered Civil Engineer, Yukon Territory, Canada.

FUTURE FRONTIERS FOR THE ALASKA RAILROAD

by
Leslie E. "Red" Swanson

The Alaska Railroad: A brief historical perspective

Gold fever, the need to develop the resources of Alaska, and transportation of resources to ice-free ports for shipment to processing centers initially generated railroad building in the far north. The lineal ancestor of the present Alaska Railroad, the Alaska Central Railway, was begun in 1903. Its goal was to connect tidewater port facilities at Seward with the coal fields of the Matanuska Valley. The Tanana Valley Railroad developed in the mining districts surrounding Fairbanks to carry supplies between the mining camps and various ports on the river tributaries of the Yukon drainage. When financial problems forced these early private railroads into receivership, the federal government moved to assume responsibility for construction and operation of a railroad network in the territory. Under President Woodrow Wilson, the Government acquired the properties of the several private railroads, and selected the route for a 470 mile rail connection between Seward at tidewater and Fairbanks in the interior.

Initial construction of the Alaska Railroad spanned the years from 1915 to 1923. On July 15, 1923 at the interior city of Nenana, President Warren G. Harding drove the final spike and declared the system open for business. Operations along the full length of track commences after completion of a major bridge at Nenana and the replacement of the narrow gauge system north of that point with standard gauge rails.

Through 1940, the Alaska Railroad posted deficits on its combined operations. The years during World War II increased rail tonnage and revenues substantially, allowing the Alaska Railroad to begin to balance revenues against operating costs throughout the system. The military considered the railroad critical to the defense of the Territory, and extended the line from Fairbanks to Ladd Field and

Elson Air Force Base. In the southern area, construction of the Portage to Whittier cut-off during the war period added a second ice-free port to the system insuring both military and civilian shipments on a continuous basis.

With the conclusion of World War II, work began on a \$100 million rehabilitation program to modernize rolling stock, upgrade rails and roadbed, and extend support facilities. Most of the rebuilding was accomplished between 1948 and 1952, with two-thirds of reconstruction costs allocated to improvement of track and roadbed. By 1952, diesel engines were replacing steam locomotives in regular service and daily passenger service between Anchorage and Fairbanks commenced. Financially, Alaska Railroad operation showed net income during the post-war period through 1952.

The decade of the 1950's was a period of slow growth for the Alaska railroad. Completion of the Haines-Fairbanks military petroleum pipeline in 1955 and the beginning of the natural gas pipeline from the Kenai Peninsula to Anchorage contributed to decreases in revenue. Railroad officials, in order to stay competitive, pioneered containerized cargo handling and piggybacking highway trailers thus assuring savings in labor costs and cargo handling time.

The earthquake of 1964 required major reconstruction of southern portions of the system; the costs of which were met by a \$19 million Congressional appropriation. The Alaska Railroad recovered rapidly and continued to expand its freight volume. Prudhoe Bay oil development and the construction of the Trans-Alaska Pipeline provided the railroad with increased revenues, particularly in the principle pipeline construction years of 1974-1977; reaching a high of \$53.6 million in 1976. By 1978, reflecting the general trend downward in the state's economy, revenues from railroad operations slipped by nearly half to approximately \$29 million. However, post-pipeline annual tonnages reflect increased volume over pre-pipeline tonnages.

While short-term revenue projections are currently dim, prospects for increased railroad revenues over the intermediate and long-term must be regarded as reasonably good. Cost efficiency in handling the cargos that will likely be the basis of the state's economic future — mining, timber, oil and gas products, coal,

agricultural products, components of major construction projects in Southcentral and Interior Alaska, cement, and even the products of the expanding Alaskan fishing industry — are key elements in the future of the existing system. While rail transportation will continue to have a comparative advantage over other land transportation modes, railroad experts see the future of the system as more closely related to decisions of the federal and state governments as to whether the state will be allowed to develop, and the direction and nature of such development. Officials candidly admit, however, that since the system is presently barely able to recover operating expenses, repair and replacement of facilities and equipment, and expansion of the system to meet the requirements of the people of the State of Alaska and the Nation will almost certainly require support from outside sources.

The Transcontinental Link: Its current status.

Briefly considered in 1942 and discarded in favor of a highway route, the idea of linking the Alaska Railroad with the North American transcontinental rail system through Canada dates from the early 1960's. A memo from the Secretary of the Interior Stewart Udall, in response to an inquiry from Washington Senator Warren Magnuson, directed Alaska Railroad officials to examine the viability of a proposed rail link from the Alaska interior to connect with the Canadian rail system. State interest in expansion of the rail system dates from the same period. The NORTH Commission, appointed by Governor Walter J. Hickel, reported favorable on expansion of the Alaska Railroad to the North Slope and west along the southern slope of the Brooks Range into the mineral rich Kobuk River Valley. Neither suggestion was vigorously pursued, and serious proposals for expansion of the Alaska Railroad lay dormant for another decade.

The proposal for a transcontinental railroad connection was revived in the late 1960's. Officials of the British Columbia Railway, a corporation with close ties to the government of that province, were then expanding the British Columbia Railway system 800 miles north and west of Prince George, B.C. in the direction of Dease Lake, a community some 100 miles south of the Yukon-British Columbia border and about the same distance east of Juneau, Alaska. Officials of the Yukon Territory and the federal government of Canada commissioned examination of the feasibility of a standard

gauge railroad connecting Watson Lake, at the territory's southern boundary, to Pelly Crossing and the Alaska-Yukon border. While the 1975 "Yukon Railway Study" concentrated on alternatives for extension of the narrow gauge White Pass and Yukon system into the mining districts in the central area of the Yukon Territory, an eventual separate link to a northern extension of the British Columbia Railway system and to the Alaska Railroad was considered, and found to be not unreasonable.

By 1975 it was clear that Canadian federal, provincial, and territorial officials had given very careful consideration to several potential future rail networks — both resource development trackage and a trunk system — serving the northern and western parts of Canada. In the same year, the First Session of the Ninth Alaska Legislature approved a resolution calling on Governor Hammond to convene a meeting of interested parties to consider an expanded transcontinental rail route. Canadian and American conferees attended the meeting, held April 8th and 9th, 1976 at Juneau, Alaska. The conferees concluded that the concept of the rail interconnection looked promising and warranted further detailed study. A preliminary study entitled, "Alaska-Canada Transcontinental Rail Connection to Contiguous United States", related to the transcontinental rail proposal was funded by the State of Alaska and prepared by the Alaska Department of Commerce and Economic Development in 1977. The report cautiously praised the proposal and indicated that Alaska was far behind the Yukon and British Columbia in preliminary evaluation and route selection. Realizing that deficiency, the First Session of the Tenth Alaska legislature appropriated \$865,000 to complete reconnaissance surveys, field studies, mapping and engineering work to delineate a utility corridor and railroad right-of-way for extension of the Alaska Railroad from the vicinity of Eielson Air Force Base to the Alaska-Yukon border. The route selection report, prepared by the Alaska Department of Transportation and Public Facilities, was published in July, 1979. Within Alaska, the report identified a utility corridor and right-of-way paralleling the Tanana River, interconnecting at several points with the Richardson and Alaska highways, crossing a low ridge east of Tok and entering the Ladue River Valley at its lowest available access point. Thereafter, the rail right-of-way follows the grades and alignment of the Ladue Valley to the Canadian border, a distance of 268.5 miles. The route selection report assumed that the Alaskan link would tie in to a 580 mile segment to be built through

the central and southern portions of the Yukon Territory and a 100 mile northward extension of the British Columbia Railway from Dease Lake. Approximately 950 miles of new railroad construction will be necessary to link the Alaska Railroad to the provincial and national rail network in Canada ("The railroad from Anchorage to Chicago")

Future frontiers of Alaska and North America will depend on expansion of the Alaska Railroad and its connection with the Canadian rail system. Whether the Alaska Railroad becomes a part of the existing North American rail system will be largely determined by the degree of economic activity involving industries and commercial operations that will use its services.

In the late 1960's and early 1970's years in which the NORTH Commission considered the development of rail and highway connections in the state of Alaska, its reports favored northward and westward expansion of the Alaska Railroad into areas of likely mineral exploration and petroleum production. The NORTH Commission clearly envisioned continuation of the Alaska Railroad as a regional rail system, with only a promise of eventual connection with the expanding Canadian rail network and the North American rail network as a whole.

The petroleum wealth of Alaska's North Slope is destined for delivery to American markets by pipeline and marine tanker supported by an unsurfaced highway from Fairbanks and seasonal maritime transportation of supplies to the oil fields and villages of the Beaufort Sea coast. The promise of mineral production in some areas along the south slope of the Brooks Range appears to be crippled by pending federal land withdrawals. The factors bearing on the decision of the NORTH Commission to recommend an expanded role for the Alaska Railroad no longer suggest the same result.

The principle purpose of improved transportation access to and from Alaska and northern Canada is the stimulation of orderly economic activity and development of the mineral and energy resources of the North. The interior regions of Alaska are areas of vast potential. Alaskans realize that these areas are also fragile environments and susceptible to damage. None of the major land owners of Alaska — the federal and state governments as well as the Native regional corporations — wants to throw its land open to

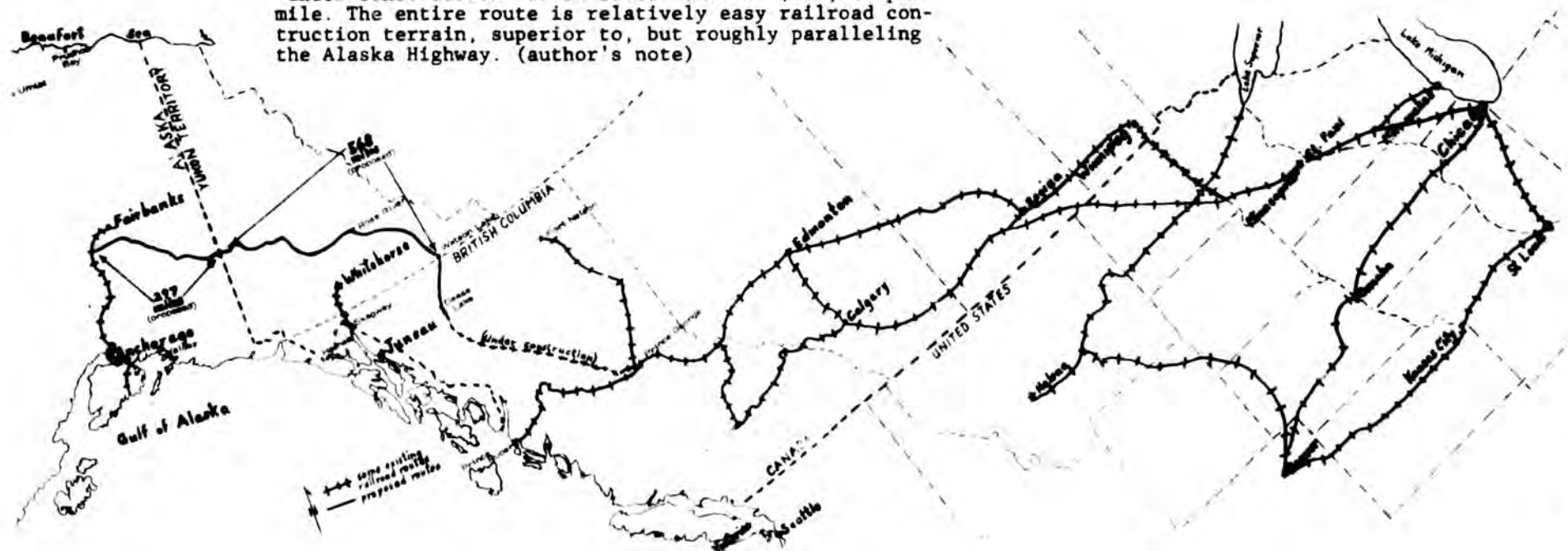
unregulated exploitation. Yet the majority of Alaskans support the logical exploration and development of local resources and the diversification and improvement of the state's economic base. The railroad system would meet both criteria; opening new areas to their full economic potential, while limiting the number of people and the range of activities with possible detrimental effects in the areas utilized.

Many factors strongly suggest that, in association with the efforts of our neighbors, the transcontinental connection of the Alaska Railroad is an idea whose time has come. The rail transportation route in Alaska, if connected to areas in the Yukon Territory with major mineral deposits, would enhance prospects for recovery of those resources. The development of mineral areas may require the delivery of Alaskan coal to meet increased power requirements. The commercial timber resources of Interior Alaska, portions of the Yukon Territory, and areas in northern and central British Columbia would be well served by the railroad extension and interconnection. Regions of interior Alaska adjacent to the proposed railroad extension have the potential to become major agricultural and livestock production areas. A transcontinental rail link would allow shipment of Alaskan and Canadian agricultural products efficiently to markets in Japan, the Orient and Russia through available Alaskan ports. With development of the bottomfish industry and continued large catches of salmon and shellfish, the rail connection through Canada would improve the likelihood of shipping frozen seafood to established east coast processing centers and markets. A transcontinental rail link would allow manufactured goods to be shipped from eastern and midwestern industrial areas directly to population centers in northern Canada and Alaska, would open the marine terminals of the Alaska Railroad as alternate ports for the Pacific trade. Alaskan ports, situated at least 1000 miles closer to the markets in the Far East, could emerge as useful gateways between the nations of Asia and North America.

Interconnection of the Alaska Railroad with the North American transcontinental rail system enjoys strong support. Canadian and American railroad officials have met, considered proposals, and set directions for continuing work on the project. The proposal has received strong support from Mr. David Barrett, leader of the Loyal Opposition in the Legislative Assembly of British Columbia. In a 1979 address to the Alaska Legislature meeting in joint session, Mr.

PROPOSED RAIL CONNECTION

This 'proposed route' was originally surveyed by the Army Corps of Engineers in 1942. The most recent analysis is of the Yukon Section, done by the Canadians in their Yukon Rail Study published early in 1976. The B.C. Railroad has nearly completed the section marked "under construction" at an actual cost of \$650,000 per mile. The entire route is relatively easy railroad construction terrain, superior to, but roughly paralleling the Alaska Highway. (author's note)



Barrett described the cooperative nature of the project as one that was built on a solid foundation between Canada and the United States. The Premier of British Columbia, Mr. Bill Bennett, has indicated an interest in the project but sees the impetus and major responsibility for contributing to capital construction as resting with the federal governments of Canada and the United States. Territorial officials in Whitehorse, Y.T. have promised their support in Alaska's efforts to document the viability of the proposed transcontinental link, and note that a northward extension of the White Pass and Yukon Railroad could potentially link up with a cross-Yukon rail system in the vicinity of Carmacks. Alaska's Ninth, Tenth and Eleventh State Legislatures appropriated substantial sums from the general fund to generate information on the proposed extension inside Alaska and provide a basis for development of data for comparison with previously completed reports by Canadian agencies.

Directions for the 1980's

With the preliminary route in Alaska identified in the July 1979 Department of Transportation report entitled "Alaska Railroad Extension Route Selection Project X20089 Eielson to Canadian Border", action should now continue on the planning necessary for a transcontinental rail connection. Four concerns deserve particular attention:

1. Alaska's efforts to gather more information related to a transcontinental rail link must now address the economic viability of the project. We need to demonstrate to the nation and to the governments of Canada that the project is viable, and the circumstances under which government support will contribute to the projects' success. The history of railroads in the north is one of government support for construction and modernization. Traditionally, tariffs and revenue were expected to generate sufficient capital to allow developmental railroads to meet annual operating expenses. Candidly, we do not know what level of freight tonnage over time is necessary to make the project economically viable, nor is it clear that the expansion of the railroad would immediately develop the necessary traffic volume and rate structures to make the system competitive with other surface transportation modes. With a major decision pending as to whether government will commit resources to the construction of a gas line between

Alaska and British Columbia which basically follows the right-of-way currently identified for the Alaska Railroad extension, development of a common transportation corridor construction plan may spell the difference as to the completion of the proposed rail connection and its use in moving the resources of Alaska to market.

Critical utility corridor lands should be dedicated by legislative action immediately and placed under the care of the Interior Division of the Alaska Department of Transportation so further soils analysis, core drilling and route study can proceed without delay. Our agenda for the 1980's should require the State of Alaska and the Alaska Railroad to prepare a comprehensive cost-benefit analysis of the project in a format which, when reviewed in conjunction with similar reports prepared for the Canadian governments and railroads involved, will permit responsible officials to evaluate the feasibility of the project efficiently on a system-wide basis.

2. In April 1976, Mr. Kenneth Henderson, the Director of Railway Planning in the Canadian Railway Transportation Directorate, urged consideration of a cooperative commission to explore facets of joint railroad construction and operation of a proposed transcontinental railroad link. Mr. Henderson pointed out that, in Canada, federal officials actively seek to balance public and commercial interests in the planning and execution of major public works projects of economic benefit. While noting that Canadian federal, provincial, and territorial officials are interested in the transcontinental railroad interconnection, it is the responsibility of the United States government and the State of Alaska to decide the nature and direction of the initiative to be taken in securing cooperation among affected parties. We should make in an order of business to act on the advice of Mr. Henderson. Our continuing discussions to date have been merely informal consultations among various government officials for the most part. We do not know the degree to which business and commercial interests would support the proposed rail project. Also, we do not know whether our federal officials will support railroad expansion at this time. Our recommendation includes directives to the executive and legislative branches of Alaska state government to initiate formal planning and coordinated efforts with other parties who have an interest in the project, whether governmental or commercial.

3. The Alaska Railroad Act of 1914 (Public Law No. 69) delegated broad powers to the President of the United States to establish a rail system in Alaska connecting ports on the Gulf of Alaska and the Yukon River along routes that would promote the settlement and development of the territory. The President was authorized to withdraw railroad easements of up to 1000 miles to accomplish those purposes. Land withdrawals, accomplished for the most part in the early years of the century, total barely half the mileage allowed in the 1914 Act. With disposition of lands in Alaska accelerating, and the route of the proposed rail interconnection to the Alaska-Canada border mapped, our agenda should require the appropriate state and federal officials to withdraw the identified rail routes, holding them for use in developing a transportation corridor. State statutes and federal legislation already on the books are sufficient to authorize these classifications. We recommend the introduction of legislation which would secure those lands as specified in the recent Alaska Department of Transportation study X20089.
4. Advance planning for a project as large as the 950 mile railroad interconnection is directly related to the planning and completion of several other major projects in the regions through which the proposed railroad is to be eventually constructed. Within Alaska, the railroad project will directly affect the plan for upgrading interior Alaska highways, the clearing of land for agriculture, construction of a natural gas line, oil refining facilities, development of currently planned hydroelectric projects and the expansion or extension of other transportation facilities in the areas served by the railroad. All of these projects are inherently efforts requiring significant infusions of capital, careful planning, and varying lead times.

The Alaska legislature should prepare a development scenario for Alaska, including recognition of the role to be played by an extension of the Alaska Railroad. Economic development efforts of late reacted to pressures largely exerted from outside. We have responded to the pressures and changes brought on by such massive projects as the Trans-Alaska Pipeline but we have done little to assure that opportunities remain strong in the post-pipeline years. Renewable resources including timber, fishing, hydroelectric power, and agriculture — all of which would contribute to an economically

viable transcontinental rail system — are at various levels of development, but too little thought has been given to the eventual direction of that development. We are, as a state, undecided on the commitment of public resources to a second major pipeline to move North Slope natural gas. We should, in preparing for the 1980's, identify the present and potential factors bearing on the economic health of this great land, and map a course that will assure the rational development of our resources for the benefit of all Alaskans.

For my part, I see the Alaska Railroad connection with the rail systems of Canada and the United States as a significant factor not only in the development of Alaska but also the roles of Alaska's people in a changing world. I hope that those who read this paper will think about the themes raised and will agree that the transcontinental rail connection is deserving of continued efforts in Alaska's Future Frontier.



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Biographical Sketch:

Leslie E. "Red" Swanson

Mr. Swanson is a pro-development conservative who believes in protecting our environmental heritage. He has been an Alaskan for many years and has been involved in Alaskan political life for over fifteen years as a representative from Interior Alaska, as a lobbyist, and as a Senate sergeant at arms.

During the Hickel administration Mr. Swanson lobbied for the appropriation that created the NORTH Commission. Under the Hammond administration Representative Swanson's legislation (HCR 27) led to the railroad conference of April 1976. In the 9th Alaska Legislature Representative Swanson introduced a \$50,000 appropriation bill which funded the study by the Alaska Department of Commerce and Economic Development entitled "Alaska-Canada Transcontinental Rail Connection to Contiguous United States". In the 10th Alaska Legislature Representative Swanson introduced HB 47 which directed the Alaska Department of Transportation to delineate a proposed utility corridor for the extension of the Alaska Railroad to the Canadian border and HB 48 which appropriated \$865,000 to the Alaska Department of Transportation to fund the field work required to complete the provisions of HB 47.

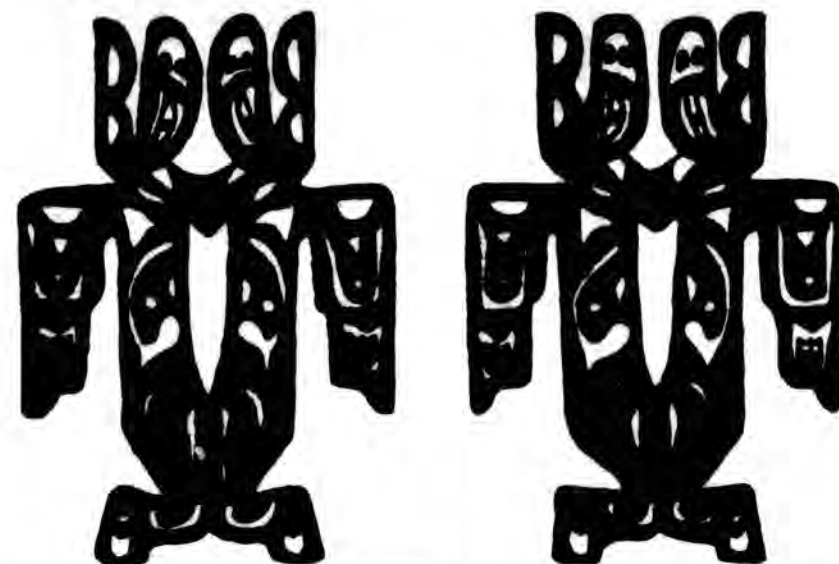
NOTES

ALASKA LAW & JUSTICE 1979

Prepared by
Robert H. Wagstaff

There are many alarming trends in the Alaska legal process for those who live in Alaska seeking to achieve a measure of control over their lives now unattainable elsewhere.¹ Certainly since statehood there have been decisions and actions by the courts in Alaska in which there is justifiable pride; some have even been argueably courageous. But unfortunately, if not predictably, we now seem committed to repeat the mistakes of others and are in the feverish process of accomplishing just that. I hope in the short time allowed in this paper to allude to a few specific examples in illustration of the foregoing statement. It is necessary for any who are concerned with fundamental constitutional and political values and human rights to actively enforce these rights or witness their inevitable erosion.

There is a general feeling endemic to the Alaska legal process that certain of what might politely be called the mistakes of other states can't happen here. Notwithstanding, recent findings by the Alaska Judicial Council establishes prima facie that a person convicted of a crime in Anchorage, Fairbanks, or Juneau stands a significant chance of getting a longer sentence if he is Native or Black. The executive director of the Judicial Council, Mike Rubenstein, has waged a courageous battle to bring this information to the public in hopes of redressing this wrong. The most fundamental Revolutionary precept of the American judicial system is equal justice under law. The phrase is found chisled on the facade of the Supreme Court of the United States. There is present and significant evidence that there is not equal justice under law in Alaska. A September 6, 1978, Judicial Council memorandum² states that as a result of statistical analysis in Anchorage, Fairbanks and Juneau from August 1974 to August 1976 it is "indicated that Blacks and Natives tended to have longer sentences, other things being equal than Whites." The study shows "that there was a pattern in which Blacks and Natives apparently received longer sentences and were



denied probation under circumstances in which Whites received more lenient treatment." The study specifically found "that Blacks and Natives had significantly longer sentences than Whites in class 3 (burglary, larceny, receiving) and class 4 (fraud, forgery, embezzlement) offenses, and Blacks had much longer sentences in class 5 (drug offenses)." A subsequent judicial council memorandum dated October 30, 1978, states "(t)he main thing we have established is *the study data show a relationship between race and sentencing that should not be ignored.*" (emphasis in original). The court system has had its own analysis of the data performed which generally agrees with the conclusion of the Judicial Council. An addendum to the October 30 memorandum states:

Our findings suggest that disparity is wide-spread between Black and White court dispositions and sentencing. Blacks are less likely to be convicted on reduced charges. With the exception of Class 4 (forgery and check) cases, their chances for probation are substantially lower than those of whites, even for comparable defendants. Their mean and median sentences and the distribution of their sentences all point to Blacks, no matter what their circumstances, receiving consistently longer jail terms.

Even more disturbing perhaps than these findings has been the reaction of the court system. The only known action taken to date

was at a judicial conference in June of 1979 in Sitka relating to "cultural and sociological awareness training." A report of that conference was published by the Alaska Court System in September of this year.³ The report notes that as a result of the Judicial Council findings, "Alaska judges at all levels and locations felt that they were being unjustifiably attacked. Many judges called upon the court system to refute the findings of the council. They called for a defense of the judiciary," even though the court system's independent evaluation of the methods and data "revealed no major technical flaws in the manner in which the study had been conducted." The report notes that prior to the conference the Administrative Director of the court system "received numerous phone calls, written communications and personal visits from members of the judiciary who strongly protested the inclusion of awareness training on the conference agenda." The report further states that "(b)ecause of the defensiveness apparent in the attitude of many of the judges who would be attending, it was considered desirable to present a program which would not antagonize those attending to the point at which these persons would refuse to absorb the material presented."

Participating in the conference were professional and lay panels and invited lecturers. One of the professional panel members stated that the judiciary manifested a general syndrome of denial and was not willing to accept the data presented by the Judicial Council. He reports that there was no corrective plan that he was aware of that came out of the conference nor has he since heard of anything else being done. He further states that while the intent of the Judicial Council in arranging for the conference was not that it be just window dressing, that is what, in his opinion, it turned out to be. Neil Thomas, the Executive Director of the Alaska Human Rights Commission, also in attendance at the conference, states that there was a general hostility to the facts and a general feeling from the judiciary that they had been treated unfairly. In terms of correcting the situation Mr. Thomas states: "The problem is more acute with judges than with employers who discriminate as the process for correction is more difficult."⁴ The conference may have been productive in terms of venting internal hostilities but did little, if anything, to correct the demonstrated problem. Indeed, the author of the evaluation of the conference notes: "Even if considered a success, this program should constitute only the first step in a continuing attempt to insure that the judicial system is free from racial

bias. The form that the next step should take is unclear at this time."

Since the conference the Judicial Council has released a new report on misdemeanor sentences in Anchorage and Fairbanks for the same time period.⁵ The study finds that "(c)lear sentencing differences were found among blacks, whites and native Alaskans."

The report notes that "(w)hatever the causes of the problems there is universal agreement that the sentencing differences uncovered in this research are too large and statistically significant to be ignored by the criminal justice system." Dramatic action is required with respect to this problem of the first magnitude. What has typically been perceived as can't happen here has in fact occurred.

There is no evidence that racial disparity in sentencing is conscious. Nonetheless, the facts demonstrate a problem that is intolerable. The Alaska Supreme Court must show definitive leadership. The problem cannot be deferred to administrative largesse or the politics of the Legislature. Fundamental human rights and basic democratic concepts are at issue. The Alaska Supreme Court has an opportunity to speak squarely to the issue in the case of *Earl Lake Johnson v. State*,⁶ recently argued and now submitted for opinion. Johnson, a Black with no previous record, employed, and honorably discharged from the Marine Corps, received a sentence of five years to serve on a drug charge. Citing the Judicial Council study Johnson's lawyer points out that while only 24 per cent of Blacks received probation in drug cases, 60 percent of the Whites did and the actual sentence for Black drug offenders was 51.2 months, yet for Whites it was only 8.8 months. The Supreme Court must offer more than a prophylaxis, it must fashion a remedy for those now in jail who can show that they are victims of disparate sentencing. But be on guard. A danger of many cures is that they can turn out to be worse than the disease itself. A tendency already expressed is not to give shorter sentences and more probation to minority members but simply to sentence everyone to longer terms in jail. This response, as will be suggested below, is not only grossly unjust but counterproductive.

Another danger from within that faces Alaska are the periodic attempts to bring back capital punishment, draconian penalties, and strict prohibitions against victimless crime. The current threat to

society as a whole has been proposed by the Attorney General's office and ballyhooed as an attempt to update Alaska's "antiquated" drug laws.⁷ Ironically, the proposal classifies alcohol as having the lowest detrimental affect on public safety. Overall, the proposal increases most penalties drastically in a manner similar to the Rockefeller/New York failure earlier in the decade. Delivering opium to someone under 18 is treated at the same level of seriousness as murder or kidnapping. Possession of some drugs with intent to sell is classified as the same degree of crime as armed robbery, rape, and very serious assaults causing physical injury. Distribution of peyote and other common recreational chemicals is in some circumstances a Class A felony equivalent to armed robbery or rape. With Anslingerian zeal, possession of more than one pound of marijuana is made a felony. Many present misdemeanors such as simple personal possession by an adult of amphetamines or barbiturates are changed into felonies. Many other crimes are added to the denial of bail list, including a number of drug offenses not nearly as serious as any of the crimes now listed in the statute. Vehicles used in the receipt of controlled substances by adults may be "forfeited" even when there is an acquittal of any criminal wrong doing. Seizures can be made without court orders. In short, this is a political rather than a scientific bill. Political fascination with drug laws is curious indeed. Prior to this century, and indeed generally prior to prohibition, there basically were no drug laws in this country. It is difficult to conceive of any legitimate governmental interest in the criminalization of a substance used knowingly and voluntarily by a consenting adult. What someone wishes to do with their body is simply their own business. Unless such a private act can be shown to directly cause antisocial criminal behavior the government has no legitimate interest in interposing its concepts of morality. The criminalization of many substances appears only to increase its price and thereby cause organized criminal interest. The time, effort, and money spent on drug cases is far disproportionate to any actual need. The first order of law enforcement is protection of the people from violence not enforcement of drug laws whose primary purpose seems politically motivated. The current proposed administration bill of the Attorney General's office is more a function of politics than an expression of a concern with any sincere or legitimate interest in what is just and appropriate to the actual needs of Alaska. It has been suggested that the bill was drafted solely as a timely political response to media inuendo concerning drug use in the Attorney General's office, as unsupported as such

allegations have been.

The entire concept of increased penalties as answering societies problems is not only arguably misplaced but demonstrably so. The idea of bringing prisons to Alaska and making it just like outside is tragic in the extreme. What is needed is alternatives to incarceration not more warehouse facilities.

Dr. Karl Menninger has written the single most prophetic book on prisons entitled *The Crime of Punishment*.⁸ Menninger's thesis is simple: "I suspect that all of the crimes committed by all the jailed criminals is not equal to the social damage of the crimes committed against them."⁹

Former Attorney General Ramsey Clark notes:⁹

The history of penology is the saddest chapter in the history of civilization. It portrays man at his worst. His cruelty, brutality and inhumanity are unrestrained through most times in most places. Virtually absolute power over nearly helpless people is often wholly corrupted . . . Jails and prisons in the United States today are more often than not manufacturers of crime. Of those who come to jail undecided, capable either of criminal conduct or lives free of crime, most are turned to crime. Prisons are usually little more than places to keep people - warehouses of human degradation. Ninety-five percent of all expenditures in the entire corrections effort of the nation is for custody iron bars, stone walls, guards. 5% is for hope health services, education, developing employment skills.

The most important statistic on crime is the one that tells us that 80% of all felonies are committed by repeaters. Four-fifths of our major crimes are committed by people already known to the criminal justice system.

Other responses are possible. The serious establishment of community work service alternatives to incarceration as authorized by the new Alaska Criminal Code effective January 1, 1980 is a possibility. But absent strong pressures it appears extremely unlikely that any serious alternatives will be developed. The popular political response is that of more incarcerations - an appeal to the

dark side of human nature. Such provisions are generally window dressing only and are never implemented. As an example, section 22 of Article I of the Alaska Constitution as adopted in 1972 provides:

Section 22. Right of Privacy. The right of people to privacy is recognized and shall not be infringed. The legislature shall implement this section.

The Legislature has never acted to implement this section notwithstanding a directive from the people to do so.

Another example of misapplied politics in the criminal justice system is the current "ban" on plea bargaining. The term itself is unfortunate as it has a negative connotation. When there are legal disputes between two parties there is usually, if not always, some middle ground for resolution of the dispute. Non-judicial resolution of any dispute is to be preferred as it is a settlement that both sides have agreed to, thereby creating an independent viability. A settlement of a criminal case is as feasible as with a civil case. Attorneys are familiar with the facts and circumstances of their case to a degree that a judge will never be. If an agreement can be reached as to what is fair, this catharsis of the natural tension in the adversarial process is usually just and reasonable. For reasons that have become even more obscure with the passage of time the Attorney General's office has attempted to severely limit, if not abolish plea bargaining altogether. According to a judicial council study¹⁰ the primary effect has been that sentences for lesser offenders, and particularly for the first time offender, has increased significantly. "Following the ban, 'clean kids' served longer prison sentences and were granted probation less frequently than before . . . Violent criminals, who always received substantial incarceration, did not fare any worse. The ones who really ended up holding the short end of the stick were the relatively minor property offenders, the drug offenders, and the people who wrote bad checks, embezzled, or committed credit-card offenses." Is increasing sentences for the least deserving serving the best interests of justice and the public? Yet the policy persists. The ban of plea bargaining in reality is just another prosecutorial tool similar to the Federal Speedy Trial Act, ostensibly enacted to help the accused, and now appropriately nicknamed the Speedy Conviction Act. The plea bargaining study notes: "Prosecutors, for the most part, found that they like the policy. It in-

creased their power relative to the defense . . . 'It's not that there isn't any plea bargaining. It's just that the power to negotiate is now localized in the chief prosecutor, and when that's the case, there is much less bargaining.'"

The foregoing description of contemporary law and justice in Alaska with sentencing for criminal offenses being influenced by race, administrative acts and suggested legislation relating to fundamental liberties motivated by politics, and legislative ignorance of the expressed public will is certainly nothing new in this country. What may be new, however, is that it is now happening in Alaska. It will take a collective effort and positive leadership to be reversed. Those in government and in the administration of justice should abandon job security and political image as the highest precept and respond instead to the ideals articulated by the founders of the state and country as expressed in our Constitutions.

Footnotes

¹⁰*Ravin v. State*, 537 P. 2d 494, 504 (Alaska 1975)

¹¹September 6, 1978 Alaska Judicial Council Memorandum "Judicial Council Findings Regarding Possible Racial Impact in Sentencing"

¹²"Report and Evaluation of the 1979 Alaska Judicial Conference Program - Cultural and Sociological Awareness Training". Alaska Court System. Arthur H. Snowden II, Administrative Director, Stephanie Cole, Director of Legal Education & Information.

¹³The Executive Director of the Human Rights Commission and professional panel member were interviewed by the author.

¹⁴Statistical Analysis of Summary of Findings in Anchorage and Fairbanks. August 15, 1974 - August 14, 1976," Alaska Judicial Council - November 7, 1979.

¹⁵Case No. 3899

¹⁶Working Draft, Department of Law - August 27, 1979.

¹⁷"The Crime of Punishment", Dr. Karl Menninger (1968)

¹⁸"Crime in America", Ramsey Clark (1970).

¹⁹"Alaska's Ban on Plea Bargaining", Rubinstein and White 13 Law and Society Review No. 1, Winter 1979.

Biography

Robert H. Wagstaff was born in Kansas City, Missouri in 1941. He graduated from Dartmouth College in 1963 and received a Juris Doctor degree from the University of Kansas School of Law in 1966. He was admitted to the practice of law in Kansas in 1966, Alaska in 1968, and before the United States Supreme Court in 1971. He was a prosecuting attorney in Fairbanks from 1967 to 1969 and since 1970 has been in private practice in Anchorage. Mr. Wagstaff has been involved in numerous trials and appeals involving state and federal constitutional issues, including *Ravin v. State* (1975) where the Alaska Supreme Court recognized that there was no legitimate governmental interest in the regulation of the private possession and use of marijuana by adults. He successfully argued *Devis v. Alaska* (1974/Confrontation Clause) and *Hicklin v. Orbeck* (1978/Alaska Hire) before the United States Supreme Court. From 1972 to 1978 he served on the National Board of Directors of the American Civil Liberties Union in New York.

JUSTICE

by

John E. Angell

Introduction

This paper is not intended to deal in any finite way with the concept of "justice." Rather, it will be directed at a general gross diagnosis of the quality of justice services provided in Alaska and relative equity with which these services are provided to the people throughout the state. In main, the focus will be on public safety and legal services and police, legal and correctional agency operations. Suggestions for future improvements will be presented in the concluding section.

Existing Situation

When viewed as a whole, the State of Alaska seems to fall within the range of normal in terms of its crime rates and justice machinery.¹ It is true that overall the state has higher levels of interpersonal crimes such as homicides, assaults and rapes per population than other states; however, this situation might be explained by the existence of a higher proportion of youth, higher mobility of citizens, a disproportionately higher ratio of males to females and other factors that are normally associated with higher crimes.²

Further, it is also true that the emergency response time of police seems to be slower than normal for most American police departments. This condition can, in part, be accounted for by the sparsity of population within the huge geographic area of the state.

The formal description of the Alaska justice system (i.e., police, prosecutorial and defense agencies, courts and correctional operations) is, however, consistent with the highest established standards.³ Police and legal agencies are staffed by merit methods rather than election processes. Judicial positions are filled by a modified

Missouri system.⁴ Corrections is a state responsibility with even the temporary detention facilities overseen by the Alaska Division of Corrections.⁵ Agencies of the justice system are provided professional support and research activities by the Alaska Criminal Justice Planning Agency, Judicial Council, Police Standards Council, Council on Judicial Qualifications and Court Administration. Outward appearances reflect a sound justice situation in the state.

Such outward appearances are, however, deceiving. Information accumulated over the past decade provides considerable evidence of substantial and serious problems in justice operations of Alaska.⁶ The problems stem from the most fundamental factors.

Generalities about Alaska justice and the formal statewide justice operations conceals the existence of two separate and distinctly different justice situations in Alaska.⁷ People who are intimately familiar with the state give subtle recognition to the two separate systems when they refer to predominately white, commercial communities of the state as "towns" or "cities" and Native communities of similar size as "villages;" the justice operations in the urban areas of the state as "criminal justice" and those in rural areas as "bush justice;" and police officials in Native cities as "village police" whereas police in predominately non-Native communities are called "police officers." Such dichotomies may, if properly used, serve worthwhile and righteous purposes; however, in this instance they are a reflection of substantial discrepancies between urban and rural areas. Not only are the justice related problems in rural communities more serious, all available research supports the conclusion that rural communities receive markedly inferior legal protection and public safety services.⁸

Given the space allocated for this paper, it is not possible to provide a complete review of the existing differences; however, the extent of differences is reflected in crime and public safety statistics. Native communities have a rate of deaths from accidents and suicides which is nearly four times the rate of urban areas of the state.⁹ The fire loss rate in rural communities is reportedly over twice that of urban areas.

While property crimes in rural Native communities seem to occur less frequently (perhaps a consequence of less property and closer interpersonal relationships), crimes of violence seem to be among

the highest in the United States. A comparison of 1977 statistics for homicide, rape and aggravated assault is contained in the following table. The Native communities are obviously in some respects more hazardous places to live than are the urban communities of the state.

**COMPARISON OF ALASKA VILLAGES,
STATEWIDE, AND NATIONAL CRIME RATES***

Crime Category	Rates per 100,000 population		
	Alaska Villages	Statewide	National
Homicide	28.4	10.8	8.8
Rape	99.2	51.6	26.4
Aggravated Assault	326.0	284.0	228.6

Sources: Village statistics obtained from police officials in approximately 50 Native cities; Statewide UCR Reports.

The question which often arises when such statistics are presented is, "Why hasn't this situation been recognized previously?" The answer is simple, the data reporting and statistical methods have served to conceal the extent of the differences.¹⁰ First, most Native communities do not have the resources to accumulate complete statistics. In many communities even paper and pencils are in short supply. Second, the importance of statistical reporting is, at times, not recognized. Third, the crime statistics accumulated provide statistical breakdowns by non-Native but not by Native communities. For example, crime statistics for predominantly non-Native commercial centers and communities such as North Pole, Whittier and Homer are reported by each city; however, the crime statistics of Native cities are lumped into a category, "The Rest of the State."¹¹ This procedure results in it being impossible to separate the crime statistics of Native cities from rural suburbs such as the Mat-Su Valley.

Consequently, the crime situation in Native communities is invisible to planners and policy officials.

Raw statistics concerning the hazards to personal safety in Native communities do not reflect the scope of the problem. Many

Native communities are in remote areas of the state and have neither roads nor regularly scheduled transportation to other communities. Approximately one-fourth of these communities have neither part-time nor full-time resident police.¹² Almost none of the communities have even a single resident with legal education.¹³ No correctional officials reside in any of the communities.¹⁴ Approximately one-half of the communities do not have secure, inhabitable facilities for the temporary detention of disorderly, intoxicated or dangerous persons.¹⁵

Further, the communications equipment available to most communities is extremely unreliable and, when terrorizing or life-threatening situations occur (as they sometimes do), requests for outside assistance can not be expeditiously communicated to a support agency such as the Alaska State Troopers.¹⁶ Instances of intoxicated, armed persons shooting at random in a Native community while the communications system is inoperable are far too frequent. Requests for police assistance are on occasion sent via the mail plane. The Alaska State Troopers are unable to respond to requests from Native Communities in less than 24 hours in well over 50% of the cases.¹⁷

The present justice system organizational arrangements result in the personnel who are assigned to assist remote communities being located in urban and commercial centers of the state.¹⁸ Almost none of the remote Native communities of the state have been visited by a state lawyer, prosecuting attorney, public defender, judge or corrections official within the past year. Prosecutors give the impression that they prefer to deal with Alaska State Troopers rather than local "village" police officers. Defense attorneys who are assigned to defendants from remote communities frequently meet their clients for the first time in court. Criminal trials are seldom held in the community where the crime occurred and civil trials are always held in urban centers.¹⁹ Correctional officers conduct presentence investigations and probation supervision of residents of remote communities by telephone.²⁰

Although most residents of the rural Native communities are not aware of the relative seriousness of the crime situations in their communities, community officials do not have a high regard for the quality of justice they receive. One assessment of their opinions indicated 43% of the village officials interviewed indicated the educa-

tional services in their community was "good," in comparison with 27.5% who reported the magistrate services were good, 25.5% reporting the Troopers provided good services, 15.7% who reported good probation services, 7.8% reporting good defense services, and 5.9% indicating the existence of good prosecution services.²¹

It is apparent that people living in rural parts of the state are presently dissatisfied with the quantity and quality of justice services they receive. At the same time, many are concerned about the possibility of having "Anglo" justice operations imposed on Native communities without providing modifications which are more compatible with traditional customs and practices. Since the traditional social control methods vary from one region of the state to another, any interface must involve assessment of the attitudes and methods existing in different parts of the state.²²

There can also be little doubt that the state has an obligation to provide essential justice services to people in areas of the state where no borough government exists. The Alaska Constitution provides:

The entire state shall be divided into boroughs, organized or unorganized. They shall be established in a manner and according to standards provided by law.²³

(T)he legislature shall provide for the performance of services it deems necessary or advisable in unorganized boroughs, allowing for maximum local participation and responsibility.²⁴

Even without this constitutional obligation to provide necessary services in the rural regions of the state, the state must provide equal protection of the law. The issue concerning whether minimum standards in respect to justice services are being met is yet to be raised in court. However, clearly urban residents are receiving substantially more services than their fellow citizens in remote Native communities.

Improvement Efforts

The Alaska Department of Public Safety seems to be the state agency with the greatest awareness of the justice problems in rural

Alaska. This awareness may stem from the fact that State Troopers have the most frequent contact with remote communities. Trooper personnel have been in the forefront of advocating changes. They have established and conducted training programs for village officials, police officers and magistrates.²⁵ They have assisted in the establishment of "public safety" buildings in many Native cities. They have supported the movement of other justice personnel into Native communities.

The efforts of the department have no doubt resulted in some substantial improvements in justice services in rural communities. The one criticism which can be made of its early efforts relates to its exclusive concern with the institution of a complete "Anglo" justice model without substantial consideration of its compatibility with traditional social control practices.

The Alaska Court System has, in recent years, experimented with the use of local dispute mediation boards.²⁶ The remains of some of these efforts are still operating in some communities. The experiment was not expanded to other communities after the completion of the experiment. Similarly, the court system has attempted to make use of bilingual "interpreters" in efforts to improve the quality of justice for those who do not speak English as a primary language.

The state legal units and corrections have in recent years increased the number of personnel they have assigned in the commercial centers which serve remote communities.

And in general, there has been a growing recognition of the problems. Earlier this year the Alaska Governor's Commission on the Administration of Justice officially established problems of justice in the rural areas as its top priority. However, this agency is hampered by limited resources.

The problems are far larger than can be solved by single executive agencies working alone. Any substantial improvements in the present situation will depend on strong commitments by the executive, legislative and judicial branches of Alaska government.

Directions

Two of the most fundamental concepts underlying Alaskan

government involve 1) the right of all persons to equal rights, opportunities and protection under the law, and 2) the right of citizens to enjoy maximum responsibility and participation in local self-government. Both concepts are yet to be fully realized in regard to justice system operations in the remote Native communities of Alaska. The achievement of these rights has in the past been hampered by 1) inadequate understanding of the inequalities which existed, and 2) insufficient financial resources. These conditions no longer exist and a high priority for the future of the State of Alaska should be given changing the present situation.

There are a number of reasonable actions which might be taken toward the goal of enforcing equal protection and justice for Alaska. Comprehensive policies that seem logical to me include:

1. *One unit of state government should be given the responsibility and resources for overall coordination and planning for the improvement of public safety and justice in the state.* Individual agencies of state government lack the broad perspective needed to bring about the changes needed. They are at times blinded by the traditional organization and operational practices of their speciality. The organization designs needed for providing justice services in the rural communities of the state will no doubt be unique and unlike any arrangements that presently exist. The existing state agency with the most potential for overseeing a reorganization of justice operations is the Governor's Commission on the Administration of Justice and its administrative unit, the Alaska Criminal Justice Planning Agency. These units should be reorganized as independent from the control of any single justice agency of the state and given responsibility for providing planning and overall coordination of efforts to reorganize justice operations. It should be expected to advise the legislature on resource and policy needs.

2. *A foundation level of justice services should be provided in every region of the state.* This foundation should include the decentralization of state police, legal, judicial and correctional operations to provide complete public safety support within well defined regions that have distinct and reasonably homogenous characteristics. All state justice

operations should have contiguous regional boundaries for providing series and the accumulation of data about justice operations. The boundaries of these decentralized regions might be similar to the Native corporation boundaries. A centrally located staff public safety facility for state provided justice operations should be established in each region. These regional state agencies should provide support for local communities. State police should be able to respond immediately when their assistance is sought by a local community. A district or Superior court judge should be assigned to each region and should systematically circulate from community to community within the region conducting necessary judicial proceedings. A correctional generalist should be assigned to each region to enforce correctional standards, provide assistance to local communities, and coordinate the state's correctional efforts in the region.

3. *The state should support the design and institution of a reliable emergency communication system for each region of the state.* The planning and implementation of this operation will require considerable investment. Given the distances and hazards of rural Alaska, it is imperative that such a system be developed and kept in superior working order.

4. *The state should provide a foundation of financial support for public safety and justice support to every incorporated community in the state.* Such support should be similar to revenue sharing which is woefully inadequate for communities without other economic means. Rather than based on per capita payments the Justice Foundation Grants should be sufficient to provide a minimum level of local justice services. As a starting point, I would suggest the complete funding of one police, emergency service or public safety position for each community, funds for basic operational and records requirements, and a correctional services grant which each community must use on the provision of local correctional services. The average cost of this package for each rural city would be approximately \$50,000. In order to encourage local communities to accept responsibility for handling their own problems, services provided by the state might be charged against their correctional ser-

vices grant. Communities should be given the authority to, within limits, use the justice grants in the manner most appropriate to their communities. For instance, if a community felt the need for temporary detention facilities, it could use a portion of its correctional services grant each year to pay for the construction of such facilities. On the other hand, a community might also invest in community correctional programs if that was deemed most appropriate.

Footnotes

¹See *Alaska Criminal Justice Plan*, (Juneau: Criminal Justice Planning Agency), 1978.

²Ibid, pp. 32-48.

³See National Advisory Commission on Criminal Justice Standards and Goals reports, *Criminal Justice System, Police, Courts, Corrections*, (Washington: U.S. Government Printing Office), 1973, and *Alaska Criminal Justice Plan*, op. cit., pp. 89-178, 1978.

⁴Duffee, Hussey and Kramer, *Criminal Justice: Organization Structure and Analysis*, (Englewood Cliffs: Prentice-Hall), p. 151, 1977.

⁵See Analysis of Alaska Jail Situation, (Juneau: Criminal Justice Planning Agency), 1977. This staff report contains a summary of legislation related to Alaska corrections.

⁶Professors Stephen Conn and Arthur Hippler prepared some of the most comprehensive descriptive material available in the early 1970's. Among their publications are "An Action Plan for Village Justice," (Fairbanks: UA, ISEGR), 1974, and Conn's "Comparative Analysis of ABA Standards in Light of the Attendant Problems in Bringing Justice Services to Rural Alaska Natives, 1975. Also see the summary of the history and findings of "Bush Justice" conferences in Evan McKenzie, *The Report of the Third Bush Justice Conference*, (Anchorage: Alaska Federation of Natives), 1976.

⁷John Angell, *Alaskan Village Justice*, (Anchorage: Criminal Justice Center), 1979.

⁸Kraus and Buffler, "Alaska Deaths by Violence," *Coping*, (publication of Alaska Mental Health Association), pp. 14-19, 1978.

⁹*Alaska Village Justice*, op. cit. pp. 55-58.

¹⁰See *Crime in Alaska*, (Juneau: Criminal Justice Planning Agency), 1978.

¹¹John Angell, *Alaska Village Police Training*, (Anchorage: Criminal Justice Center), 1978.

¹²*Alaskan Village Justice*, op. cit.

¹³Ibid.

¹⁴Analysis of Alaskan Jail Situation, op. cit.

¹⁵Emergency Medical and Criminal Justice Communication, op. cit.

¹⁶*Alaskan Village Justice*, op. cit.

¹⁷Stephen Conn, *Report to Chief Justice*, (unpublished paper prepared August 22, 1974).

¹⁸Ibid.

¹⁹*Alaska Village Justice*, op. cit.

²⁰Ibid., p. 63.

²¹Conn and Hippler, "Northern Eskimo Law Ways and Their Relationship to Contemporary Problems to 'Bush Justice,'" (Fairbanks: ISEGR Occasion Paper No. 10), 1973; Leonard Pospisil, "Law and Social Structure Among the Nunamiut Eskimos," *Cultural Anthropology*, (New York, N.Y.: McGraw Hill), 1964.

²²Article X, "Local Government," Section 3.

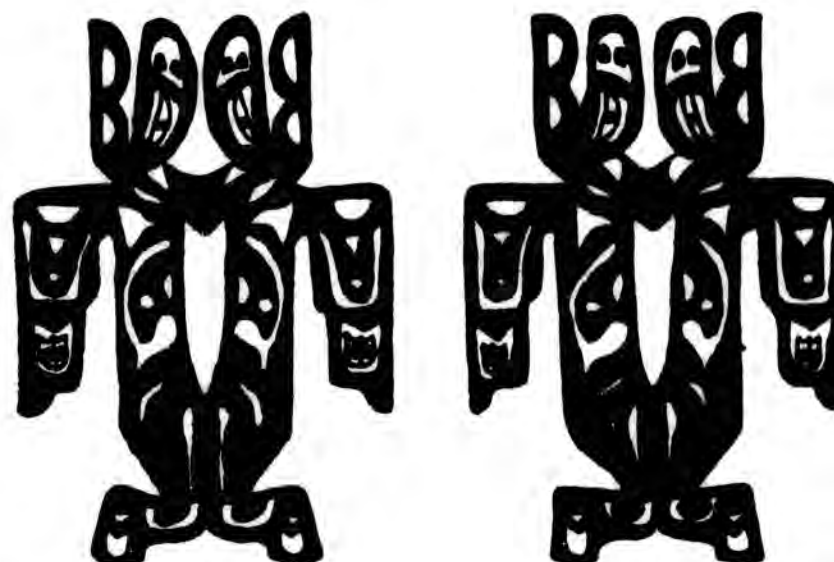
²³Article X, "Local Government," Section 6.

²⁴*Alaska Village Police Training*, op. cit.

²⁵*Alaska Court System Annual Report*, (Anchorage: Administrative offices of the courts).

Biographical

The author is a Professor and Director of the Justice Center, University of Alaska, Anchorage. He holds baccalaureate and masters degrees in law enforcement administration and a Ph.D. in Administration from Michigan State University. He began service in the justice field as a police officer in Ohio, and has served in management positions with the Dayton, Ohio, police department and as an immediate subordinate to the Mayor of Portland and the Commission Chairman in Multnomah County, Oregon, prior to coming to Alaska in 1975. He has served as a consultant to agencies ranging from the President's Commission on Law Enforcement and the Administration of Justice to local justice organizations throughout the United States. He has conducted research on justice operations throughout the country, and his most recent manuscript, *Democratic Cops*, is currently being considered for publication by Prentice-Hall.



LAW AND JUSTICE

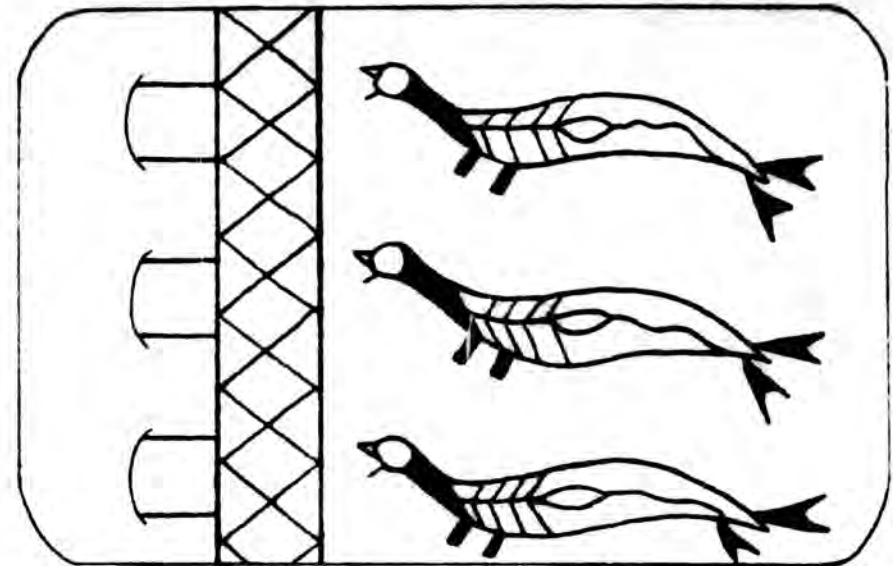
Prepared by
Avrum M. Gross

An analysis of law and justice inevitably focuses on criminal justice. But that is only one aspect of the discussion. The rule of law and the need for justice has application far beyond the way those accused of crime are treated. There are many more auto accidents than murders, more persons hurt in industrial accidents than in riots. More persons confront the legal system as a result of divorce rather than arrest. The law establishes rules that govern these events, and the real justice of any legal system must be as apparent in those rules as in those applicable to criminal law.

Until fairly recently, the emphasis in Alaska has been on creating a modern framework of legal rules by which to resolve differences between persons, individuals, or groups of individuals. Alaska, for instance, was one of the first states in the nation to adopt no fault divorce. Alaska adopted the Uniform Commercial Code early after it was promulgated. In the field of torts or personal injury, the legislature and courts of Alaska have been innovators of novel principles by which private redress can be achieved. The Alaska workmen's compensation law has always been recognized as a model in the field.

In recent times the emphasis has shifted slightly. We have come to recognize that the most modern rules for social conduct are useless if they cannot be implemented reasonably promptly and at low cost. The old adage of justice delayed is justice denied has real meaning to one injured in an accident who finds it is years before he may bring litigation before a court. Many citizens know through personal experience that divorce proceedings can become cumbersome and expensive, as well as traumatic.

The modern emphasis has been to simplify and expedite the proceedings by which disputes may be resolved. Recently, for instance, the legislature adopted new rules by which at least in sim-



ple cases parties can achieve their own divorce without the necessity of attorneys. Modern codes have introduced informal probate procedures to dispose of estates of a least small value. There is a renewed emphasis on simple procedures for resolving tort claims through the use of small claims courts and arbitration so as to make the proceedings readily available to people who need them.

This is the real challenge of the future — to take increasingly complex rules which will be necessitated by the fact that more and more people will be living closer and closer and somehow simplifying the means by which those rules may be enforced. In that process, it may be necessary to review even our most basic notions about how justice is best achieved in private disputes. Today we focus on the adversarial system with its attendant bureaucracy of lawyers and courts. There are other systems and we are just beginning to consider them. Certainly to extend our present system of resolution of disputes through legal conflict and trial into the future will inevitably result in administrative chaos and enormous public cost.

There is a great tendency in law to think in terms of civil and criminal areas — to assume that either something is a crime or a purely civil wrong. But there is a whole category of matters which may, in essence, bridge the gap. Many of our environmental laws,

for instance, are quasi-criminal in nature. Violations may result in fines or other serious consequences, but the proceedings are not handled with all the strict protections afforded an individual by the criminal law. It is important to recognize this growing trend not as a threat to civil rights, though obviously some concern is warranted, but as a recognition that as society imposes rules for human interaction, it should be able to use maximum flexibility in the way those rules are imposed. The Public Offices Commission, for instance, is nearly powerless with the heavy weapon of criminal sanctions, for prosecutors, courts, and juries are loathe to impose a criminal stigma on which is often an inadvertent act. Civil fines, however, are an effective and useful tool. That type of approach may have substantial promise in the future. There are forms of human conduct that society may wish to disapprove or avoid, but it may not be conduct of such a nature so as to rank with those acts traditionally considered criminal. Many of what are now so-called victimless crimes may fit into this category, along with minor offenses of every type, from weights and measures violations to deviations of accepted consumer practices (short, of course, of out and out fraud). The criminal law should be reserved for the most serious of offenses against society. We should not use it where other means of insuring a desired standard of conduct would be equally as effective, with less stigma and less cost.

Law regulates the whole spectrum of human interaction from purely personal disputes over money to more uniformly applied social mores like ethics in public life, to at last, the ultimate violation of social order, the criminal offense. How society deals with that latter category is often a measure of its decency and value. For while it is easy to stand for popular causes, it is much more difficult to insure fair treatment for those who are charged with doing something against the community at large, while at the same time insuring justice for the community itself. The mechanism by which these often competing goals are to be achieved is, of course, the criminal justice system.

An evaluation of Alaska's system of criminal justice of necessity focuses on two areas. The first is the quality of the laws themselves. The second is the way those laws are administered.

The source of law is again two-fold. The primary source is the legislature. That body reflects the day-to-day social mores and determines through majority vote which of those mores should be adopted as a part of the criminal law. The court system in the role of interpreting those laws and the most fundamental law, the Constitution, is the secondary source of law. Terms such as "due process" and "equal protection" are not readily defined and lend themselves to considerable subjective review from time to time. It is the judge who makes that review and in so doing establishes the fundamental concepts of fairness within which the legislative rules must operate.

The Alaska legislature has been in the forefront of criminal law reform. After years of debate, it finally adopted one of the most modern penal codes in the country. Contemporaneously, it has confronted the extremely difficult question of how crimes should be punished. It is an age-old debate — whether sentencing is primarily for rehabilitation or for punishment. It has never been an easy question as to what to do about two individuals who commit precisely the same act and yet who do it with different motives and who both stand totally different possibilities for rehabilitation. In the past, sentencing schemes have been founded on rehabilitation with wide variations in sentencing being not merely sanctioned, but approved. Now, out of frustration with the success of rehabilitation programs, the focus has shifted to similar penalties for similar acts regardless of the nature of the individual who commits the act.

The courts of Alaska have been in the forefront of social change since the early 1960's. Many of the constitutional doctrines implemented by the Warren Court on a national level have been implemented as a part of the Alaska Constitution, and in fact carried beyond their original scope. The right to counsel in Alaska was taken further than the right prescribed by federal law, search and seizure is more closely regulated under the state constitution than under the Fourth Amendment to the United States Constitution, the right to speedy trial has a separate meaning here, to give but three examples. Moreover, the court has developed peculiar doctrines for unique situations in Alaska. Of singular importance is the right to be tried by a jury of one's peers in an area where the crime occurred. While perhaps of little significance to a state like Ohio, this doctrine is of critical significance in Alaska where social mores and attitudes about law vary sharply from rural villages to metropolitan

centers. We have wide cultural differences in the state, and the court has sought to ensure that a definition of one's "peers" truly reflects the surroundings in which the individual has lived.

It is perhaps inevitable that any court system be the focus for discontent, and in Alaska there has been constant evidence of that discontent. The very nature of a criminal case — the state (or in some jurisdictions "the people") versus one individual — indicates the source of the controversy. In an instance where the collective resources of all the people are aimed at one individual, it is the court's role to ensure that the individual is accorded his full rights and is treated fairly. In our system of justice, we have stood for the basic premise that it is more important for people collectively to act fairly when they deal with individuals accused of a crime than it is to achieve a conviction in a particular case. This rule in reality protects us all against government abuse, but in the passion of a particular moment, the soundness of the role is often forgotten. It is the court's rule often to ignore temporary and often violent expressions of public opinion, and that kind of role creates severe criticism.

It is perhaps appropriate at this point to move to the unique quality of Alaska's framework for the administration of justice for one of the unique features relates to the courts. The Alaska Constitution adopted a system for the appointment and approval of judges which has acted to insulate judges from popular pressures of the moment, and yet ensure that the people have a direct voice in maintaining a quality judiciary. The so-called Missouri Plan provides for the screening of applicants for judicial positions by a Judicial Council made up of laymen, attorneys, and the Chief Justice of the Supreme Court, appointment from a list of Council-approved applicants by the Governor, and then periodic approval or disapproval of judges directly by the electorate. Disapproval is rare, but a judge who has demonstrated his incompetence is not insulated. Judges are, however, insulated from a momentary public outcry over a particularly sensitive matter which dissipates over time.

The system has worked. In one instance, a judge has been removed and in several other cases there have been close elections. But generally, even the most controversial decisions have not led to removal of a judge because the time frame permitted has allowed a more rational and quiet analysis of performance.

There is a movement in Alaska to require the competitive election of judges. Such a change is deliberately aimed at crippling the judiciary by making them more subject to media-generated outcry and temporary passions further exacerbated by the adversarial spirit of the traditional election process. Those who urge that judges be subject to popular will forget that unlike legislators, judges are not *supposed* to represent the popular will of the day. They are supposed to enforce what are often *unpopular* but fundamental rights — rights guaranteed to minorities under our system. Our present framework for the selection of judges ensures the maximum protection of that role.

A similar controversy has surrounded the appointment or election of the attorney general, who in Alaska, possesses a power nearly unique in the United States — the power to control all prosecutions for state law violations. It was the decision of the constitutional founders that prosecutorial power should be insulated one step from partisan politics — that the person who prosecutes should not have the opportunity to use that power for his own partisan political gain. Instead, prosecutorial power is treated like any other power of state government. It is administered by an official of government who is directly responsible to the Governor, and in the end the Governor must accept the consequences of the proper use or abuse of power by his appointed official. It is a system that has worked well. In the twenty years since Statehood, there have been few, if any, allegations of "political prosecutions."

The unified system of prosecution where all district attorneys are direct appointees of the attorney general has given Alaska the ability to implement statewide policy decisions, while other states through their fractured system of prosecution are unable to do so. Alaska, for instance, is the only state to abolish plea bargaining. It was accomplished through a policy implemented by the attorney general and put in force throughout the state. Uniform screening standards, diversion policies, and sentencing policies, have also been set through a centralized decision making process. With elected district attorneys prevalent in many other jurisdictions, policies and attitudes vary from county to county depending on the attitudes of the elected official who holds office. Justice often depends on which side of the county line the crime occurs. In Alaska, the goal is uniformity throughout the state.

The police are the most visible part of the criminal justice system. It is they who enforce the law on a day-to-day basis. With the exception of the State Troopers who operate outside local jurisdictions, police are the only arm of the system that is not connected to the statewide apparatus, and often their attitudes reflect their feelings that they are not really an equal part of the system. For instance, the police tend to set their own priorities for law enforcement. Faced with more laws than they can possibly enforce, police often make their own judgment where their enforcement efforts will lie without prior coordination with other criminal justice agencies. This can result in a substantial waste of public funds. If, for instance, local police initiate a crackdown on prostitution and make 100 cases, where previously they had made 10, they assume that this priority will also be a prosecutorial priority and a priority for the courts in calendaring. But what often happens is that prosecutors faced with what they consider more serious matters and the courts struggling to process violent felonies before a reasonable period has elapsed, simply ignore the unilaterally established police priority with the result that the 100 prostitution cases end up handled poorly or not at all. This could all be avoided if prior coordination occurred. But in spite of a host of efforts to encourage it, coordination has seldom occurred with local police operations. On a state level, the coordinating budget process has gone a long way toward assuring that priorities of the District Attorneys, Troopers, and courts coincide, but there is still a long way to go.

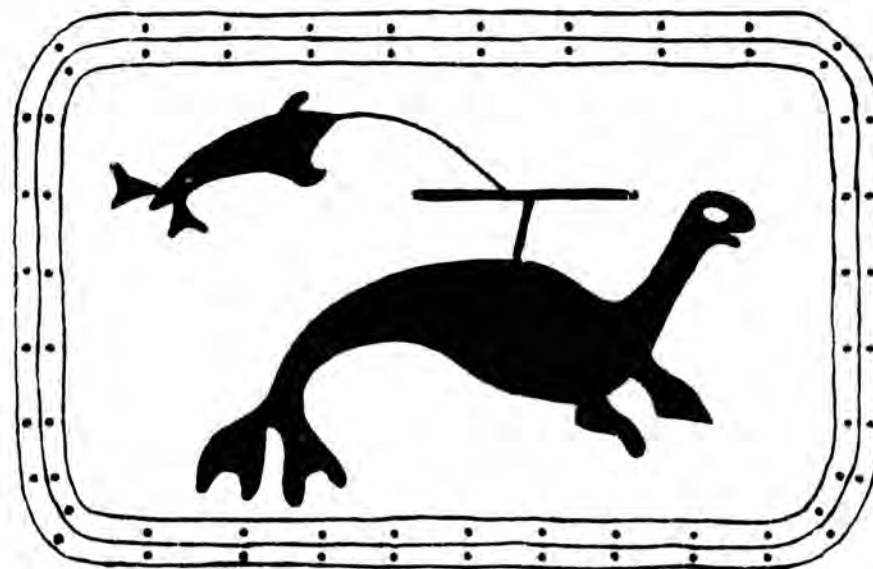
As the police are the first rung on the criminal justice ladder, corrections is last. Because it is the focus of an age-old dispute between rehabilitation and punishment, corrections has been buffeted over time with conflicting policies and attitudes. During the late 1960's and 1970's, rehabilitation was the order of the day, and since pushing for rehabilitation meant taking risks, security tended to be lessened. A series of escapes culminating with an escapee shooting a police officer resulted in public reaction. A de-emphasis of rehabilitation programs and implementation of rigid security systems occurred. Recently, the pendulum has begun to swing back.

Everyone knowledgeable in the field agrees that corrections requires a clear future direction and both the legislature and administration have worked jointly to provide that direction. After years of work, a comprehensive master plan for corrections is near-

ly complete. It is directed to philosophies, programs, and facilities, all of which are linked. Its' implementation through legislation will create the kind of public debate and analysis which is needed to establish policy for the division.

All in all, the criminal justice system in Alaska has worked well. There have been stresses and strains, particularly during the years of the pipeline when the system and all the people in it were stretched to the absolute limit to cope with the temporary upsurge in public disorder. But the system nonetheless performed well. Changes have been made when changes have been warranted. But as a general matter, the system has worked.

Avrum Gross is the Attorney General of Alaska



COMMUNICATIONS IN THE FUTURE OF ALASKA

by
Walter B. Parker

Communications

Communications constitutes the nerves of the social and economic structures that make up society. For that part of the world with a well developed media, an efficient postal system, a cheap and universal telephone system, and a strong telecommunications system in general, the problem is control and access to the communications systems. In areas, such as Alaska, that have a media that is often owned by the same individual, a postal system that counts its delays in weeks instead of hours, an unreliable telephone service, and a generally undeveloped telecommunications system, the problem is too often reduced to the simple ability to have communications beyond the range of the human voice. A society that is spread out over an area 2,500 miles in length and 1,200 miles in breadth obviously must rely on telecommunications to a degree greater than those more closely compacted in form. For that reason, telecommunications has often been nominated as the number one priority in enhancing the delivery of services to Alaska's widely scattered population. It has also been described as one of the primary barriers to the economic development of the state.

In the United States, communications has largely been a mix of the private and public sectors, with the private sector providing media coverage under strong constitutional guarantees, telephone service being largely provided by the private sector under strong regulation, the postal service the province of the federal government, and the telecommunications industry largely relying upon private initiatives with strong governmental oversight in rate regulation and licensing.

In Alaska, prior to statehood, telephone service was provided totally by government systems except for municipal utilities in the larger communities. Telegraph and long distance telephone service was provided by the Alaska Communications System (ACS)

operated by the United States Army Signal Service. There was a minimal system of landlines and marine cables that connected the larger towns of southeast Alaska and the Railbelt with each other and with the other states. Radiophones and telegrams were the only means of private communications for large areas in the rest of Alaska.

One of the principal aims of the state government in its first decade was to transfer the long distance telephone and telegraph system from the Army to a private company. The federal government supported this aim and intensive efforts began in 1968 to find someone to purchase the facilities of the ACS. The system at that time was summarized by the Communications Working Group of the Federal Field Committee for Development Planning in Alaska as follows: "the system is generally filled to capacity; the basic communications system throughout the state is aging and obsolescent; the White Alice system, depending largely upon tropospheric scatter for transmission across widely inaccessible terrain, is capable only of limited expansion."

As a result, the sale of the ACS to the Radio Corporation of America (RCA) in January, 1971, was conditioned upon that company providing direct dialing telephone service to 142 remote locations; and a general commitment to improve the state's telecommunications capabilities rapidly through space satellite based communications systems with quick replacement of the obsolescent and over-extended military system. A local subsidiary, RCA Alascom, was established.

By the spring of 1975, the RCA commitment had not been largely fulfilled in the state's rural areas. Furthermore, the company was continuing the expansion of expensive microwave repeater systems in the remote areas rather than utilizing the small earth station technology which had been tested in Alaska and throughout the Pacific Basin since 1971. After several months of intensive bargaining with RCA, the Legislature appropriated \$5 million for the purchase of 100 small earth stations; and the state administration negotiated an agreement with RCA whereby they would operate the small earth stations as an integral part of their telecommunications system and provide maintenance services. It appeared that the way was open to expand telephone and other telecommunications services rapidly to the remote areas of the state.

The significance of the small earth stations was that they provided the technology that made it possible and cost effective to consider expanding a total range of telecommunications services to rural Alaska. The expenses of maintaining mountaintop repeater sites by expensive helicopter trips and the expense of a system which required huge amounts of power, such as the White Alice System, could be eliminated.

The Governor's Office of Telecommunications was especially staffed with personnel who were in tune with and capable of utilizing the small earth station technology. It appeared that the time had come for a very rapid expansion of telecommunications services and, more important, the utilization of those services to deliver an entire range of education, health, and other services to rural Alaska that were impossible to think of outside of telecommunications delivery.

The Legislature approved a Television Demonstration Project in 1976 to test the feasibility of utilizing small earth stations to distribute video programming throughout Alaska. This project has been expanded to include some 60 locations to receive television via the public network. Small earth stations are also to be programmed to insure telephone service at each community over 25 in population. Thus, by November 1979, the state telecommunications network has the capability to serve almost all Alaskans by telephone and over 95 percent of the population with television. The public radio network and the commercial radio network have long since provided radio reception to almost all of the state's residents although some isolated communities are still not receiving good service because they are on the fringe of reception areas.

The problem in Alaska now is the quality, capacity, reliability, and cost of its telecommunications systems. Economic development throughout the state in oil and gas, fisheries and tourism has placed continued burdens upon the telephone system. Most communities are far past the point where service can be provided by only one telephone outlet. The need for more sophisticated services in computers and other data systems is developing rapidly. The Legislature has requested the Legislative Council to present it with a plan for a statewide educational television system by January 21, 1979.

Meanwhile, RCA Alascom has been sold to Pacific Power and Light, and the Alaska subsidiary of that company is now known simply as Alascom. The sale climaxed RCA's tortured eight year involvement in the state in which little seemed to go right in one perspective but in which there was a great deal of advancement in other areas. RCA's failure to provide rural service eclipsed its expansion of service in urban areas and the general improvement of Alaska-States telecommunications service.

Overshadowing all else, since 1976, has been the debate over long distance rates within Alaska. After securing more favorable interstate rates which enabled Alaskans, for the first time, to enjoy anything approaching parity with long distance rates in the rest of the country, RCA requested a 95 percent rate increase on intrastate rates. An interim increase of 87 percent was rejected by the Alaska Public Utilities Commission but was awarded by the courts. This means that Alaskans pay more to call from Anchorage to Juneau than from Anchorage to Seattle; and more from Bethel to Juneau than from Bethel to Washington, D.C. The rate increase has had a traumatic effect upon telephone and other telecommunications utilizations in the state at a time when social and economic development demanded a much higher level of use.

Meanwhile, the state and Alascom are trying to secure a more favorable rate of payment on separations for Alaska's interstate traffic from the Federal Communications Commission (FCC). This decision is still in abeyance awaiting action by a Joint Board of state public utility and FCC commissioners. If more payments are received from the national system (Bell) on Alaskan interstate calls it will reduce pressure for higher intrastate rates.

The Lieutenant Governor is heading a Telecommunications Working Group which is working on this issue and also working on the effectiveness of the overall system with emphasis on the small earth station performance. This group is a continuation of a policy group which was established in 1975 to negotiate the small earth station establishment and other policy items and which fell into inaction from 1976 through 1979. It is especially needed now since the elimination of the Governor's Office of Telecommunications in June 1979.

Private efforts to bring cable systems to Anchorage and Fair-

banks are rounding out the state's commercial television development in the urban areas. While more circuit capacity between Alaskan towns and between Alaska and the States is needed, it is not at present a serious problem. The next round of development could create a problem in this area if sufficient capacity is not provided on a timely basis.

Alaska's present communications problems break down into two major areas: costs, which affect both urban and rural areas, and technological capability and reliability, which are largely a rural problem.

The needs of the rural areas for telecommunications services are still largely unmet. Only commercial television is provided for most of the rural population in anything approximating a sufficiency of service. This is based upon evening programming over the statewide public operated network in the evening and for special events to both urban and rural viewers. Rural viewers can also utilize their state provided mini-TV transmitters to operate videotapes of commercial programs.

Educational television is being provided 30 hours a week to rural schools that receive the public network. This program is still too new to be evaluated for its effectiveness. It relies upon standard educational programs developed for nationwide use.

One of the principal reasons for installing the small earth station network was to provide so called life line services. The Public Health Service intended to provide a system that would reach 120 clinics in the small villages. So far, they have only been able to afford 57 stations because of the rate increases. Originally the small earth stations were to provide voice circuits only. The television demonstration preempted some of the capacity that was to be used to link together rural school systems and to meet other needs. Many applications that were originally intended are still largely unmet.

A statewide telecommunications system for Alaska should be able to provide inter-regional communications as well as statewide coverage. Therefore, the ability of regional centers to communicate by television and radio to the areas they serve via the satellite network is especially important. While most television broadcasting will continue to originate in the urban areas and will consist in the

great bulk of programming developed for a national audience, the ability to continue a reasonable amount of locally originated programming by both television and radio must not be overlooked.

At present, the minimum statewide system for connecting together the urban areas with the small communities should have at least the following capacity:

- * Two television channels — one for a mix of public affairs and commercial broadcasting — one for educational utilization. Regional centers would be able to transmit over these channels. Reception would be statewide but programming could be directed at specific regional concerns as necessary.
- * A statewide public radio channel. This would back up the present system and insure reception in the fringe areas through utilization of the satellite system. Other statewide channels could be added if the need developed.
- * Adequate telephone service — many villages now having only one line could use several. Local exchanges must yet be installed in most of the smaller communities. At present, it is impossible to use the telephone conveniently in too many places. Delays of up to two hours to get a dial tone are still consistently being reported.
- * An aviation hotline between villages and regional aviation hubs. This would enable the provision of weather reports, field information, passenger reservations and inquiries on freight and mail.
- * Continued expansion of the network for health services as originally planned.
- * A conference circuit for educational uses between the rural schools and regional centers. This could be used for statewide conferencing by connecting circuits when necessary but would be primarily used within the Rural Education Administrative Area region.
- * Data links between the villages and various computer systems to provide greater record keeping capability to all elements of

rural Alaskan society.

The above needs are based upon a rapidly increasing need for support of the primary and secondary rural schools to insure the quality of education is maintained. It will enable small faculties to reach out to the support services available at the regional and statewide level and also to communicate easily between rural schools. These concepts are already being explored by the rural school teachers and the rural based faculty members of the University of Alaska.

A range of expanded communications needs is also based upon the need for outreach services in the commercial fisheries, forest products, agriculture, and a host of other resource management applications which require local operators to be in touch quickly with those who can provide technical and management support on a continuing basis.

Local governments and village corporations will be able to secure the necessary management support to enable them to function more effectively.

Hopefully, this increase in utilizations would have some effect upon the other problem of costs. The greatest effect on costs will come if the FCC can be convinced that a maximum application of the universal service concept should be applied to Alaska as it has been to the rest of the country. In the face of the push at the national level for deregulation of telecommunications it will require a continued maximum effort by the total state community to achieve this.

Otherwise there is no way that the accumulated needs of the widely scattered 295 or so communities that need telecommunications service in Alaska can be met by bearing their own costs. There are several ways in which costs can be kept to a reasonable level. Subsidy from the general fund is one method. Another is to spread telecommunications costs across the entire state through treating Alaska as a single toll area for telephone service. This would create an increase in monthly fixed rates in the urban and rural areas but would eliminate instate long distance costs for everyone. Expansion of the size of toll areas throughout the state is another variation which could be considered.

The most important factor in the future of Alaska is for its people to be able to act as a single social unit as citizens of the State of Alaska, while retaining the rich cultural and regional diversity that is one of the state's great strengths at the moment. Cultural and regional diversities must be treated as assets, not as barriers to social and economic communication. In order for this to happen on a continuing basis the various regions of the state must be familiar, each to the other, and their mutual problems and concerns well understood. Telecommunications in all of its facets is the principal means by which the state can be bound together, urban and rural, Native and non-Native, technician and subsistence user, into a strong polity that can confront the continued demands that will be made upon Alaska by the rest of the United States and the world.

Biographical Sketch

Walter B. Parker has been involved in telecommunications in Alaska since he arrived in 1946 as a radio operator for the Civil Aeronautics Administration. He spent nine years at Lake Minchumina at an isolated airways communications station and then moved to Anchorage as an air traffic controller, training officer, planning officer and other posts with the Federal Aviation Administration in Alaska and Washington, D.C. In 1970 he joined the Federal Field Committee for Development Planning in Alaska where he was involved with developing background material for the sale of the Alaska Communications System to the Radio Corporation of America. After the Committee was dissolved in 1971 he consulted in telecommunications with the State of Alaska serving as the evaluator of the ATS-1 Satellite Educational Broadcasting Experiment for the period 1971-74, helping write the proposal for the ATS-6 Satellite Broadcasting Experiment in 1973 and preparing an inventory of Alaska's communications systems in 1973. In 1975-76 he served as chairman of Governor Hammond's Working Group on Telecommunications where the legislation authorizing the first 100 small earth stations was developed and where major policy decisions between RCA Alascom and the State of Alaska were worked out. In 1979 he was again active in telecommunications helping the Alaska Federation of Natives, the Rural Community Action Program and Alaska Legal Services develop comprehensive testimony for the Federal Communications Commission hearings in Alaska. He also assisted the Alaska Senate Interim Committee on Telecommunications in developing their testimony before the Commission. He is now working for the University of Alaska on a needs assessment and system design for a statewide system for educational telecommunications.

HEALTH AND SOCIAL SERVICES NEEDS AND STRATEGIES IN THE 80's

Frederick P. McGinnis

SUMMARY OF RECOMMENDATIONS

The following recommendations are inherent and stated within the paper entitled "Health and Social Services: Needs and Strategies in the 1980's." It is recommended that consideration be given by the legislative and executive branches of government for implementation during the early years of the 1980 decade.

1. Public policy in Alaska as developed by the legislative and executive branches of government should shift priority as far as possible from the curative and treatment approach to health promotion, health education disease prevention.
2. Cost containment for all health care purchased by government should be undertaken with a minimum goal that payment and fees for services should not be allowable beyond the increases in the Consumer Price Index for the region concerned.
3. That to the extent allowable by present law and reasonable amendments thereto, health and social services delivery programs should be vested in local government and in private non-profit corporations with mutually agreeable funding provided by federal and state governments.
4. Revenue sharing funds made available by the state government for health services and health facilities should be made available to local governments with the local governments determining the priorities for usage of the funds whether for services, institutions or facilities.
5. That public policy in Alaska include studies leading toward the possible revision of all direct service health expenditures with the emerging possibility of opting out of the Medicaid program, the development of a unique and comprehensive Alaska health insurance program, or other innovative improved methods for assisting Alaskans in meeting medical costs.
6. Immediate attention should be given to an improved catastrophic illness program to bring relief to low- and middle-income wage earners otherwise ineligible for federal and state assistance, including an improved Catastrophic Illness Program for consideration of coverage under Medicaid of the "medically needy" provided financial impact statements are deemed to be within acceptable ranges.
7. The State should consider a revised plan of reimbursement for physician services and hospitals whether or not the Medicaid program is continued or dropped, including strong emphasis on the free enterprise, competitive systems and that as a quid pro quo the free market forces be rigidly enforced as demanded in other fields of endeavor.
8. Since disease prevention is cheaper than cure and treatment, Alaska should single out several diseases which contribute unduly to the pain and suffering of citizens and lay heavy claims on public funds. Singled out for earliest attention should be: tuberculosis, otitis media, alcoholism and drug abuse, accident prevention, venereal disease.
9. Alternatives to expensive institutional health care (hospitals, nursing homes, residential centers) should be sought including pilot programs in home health care with services available not only from nurses but also doctors for in-home assistance.
10. Financial obligations for emergency response systems should be a shared responsibility between the state and local governments with special provision for communities with low population and tax base.
11. Since all forms of accidents are responsible for the highest percentage of Alaska deaths and a major portion of health care dollar expenditures, special massive attention should be given to the fundamental causes of those accidents and the relation-

ship inere to other social and health phenomena, and that a bold program of education and prevention be developed.

12. All third-party insurance payment mechanisms for health care in Alaska should be required to cover mental illness services in much the same way as they cover physical illness at the present time.
13. Legislative and executive branch decisions should be directed toward more extensive utilization and funding of the community mental health centers; several small regional juvenile residential facilities should be provided for mentally disturbed juveniles; an extensive review of the programs of the Alaska Psychiatric Institute and the Harborview Developmental Center should be instituted in order that their future roles may be determined consistent with changing patterns in delivery of mental health services.
14. That the legislative and executive branches provide for detailed analyses regarding the financial impact of improving the current payment level of \$120.54 per month per recipient under the Aid to Families with Dependent Children Program. (Under AFDC, the monthly payment for mother and child is \$350, versus \$608 for two persons under the Supplemental Security Income programs.)
15. Since \$80 per month per person for certain needy persons in the state is not sufficient to deal realistically with those eligible, a detailed study should be provided to determine the future structure and coverages under the General Relief and General Relief Medical Programs.
16. The legislative and executive branches of government should attempt to influence more strongly the federal Office of Management and Budget in order to adjust the official poverty guidelines for Alaska to bring it in line with financial realities and remove the current discrimination against Alaska's needy made possible by the policies of the federal Office of Management and Budget.
17. That the legislative and executive branches provide for an updated, comprehensive study of the status of Alaska's elderly population, with special emphasis on the adequacies of the financial assistance provided to elderly eligibles, and

with special review of the effects of inflation on the fixed income of retired persons.

18. The legislative and executive branches of government in Alaska have recently provided for a comprehensive **Corrections Master Plan for Alaska**. Those portions of the Plan deemed to be acceptable should be strongly supported by the legislative and executive branches in order to improve both facilities and services in urban and rural areas of Alaska.
19. Limited and new programs such as Treatment Alternatives to Street Crime and New Start Center have demonstrated efficiency and adequate rate of success in assisting in the continuing rehabilitation of ex-offenders. It is in the interest of every citizen of Alaska that such ex-offenders be assisted in developing new life patterns free of crime and deserve adequate staff and financial support to assist in that goal.
20. Even though public assistance in the form of money transfer payment programs and social services based on counseling do not have the same goals, human service centers in various communities throughout the state should be co-located in order to serve citizens in a more efficient manner. (Report: Page 57)
21. Since Alaska does not operate any social service child care institutions and only one correctional juvenile institution, revisions should be made in the "purchase of services" statutes by amendment in order to fund those privately operated programs giving care to juveniles whose care has been made a state responsibility more nearly on the basis of **actual full cost of care**. (Report: Page 58)
22. The legislative and executive branches of government should make provisions whereby a reasonable percentage (approximately 1%) of the human services budgets of the state could be utilized by the executive agencies for research and evaluation purposes in order that full data may be available and proper evaluations made to place sound statistical and programmatic bases under all expenditures in the field of human services.

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Appendix No. 1 - Three Approaches to National Health Insurance

Acknowledgements

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Health Care Financing

The rapid growth in medical care prices and expenditures is of increasing concern at the national and state level. Various factors contribute to the increasing cost of medical care including: increasing demand for health services; an expansion of government financing; new methods of financing, including a steady growth of health insurance and other third party payers; scientific and technological advances, including advanced medical equipment; and extraordinarily large increases in health care prices. Third party payers now cover more than two-thirds of the total personal health care expenditures and more than nine-tenths of hospital expenditures nationally. The decrease in direct payment for health care and payment for that care through third-party reimbursement may well have some effect on increases in consumer demand for health care services.

The cost of providing medical and behavioral health treatment or rehabilitation in response to ailments that could be prevented is also an important health care cost issue. Perhaps the most effective component of a cost containment approach is the early prevention of disease and the promotion of a healthy environment and lifestyle. Unfortunately, information regarding the cost of

"preventable" illnesses or estimates of the amount of health dollars saved through promotion efforts is not currently available.

Consumer Price Index (CPI): As a summary indicator, the medical care component of the Anchorage consumer price index reflected an 87% increase between 1969 and 1977 while the index of all items in the economy rose 65%. By comparison, the U.S. average CPI for medical care rose by 65% during the same period. While the Anchorage consumer price index for all items combined is consistently lower than the U.S. average, the Anchorage CPI for medical care has been higher than the U.S. average since 1975.

State Government

The Alaska State Division of Public Health includes the sections of Nursing, Communicable Disease Control, Environmental Health, Laboratories, Family Health, and Emergency Medical Services. The Director's Office includes over-all administration and the Health Education Unit. Actual expenditures for the Division of Public Health in FY 78 totaled \$12,700 of which 81% was state general funds.

The Division of Mental Health and Development Disabilities administers a regional mental health clinic in Juneau and funds community mental health clinics throughout the state. The Division also administers the Harborview (developmental disabilities) and Alaska Psychiatric Institute inpatient facilities.

The actual expenditures for Alaska Psychiatric Institute totaled \$6,788,600 during FY 78. The 150 bed facility (beds currently in use) averaged an 82% occupancy during FY 78 and an average length of stay of 4.6 days. The total patient days of care provided by the facility was 44,906 for 972 admissions. The total expenditures for Harborview during FY 78 were \$4,420,200. The average daily census was 105.

The FY 78 budget for 17 community and regional mental health centers totaled \$4,330,600 including state mental health grant awards plus funds received from other sources. The Division of Mental Health awarded \$1,551,273 in community mental health grants and the programs acquired \$2,196,100 from other sources including fees for services. The Juneau and Fairbanks regional mental health clinics received \$586,200 in state funding. Admissions to community/regional mental health programs totaled 3,121 in FY 78.

The budget for 27 alcohol programs totaled \$4,918,960 for FY 78. \$2,223,767 in state general funds and \$161,832 in federal funds were awarded by the State Office of Alcohol and Drug Abuse (total \$2,385,599). The programs acquired an additional \$1,533,361 from local sources, reimbursement and direct federal grants. The alcohol programs provided 6,118 treatment episodes to an unduplicated total of 4,234 clients during 1978.

Total revenue for 11 drug abuse programs (6 treatment programs and five prevention programs for youth) totaled \$1,300,817 during FY 78. The State Office of Alcoholism and Drug Abuse awarded \$954,572 (\$610,000 state general fund, \$344,572 federal funds). The six treatment programs which report client data admitted 188 clients during FY 78.

Actual expenditures for Alaska Pioneers Homes totaled \$8,392,900 during FY 78 and additional \$116,500 for administration and board support. The 1980 Free Conference Committee Operating Budget for Pioneers Home is \$10,800,400. This funding includes \$2,498,300 for the Sitka Pioneers Home; \$2,516,000 for Fairbanks; \$2,205,400 for Palmer; \$809,900 for Kotzebue; \$2,625,400 for Anchorage; and \$145,400 for the Central Office.

Hospital Expenses

The cost of general acute care hospital services is of particular concern because of the rate of increase in hospital costs as well as the fact that a large part of the total health care costs are for hospital care. Hospital service charges comprise nearly 40% of the total health care dollar of the U.S. Consumer Price Index. Among hospital services, the most substantial increases were for semi-private room charges and operating room charges. The cost of a semi-private room rose 211% between 1969 and 1976 nationally, and physicians' fee rose 92%. This compares to an increase in the entire CPI of 71%.

Certainly the occupancy rate, the length of hospital stay of the patients and the size of the hospital are important considerations in relation to hospital costs. Hospitals have fixed costs which occur whether the hospital is full or empty. The average percent occupancy for private and local government hospitals in Alaska is

59.5% (1978) considerably lower than the 73.6% (1977) nationally. Moreover, the length of stay is brief at approximately 5.5 days in 1978 (4.8 for acute beds only) compared to 7.6 days nationwide (1977).

Total Hospital expenditures for Alaskan hospital in FY 78 totaled \$73,040,846. The total cost for inpatient acute care in Alaska averaged \$316 per patient day during FY 78. Statistics for 1976 from the Health Insurance Institute report an average cost per patient day for Alaskan hospitals of \$276.50. This was the highest cost per day of any state in the nation and 60% higher than the U.S. average of \$172.70 per patient day.

Alaska Area Native Health Service

The Alaska Area Native Health Service (AANHS) provides health care to Alaska Natives and their dependents. Primary care to the villages is provided through the community health aides and itinerant physicians. Inpatient care and outpatient care are provided at the AANHS-IHS hospitals: Mt. Edgecumbe Hospital (82 beds); Alaska Native Medical Center, Anchorage (170 beds); Kanakanek Hospital (29 beds); Bethel Hospital (42 beds); Kotzebue Hospital (40 beds); Barrow Hospital (14 beds); and Tanana Hospital (20 beds). Outpatient care is also provided at AANHS health centers. Additional health services are available to program eligibles through contracts with private physicians, hospitals and other health entities. Contractual services are limited by budgetary constraints.

AANHS budget for operations and buildings for FY 1978 was \$86,197,563. The Alaska Area Native Health Services estimates that the Alaska Native population totals 65,857 for FY 1978. Information is not available regarding the number of Alaska Natives who are also covered under some type of third party health program. However, it is estimated that 2,620 Alaska Natives are over 65 years of age and eligible for Medicare (1978) and in 1976 7,189 Alaska Natives were receiving Public Assistance Payments and therefore were eligible for Medicaid.

Alaska Area Native Health Service is also a major source of funding for the Regional Health Corporations.

Active Military; Dependents and Retirees; Alaska Veterans

Military hospitals and clinics are located on major military bases in Alaska in order to provide health services to the resident military population through the Uniformed Services Health Benefits Program (USHBP). Inpatient health care is available for the military population at the following facilities: Elmendorf USAF Hospital, Anchorage (125 beds); Kodiak U.S. Coast Guard Dispensary (25 beds); Navy Medical Center, Bremerton-Adak (15 beds); and Bassett Army Hospital, Fairbanks (85 beds). The Alaska Department of Labor estimates that the active military population totaled 24,984 in 1977.

The Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) is a supplementary health insurance plan that covers military retirees and dependents. The reimbursement ranges from 75% to 80% on specified medical care. The number of military dependents and retirees in Alaska was estimated at 55,000 in 1975.

Alaskan Veterans with an honorable discharge are eligible for medical benefits for services connected health problems and for other health care that is authorized in advance by the Veterans Administration. Of the 54,000 veterans in Alaska, it is estimated that only 5 - 10% (2,700 - 5,400 Alaskans) utilize the V.A. medical benefits.



Revenue Sharing

The Alaska Revenue Sharing program is administered by the Department of Community and Regional Affairs. Revenue sharing entitlements for health care totaled \$5.7 million for FY 79. The amount of financial support is determined based upon the rates identified in the tables below.

FY 79 Rates Used To Compute Grant Entitlements Under The State Aid To Local Governments Municipal Services Revenue Sharing Program

Municipal Services	Rates	
Health Services	\$2 per capita	
Hospitals	\$75,000 per hospital* 25,000 per hospital** 1,000 per hospital***	
Health Facilities	\$ 4,000 per facility 1,000 per bed	
Construction Aid	\$ 2,500 per bed 5% of construction cost (whichever is greater)	
*Over 10 beds	**Under 10 beds	***75 + beds

Grant Entitlements By Classification of Municipal Services

	Applicants Participating	Approved Entitlements
Health Services	12	\$ 564,328
Hospitals	14	1,522,000
Health Facilities	78	1,098,000
Construction Aid		
Matching Funds	4	2,501,769
		5,686,097

Third Party Health Coverage

A third-party payer includes any organization, public or private, that pays or insures health or medical expenses on behalf of beneficiaries or recipients (e.g., Blue Cross and Shield, commercial insurance companies, Medicare and Medicaid). The individual generally pays a premium for such coverage in all private and some public programs. The organization then pay bills on his behalf; such payments are called third-party payments and are distinguished by the separation between the individual receiving the service (the first party), the individual or institution providing it (the second party) and the organization paying for it (the third party).

It is difficult to identify the extent of third-party coverage for Alaskans; to identify those that may not be protected by any program or those that may not have coverage adequate to fulfill their needs. Perhaps the most appropriate method of identifying those Alaskans without coverage or without adequate coverage are: 1) through a survey of individuals regarding health coverage, and/or 2) from a search of hospital and other health care billings that were paid "out of pocket" by the individual.

A random survey prepared in 1974/75 by Comprehensive Health Planning of Anchorage reported that 79.9% of the sample had third-party coverage of some sort, and 20.1% had no such coverage. The same survey conducted through the Regional Medical Program among residents of the Kodiak Island Borough resulted in 92.6% of the respondents reporting that they had third-party coverage, while 7.4% had none. These figures change significantly when applied to the non-Native, non-military population alone. In this perspective, over 25% of the Anchorage sample and over 20% of the Kodiak Island non-Native, non-military sample responded as having no health coverage. If these percentages (20% - 25%) can be applied statewide, it would result in an estimate of 56,000 to 71,000 Alaskans lacking any third-party health coverage.

If the estimates of Alaskans protected by each type of third-party coverage or non-fee services are added together, the total comes to 458,305 or more than the current estimate of the resident population (411,211 in 1977). This highlights the fact that there is considerable double coverage within the state such as individuals and their dependents covered by Blue Cross who are also eligible

for the CHAMPUS program, Alaska Natives eligible for services by Alaska Area Native Health Services who are also covered by private health insurance, and families with more than one member subscribing to coverage that protects all dependents.

This is certainly NOT to say that all Alaskans are protected by some type of health coverage. Unfortunately, information regarding the number of persons covered by each program will not produce an estimate of who is without coverage. To accomplish this, it would be necessary to identify all those with more than one type of coverage (both subscribers/enrollees and dependents).

Estimated Alaskan Population Protected By Specific Health Coverage Programs

Private Health Insurance & Blue Cross	263,000
Teamster Employee Welfare Trust/ Alaska Health Plan	25,200
Alaska Area Indian Health Services	
Alaska Natives	65,857
CHAMPUS & USHBP	
Active Military	24,984
Military Dependents & Retirees	55,000
Medicare Enrollees	9,818
Medicaid Participants (not all eligibles)	
Medicaid Participants (not all eligibles)	11,815
General Relief Medical Program Participants	2,631
Catastrophic Relief Health Insurance Program	*
Veterans Administration	**

*Catastrophic Health Insurance Program is available to all Alaskans meeting criteria specified in regulations

**The V.A. pays for health care that is related to prior military service

Private Health Insurance

The major source of third-party coverage is through private health insurance and the Blue Cross Plan. Although Blue Cross is considered a hospital/medical service corporation rather than a health insurance company, it is included in these discussions and in the data from the National Health Insurance Institute.

There is considerable variation in the services covered by different types of health insurance policies. Types of coverage include hospital expense, surgical expense, regular medical expense and major medical expense.

The National Health Insurance Institute estimates that 263,000 Alaskans under 65 years of age were covered by some types of health insurance as of *December 31, 1976*. The number by type of coverage is indicated below.

Private Health Insurance and Blue Cross

Number of Persons in Alaska Under Age 65 Protected by Hospital Surgical, Regular Medical and Major Medical Expense Coverage

December 31, 1976

Hospital Expense	263,000
Surgical Expense	246,000
Regular Medical Expense	248,000
Major Medical Expense	146,000

Note: The data refer to the net total of people protected, i.e., duplication among persons protected by more than one kind of insuring organization or more than one insurance company policy providing the same type of coverage has been eliminated. The estimated distribution by states reflects coverage by residence rather than employment. "Major Medical Expense" data refer to people covered by insurance companies only.

Sources: Health Insurance Association of America, Blue Cross Association, National Association of Blue Shield Plans, and the U. S. Department of Health, Education and Welfare.

The total dollar figure in premiums written for Alaskans was over \$84 million during 1977. The amount of premiums written compared to losses incurred are summarized below. The total dollar figures of direct premiums written during 1977 by the 20 leading vendors in Alaska are identified in the following figure. These figures are accessed through the individual insurance companies' annual reports and aggregated by the Division of Insurance.

1977 Total Accident & Health Insurance Financial Data For Alaska

	Premiums Written	Losses Incurred
TOTAL	\$84,822,000*	\$63,158,343
Blue Cross	32,483,000*	29,380,307
Other Group	45,377,811	36,661,724
Credit	1,641,059	651,917
All Other	3,650,859	1,464,395
(Additional Figures)	1,669,000	

* Some figures rounded to nearest thousand due to available information. Source: Alaska State Division of Insurance; from Annual Reports by each insurance company (home headquarters).

Total health insurance premiums written in Alaska in 1977 amounted to \$84,822,000 by 301 companies.

Medicare

Medicare is a health insurance program administered by the federal government for the aged (Title 18 of the Social Security Act of 1965). Medicare coverage was extended in 1974 to also include disabled persons and persons with chronic kidney disease. Part A, Medicare coverage provides insurance for hospital care, post-hospital extended care and home health benefits. Part B, available on a voluntary basis with the payment of monthly premiums,

provides medical insurance that covers not only care by physicians but also hospital outpatient services, physical therapy, diagnostic x-rays, ambulance services, etc.

By 1972, more than 95% of the U.S. population aged 65 and older were covered by Part A of Medicare. However, because of Medicare's deductibles and co-insurance provisions, and because of gaps in Medicare coverage, more than half of the Americans over 65 are buying private insurance to supplement Medicare. Medicare paid less than 35% of the total health bill to those over 65 during 1975.

Medicare expenditures for Alaska totaled over \$7 million in 1976. Total Medicare expenditures rose by 54.9% between 1974 and 1976 for Alaska compared to 46.5% nationally. The Hospital Insurance Component (Part A) rose by 54.7% in Alaska and 45.1% nationally. The Supplementary Medical Insurance component (Part B) rose by a full 55.3% for Alaska compared to 50.1% nationally. During 1976, 9,818 Alaskans were enrolled in the Medicare program, including 8,653 persons age 65 and over, 1,165 disability beneficiaries, and 31 individuals with chronic kidney disease.

Medicaid and General Relief Medical

Persons eligible for the cash assistance payments (public assistance) under the categorical assistance programs (Old Age Assistance, Aid to the Blind, Aid to the Disabled, and Aid to Families with Dependent Children) are eligible for Medicaid coverage of health care costs. Additional eligibility criteria for Medicaid exists for persons in nursing facilities and children in foster care or juvenile care situations. Medicaid is a state administered medical assistance program funded by both federal and state sources (50% federal and 50% state).

General Relief Medical coverage is available for persons having no prior medical care resources and who meet financial eligibility requirements for the assistance programs listed above, but do not meet other qualifications for Medicaid coverage (under 65, both parents in the home are physically able to work, not blind or disabled under federal definition). General Relief Medical (GRM) provides coverage for some medical services and supplies not covered under Medicaid such as prescription drugs, prosthetic devices and medical equipment. GRM is administered by the state and totally funded.

Medicaid expenditures have grown tremendously as a result of population growth, inflation, increased availability of services, rising cost of services and increased utilization of federal revenues for medical programs. The following figures show that Medicaid expenditures have grown 300% between 1973 and 1977.

Medicaid General Relief Medical Expenditures

Fiscal Year	Medicaid Expenditures	GR Med Expenditures	Administration and Support
1973	\$ 4,447,219	\$ 3,675,277	\$ 481,890
1974	7,876,759	2,607,112	631,129
1975	9,309,702	2,358,080	\$ 481,890
1976	14,328,201	2,881,213	631,129
1977	18,608,568	3,743,128	722,778
1978 1/	25,915,719	6,213,100	1,065,056
1979 2/	38,811,695	6,769,100	1,253,002
			1,346,800
			1,423,950

1/ Projected expenditures

2/ Total of budget request including supplemental requests
- includes \$6,422,300 for Indian Health Care Improvement Act billings by ANHS; this is 100% federal funds.

Source: Medicaid Annual Status Report FY 77, State of Alaska, Dept. Health and Social Services, Division of Public Assistance.

Medicaid

Historical Perspective:

Alaska entered the Medicaid Program in 1972 with eight basic services. Since that time, the State has continued to add additional services. The program is jointly federal and state operated.

Medicaid currently provides medical services to approximately 20,000 persons at an approximate cost of \$38,000,000 for FY 1980.

Other agencies involved in health care delivery to this group include the Alaska Area Native Health Service, Alaska Division of Public Health, Alaska Division of Vocational Rehabilitation and private carriers to some extent. The major issue in this area is whether Medicaid adequately meets the medical needs of all persons not otherwise covered for medical needs, and whether the State should consider replacing Medicaid with a more cost-effective medical program reaching more people.

Current Status:

The issue is being explored by the Department at the present time. It is known that some persons below the current Alaska poverty level are not presently eligible for needed medical services. Further, the present mix of federal and state funded medical services continues to drain heavily on available state revenues.

Directions

- a) Consideration should be given to the cost-effectiveness of implementing the medically-needy option in the Medicaid Program. This might offer coverage to a greater number of Alaskans within an affordable increase in State expense.
- b) Consideration should be given to expanding coverage for catastrophic illnesses; of particular concern is those persons who are unable to purchase long-term care coverage in nursing homes from their own personal funds due to the tremendous cost.

- c) Consideration should be given to broadening the range of services available to prevent premature institutionalization in long-term care facilities. Services needed by not presently offered include personal care in the home, and residential care.

Catastrophic Illness Coverage

The State of Alaska initiated the Catastrophic Illness Program in July 1976 to assist individuals that have suffered an illness that results in high medical expenses. The program applies to medical bills related to catastrophic illness of more than \$1,000 in a period not to exceed 12 months after all sources of third-party payment have been exhausted. An applicant must be a resident of the state of Alaska at the time of the application and must have been a resident at the time of the catastrophic illness.

The Catastrophic Illness Committee, which administers the Program, determines the eligibility of applications and the amount of medical assistance to be awarded. The Committee applies a formula for determining the amount of payment based upon family income and assets, and the amount of medical expenses incurred. The total budget for the Catastrophic Illness Program for FY 1979 is \$514,000. The number of applications for catastrophic illness coverage which can be approved is therefore restricted by the appropriate budget. The program granted financial aid to over 80 persons during FY 1978 and the number of applicants is increasing steadily.

Violent Crimes Compensation

Alaska Statute 18.67, establishing a Violent Crimes Compensation Board, was adopted by the State Legislature in 1972. Its purpose was to alleviate the financial hardships caused by crime-related medical expenses or loss of income sustained by innocent victims of violent crimes in Alaska. Additionally, it provides for the payment of pecuniary loss to dependents of deceased victims to mitigate the loss of a loved one. The maximum award allowable per victim per incident is \$25,000; except in the case of the death of a victim who has numerous eligible dependents, for which the maximum allowable is \$40,000.

The growth in the awareness of Violent Crimes Compensation has resulted in an increase in the number of applications received.

Alaska and National Health Insurance

From time to time, as many as ten or twelve measures have been introduced simultaneously in the United States Congress proposing a variety of national health insurance programs. For a number of years, Alaska health leaders have been concerned with regard to the fragmentation of health delivery systems within Alaska as well as the escalating costs for all health services in the state. Delays have been encountered in active planning for an improved financing system for Alaska health programs because of the prospect of a national health insurance program being enacted by the federal Congress. Numerous discussions continue to go forward with regard to a national health insurance program for the entire United States. It now appears that the enactment of and implementation of such a plan are receding further and further into the future. Three of the more popular approaches to national health insurance have been those which have been introduced into the federal Congress by President Carter, Senator Edward Kennedy and Senator Russell Long. Appendix Number One at the end of this document outlines the "Three Approaches to National Health Insurance" as set forth by these national leaders. The topics covered in the table include coverage, benefits, administration, financing costs, cost controls and timing for implementation of the respective plans.

There are several reasons why Alaska should consider developing, as rapidly as good planning will permit, a model health system for all the citizens of our state. With our extremely small population and with the numerous extensive health delivery plans in place already, it would seem that Alaska could adjust its present programs and add thereto in order to create a truly comprehensive and effective health system for Alaska. It will take bold, creative and extensive work to develop such a system.

Governor Jay S. Hammond, Lieutenant Governor Terry Miller, and the Commissioner of the Department of Health and Social Services, Helen D. Beirne, have expressed strong support for a revised and improved model health plan for Alaska. The Department of Health and Social Services leaders are taking certain initiatives at the

present time in order to explore further the possibilities of changes within the present systems. In due course, numerous parties within the government and in the private sector will be invited to participate in the creation of a new health services financing system, as far as outlays of the state government are involved or will be involved in the future.

Recommendations:

- 1) It is recommended that the health planning organizations in the state, as well as the health agencies and providers in the state, embark on a joint program to make reasonable efforts at cost containment of health services. A detailed examination should be made for the reasons of the dramatic increases in hospital charges to patients and third-party payers, as well as the escalation in rates of physician fees, prescription drugs, and nursing home rates. Efforts at cost containment, while notable, have not been effective to any substantial degree. Ceilings proposed from time to time applied to specific parts of the health care system do not appear to be equitable since all of the goods and services related to the delivery of health care have not been proposed for inclusion in the cost ceilings. One of the more urgent matters facing Alaskans, as well as the citizens of other states, is the rapid escalation of health service costs. Detailed attention should be given to any cost of a health service in the State of Alaska which begins to exceed approximately 60% over and above what the average for such cost would be elsewhere in the nation.
- 2) The Alaska Revenue Sharing Program provided by Alaska Statutes, as it relates to health services, hospitals, health facilities and construction aid, should be reviewed with the possibility of major revisions in order to create a more equitable revenue sharing basis as related to other municipal services. In some communities in Alaska where the local government is responsible for the operation of hospitals, the generous revenue sharing dollars flowing to those hospitals seem to be well justified. In some of the urban areas, in cases where hospital income dramatically is excessive over operational expenditures, an adjustment may be found to be in order. In those cases, the local government should have the freedom to utilize the revenue sharing dollars for those health services deemed to be the local government's priorities for expenditures.

- 3) A detailed study should be undertaken in Alaska of the 458,305 third-party coverages when projected on a population base of 411,211 in 1977. The cost benefit ration of the double coverages should be examined in some length in some depth. At the same time, data seem to reveal that numerous Alaskans are not covered by any third-party coverage or non-fee for service program at all. Scientific research and detailed studies which may be undertaken with regard to the possibility of a model health system for the state could include the study recommended herein.
- 4) That a detailed review be made of the medicaid eligibles, medicaid coverages and medicaid expenditures in an effort to determine whether or not Alaska wishes to continue the escalation of covered groups, covered services and financial outlays experienced from 1973 to 1979. From a basic coverage of eight services in 1973, the coverage services have gone to 17 services. Minor changes in covered groups have been made by federal and state laws since 1973 and the initially covered groups have contributed substantially to the increase in financial outlays.
- 5) In the event studies are undertaken with regard to the covered services and the covered eligible groups under medicaid, consideration is recommended with regard to the cost effectiveness of implementing the "medically needy option" under the medicaid program. If Alaska is going to improve health financing assistance to the medically needy, if provided under the medicaid program, the federal government would match all expenditures on the basis of 50% federal and 50% state funds.
- 6) Regardless of what may develop in the near term with regard to other changes in medicaid, general relief medical coverage or under a model health system, immediate attention should be given to expanding coverage for catastrophic illnesses for Alaskans. This could be accomplished with an amendment to the present catastrophic statute, as well as additional appropriations for the catastrophic illness program. The design of any amended catastrophic illness program should be undertaken in such a way as to fit in with the state's goal of a comprehensive revision of its health financing plans.
- 7) That immediate detail and urgent study be continued with regard to broadening the range of services to prevent premature institutionalization in long-term care facilities and more appropriate placements for some who may at present be institutionalized in nursing homes.
- 8) That the State of Alaska move ahead as rapidly as good planning will permit to develop a model health services financing program geared to the needs of Alaskans, whether or not such a revised program includes the federal medicaid program. In the event it is not possible for the State to carry out an extensive study and mature plans to revise its present financing programs for medical assistance, as a minimum it is recommended that the State consider dropping the medicaid program and rebuild a program with the State's current 50% of medicaid dollars furnished to the State, combined with the State's general relief medical funds, and thereby render services to the limit of funds available to a revised group of eligibles based on new priorities.
- 9) That the State consider a revised plan of reimbursement for physician services and hospitals in the early part of the 1980's, whether or not the medicaid program remains or is dropped. Strong emphasis should be placed then upon the free enterprise and competitive systems in order for the market forces to be generally operable in the health care field as is demanded in all other fields of endeavor.

PUBLIC HEALTH

Historical Perspective:

In territorial days and the earlier years of statehood, major concern of public agencies responsible for health services centered on communicable diseases such as tuberculosis and measles and on high infant mortality rates. Other problems such as accidents and chronic conditions including otitis media were also prevalent. For most of these conditions, incidence and prevalence were higher in rural areas and among Natives.

Provision of health services was made difficult by the small and scattered population, poor transportation, a scarcity of health care providers and a lack of adequate technology for dealing with problems.

Current Status:

Most communicable diseases are being held in check by continuing efforts at immunization, surveillance, education and early treatment. For example, new cases of tuberculosis have declined from about 380 cases/100,000 population in 1950 to about 25 in 1977. However, this rate is higher than the U. S. rate and a slightly increasing number of new cases has been noted over the past few years. Similarly, infant mortality rates have declined from about 50/1000 live births in 1950 to approximately 14 in 1977. Rates for the Native people remain somewhat higher than those for the remainder of the population. As deaths due to infections decline, further reduction in infant mortality will depend on solving the problems of prematurity, congenital conditions, etc., and assuring high quality prenatal care and education.

Tuberculosis in Alaska: Special Consideration

It is perhaps ironical that tuberculosis, which was so significant in the history of Alaska and which was considered by many observers in the 1960's to be no longer a problem, continues to be a significant health hazard.

Today's significant markers include:

- 1) A population over 40 which, in the Native population, the majority have been infected with tuberculosis and a population under 30 by-and-large non-infected—a younger population, then, that is susceptible to infection.
- 2) Physicians and public health nurses of a younger generation who have had minimal orientation and training in the disease, tuberculosis, or in its public health management.
- 3) A population which has advanced beyond a period of concern and anxiety about tuberculosis and frequently lacks commitment or compulsion to accept treatment of the disease.
- 4) In 1979, some increasing evidence that more people previously non-infected with tuberculosis germs are becoming infected (an increase in tuberculin converters in the school population).

We are at an important crossroads. The State probably is the most important agency in determining whether tuberculosis will experience a resurgence in Alaska or whether the disease will con-

tinue to be appropriately treated, new infections kept to a minimum, and the disease ultimately disappear. Successful treatment of this disease requires medication compliance during an extended treatment program. It depends on knowing where the patients are, a health person who has a major responsibility for making sure the patients are followed and that they take their medications, and if they are unable to take their medication, that a direct administration program is in operation. While any knowledgeable physician may diagnose and prescribe appropriate treatment of tuberculosis, the successful conclusion of treatment necessitates continual reinforcement for the patient taking medication. The present Health Center/Itinerant Public Health Nurse concept with a major priority designated by the State would seem to be the most effective method of implementing these requirements.

A major gap at present has been the inability to ensure compliance in the treatment of infectious disease. A statute to provide some "muscle" in protecting the population of Alaska from becoming infected with tuberculosis by irresponsible persons with active disease is necessary. Continued orientation of physicians, public health nurses, and patients is important. The tools to eliminate tuberculosis are available. Society must look at the consequences of not using these tools. Hopefully, the decision will be that elimination of this disease is a worthwhile goal.

Other problems have not approached resolution. The death rate from accidents in 1977 was twice the rate elsewhere in the country and accidents were the leading cause of death for every age group from one through 44 years. Alcohol abuse and mental illness are major problems. Alaska's rate for gonorrhea is more than **twice** the national rate. The incidence of food and water borne diseases such as hepatitis, botulism, trichinosis, shigella and salmonella is also higher than elsewhere in the country. Heart disease and hypertension are the second leading causes of death in the state. While rates are lower than in the other states, this is due to the relative youth of the Alaskan population. Rates will undoubtedly increase if more older people tend to remain in the state.

The state's public health system concentrates primarily on prevention. With the current patterns of illnesses, prevention consists of education, services such as immunization to avert certain illnesses, early detection of abnormalities and prompt referral for treatment to minimize disability or restore function. The state maintains 34 health centers in communities and employs itinerant

public health nurses to visit smaller communities three to six times per year to provide preventive services. Sanitarians in fixed and itinerant positions work to minimize food borne illness and to maintain a healthful environment. A system is in place for the detection of communicable disease and to institute control measures when outbreaks occur. The Municipality of Anchorage provides most preventive services to its citizens through its Department of Health and Environmental Protection.

Other Perspectives:

The provision of curative services is largely the responsibility of the private sector for the general population and of the Alaska Area Native Health Service and the military health care system for specially defined population groups. The availability of health care has greatly improved, although specialty care, with a relatively few exceptions, is confined to the larger population centers. In remote villages, the development of the Community Health Aide program by the Native Health Service and its sponsorship by Native Health Corporations have done a great deal to make at least some level of primary care of acute illness available.

A community based system of emergency health care services, coordinated by the state and by regional councils, is improving the immediate pre-hospital care available to victims of accidents and other acute emergencies such as coronary attacks.

Rapidly increasing costs of health care are a source of concern for both individuals and society in general and the rate of increase in Alaska is higher than the national rate.

Directions:

1. Disease prevention in many cases is cheaper than cure. Many causes of illness and deaths in the state are preventable but prevention requires an active self-motivation by the individual citizen. Examples include accidents, certain types of cancer, certain complications of pregnancy, alcoholism, etc. Active programs of education for health and an optimal level of functioning which stress self-responsibility for health maintenance should be undertaken by the state, communities (particularly through local school systems), agencies and organizations such as Native Health Corporations, etc. Financing may be required for developing education programs, hiring of personnel and for implementation.

2. Alternatives to expensive institutional health care should be sought. For example, pilot programs in home health care should be tried to determine if the provision of skilled home nursing care to certain types of individuals can reduce costs. Financing of state sponsored pilot projects free of the artificial definitions found in federal programs should be explored.
3. All citizens should have access to a method of health care financing which frees them from the potential of a financially catastrophic illness. Financing should also be available for health maintenance and preventive services such as periodic health screening services, early diagnosis, etc. The state should continue its exploration of a comprehensive health insurance plan or a plan to complement or substitute for any national scheme which may emerge.
4. Alternative organizational structures for delivery of preventive services should be looked into. The costs and benefits of greater local government responsibility and authority require exploration. Since constitutionally responsibility for protection of the public health rests with the state, mutually agreed upon standards between the states and local governments would have to be worked out. Some means of cost-sharing between the state and the local government would also be essential.
5. Costs of an emergency response system (ambulance, communication, travel of personnel, etc.) should be shared between the state and communities, particularly those with a low population and tax base.

ALCOHOL AND ALCOHOL ABUSE

Alcoholism and alcohol abuse have been identified by every major health planning group in Alaska, as among the top three health problems in the state, and as a major contributing factor to excessive rates of accidental death and injury, crimes against persons, suicide, child abuse and neglect, home fires, lost production, excessive general health care costs, overburdening of the criminal justice system and net economic loss to the taxpayers of Alaska.

Both the executive and legislative branches of government have given special attention to the problem of alcoholism and drug abuse in Alaska in the past several years. The Alaska Senate Select Committee Report on Alcohol Abuse in Alaska includes 400 pieces of written public testimony, references from 3000 citizens of 31

communities in Alaska regarding the alcoholism problem. That report also included dozens of recommendations on how more effectively to address the alcohol abuse problem in the state.

In the State of Alaska, the Office of Alcoholism and Drug Abuse of the Department of Health and Social Services has a primary role to play in the overall responsibility of examining and attempting to alleviate the social problems created by excessive use of alcohol and drugs by the populace.

Strong mandates are contained within the Alaska Statutes for such services to be provided for in cooperation with local communities and other agencies.

Funding:

Because the needs are far greater than the funds and resources available, every possible source is being tapped. Federal, state, local and private funds are used. The funds from federal, local and private sources, however, fill only a small portion of the total need, so State funding must bear a major portion of the burden. In FY 1980, of the minimum program needs of \$5,622,300 only \$849,120 is available from the federal government. Local and private funds do assist somewhat, but from year to year are uncertain as to scope and level of funding.

Consumption:

The consumption of alcoholic beverages per capita by drinking age (19 years and older) individuals in Alaska has been increasing steadily since 1958, the first year systematic alcoholic beverage distribution records were kept. In 1958, each Alaskan of drinking age consumed on the average of 2.52 gallons of absolute alcohol; by 1977, the annual per capita consumption of absolute alcohol had increased to 4.56 gallons. By comparison with the United States as a whole, during the period 1958 through 1975, the average annual consumption for the United States increased by 46%; in Alaska, consumption increased by 80%.

Alcohol-Related Arrests:

In 1976, 17,803 arrests were made related to alcohol and one year later the number had jumped to 20,795 arrests.

Health Consequences of Alcohol Abuse:

Alcohol abuse is a major health problem in Alaska. The abuse directly affects the incidence of alcoholism, cirrhosis of the liver,

and alcoholic psychosis and is an important factor in the occurrence of accidents, homicides, suicides. Alcoholism death rates consistently exceed the national death rate from that cause. The total number of clients receiving alcoholism treatment services during FY 1978 was 6,503 individuals.

Clients Receiving Drug Abuse Treatment Services:

During FY 1978, 300 individuals were served by the treatment programs sponsored by the State and largely financed by the State for such treatment services. The 300 individuals represent the carry-over clients from the prior year, plus the admissions for FY 1978. At both the Alaska Psychiatric Institute and at the various states' community and mental health centers, drug disorders represent leading diagnostic categories for adults diagnosed.

Recommendations:

(See Recommendations under Public Health for recommendations concerning alcohol.)

Recommendations:

- 1) In consideration of the hundreds of millions of dollars now being expended within Alaska for curative services, it is recommended that federal, state and local government agencies and the private sector join together in a bold, creative, massive and extensive program of disease prevention during the early part of the 1980's. The State Department of Health and Social Services should be considered as the lead agency in developing the health promotion strategies and the prevention and education programs, in consultation with and cooperation with all health planning agencies and the private medical community.
- 2) That tuberculosis be given special consideration for preventive and educational program beginning immediately and extending into the 1980 decade. A person infected with tuberculosis in Alaska should not be free to infect other members of the population. A special statute should be developed in order to give the Division of Public Health not only a mandate but the basic legal authority to require medication and/or hospitalization for those known to be infected with tuberculosis.
- 3) Since all forms of accidents are responsible for the highest percentage of Alaska deaths and a major portion of the health care dollar expenditure is related to accidents, it is recom-

mended that special attention be given to the fundamental causes of the accidents, the relationship of those causes to other social and health phenomena, and that a program of education and prevention be embarked upon as a priority for the 1980's.

- 4) Since Alaska's rate for gonorrhea is more than twice the national rate, special attention should be given by the public agencies and the private medical community to bring this disease under better control and the spread of the disease should be lessened. A careful review should be made of the current Alaska statute requiring medical providers to report the occurrence of gonorrhea in the population. A basic major study should be undertaken by the State Department of Health and Social Services to determine attitudes toward reporting of gonorrhea on the part of the medical community and ways and means found to improve not only the reporting system but also ways to encourage the removal of the stigma which often intrudes unduly into the securing of treatment in order to deal with the disease.
- 5) Since heart disease and hypertension are the second leading causes of death in Alaska, these diseases should be given special attention in the education and prevention strategies of health planners, health agencies and the medical community working jointly on the decrease of this cause of mortality.
- 6) Through very special attention during the last few years, the immunization level of Alaska's school-age children from the six major dread diseases is at the highest percentage level of any place in the nation. Continuing effort should be given by the public school authorities and the public health agencies to maintain the enviable record which Alaska has now achieved through special effort on the part of the schools and the health agencies. The protection of children of school age approaches the 100 percent level.
- 7) Cigarette smoking is the single most important preventable cause of death. It is clear that cigarette smoking causes most cases of lung cancer—and that fact is underscored by consistent decline in death rates from lung cancer for former male cigarette smokers who have abstained for ten years or more. Cigarette smoking is now also identified as a major factor in-

creasingly for heart attacks. Even in the absence of other important risk factors for heart disease—such as high blood pressure and elevated serum cholesterol—smoking nearly doubles the risk of heart attack for men. Although the actual cause of the unprecedented decline in heart disease in the last ten years in the U.S.A. is not entirely understood, it is noteworthy that the prevalence of these three risk factors also declined nationally during the same period. It is recommended that Alaska include attention to cigarette smoking without apologies and with some degree of urgency and creativity in order to try to reduce the rate of cigarette smoking and, therefore, a preventable cause of death.

- 8) Misuse of alcohol and drugs exacts a substantial toll of premature death, illness and disability. Accidents are responsible for more than one-fourth of all deaths in Alaska. Contributing factors in fatal accidents are alcohol and drugs in 56.3% of all deaths and unsafe speed is responsible for 58.4% as a contributing factor. It is recommended, therefore, that the budget for dealing with alcoholism in Alaska's society be substantially increased in order to deal with education and preventive programs and also to provide treatment, counseling and rehabilitation for those who are currently addicted to alcohol and drugs.
- 10) That all federal, state and local health agencies consider a rearrangement of priorities in health dollar expenditures in order that adequate financing may be required for developing the education programs, health promotion programs, and the hiring of personnel and provision of materials and equipment sufficient to implement a major health promotion strategy.
- 11) One of the highest priorities for State of Alaska health planners and administrators should be to find less expensive institutional health care for those in need of such services. Pilot programs in home health care should be developed, financed and evaluated.
- 12) That the catastrophic illness program in Alaska be adjusted necessary with agreed-upon goals for improvement and that better relief for the middle-income families not eligible for public assistance of any kind and not otherwise covered by catastrophic health insurance be covered. An improvement in

the catastrophic illness coverage should be provided not later than the 1980 session of the Legislature.

- 13) Since all causes of death and disease have four contributing elements as follows:

- * inadequacies in the existing health care system;
- * behavioral factors or unhealthy lifestyles;
- * environmental hazards; and
- * human biological factors

and since studies have shown in the United States that as much as one-half of all deaths in 1976 were due to unhealthy behavior or lifestyle, it is recommended that Alaska's health planners and agencies take that fact into consideration and gear much of its perspectives on plans and budgets for the 1980's to reflect priorities in dealing with behavior and lifestyle as substantial contributors to disease and death. It is further recommended that, since 20% of all deaths are related to environmental factors, 20% to human biological factors and only 10% to inadequacies in health care, such health facts play a more important role in the priorities of health planning agencies and organizations in the state.

- 14) Since a strong new emphasis on prevention at all levels of government and by all our citizens is of emerging crucial importance and since such prevention saves lives, improves the quality of life and can save dollars in the long run in an era of runaway health costs, preventive action should become the No. 1 priority in the new strategies for the 1980's.

MENTAL HEALTH & DEVELOPMENTAL DISABILITIES

Historical Perspective:

The present Division of Mental Health and Developmental Disabilities was created in 1957 in territorial Alaska. The Division at that time contracted with Morningside Hospital in Oregon and Haven Acres in Oregon for mental health institutional services. With the advent of statehood in 1959, three community mental health clinics were developed in Anchorage, Fairbanks and Juneau. Several years later the first two federally funded community mental health centers were established in Ketchikan and Kodiak.

Current Status:

In 1962 the State built its own Alaska Psychiatric Institute in

Anchorage and Harborview, a facility for the developmentally disabled, was built in 1967 in Valdez. This basic system has grown to a statewide system of 21 community mental health centers, 12 community programs for the developmentally disabled and two institutions.

Directions:

Several emerging trends will influence the future. Those trends include the growing number of aged in the population, the expected acceleration of population growth as the development potential of Alaska becomes realized, and the national trends toward wellness and prevention of illness. The movement toward universal national coverage in health insurance may affect Alaska. Alaskans will recognize that a large proportion of the physical diseases in Alaska treated by the general medical community are behaviorally based in that accidents, alcoholism, suicide, and homicide are the leading causes of mortality. These diseases of infection may, in the main, be defeated and be replaced with diseases of stress adaptation. There will be a movement toward merging of professional disciplines toward a new professional entity with more general knowledge of the peculiar problems of Alaskans, and with the realization that traditional healing and treatment methods have value. Finally, there will be continued growth in our bio-chemical sophistication in schizophrenia and depressive disorders.

By 1990, the Division of Mental Health and Developmental Disabilities should emerge into a more holistic, comprehensive service delivery system which recognizes the multiple needs of persons and families. Comprehensive services should integrate physical, mental, public health, social, and correctional services. The community mental health system should take a more central role in this development because of its historic experience in the role of case manager and the highly trained professional staff. (In FY 1978, 5,445 Alaskans were served in the community mental health centers.) The local and regional general hospitals will take a more active role in the treatment of acute psychiatric conditions at a regional or community level. We should also see the balancing of institutional and community residential services as we realize fully that the chronic alcoholic, the chronic mentally ill and the old do not require exclusively full scale acute services, but a structured, comfortable environment in which to live. Alaska's Pioneer Homes of today may represent, in general, a possible model for future institutional provision for such needed services.

The Alaska Psychiatric Institute and Harborview Developmental Center may come to be utilized in the future primarily for the criminally insane, the profoundly developmentally disabled, and the acute, difficult to manage patient. Small regional juvenile and adult residential facilities should be considered. Services will expand in comprehensiveness with more energy and time spent in community education, prevention, and self-help instruction.

Developmentally Disabled:

Current services for mentally retarded and developmentally disabled persons whose handicaps are severe enough to preclude the possibility of independent living are directed toward three major areas: institutional services, community residential services, and services that support the client and family while the client is living at home or in community settings. These services are being provided to about 500 clients and families. Because of increased attention on the rights and capabilities of this population, advances in behavioral technology, and increased attention to the cost and benefits of programs, it is expected that future services will emphasize the application of behavioral technology in the home or in home-like settings, the provision of specialized work-related training, and the provision of respite-care services to support the family in fulfilling their basic responsibilities. Because of increased awareness of the public and population trends, we anticipate that services will be provided to 1,000 clients and families by 1990.

Recommendations:

- 1) That Alaska encourage all third-party insurance payment mechanisms to cover mental illness in much the same way as it covers physical illness at the present time.
- 2) That the health planners in Alaska at state, regional and local levels join with the private medical providers to launch a major study into the nature of accidents, alcoholism, suicide and homicide with special reference to the behavior which leads toward such occurrences in mortality, and that strategies be developed to move toward a greater degree of prevention of those occurrences.
- 3) That federal, state and local planners for the delivery of health services develop mechanisms to integrate physical, mental, public health, social and correctional services toward individuals and their families and reduce fragmentation which

currently exists within the delivery system of such services.

- 4) That public policy in Alaska be directed toward more extensive utilization of the community mental health centers and that such centers be extended and improved from the viewpoint of financial undergirding and staff improvement and development.
- 5) That Alaska consider the creation of several small regional juvenile residential facilities for the mentally disturbed juvenile.
- 6) That an extensive review of the programs of the Alaska Psychiatric Institute and Harborview Developmental Center be instituted in order that their future roles in the mental health delivery system in Alaska may be determined and that options be presented for the future of those institutions as related to smaller community based facilities with special emphasis on services available through improved community mental health clinics and staffing for such clinics.



FINANCIAL ASSISTANCE PROGRAMS

Aid to Families with Dependent Children (AFDC):

A. Unemployed Parent Option:

Historical Perspective:

The Aid to Families with Dependent Children is available to meet the needs of single parent families with minor children who are at abject poverty levels. **An AFDC Program option available but not taken by the State is assisting families where both parents and their children face a severe financial crisis.** Historically the State has considered but has not adopted this program to assist these intact families because of the costs. It is assumed that many intact families dissolve due to economic factors, and not necessarily social factors.

Current Status:

Pending federal legislation (HR 4904: passed House; pending in Senate) has taken a crucial step in resolving part of this question by mandating all states to offer an AFDC program for destitute families **with both parents in the home.** The Department's support of this concept has been restricted by cost factors.

B. AFDC Concept Levels:

Historical Perspective:

A related issue in AFDC is whether the current state payment levels to those persons eligible for assistance are adequate. Payment levels in AFDC currently are set by the Alaska Legislature. For a mother and one child, the present maximum payment is \$350 monthly. However, this compares very unfavorably with the maximum monthly assistance level of \$608 for two persons under Old Age Assistance, Aid to the Blind, and Aid to the Disabled.

Current Status:

The current maximum payment for a mother and one child is inadequate in providing a healthy standard of living. In addition, this payment precludes a single parent from seeking other avenues of self-improvement, such as independent job training, night school, and job seeking as the amount of funds

precludes the financial support necessary in achieving these activities—child care, school supplies, transportation, appropriate clothing. As a result, the parent and child are economically restricted to a world of current basic survival. Future plans, goals, and objectives are unrealistic.

In the 1979 session, the Legislature considered the cost of living increase for the AFDC Program and will once again consider this issue in the 1980 session. The Department of Health and Social Services feels that it is critical that this issue be reviewed from a human services perspective as well as a financial one. Emphasis on the current rehabilitation and future needs of a family would, in the long run, be both economically and practically advantageous.

C. Eligibility, Caseloads and Current Payment Levels

Families eligible for AFDC must include children who are:

- 1) under 18 years of age (unborn children are not eligible)
- 2) living with a relative as specified in federal regulations
- 3) deprived of the support and care of one or both natural or adoptive parents as a result of death, continued absence, or physical or mental incapacity
- 4) without adequate income or resources available to meet their basic needs
- 5) in possession of a social security number, or have made application for a number.

Relatives who apply for assistance themselves, as well as the children in their care, must meet the following criteria:

- 1) They must assign to the State all their rights to child support or other similar support for the children, such as military allotments
- 2) They must register for the Work Incentive Program (WIN) when appropriate
- 3) They must have or apply for a social security number
- 4) They must cooperate in verifying their income, resources, living arrangement and the children's parental deprivation. Also they will be asked to cooperate in identifying and locating the absent parent(s) of the children for whom assistance is requested.

Caseload total and program payments in September 1979 were:

AFDC recipients	14,697	
Projected Need FY 80		\$26,182,400
Total Monthly Payments		1,771,620
Average Monthly Payments Per Recipient		\$ 120.54

Medicaid, Catastrophic Illness, Violent Crimes Compensation:

Covered in other sections of this document. See Contents.

General Relief and General Relief Medical:

The purpose of General Relief (GR) is to provide assistance for obtaining the necessities of life for families who temporarily have absolutely no other personal, private or public resources available to meet their needs. To be eligible for GR, the applicant:

- 1) must be in financial need
- 2) must have inadequate resources to meet their basic needs
- 3) must be 19 years old or be an eligible minor
- 4) must have a specific unmet need for a subsistence item
- 5) must be physically present in Alaska at time of application

GR can pay up to \$80 per month per person for certain needy high school students and older persons who have no other resources and who have applied for regular cash assistance from other programs. Normally, GR provides assistance for such needs as rent, clothing, heating fuel or electrical bills in amounts not to exceed the maximum of \$80 per household member. Also, under certain very limited circumstances, indigents who are recent arrivals in Alaska can be provided with one-way tickets to their last place of residence. Certain burial costs can be paid through GR for indigent persons who are eligible by virtue of having no resources available to meet their needs. FY 80 projected expenditures—\$650,000.

The purpose of General Relief—Medical (GR-MED) is to provide for payment of providers of medical care and emergency dental care for low-income persons. To receive benefits under the GR-MED program, persons must meet the following criteria:

- 1) They must be in financial need
- 2) They must have inadequate resources, including insurance, to provide the necessary care
- 3) They must have a specific medical need.

GR-MED provides care for most medical needs and for dental emergencies. Most optional medical care, such as cosmetic surgery, is not provided. Travel to appropriate facilities for care can be provided through GR-MED if necessary. Abortions are also covered under this program. GR-MED is a last resource to provide medical care for needy persons, and it covers only those needs that cannot be met by other programs. FY 80 projected expenditures: \$11,088,700.

Food Stamps:

The purpose of the Food Stamp program is to provide assistance to low-income households in purchasing food. The objective is to raise the level of nutrition of recipients. Recipients of food stamps must meet the following criteria:

- 1) They must reside in Alaska
- 2) They must be a citizen of the U.S. or have permanent alien status
- 3) They must be within certain resource limits
- 4) They cannot reside in commercial boarding houses or institutions
- 5) They must meet the work registration requirement (when applicable)
- 6) They must submit a completed application for the program.

Caseload and program payments in August 1979 were:

Food Stamp Households	7,050
Average Allotment per Household	155.00
Total Monthly Allotments	1,094,451.00
FY 80 projected expenditures:	\$14,976,000

Adult Public Assistance:

Adult Public Assistance (APA) has three components. They are:

Aid to the Blind (AB)
Aid to the Disabled (AD)
Old Age Assistance (OAA)

These programs provide cash assistance to needy adults who are unable to provide for their own basic needs. All adults who qualify for APA, in addition to being either blind, or 65 years of age or older, OR physically or mentally disabled, must meet the following criteria:

- 1) They must be in financial need
- 2) They must have inadequate resources to meet their needs
- 3) They must reside in Alaska
- 4) They must submit a complete application, or have one submitted in their behalf

Recipients of APA automatically qualify for Medicaid. Caseload total and program payments in September 1979 were: (For APA recipients, payments are made both by the federal government, through SSI, and the State of Alaska.)

APA Households	4,588
Average Payment Per Household	\$124.57 (State portion only)
Total Monthly Payments	\$571,549.00
Projected Expenditures FY 80:	\$7,667,500.00

Unemployment Insurance, Vocational Rehabilitation Services, Workmen's Compensation payments, Veterans Benefits:

These programs, under the Departments of Labor and Education of the State of Alaska and the federal Veterans Administration, assist Alaskans who qualify under the various criteria for those programs.

Federal Poverty Guidelines: Alaska:

Federal poverty guidelines serve several functions. They are used to establish eligibility for participation in a variety of programs based on financial need. Also, the number of poor people found in various states pursuant to these guidelines is used as a factor influencing the distribution of federal funds.

Federal legislation authorizes the Office of Management and Budget (OMB) to establish the official poverty line. The OMB has recognized the significantly higher cost of living in Alaska by establishing poverty guidelines 25% above those for the Lower 48 states. Unfortunately, this **understates** the **actual** difference of cost of living by 35 - 75%. In order to reflect comparable purchasing power to the Lower 48, the Alaska poverty guidelines must be set at an absolute minimum of 160% of the current national standard. (Such an adjustment would still fail to provide adequate recognition to the dramatic **intra-state** differentials in cost of living and "cost of doing business.")

This change would not require Congressional action. The OMB has authority required to make the adjustment reflecting Alaska's high cost of living, as evidenced by the 25% adjustment already in place. However, in spite of the support by the Alaska State Legislature, State and private agencies for such a change, OMB has not responded. More than 15,000 poor Alaskans (measured by the actual purchasing power of their incomes) are prevented from participating in programs which Congress authorized to meet their needs. In any other state except Hawaii, people with such **limited purchasing power fall below the poverty guidelines**. Alaskans are penalized, not for Alaska's uniqueness, but because of the federal government's failure to recognize our unique situation.

If the 1980 Census is published using 125% of the Lower 48 poverty guidelines for Alaska, the deception and the inequity will persist for ten more years. At a minimum, a table should be included to allow comparability of data on the poor between Alaskans and residents of other states. Data for at least 160% of the Lower 48 poverty guidelines should be secured, tabulated, published and defended.

The Alaska State Legislature should act to insure the opportunity for our low-income people to be eligible for federal programs to fight poverty. If the federal government fails to act, the State should consider adjusting its payments to insure the opportunity for Alaskans to participate in the program in a more equitable degree than at present. The matching share should be appropriated by the Legislature, but targeted toward low-income residents excluded by federal neglect.

Recommendations:

- 1) That the State of Alaska, through the executive and legislative branches, have prepared detailed fiscal impacts of the federal legislation known as HR 4904. That legislation which, as of November 1979, had passed the House of Representatives and pending in the Senate, mandates coverage under the AFDC program and assistance to destitute families with both parents within the home. In contrast, the present program covers one-parent families with children. It is

estimated that the present AFDC caseload could possibly increase by as much as 100% if two-parent families are covered by the Aid to Families with Dependent Children program under the mandate contained in HR 4904.

- 2) That the State of Alaska provide for detailed analyses regarding the financial impact of improving the current payment level of \$120.54 per month per recipient under the Aid to Families with Dependent Children program. Concurrent with the review as to whether the AFDC amounts should be increased, the Division of Public Assistance and others in the Department of Health and Social Services should seek ways and means to improve the quality control and the abuse surveillance of the AFDC program. Taxpayers may be willing to assist at a more realistic level those who are found to be among the neediest of our population if at the same time the public can be assured that any abuses are determined and removed.
- 3) The General Relief Program can pay up to \$80 per month per person for certain needy persons in the state. Eighty dollars per month per household number is not a sufficient amount to deal realistically with the needs of those for whom the General Relief program originally was designed. A detailed study should be conducted to determine whether or not through the passage of the years the General Relief and the General Relief Medical programs may be emerging as a continuing type of monthly relief rather than a one-time-only assistance for those who could not otherwise meet certain short-term needs. The General Relief and the General Relief Medical program should not become an on-going permanent form of assistance for recipients but should remain an extremely short-term, preferably one month only, type of aid.
- 4) That the executive and legislative branches of government seek ways to remove the present disparity between the payment levels of a mother and child under AFDC and two persons under Old Age Assistance, Aid to the Blind, and Aid to Disabled Programs. (Under AFDC, \$350 payment monthly for mother and child vs. \$608 for two persons under Old Age Assistance, Aid to the Blind, Aid to Disabled.)
- 5) Since the federal poverty guidelines discriminate substantially against the poverty level citizens of Alaska, it is recommended that the Alaska Legislature take the strongest possible

action to encourage the Office of Management and Budget of the federal government to establish an official poverty guideline for Alaska which is realistic considering the costs and other financial realities in Alaska. Only in this way could the destitute people of Alaska begin to realize equity as related to citizens of other states in the union.

SENIOR CITIZENS

I. Current Policy and Programs:

Alaska's policy at present is to provide economic incentives to remain in own homes or communities. This is accomplished in part by:

- A. Longevity Bonus
- B. Home Tax Exemption
- C. Reduced Transportation costs
- D. Free Nutritional Meals, served in homes or at congregate settings
- E. Bond Issue to build housing in selected communities
- F. Stimulate local initiative to declare tax exemptions for local sales taxes
- G. Various discounts

II. Provide Alternatives to Institutions

- A. Home Health Care
- B. Home Chore Services
- C. Periodic Health Screening
- D. Nutritional Education
- E. Information and Referral to services available from all agencies
- F. Access to Legal Services
- G. Employment (part-time)

III. Other Perspectives

A. Federal Government Programs assisting Alaskan Senior Citizens:

- 1) Social Security
- 2) Medicare
- 3) Title XX (Social Services)
- 4) Title XIX (Medicaid)
- 5) H.U.D. Housing
- 6) Energy Relief and Assistance
- 7) Bureau of Indian Affairs Programs
- 8) Alaska Native Corporation Programs/Indian Health Service

B. Other State Services

- 1) Pioneer Homes
- 2) Senior Centers

IV. Directions

initiatives underway at present are directed toward unified federal-state-local policies and programs to be coordinated, preferably from one central agency.

Recommendations

- 1) That a review be made of the current public assistance levels of payment under Supplemental Security Income program to determine whether current levels of state supplement payment, when added to federal share, represents an equitable and sufficient amount to assure an adequate standard of living in accord with intentions of Alaska Statutes.
- 2) That the Alaska Legislature provide for an updated, comprehensive study of the status of Alaska's elderly population, with special emphasis on the effect of inflation on "fixed incomes" of the retired. The only comprehensive study made to date was approximately seven years ago.
- 3) That the State make adequate assistance available to financially needy elderly for unmet and otherwise unmet dental needs.
- 4) For the elderly, often minor services can help people maintain their independence. All agencies of government and private sector should join forces to encourage programs and services to help avoid unnecessary institutionalization. It is recommended that all agencies join forces to assure all senior citizens access to:
 - a) safe and affordable housing;
 - b) dietary assistance;
 - c) communication/transportation;
 - d) recreational/educational opportunities;
 - e) homemaker/visiting nurse;
 - f) reading aides;
 - g) access to advice/services from health professionals;
 - h) affordable legal services and advice;
 - i) services outlined above, available at times in some regions.

REFORMATION OF OFFENDERS CORRECTIONAL INSTITUTIONS AND PROGRAMS

Alaska has been reluctant to give up its convenient dependence upon the federal authorities and institutions for housing its criminal offenders. As a result, after 20 years of statehood, 20% of all Alaska state prisoners continue to be housed in federal prisons outside of the state; all but a few of the rest serve their sentences in limited Alaskan facilities.

The State correctional institutions at Fairbanks and Juneau, although opened as recently as 1968 and 1969, were designed and constructed with little attention given to accepted standards of confinement for longer term offenders. Thus the State's two "major" institutions were outdated almost before they were ready for use and have been overcrowded almost from the day they opened.

Some impressive moves toward development of a modern correctional system for the State were begun in the early 1970's. The correctional facility at Eagle River was completed in 1974. It has been recognized throughout the country as an outstanding example of efficient and functional correctional architecture.

The probation staff was substantially increased during the 1970's, and services were expanded. Some valuable research was done and a number of promising initiatives were made with respect to the use of community based corrections.

In 1975 when several incidents occurred which persuaded the news media, and perhaps most Alaskans, that a certain amount of permissiveness had come to characterize correctional practice in the State, this resulted in the public's not having the protection it deserved. There followed a period during which the concerns of security were stressed and the development of correctional programs was limited during that period.

In 1978 a consensus had been reached to move ahead toward a modern and responsive correctional system. The State committed itself to the development of a Master Plan for Corrections. Moyer Associates, together with the American Foundation and the National Center for Juvenile Justice, were engaged by the State to develop a comprehensive master plan study. It was recognized that Alaska faced the prospect of a growing offender population and increasingly limited resources in terms of personnel, programs and facilities.

In developing the Master Plan study, the consultants worked closely with a Master Plan Advisory Committee and other Alaskans familiar with criminal justice problems in the state. Thus, the conclusions reached and the recommendations made were based on careful evaluation of the factors involved from the standpoint of outside the state expertise as well as from the perspective of a number of people who are knowledgeable about the criminal justice concerns which may be unique to Alaska.

The philosophy enunciated in the Master Plan study is summarized by the following salient points:

- 1) **Incarceration** of both pre-sentence and post-sentence offenders should be used as a **last resort**, and then for as short a period as possible, only for offenders who present a demonstrable risk to public safety and/or who are convicted of crimes for which society demands punishment through imprisonment.
- 2) In the interest of promoting offender reform and reintegration while holding costs to a minimum, **community corrections programs** (including probation, parole, work release and restitution) should be utilized for the **maximum** possible number of offenders, consistent with protection of the public.
- 3) Resources and support should be focused on **community corrections programs** so that all possible means of maximizing diversion from incarceration can be explored.
- 4) Renovation or replacement of existing Alaska corrections facilities as necessary to provide normalized, humane and secure environments for all Alaska inmates.
- 5) Provision of a broader spectrum of work, training and social service opportunities for the benefit of both inmates and community corrections clients.

A number of measures toward implementation of the Master Plan have already been taken by the Division of Corrections, some of them in accordance with the Master Plan consultants' recommendations; others of them representing departures from the specific recommendations, although generally in accord with the philosophy and thrust of the Master Plan document.

The Commissioner of the Department of Health and Social Services, Helen Beirne, has endorsed the Master Plan document but has further indicated that neither she nor Director of Corrections,

Charles Campbell, is in complete accord with all of the specific recommendations offered by the study. The Commissioner has made it clear that the Master Plan effort initiated in 1978 should be viewed as an ongoing process. She has invited key decision makers within the State to offer their observations and help.

The Division of Corrections has moved ahead in several significant ways:

- 1) A major reorganization has been initiated which will provide better capacity for detailed planning, and for the development of correctional programs.
- 2) The youth services function of the Division has been separated from the probation service and is under the direction of an Assistant Director for Youth Services.
- 3) The emphasis in Youth Services is on bringing children who have been housed in out-of-state facilities back to Alaska and on using alternatives to institutionalization wherever possible.
- 4) Stress has been placed on the finding of adequate foster homes, on returning certain children to their own homes under appropriate supervision and guidance and, to a limited but significant extent, on the use of a wilderness adventure based program presently being developed by the Department of Community and Regional Affairs.
- 5) Efforts are being made to upgrade the basic conditions of confinement within the adult institutions. The Division of Corrections has been handicapped in this regard because of the inadequacy of the facilities and the shortage of staff. It is believed, however, that key legislators and others in government presently recognize the need to provide help in both of these areas. The Division of Corrections has been subject to several court suits and there are indications that more serious and far reaching court action will be initiated if the State does not move to overcome a number of deficiencies with respect to conditions of confinement.

With the increase in the Alaska prison population during recent years, the State's dependence is likely to continue for several years. The Division of Corrections, however, is presently committed to a course of action which will reduce the use of federal prisons. The practice of sending Alaskans, especially those from the rural areas

of the State, to sophisticated penitentiaries many thousands of miles from their homes, is not in accord with good correctional practice and is clearly contrary to the best interests of the state.

The Division of Corrections has submitted a capital expenditures program which, at the cost of \$22 million, will largely alleviate the problem of so many Alaskans being confined in federal prisons. There will have to be an emphasis on the expansion of present facilities rather than construction of additional prisons. The rationale behind this approach is that institutions of no more than about 100 inmates are not cost effective and are not likely to provide the level of services needed if reasonably effective correctional programs are to be maintained.

The revision of the Criminal Code which goes into effect in January 1980 is likely to result in greater numbers of Alaskan offenders being committed to some form of confinement. The strategy which has been developed by the Division is to make every effort to identify those offenders who are viewed as not dangerous, and to work with as many of them as possible in minimum custody facilities and at work release centers throughout the state. Further emphasis will also be placed on pre-trial release programs.

It is possible that the impact of the Criminal Code revision, together with a growth in the state which could accompany a gas line construction project, will result in the need for an additional correctional facility at some future time. At present, however, we continue to have hopes that by expansion of our current facilities and by prudent utilization of community based correctional program options, we will be able to serve the needs of the State in the least costly and most beneficial manner.

A recent survey indicated that the State of Alaska ranks seventh among all states in its use of imprisonment. Studies further indicate that heavy use of imprisonment does not correlate with the reduction in criminal activity. Because of the destructiveness and wastefulness inherent in imprisonment, it is reasonable to depend on imprisonment primarily to protect the citizens of the State from dangerous offenders rather than as a means of retribution, whereby basically harmless offenders are held hostage to our frustration over the problem of serious crime.

Recommendations

- 1) That the Alaska Corrections Master Plan, when in final form and available for public study, be made available, especially in summary form, to wide representatives of the public with requested comments, additional recommendations and broad support by the public in order that Alaska's correctional facilities and programs receive the deserved support.
- 2) That educational, counselling, art, self-esteem development and vocational development programs be given high priority and financial support during the 1980's in the institutions.
- 3) That the **New Start Center** concept and present program be reviewed for its demonstrable efficiency and rate of success in assisting ex-offenders; that adequate staffing and other program financial support be made available to the New Start Center programs, both current and new ones, as need develops and funding is made available. It is in the interest of every citizen of Alaska that ex-offenders be assisted in developing new life patterns free of crime.

SOCIAL SERVICES

Historical Perspective:

The Division of Social Services came into being in August 1975 when the Division of Family and Children Services was divided, creating the Division of Social Services and the Division of Public Assistance. Prior to that time, social services (counselling, foster care, institutional care, adoptive services) were provided in the same agency that provided financial and medical care to indigent families (Aid to Families with Dependent Children, Old Age Assistance, Aid to the Disabled and Blind, Food Stamps and nursing home care). Several state agencies nationwide made similar divisions, based on the philosophy that said, in effect, those who provide counselling services should not also control financial payments because of the possibility of coercion: controlling people's lives through the threat of withholding life sustaining financial support. On the whole, the establishment of the two divisions has been positive. Separating these disparate functions has been particularly helpful to management; both Divisions are now more effectively administered than they were when under one administrative unit.

As the State attempts to consolidate services, permitting Alaskans to avoid seeking services at a bewildering array of agencies and locations, the separation of the Division of Social Services and the Division of Public Assistance may appear to run counter to this approach. Because Social Services increasingly provides services to all socioeconomic levels, while Public Assistance concentrates on the needs of low income families, the separation appears to be growing in validity.

Current Status:

The Division of Social Services, with 206 employees in 35 offices, provides services to approximately 10,000 Alaskans. About 6,000 of these services are directed at children in need of protection. Abuse and neglect account for the great majority of these cases. It is the policy of the Division to provide services to its clients in the least restrictive setting possible. The best setting is in one's home. Sixty percent of all children receive services in their own homes, chiefly through social worker counselling. Fifteen percent receive services in foster homes and only four percent in institutions. (Other types of care include emergency homes, group homes and homes of friends or relatives.) Adult services include in-home counselling, support services to those seeking employment (the WIN program), in-home homemaker support, and non-medical residential care.

Additionally, the Division contracts for preventive and early intervention services which reach more than 4,000 people beyond the 10,000 cited above. These contracts enable people to avoid being caught up on the governmental "system" altogether. Examples: family violence shelters in five communities, prevention and diversionary programs for youth in Kotzebue, Nome, Craig, Petersburg, and Barrow; public awareness and educational programs regarding child abuse and neglect in Anchorage and Fairbanks; a private counselling agency for runaways in Anchorage.

Directions:

The Division is committed to providing services to Alaskans in settings which inhibit as little as possible freedom of choice and action. Over the next several years, the budget will reflect more and more emphasis on prevention and early intervention programs, with the concomitant effect of reducing the need for more restrictive, and therefore more costly, programs.

Long predominantly a child welfare agency, the Division hopes to expand its adult support services. A continuum of expanded adult services is envisioned which will implement the "least restrictive setting" philosophy: moving from least to most restrictive environments, the continuum is as follows:

1. In home services
 - a) counselling
 - b) homemaker support
 - c) day care centers
2. Foster home care
3. Residential care, Level One (ambulatory, non-medical)
4. Residential care, Level Two (non-medical, but supporting the more severely handicapped)

As of now, the Division provides homemaker support and Level One residential care, the latter on a limited basis.

Together with least restrictive care services, the Division plans to concentrate on not only getting these services as close to home communities as possible, but to have them provided by the communities themselves. This will be accomplished by increasing the number of direct service contracts.

The Bureau of Indian Affairs and some of the Alaska Native non-profit corporations also deliver important levels of social services to Alaskans in need of such services.

The State of Alaska does not operate any child care institutions for social services, but limits its state-operated juvenile institutional services to McLaughlin Youth Center in Anchorage for children determined to be delinquent.

The private sector operates 24 child care agencies under a "purchase of services" arrangement provided by Alaska Statutes.

These institutions serve both children "in need of aid" and "delinquent" children. The State budgets approximately seven million dollars annually for purchasing services from these institutions. Other agencies and others also may purchase services from them.

Recommendations

- 1) Although the Division of Social Services and the Division of Public Assistance offices should not be recombined ad-

ministratively, human services centers in various communities throughout the state should be developed. By housing the field offices of the separate Division of Social Services and Division of Public Assistance together, as well as those of Health, Mental Health, Alcoholism, Probation and other human service agencies, the public could be served much more effectively and rationally. The need exists both in urban and rural Alaska. Such co-location is recommended.

- 2) Older citizens often find it difficult to remain in Alaska despite a desire to do so. Expanded services for in-home care would make a substantial contribution in meeting that desire. Increased appropriations, in the coming years, for homemaker support, foster care and day care centers would be especially beneficial and is recommended.
- 3) Alaska, geographically, is the giant among the 50 states. AT the same time we are smaller in comparative population. We will always pay more than others for services per capita. Alaskans should not be denied the level of human services as provided in the other states. Since we can afford it, Alaskans should have a comparable, high standard of social services. It is recommended that comparable reviews be made as to standards of social services available nationwide and ways be sought to bring Alaska's social service standards at least as high as those in other states where a difference is found to exist.
- 4) It is recommended that the Department of Health and Social Services, the private child care institutions and other parties at interest develop alternative, improved mechanisms for reimbursement for institutions under "Purchase of Services" statutes with appropriate amendments to present statutes to cover the **actual full cost of care** for those children for whom the State of Alaska has assumed responsibility and for whom private institutional services are deemed the best placement option for the children.
- 5) It is recommended that "levels of care" deemed necessary for children in State custody be defined by the State; that all institutions be classified as to level or levels of care they are capable of delivering; that rates of reimbursement be determined by the level of care needed and purchased on an individual child basis.

THREE APPROACHES TO NATIONAL HEALTH INSURANCE

	Pres. Carter	Senator Kennedy	Senator Long
COVERAGE	*All employees and families under private insurance system *current medicare and expanded medicaid population, under public insurance system	*universal	*employees and families and others who buy coverage *expanded medicare
BENEFITS	*catastrophic payments after first \$2,500 incurred by the family *catastrophic payments to medicare population after first \$1,250 incurred by an individual *national minimum benefit standards under medicaid to families earning less than 55 percent of the national poverty index *prenatal, delivery and first-year services to all mothers and children	*full coverage for physicians and hospital inpatient services, physician costs, home health care, X-rays and lab tests *limited mental health coverage *all out-of-hospital prescription drug costs for chronic diseases for medicare recipients	*catastrophic coverage after first 60 days of hospitalization for an individual and after first \$5,000 incurred by a family
ADMINISTRATION	*catastrophic through private insurers	*consortium of private insurers or federally qualified HMOs, under federal supervision	*catastrophic through private plans *medicaid federalized
FINANCING	*under private plan, employers must pay at least 25 percent of total costs *under public plan, federal subsidy through a private contractor, with cost sharing by recipients maintained	*employees pay up to 35 percent of premium costs *premium costs linked to income, subsidized by state and federal government for medicaid recipients *no cost sharing for the poor, aged or disabled	*through employers, with tax credits for those who purchase coverage
COST	*phase one: \$18.3 billion		
COST CONTROLS	*sets limits on hospital revenues and capital expenditures *reforms physician reimbursement *sets negotiated fee schedules for medicare-medicaid	*total plan: \$35.7 billion *standardized fee schedules for physicians *immediate controls on hospital and physician services *prospective hospital budgeting	*estimated range: \$5 - \$10 billion *none
TIMING	*first phase only announced; implementation to be phased in between 1983-1990	*implementation beginning in 1983; schedule not announced	*immediate

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ALASKA'S DISPOSABLE REVENUES

by
Mike Bradner

The term "disposable revenues" implies that there is a margin of revenue available beyond historically established levels. The implication is that the parent institution has a number of choices concerning such disposable revenues, including:

1. Reducing those revenues to more traditional levels by revenue adjustments;
2. An increase in revenue allocation to *historically established services*.
3. Funding of new services beyond those historically offered by the institution, and;
4. Simply allowing accumulation of funds with no present day application.

Depending on circumstances an institution, in our case state government, could select any one of the above choices, or any number of combinations of the above.

The evolution of this paper will attempt to arrive at some conceptual picture of the kind of unusual "revenue-disposal" crossroads at which the state government now stands. However, initially some historical foundation should be established, and especially, since Alaska is already well along the uncharted pathways of handling excess (disposable) revenues.

In establishing a basis for beginning discussion, several general premises must be established concerning the unusual nature of the Alaska situation.

First, the Alaska condition of increasing disposable, or perhaps better termed, excess revenues, is entirely outside the experience or the possibility of most other states. In fact, few remotely similar models can be found among the democratic systems of the world,

Most systems that we identify as sophisticated and affluent do not have significant margins of disposal revenue, nor do they have any hope of any. The most significant perimeter of policy policing democratic systems might therefore be suggested to be: "... not enough disposable revenue," with revenue disposal policy having to be hammered out among this natural discipline of competing interests. *Therefore, in considering excess revenue policy, it must be considered that this fundamental and universal policy policeman IS NOT PRESENT, and may, or may not, be able to be replaced by a natural or artificial creation.* It may be at this precise point that the Alaska policymaker must step into some rather dark and uncharted pathways.

Second, the Alaska condition is likely irrevocable unique, not necessarily in that it will always have excess revenues, but in that it was created with a unique inheritance in terms of features of the 1958 Statehood Act and State Constitution that has cast the state into two creations. The State of Alaska exists as a traditional creation and deliverer of familiar services, *and also as one of the largest and most diversified resource corporations in North America.*

It is not the point here to belabor this issue, but it is an oddity that the state's unique inheritance was constructed by a Congress who feared for its financial viability *in delivering the basic services of government* among so sparse a population spread across such a giant landmass. It was precisely because of this concern they so constructed the base that puts the state in the posture of being a resource corporation. The state was given a 90% cut of even federal mineral revenues, plus its land entitlement, an ownership of coastal waters amounting to 60% of the coastline of the nation, and special quasi-public access to North America's richest coastal shelf and fishery resources.

Hence, not only is the simple posture of excess revenues unique in relation to other governments, but the state's de-facto position as a resource corporation compounds the state's unique policy circumstance. It must also be kept in mind, that today it is not a case of deciding what is the proper role of the state in terms of a traditional service entity versus a corporate resource manager, *but of recognizing the structure that was constructed for us almost a quarter-century ago and which is not maturing to demand complicated policy of us today.*



A final set of comparisons demonstrates the state's primary and alter-role: It is Prudhoe Bay and Cook Inlet oil reserves which generates our so-called excess "disposable revenue," but it is also these same reserves that *makes Alaska one of the several single largest petroleum reserve owners in the entire United States.*

Far be it to suggest here that the state should be a direct business operative, because the accusation will be quick to follow that government has a hard time running a string of stop-lights. Nevertheless, a policy for disposing of so-called excess revenue at minimum must acknowledge the existence of the state's two "ego roles" — as a deliver of services and as resource corporation (manager).

Initially, a very sweeping generalization might challenge that the state must decide is, how, and perhaps to what degree, it might choose to divide investment of its revenues between its two egos — *between Alaska Government Services Inc. and Alaska Resources Corporation Inc.*

Obviously, the first duty of government would appear to be to deliver certain established services agreed upon over time by its citizens. In America these services have been Education, Transportation, and Health and Social Services, generally in the order. Of course, on the federal level exception exists in terms of the service

of "national security." The State of Alaska, of course, inherited those common American assignments of government, and with statehood set about attempting to deliver those services on a *very questionable revenue base.*

Statehood: The First Ten Years

The first ten years of statehood found a struggling young government seeking to provide education, transportation, and health and social services. The job was one of filling an unsatiable set of needs with little revenue.

The early statehood years were funded by federal transition funds and the proceeds of the very generous 90% cut of federal revenues granted the state being derived from Swanson River Oil Field production which was just beginning. State coffers were also bolstered by the proceeds of state oil and gas bonus sales in Cook Inlet in the early 1960's. And, the debate of oil dependence is not new, since that also was one of the main financial issues of the early 1960's. The state also moved to lay an independent financial base with a package of state taxes in 1961, with the result that the composition of the legislature *changed "markedly"* in 1962.

During the non-inflation and pre-big oil years of the 1960's the state budget doubled and tripled. The state devoted itself to traditional spending: education, transportation, and health and social services, in that order. However, even then the state was virtually ignoring heavy educational obligations in rural Alaska, struggling to make up long neglected transportation needs, and trying to do what it could to transfer funds to the benefit of local governments to dampen a very high level of municipal taxes. It seems a safe premise to suggest that Alaskans had high hopes for self-determination and statehood to fill perceived long unmet needs, and were finding those dreams expensive in municipal areas and virtually impossible in rural areas. In the early 1960's rural Alaska was still the exclusive province of the federal government. However, the elections of 1966 focused on the rural high school issue, and the urban voters of Alaska in that act declared fiscal responsibility for the basic needs of their rural brothers and sisters.

By 1967 the state needed more money, and that appetite for revenue focused on the by-then established production of the

Swanson River and Cook Inlet Oil Fields. In 1967 and 1968 the legislature quadrupled oil and gas taxes, but even then there was little room for spending beyond the traditional services.

By the eve of the Prudhoe Bay oil discovery in late 1968 the Alaska statehood dream was a bit tarnished. Efforts to bring municipal services up to minimal standards had left many Alaska local governments almost at the legal limits of their taxing authority. Taxpayers were growing restless and disappointed and the private economy remained sluggish and precariously narrow. The state's rural poverty had become recognized and accepted, and the state's first super-issue since statehood, the native land claims issue and the land freeze, was tearing urban and rural Alaskans into separate camps along embarrassing racial lines.

The 1969 legislature came to Juneau only weeks after the discovery of oil on the North Slope. A later confirmation well defined the world scale dimension of that discovery. As a result the legislature began planning for the disposal of expected "excess" disposable revenues that would come from a bonus sale of the remaining unleased tracts in the Prudhoe Bay Field. The \$900 million product of that sale would not come until late in 1969, and therefore available for disposal in 1970, but actions of the 1969 legislature charted the basic thrust of spending, that would mark the state's first effort at dealing with excess revenue.

In anticipation of some margin of excess revenues, the 1969 legislature acted to provide badly needed relief by enacting a municipal revenue sharing plan and a major increase in state support for local school operations, both of which had the effect of relieving local property tax pressures.

The \$900 Million Spending Years

In 1970 the legislature came to Juneau with \$900 million in excess disposable revenue in its pockets.

Essentially, the legislature and administration acted to program expenditure of those funds in approximately six years between 1970 and 1976. A margin of the excess "disposable" funds each year were added to income of normally recurring revenues to fuel the expanded state budget. Depletion of excess funds would hopefully coincide with the beginning of a major tax and royalty revenue flow

with completion of the Alyeska Pipeline.

Further, the legislature made the firm decision to spend by its *very baseline enactments of 1970*. The decision was also to spend in the most traditional service areas of government — education and transportation, and to a lesser extent health and social services. It should also be noted that the commitment to education, committed the legislature almost *inalterably to continued future spending to maintain such support levels*.

The decision to spend followed closely the conclusions of the 1969 citizen-Brookings Conferences, convened by the Legislative Council as an advisory function for the legislature. The decision to spend appears to have been a very definitive one, one geared to helping the state catch up with perceived unmet needs, and one geared to making the Alaska statehood dream financially manageable for the Alaskan citizen.

The 1970 Legislature committed the state to ongoing support and policy enactments that perhaps are better described as something clearly "beyond" being major policy changes. They included:

1. A giant revision of state support to local schools, setting support at *90% of basic need*.
2. State payment of 50% of local school construction *past and future debt*.
3. Major state spending increases on state operated rural schools and the University of Alaska.
4. A major state revenue-sharing programs for non-school local governments.
5. State support programs for *local sewer, water, hospital, and local road construction*.

These policy commitments actually locked the state into allocation of more than \$500 million of the \$900 million over the next five to six years, and it is important to note that almost the entire amount went to the number one American/Alaskan traditional priority of education, and went to *OTHER GOVERNMENTS* for spending.

The state programs were aimed largely to have impact on the local level. Educational support for Fairbanks and Anchorage in-

creased by a factor of six within 10 years, and by three within a three year period. Property taxes fell in the Fairbanks borough/city area from 26 mills to a tolerable 15 mills, and in the Anchorage city/borough area from about 23 mills to 19 mills. Additionally, Anchorage was able to live through a period of almost uncontrollable accelerated growth, and finance that growth, and at the same time keep property taxes basically level and without using its full arsenal of taxing powers (no sales tax). The benefit of the \$900 million to Anchorage may have also been to spare the community the nasty and negative effects of a major citizen tax revolt that often follows explosive urban growth.

The \$900 Million Policy Concepts

No one neatly writes down integrated political policy. Political policy is written in the process of enactment, piece-by-piece, and the penmanship of that policy writing is in the ink of often bloody issue conflict among competing interests. Hence, we are left to "surmise" the essential thrusts and integration of the policy by looking at the final end-product.

In previous discussion we have painted some picture to give the enactments of 1970 some historical perspective. However, in looking back with the convenience of 20-20 hindsight one important addition is needed to provide a more accurate picture of the policy environment of 1969.

In late 1968 and 1969 the future burden of the National Environmental Policy Act was still in process of enactment, and it would be until the end of 1970 before even environmental-advocates realized the full dimension of NEPA for such large projects. Hence, there was little reason to believe that the pipeline would be delayed and that there would not be a timely completion, flow of oil and flow of state royalty and tax dollars. After all, no such giant projects had ever been brought to their knees, and Alaska's Walter J. Hickel as Secretary of Interior had the power to grant the permit. Today we are used to delay, but it must have been a shock even to the Secretary of Interior to discover he really no longer had the power to simply grant the pipeline permit.

The environment of early 1969 excess revenue planning had no reason not to assume additional excess revenues with pipeline

completion and oil flow in 1974 or 1975. Additionally, there were possible bonus sales of adjacent Prudhoe Bay lands.

The net result was that the legislature:

- Decided to spend the \$900 million in an annualized drawdown basically for traditional services, and largely for education.

- Decided that to directly benefit Alaskans the state must transfer revenue to local governments, since that is the government that most "directly" serves the citizen.

- Decided the most urgent tax relief needed was to property tax payers, requiring transfer of funds to local government, and allowing those local governments the flexibility of deciding how much money would go for expanded service and how much for tax relief.

- Decided to make this support program a major effort comparatively to other states, and to go almost to the threshold where they feared local control might be infringed.

The legislature did also spend in other areas, some of which also went directly to "others," as opposed to state operations. The state loans programs were greatly expanded, and the programs allowed to draw directly from the pool of excess revenues in the treasury, instead of having to work beneath an annual established ceiling of legislative allocation. The size of the state police was essentially doubled, since some of Alaska had virtually no police protection, including large sections of Anchorage and Fairbanks. Two small departments of state government were also established, the Department of Community and Regional Affairs and the Department of Environmental Affairs. The only really radical social program established was the "Old Timer's Bonus," a \$100 a month payment to pioneer Alaskans. The philosophy was that only happenstance of time created Prudhoe wealth at a specific time, and there was merit to the tenured citizens of Alaska sharing some benefit along with "future generations."

The Extended Policy of the \$900 Million

The \$900 million policy likely went well beyond the programming of the first bonus money, which now after the burdens of a decade of double digit inflation appears to have been of some merit in terms of money value. *There was a hidden agenda of that first excess revenue effort that runs straight into the policy deliberations of today.*

The extended policy called for programming the bonus money in catching-up. Next pipeline completion would then pick-up the burden with annualized oil revenue.

Many contributors to the early 1970's policy assumed an early completion, and that oil flow might even find \$200 million to \$300 million remaining of the \$900 million. Under such a circumstances such money might then be partially allocated to a permanent fund and possibly at the same time be used to underwrite the state loan programs.

A further extension of policy, perceived that shortly after completion of the Alyeska Pipeline, that a Beaufort Sea sale would take place. There was a perception among some that this second "nest egg," would be then used to add to a permanent reserve, but also to then go beyond the narrow traditions of government spending and use such funds to develop Alaska's resource base and to help reconstruct the state's economy.

The extended policy also tied into perceptions some had concerning state oil and gas revenue policy.

—The "cash pre-payment" of the Prudhoe Field would bring basic services up an enviable level.

—Oil tax and revenue payments would support those services, and being a "reserve" along with remainder of the \$900 million.

—The reserve would be used against the future but concurrently meet a broadbase of Alaska present day needs, such as housing and hospital financing, municipal bond bank, and etc.

—A future sale of Beaufort Sea leases, or other adjacent

lands, would provide a second "cash pre-payment," and this payment could be used to address Alaska's *problems of private economic expansion and geographic economic equity.*

—Once the "cash" bubbles had provided the basic assets of services, and later for "economic initiative," then the state's leasing policy might shift to minimizing front-end payments in favor of downstream revenue.

The first task, spending to underwrite expanded services would be the easy task. The pending areas were traditional and the institutions well established. The loans program would be a middle-ground. But *the real difficult task* would be the use of cash excess beyond service needs for doing two things:

1. Developing Alaska Resources Inc., left in our laps by the Statehood Act and Constitution, and;
2. Using both the natural resources of Alaska Resources Inc., and cash assets beyond service needs to pay dividends of a *reasoned geographical economic equity.*

The evolution of the previous scenario was disrupted and perhaps shattered by the events of the early 1970's. Pipeline delay brought a disillusionment. It was the second great magna-issue to descend on the state since statehood, the first being the land freeze and land claims. However, the statehood issue was a positive issue, the latter two were negative issues that tore at the policy soul of the state. Oddly, one of the issues in the form of the pipeline, was to help resolve the other issue in the form of land claims, but only to bring the third great magna-issue in the form of d-2 down on the state's head.



Pipeline delay brought a retrenchment of the state budget in 1971, and an effort to keep that budget level for the next three years, which even then brought on a nervous race between depletion of the \$900 million reserve and pipeline completion. The private sector also suffered in the pre-pipeline slump, since many small businesses had over-invested.

The conditions of the mid-1970's left little room for considering the hidden-agendas of excess revenue policy. The new game was just to maneuver to survive at the expanded level of basic services, and a certain related function of oil tax levels geared to ultimate pipeline flow. Nevertheless, the middle-ground area flourished even under the precarious circumstances of the mid-1970's, with the loans programs growing at a rapid rate.

Under the conditions of the mid-1970's spending became a major negative issue in the state, an issue further cemented by the anti-government and spending attitudes that came washing in from the lower 48 states on the outwash of Watergate and Vietnam. Additionally, politics often finds the easiest route is to espouse simplistic negatives, so the \$900 million became quickly articulated as "squandered" by the Alaska politician riding the difficult negative outwashes coming in from the outside. The \$900 million was an easy target, since being largely transferred to "other governments," the issue was too complex to be defensible. The net combined effect of the political storms of the mid-1970's was the long-range conceptualization of policy surrounding Alaska Resources Inc. and excess revenue were largely obliterated.

About the best that the politician and the public could manage was the "shell" of the permanent fund, a good basic concept but *negatively instigated by articulation of the squandering of the \$900 million*, and which has been on policy-shoals ever since as to whether such funds should have *present day usefulness* to Alaskans while being "reserved," or whether we should *dig a hole and bury it* for sole future need. The latter concept of burying the money for sole future purpose gets a first-blush public support in these days of government hate, and it also leaves the New York bankers and Harvard economists dancing in the streets, since obviously only they are the present day beneficiaries of burying our money for future use beneath the canyons of New York City.

This paper does not wish to take sides between the more definitive pending concepts, but the alternate present/future loans concept has had the effect of preserving the excess revenue issue to the present day and for the consideration of forums such as the "Future Frontiers Conference."

Present Crossroads of Excess Revenue Policy

The state now stands at the crossroads of excess revenue policy, and the decisions at the crossroads will not be comfortable. I would also suggest, while the extended-policy of the \$900 million policy was shattered by the events of the mid-1970's, it perhaps is not invalid but only delayed and/or misplaced.

The fundamental core of the state's service package is likely filled to the gunnels with funding. This is not to suggest that programs in marginal rural areas are not needed, or that new support efforts in extreme cost areas of municipal support (such as neighborhood streets), do not have validity.

However, basic to the current crossroads of public policy relating to excess revenue is the answer to the questions:

1. Is the state now spending in the service area almost to the maximum?
2. In many cases would further spending distort basic policy institutions, such as local control?
3. Is the state's current and future fundamental problem one of government service needs (as it likely was in 1969)?

A substantially affirmative response to the previous question, then means the issue must be faced of disposal of remaining accumulating excess revenues. The funds can be: 1) carted away to New York and invested for the highest interest at the greatest security, 2) invested in the middle-ground area, meaning loans, Alaska bonds, etc., and 3) may be used to participate more actively in the Alaska private economy and for developing Alaska Resources Incorporated or policy can *incorporate portions of all of the above*.

I would suggest that it is obvious that a portion of the state's

excess revenue should be invested in a manner that provides some hedge against the future. It is not the dictates of conservative economics that spells this reality, but only the nervous reality of being single resource based, with special reference to government having a high revenue dependence on that single resource.

Therefore, I would suggest the challenging issue is the margin of excess revenues, and the means by which those excess revenues, can be applied to *the benefit of present as well as future Alaskans*.

In other words, are we going to accumulate from \$10 billion to \$75 billion in excess capital, and allow our economy to exist basically in its current form: A form of 1) a series of a few prosperous urban economies in a sea of rural depression, and 2) with even those urban economies with a narrow government boom/bust vulnerable base?

Further, at this juncture, it might be prudent to realize that under the United States Constitution and the restrictions of the Commerce Clause, that the state is hardly a "sovereign" in its ability to protect its *home-based labor or its commerce*. Despite political mumbo-jumbo about local hire and Alaska-business, the ability of the state to protect and impose controls is extremely limited. However, the ability to function via Alaska Resources Incorporated in a positive manner, can allow the state to use positive instruments rather than government controls to influence beneficial growth in the Alaska economy.

The current crossroads are not comfortable. It is easy to shy back on "philosophical grounds," and seek comfort in concepts of traditional government spending. However, what is suggested here is that if revenues are genuinely "excess" beyond a doubt, then there is no way of avoiding the difficult problems of finding means of using state funds as active-dollars to benefit the private economic lives of Alaskans.

The converse perhaps is more demonstrative. How long do we think an Alaskan public, business or labor, conservative or liberal, democrat or republican, will allow Alaska to slip into difficult conditions with tens of billions of dollars idle in New York Banks?

Future policy then may focus on state partnership in private initiative in a number of possible forms:

1. Public projects that facilitate expansion of the private economic base.
 - docks — airfields — hospitals — utilities in marginal areas
 - city facilities for possible sub-lease in marginal communities (mini-industrial development)
2. Private loans to the individual in capital short regions and categories, possible related programs.
 - homes — small business — fishing vessels — coop loans
 - agricultural loans — possible special programs, such as fire insurance corporation for rural facilities.
3. State investment as a debt holder, bond facilitator, or an equity holder in projects offering common-ground with state economic goals.
 - with private corporations — with native corporations — no state lands — relating to use of state leased resources — in high unemployment and high economic need zones.
4. ALASKA RESOURCES INCORPORATED: This term is not a proposal but merely a name applied to the state's unique circumstance as a resource owner (and disposer). However, in the end the state might well create some entity to facilitate large resource dispositions in which the state retains some "hold" in terms of economic spin-offs.
 - large debt relations like was proposed for the Northwest Industrial bonds.
 - Possible equity interests, such as proposed in purchasing the BP-Alaska excess interest in the Alyeska Pipeline.
 - Possible retention of equity interests, either purchased or retained, which involves major state resources where there is a continuing downstream economic interest.
 - Possible holder of interests in possible situations that mandate the state and native resource interests must be developed concurrently.
 - Possible holder of an interest of debt or equity acquired by the state from "cash" investments, and which are not related to a resource (a manufacturing plant loan, etc.).

— Possible source to transfer even small business loans to, and possibly hold those loans until they can be sold to and incorporated into something like an AGSOC unit at future enrollments (every three or four years), with the state then recovering its "direct" dollars. Note: By such a means small projects could be collected together over time, put together with several large projects, and packaged into one unit for a future AGSOC, or successive AGSOCs.

The point here is not to make precise proposals, since obviously the next step is to argue over the detail of this or that program and get totally lost from the strategic thrust and concept.

What I am suggesting in policy of excess revenue is that it be assumed that there is enough excess to fill service needs, and that there is enough to set a margin aside at a higher security, and then assume that something significant is left, and that there is more to come, and *THEN LETS DECIDE WHAT TO DO WITH A TRUE EXCESS.*

It is this latter excess that takes us into new territory. And, as previously indicated in the earlier portions of this paper, it is not a territory where you can look to see what others have done. The fact is few others have been there within the reference of government resting on a democratic base that must be genuinely sensitive to citizen response, not only in the "present," but also in terms of what citizen response will be in a future under varying circumstances.

Secondly, Alaska has likely reached a certain growth threshold, where its underlying role as a resources holding corporation, and all that implies, dovetails together with the excess revenue situation. The two functions have a relation to each other and can be devoted to the same purposes.

It is also worthwhile here to suggest that there are two basic ways a political entity approaches "new territory" in a highly democratic system. The issue can be openly confronted and the public prior to a suggestion that we are putting our feet on some new pathways, or the politician entity can proceed piece-meal down the pathway, pretending it isn't really going down that path while really "it is". I would suggest the first more direct mandate is usually the product of crisis times, of policy geared to war, depression, and the like. The unfortunate general pattern is to tip-toe down the path in a hap-

hazard pattern and not quite tell the public, since the public might misunderstand. I am suggesting we face the issue now, bring it into the open. The issue at the end of the road is state "economic participation" in the private economy.

In the simplest possible terms I am suggesting that *a margin of "economic participation" by the state in Alaska is unavoidable.*

The fact is:

- The state is a primary resource owner.
- The state has special access, and controls access to other resources.
- The state has excess cash to dispose of.
- The state has narrow economy needful of depth.
- The state has large *geographic distortions in economic equity.*

The critic of economic participation is also right in many criticisms, and entry into the arena demands caution and prudence. It is likely that state excess capital should supplement and encourage adjacent private capital — not supplant such capital.

Likewise economic participation challenges the narrowness of so-called renewable resources, since such resources may not be where people need economic development. Additionally, it is likely the term "renewable resources" is likely just a comfortable word coined by the politician to justify the first steps on the path of economic participation, because "they" were unsure of public acceptance and *the word was acceptable.* Renewable resources can also be finite, as per example the woodcutting and fur industry of Interior Alaska. The fur and wood is still there, currently the need for it is not. Hence, economic participation must be broadly applicable to all form of economy.

Alaska already has experience with excess revenues, and the debate has been maturing for some years, regardless of the philosophical standoff current in the legislature. The current debate has perhaps been in part possible because of the relative prosperity

of the state's urban islands. The urban side of the permanent fund debate has therefore been prone to the luxury of the academic.

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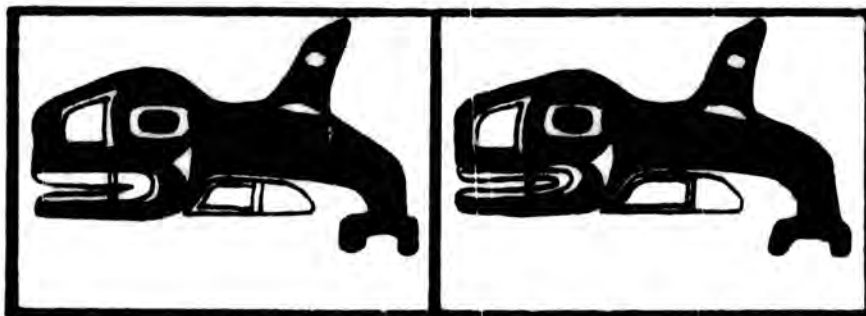
The philosophical fight can be fought to the extreme, and the net result scarred by years of rear-guard fighting. Or, as occasionally happens, a critical minority, while questioning a new conceptual direction, recognizes it is "in fact" going to happen, and therefore opts to help develop and police the development.

The thrust of this paper has been to suggest that Alaska Resources Incorporated "exists" whether some like it or not, that excess revenues "exist," and that the Alaska economy is in need of "depth and breadth." The issue of *ECONOMIC PARTICIPATION* is before us by inheritance and circumstance, not by *CHOICE*. The fact is we have the "disposable revenues" that go beyond our traditional service requirements.

Our recognition of economic responsibilities inherent in our rich inheritance in a positive manner, may in fact allow us to heed the worthy advice of critics, and steer clear of "misuse" of our inheritance in using it sparingly and prudently for our citizen stockholders.

Biographical Sketch

Michael D. Bradner: Member of the Alaska Legislature 1966 to 1976, former Speaker of the House. Twenty five year resident of Alaska, graduate of the University of Alaska, journalist, editor of Alaska Economic Report; Alaska Series, Special Reports for Management, and Legislative Digest. Formerly worked on the staff of governor's office in early 1960's on rural economic problems, and presently functions as a consultant for rural oriented organizations.



LONG TERM INVESTMENT AND FUNDS LEVERAGING

Prepared by
David A. Rose

This paper centers around three principle themes. It discusses Alaska's "capital-poor" status and the need for the importation of capital. It will cover the state's short-term positive fund balance and the need for an intelligent investment of this positive balance in such a manner that it may provide a long term rate of return. Also discussed are some of the techniques involved in funds leveraging in order to maximize the use of state wealth.

Importation of Capital

Alaska is on the threshold of becoming a wealthy state; a major transition from its historical capital-poor status. In dealing with the problems of new found wealth it must not approach these problems from the standpoint of its capital-poor past. It must, in a sense, approach its difficult "wealth problems" as if it were comfortable and familiar with wealth and experienced in its management. If the state can approach its problems from the philosophical viewpoint of a "have" as opposed to a "have-not" the *long term* interests of the state and its people will be well served.

Current discussions and approaches are generally short-sighted and proposed by well intentioned individuals who unfortunately can only relate to our "have-not" past. The approaches are simplex and short term and involve benefits today as opposed to investment for tomorrow. Some of these approaches involve an elimination of income tax without regard to the consequences of destroying political-economic balances. When the politician is not held accountable by the taxpayer he engages in largess with public funds without the necessary check and balance. Another recent proposal is the subsidy of small business loans in a financial atmosphere that would indicate that many of these loans would not ordinarily be acceptable in the competitive marketplace. Others suggest increases in certain capital improvements without regard to the life

cycle cost of such improvements and their inherent burden in terms of operating costs. There are others who proclaim that there is an urgent need for an increase in state services and thus a need to increase our expenditure of operational dollars and investment in an expansion of our state work force. All of these approaches have merit in the very short run, but none seem to meet the long range need to build a strong and diversified economy and one which can sustain us after the golden Prudhoe years.

It is clear that the state operating and capital budgets are growing rapidly and at a rate far beyond a level that can be sustained as the Prudhoe curve declines. It is true that the permanent fund offers a nest egg for the post-Prudhoe years; but it will not sustain the state long at the current rate of growth of our present expenditures. But even today's wealth — and that projected for tomorrow — is not sufficient to stimulate industry and build the infrastructure needed to support it.

When one examines the vast amount of funds required to meet our capital, operating and housing needs, it should be clear that there simply will not be enough money generated within the state to do everything we desire or require. Clearly we must depend upon the importation of capital to accomplish our goals. In order to facilitate capital importation we must be able to impress those in the national money markets that we not only have financial substance and wealth but that we have strong financial management ability. We must also convince financial rating institutions such as Moody's Investors Service and Standard and Poor's Corporation that we have the financial and managerial strength worthy of improved debt ratings.



Investment of State Funds

Alaska finds itself in the unfortunate position of converting the world's fastest appreciating commodity (oil and gas) into currency. This at a time when perhaps the very best investment is in oil and gas reserves still in the ground. The conversion of this commodity into currency demands that the currency be transformed into some other asset which will offer a rate of return superior to the rate of inflation. Safe investment in securities of the United States and its agencies, and securities offered by major corporate entities will not provide rates of return equal to that of inflation. We do not have the option — in view of national energy policy — of leaving our oil and gas in the ground and so we are faced with seeking an alternate investment with a comparable rate of return. As mentioned earlier, the investment in tax reductions, small loan subsidies, increased operating budgets and certain one-time capital improvements are not necessarily investments at all but simply the dissipation, consumption, and expenditure of wealth. I would be naïve to expect that there would be no dissipation of wealth but would strongly argue that it should represent only a minute portion of state assets; preferably income stream rather than base dollars. It appears to this writer that true investment must be seated in entities which provide a definable rate of return. It is this type of investment upon which there must be a major focus.

In seeking a viable rate of return investment it may make sense to analyze that industry which offers the greatest potential in the context of international demand. It would seem that investment should be made in a product which is somewhat inelastic in economic terms; a commodity that will be utilized despite increasing cost. Perhaps the answer to our search can be found in the very derivation of our own wealth. Perhaps that answer is *energy*. I would propose that we closely examine transforming our currency (liberated oil and gas energy) into hydroelectric energy in such a manner that Alaska maintains its unique position of being a storehouse for energy for the North American continent. If we can retain and *expand* our renewable resource energy sources, we will indeed be guaranteed a long term saleable commodity and long term wealth. Public power ownership in the form of a statewide hydro generation utility can provide both in-state and export power for decades at an acceptable rate of return. The development of mineral reduction plants in Alaska using Alaska hydro generation not only provides a

tax base and employment but represents the export of energy in a finished rather than raw state. Additionally, raw energy could be wheeled to the continental United States through Canadian grids or new transmission facilities. The distribution of in-state energy (it can be oil, gas and coal in addition to hydroelectric) can provide a diversified base for home-grown industry because as fuel costs increase, Alaska may attain an economic comparative advantage. That energy which is retained for in-state use can be utilized to stimulate major petrochemical processing as well as mineral reduction. Thus, it is the opinion of this writer that the best long term investment of state wealth derived from fossil fuels can be found in the development of local, high consumption industry and the export of power.

Leveraging of Funds

The point was made earlier that despite the great wealth which would accrue to Alaska's benefit as the result of Prudhoe oil and gas, there would not be enough funds to meet our operating and capital construction costs. Additionally, development of highly intensive capital projects such as hydroelectric will more than utilize available funds. Thus, it is imperative that we seek a methodology whereby the state could increase the power of its existing and soon-to-be-realized wealth. It is clear to this writer that this can be achieved through the use of leveraging techniques many of which are currently being utilized by state agencies involved in the importation of capital.

Reserve Funds

National money market lenders can be induced to invest in Alaska through the establishment of state reserve funds. In this scenario the state places in the hands of a trustee, funds equal to one years' maximum debt service not to exceed fifteen percent of the debt. This money remains with a bank trustee and is invested in direct United States Government obligations or its agencies. The money is not dissipated or consumed in any way and resides in the trust simply as a pledge against debt. If, for any reason, debt service can not be met from its projected source, these funds are accessed and used to cover debt service payments until such time as problems with the projected debt source can be overcome. This technique is currently employed by the Alaska Municipal Bond Bank

Authority which leverages the importation of outside capital on a ten to one ratio. Using a similar reserve system the Bank imports ten million dollars for every one million dollars its trustee holds on reserve.

Another reserve fund technique involves the capitalization of reserves through the sale of debt. In this scenario more debt is issued than is required. The overage is placed with the trustee and held in reserve to meet debt service payments in the event of default. As in the case of a funded reserve the capitalized reserve is placed under investment and is neither dissipated nor consumed. Typically, the capitalized reserve (which really represents debt) is repaid to debt holders as part of the final maturity of long term bonds. This method is also applied by the Alaska Municipal Bond Bank Authority in that it markets five percent more debt than it requires, holding this overage through the life of its bonds and repaying bond holders in the final maturity year.

Insurance Pools

Another method utilized to induce the investment of outside capital in Alaska is use of the insurance pool. Here, a finite sum is provided by the state to insure loans. Although the pool is diminished by the occurrence of defaulted loans, it is reconstituted by a surcharge on newly insured loans. The insurance pool method is currently being utilized by the Alaska Housing Finance Corporation. However, the Alaska Housing Finance Corporation has not found it necessary to either draw down or supplement its pool by surcharge even though it has the ability to do so. It has similar applicability with respect to the state small loan program. Here, rather than continuing the state's present practice of using its liquidity to fund loans on a dollar for dollar basis, it could use insurance pooling as an alternative. It need only appropriate funds to insure state loans and act as an agent in the packaging and sale of loans to replenish funds utilized by banking institutions. Again, the insurance pool money is placed in trust, earns investment income and is only consumed by bad loan losses offset by new loan service fees.

Subordinated Loans

Many projects, particularly expensive hydroelectric dams which have present large unused capacity, cannot produce pro forma

financials which indicate an immediate ability to repay debt. In cases such as these, reserve funds alone are insufficient to leverage one hundred percent of the cost of the project. It may be necessary to loan funds to the project, on a subordinated basis, to bring the amount of debt to be raised down to an acceptable figure. The subordinated loan is junior to the debt secured on the national money market and is repaid by the project upon retirement of the senior debt. Or, it can begin to be repaid when the project approaches maturity rather than when it is in the embryo state. In some cases subordinated loans can be viewed as equity capital since it serves almost the same role in terms of projects which are state-owned. The subordinated loan approach was successfully used in funding the Green Lakes hydroelectric project in Sitka, Alaska. Here, a state loan was made to that city thus reducing the level of bonded debt. Sitka indebted itself at the lower figure and was able to complete its financing because the loan from the state was subordinate to bonded debt.

Income Stream Guarantees

Income stream guarantees have not been utilized by the state or its agencies. They can play a vital role both in increasing Alaska's management stature with debt rating services and inducing confidence and thus investment by participants on the national money market. In this scenario, a major portion of state wealth is diverted from the State General Fund (and potential legislative expenditure) and placed in a separate restricted fund. The *income* from this fund can be dedicated automatically toward the repayment of debt service on state bonds. Contributions to the corpus of the fund can be made periodically as state debt increases. In utilizing this approach attention must be given to insuring that there is no abridgement of the state constitution and that state debt does not become arbitrage bonds. This concept offers the advantages of: improved bond ratings, leveraging new capital, and removal of major resources from the executive and legislative spending mainstream.

Conclusion

An attempt has been made to point out the fact that Alaska has historically been capital poor. As a result, our plans for newly accumulated wealth should be directed in two directions. First, the *expenditure* of income stream earnings and a small amount assets to assist our present population, and second, the *investment* of the

of our wealth on sustaining, long term projects which will both a viable rate of return and accomodate new and diverse industry.

Analysis continues that *investment* should be in the form of owned public utilities which earn a rate of return above inflationary levels. These utilities should deal with the commodity from which we have derived our wealth since that commodity — energy — offers the best rate of return in terms of national and international demand.

In order to fund the necessary investment, it will be necessary to borrow dollars from the national money markets. Different leverage scenarios have been portrayed which, collectively, enhance our borrowing capacity, improve our funds management reputation and provide liquidity.

It should be noted that this proposal has a greater chance of success if the state — as part of its Statehood Land Selection — is authorized to select potential hydroelectric sites as part of its entitlement.

He is the Executive Director of the Alaska Municipal Bond Bank, Executive Director of the Alaska Industrial Development Authority and an assemblyman from the Municipality of Anchorage.

NOTES



STATE OF ALASKA AND THE ALASKA NATIVE CLAIMS SETTLEMENT ACT

John T. Shively
NANA Development Corporation

Introduction

The Alaska Native Claims Settlement Act (ANCSA P.L. 92-203 (85 Stat. 688; 43 U.S. 160 *et. seq.*) was signed into law on December 18, 1971. The act has become a vital and integral part of fabric of the State of Alaska. It directly affects some sixty thousand of Alaska's citizens and indirectly affects virtually every citizen of the State.

Indeed, no Alaskan leader should consider the development of economic or land management policies without considering the ramifications of the Alaska Native Claims Settlement Act and the over 200 corporations formed pursuant to that act. Successful implementation of ANCSA should be a vital concern to Alaska's political and economic leaders. Such success is very much dependent upon policies developed by the State of Alaska in the areas of education, government, communications, transportation, land management, agriculture, tourism, fisheries, energy, and many other areas of concern to the *Future Frontiers* conference. The claims Act will make major contributions to some of these areas and require major changes and readjustments to other areas. The corporations formed under Settlement Act are some of the most important tools that the State of Alaska has to better the lives of all the citizens of this State.

Historical Perspective

The signing into law of the Alaska Native Claims Settlement Act was the culmination of six years of hard lobbying by Alaska Native leaders to obtain a settlement of the claims that Alaska Natives had on most of the land in Alaska. In many senses, Public Law 92-203 is landmark legislation for the American Indian and Alaska Native community. It is an entirely new approach to dealing with claims of American Natives and requires a major commitment of money and the relinquishment of some land selections by the State of Alaska.

The legislation has also represented a starting point for other Native groups to press their claims against governments in Canada and Australia.

The Alaska Native Claims Settlement Act is important not only because it represents a departure from the traditional American government settlements with American Natives, but also because it represents a settlement which has forced Alaska Natives to face many complex legal issues as a result of the act. It is important to note that many of these issues remain unresolved and many will not be resolved without expensive and prolonged actions in the United States Court System. However, because ANCSA is a piece of Federal legislation, it can be amended and fine tuned by Congress. In fact, Congress has already amended ANCSA a number of times including the Acts of January 2, 1976, P.L. 92-204 (89 Stat. 1145); October 4, 1976, P.L. 92-456 (90 Stat. 1934); and November 15, 1977, P.L. 95-178 (91 Stat. 1369). Congress is also considering a series of amendments to ANCSA as part of the Alaska National Interest Lands Legislation (H.R. 39, S. 9.)

I think it is important to understand some of the legal and political history behind ANCSA. The United States has always recognized that American Natives had some form of title to land. However, our government's history of treatment of Indians is well known and the solutions to Indian land ownership were, in most cases, criminal in nature.

The general concept of aboriginal rights of Indians, based on use of such lands for centuries has been recognized since the early 1500's and was first applied in the United States by the Supreme Court in *Johnson v. McIntosh*, 8 Wheat (21 U.S. 543) (1823). This decision was consistent with the application of a principle established in Canada and South America that only the sovereign, and no private party, could extinguish or convey such rights. In addition, there is further legal foundation for the Settlement Act. The first indication of Alaska Native land rights appears in the Treaty of Cessions (Treaty of March 30, 1867, 15 Stat. 539) which was signed with Russia at the time of sale of Alaska to the United States. The Treaty did not extinguish Native title but subjected it to such laws as Congress might pass affecting "uncivilized tribes."

Alaska Native land rights were protected in virtually every congressional Act passed effecting land title in Alaska, including the Organic Act of 1884 (Act of May 17, 1884, 48th Congress, 1st Session, 23 Stat. 24, "An Act Providing for Civil Government for Alaska") which stated that Alaska Natives should not be disturbed in their use and occupancy of the land, or claims on the land, but reserved for Congress to decide at a later date exactly what land rights Alaska Natives actually had. (See also Act of June 6, 1900 (31 Stat. 321 et. 3301). The Alaska Statehood Act (Act of July 7, 1958, P.L. 85-508, 72 Stat. 339, *as amended*, 73 Stat. 141) and the Alaska constitution also contain language protecting Alaska Native land rights.

It was not until the middle 1960's that the Alaska Natives finally organized to make the major push for the Settlement of their claims. There is no question that there were some key elements which contributed to the effort of the Natives at that time. One important element was the Section 6 of the Alaska Statehood Act which allowed the State of Alaska to select 104 million acres of land. It became clear early in the 1960's that the State of Alaska would be selecting land that had traditionally been used and occupied by Natives. Another contributing factor was the oil and gas leasing on the Tyonek reservation which resulted in \$13,000,000 of royalty payments. This payment sparked the interest of other Native groups in the potential benefits of owning land.

As various Native groups filed claims and protests against conveyances to the State, thus asserting Native ownership to virtually all of Alaska, a couple of other important events contributed to the eventual settlement. One event was the decision by the Secretary of Interior Udall to put a land freeze on the conveyance of all public lands in Alaska until the Native land claims question was settled. This meant that the State of Alaska could no longer receive title to land and other developing entities, such as the oil companies found land which they wanted to develop, such as the North Slope tied up until the claims were settled. It became clear to the oil companies that until the Alaska Native Claims were settled, the oil development would most likely not take place. (See Native Village of Allakaket, et. al. v. Morton, Civil Action No. 706-70, U.S.D.C. - District of Columbia; see also Alaska v. Udall, 420 F.2d 938; 9th Cir. 1969). Therefore, the oil companies lobbied for a settlement of the claim and played an important role in the eventual settlement. All this ac-

tivity culminated in the passage and signing of the Alaska Native Claims Settlement Act on December 18, 1971.

It should be noted that in 1969 when the Legislative Council and the Bookings Institution hosted "A Conference On The Future of Alaska," the Native Claims issue was still unresolved. It was very touchy political issue, and it is interesting to note there were only minimal references to the issue in the final report of this conference. The 1969 conference participants either did not have the foresight to see the tremendous impact that a settlement of the Native Claims could have, or they were fearful of the political consequences of being involved in a very heated controversy. Whatever the reasons were for this unfortunate omission ten years ago, it is clear that the participants in the "Future Frontiers" conference must deal with the Claims Act as a major influence on the future of the State of Alaska.

Current Status

The Alaska Native Claims Act will celebrate its 8th anniversary on December 18th of this year. Unfortunately, those eight years have largely been characterized by disappointment, frustration, and conflict involving the Native shareholders of the corporations, the State of Alaska, the Federal government, and various other interest groups affected by ANCSA. In order to understand why the high expectations expressed by many in 1971 have not been realized, it is first necessary to understand the complexity of the structure of the Claims Act.

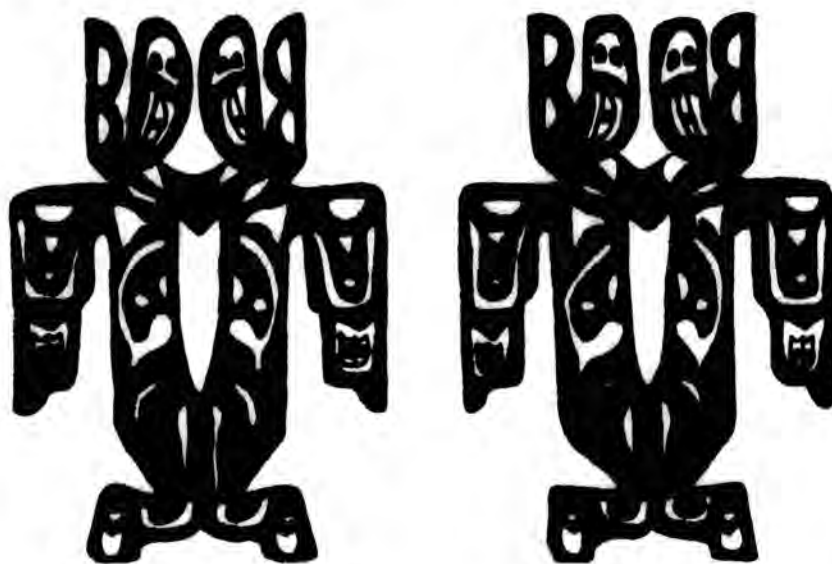
A. Structure of the Act

In the past, the Federal land settlements with American Indians generally have been administered by tribal governments. Very often these tribal governments have had the dual responsibility of managing the monetary and/or land assets of the tribe and also of providing government services. The tribal governments have a special trust relationship with the Federal government, who oversees the activities of the tribe.

ANCSA provides a totally new structure for Native claim settlements. Thirteen regional profit-making corporations and two hundred ten village corporations have been set up under the

provisions of the Act. The twelve regional corporations which serve Alaska were set up by the middle of 1972 and are now functioning and carrying out their responsibilities under the Settlement Act. A thirteenth region was established later for some Alaska Natives living outside our State. The regional corporations are geographically based, and boundaries were determined more or less by boundaries of the old regional Native associations.

Alaska Natives of one-quarter or more Native blood and alive on December 18, 1971 were eligible to enroll to one of the thirteen regional corporations, and could also enroll to a village corporation. Enrollment into a corporation entitles the individual to 100 shares of regional corporation stock. As provided in Section 7 (h) and 8 (c) of ANCSA, this stock for the most part is inalienable and cannot "be sold, pledged, subjected to lien or judgment execution, assigned in present or in future, or otherwise alienated." A non-Native may obtain stock through inheritance, but until 1992, that stock would carry no voting rights if it was inherited by a non-Native. As of September 30, 1979, 79,825 Alaska Natives have been determined eligible to receive benefits under ANCSA.



Most eligible Natives enrolled in both a regional corporation and a village corporation, but a sizeable number of Natives felt they no longer had ties to a village and chose "At-Large" status which increased their direct monetary benefits from the Act, but left them owning stock in just a regional corporation.

Village corporations had the option of becoming either profit corporations or non-profit corporations. Every village corporation in the State chose to be profit-making in nature, because profit-making corporations can make individual cash distributions to shareholders whereas, non-profit corporations cannot make such distributions to members. Thus, although it is the opinion of many that many of village corporations may not be able to make profit because of their limited capital base, it was beneficial to those corporations to retain a profit-making structure so that they can distribute payment to individual village members if they so desire.

Although the village corporations are incorporated independently of the regional corporation, the regional corporation does have some oversight responsibilities transactions (P.L. 92-203, Sections 7 (1), 8 (b), 12 (b), 14 (c) (5). For instance, the regional corporations had the ability to veto village corporation budgets until the end of 1976, and can exert certain budgetary controls for some time to come. Also, the region has the right to review any land transactions made by a village corporation through 1981.

This situation can obviously lead to serious conflict. Village corporations may naturally resent the "big brother" approach. Also, some regions have wanted to use village funds for investments which at times have gone sour. In addition, villages and regions may have very different corporate philosophies.

In 1975, Congress passed legislation (P.L. 94-204) which allowed village corporations to merge either among themselves or with their regional corporations. NANA has merged with ten of its eleven villages. Groups of villages in some areas such as the upper Kuskokwim and the middle Yukon have merged among themselves.

Those villages which, prior to the Settlement Act, were on