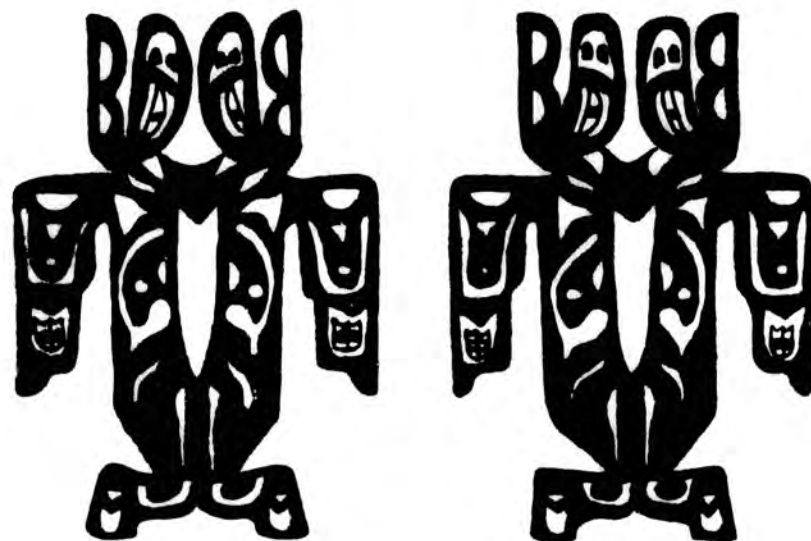


ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECTS 86 / 2

863 SCOM30 : CONFERENCE ON ALASKA'S FUTURE FRONTIERS 1979

afford a meaningful review for unsuccessful applicants who contend that mistakes were made in the grading of their examinations.

Appeals to the Board of Governors are usually met with a refusal to hear the applicant's appeal. The appeal can then be filed with the Supreme Court. This is a lengthy and costly method of attacking the problem. Douglas Luna, a black candidate who failed the examination in 1975, finally received the word that his appeal was turned down in the fall of 1977. I was unable to find an appeal that was found in favor of the applicant. If an applicant is to have any chance at all he must have a very good appeals attorney. A really good appeals attorney will not take cases of this nature. The fees are not as lucrative and they have little hope of winning the case.



LETTER REGARDING NEED FOR PRIVATE LAND

By
Richard A. Fritz

I should like to comment on only one important issue, that of needed private land to ensure growth and maturity to the State of Alaska.

It would seem reasonable to me that all lands within a 6-mile strip along all major roads, rivers and railroads should be systematically made available at public auction. All lands beyond this 12-mile wide corridor could then be deemed "Public Lands" to be governed by a joint State-Federal commission.

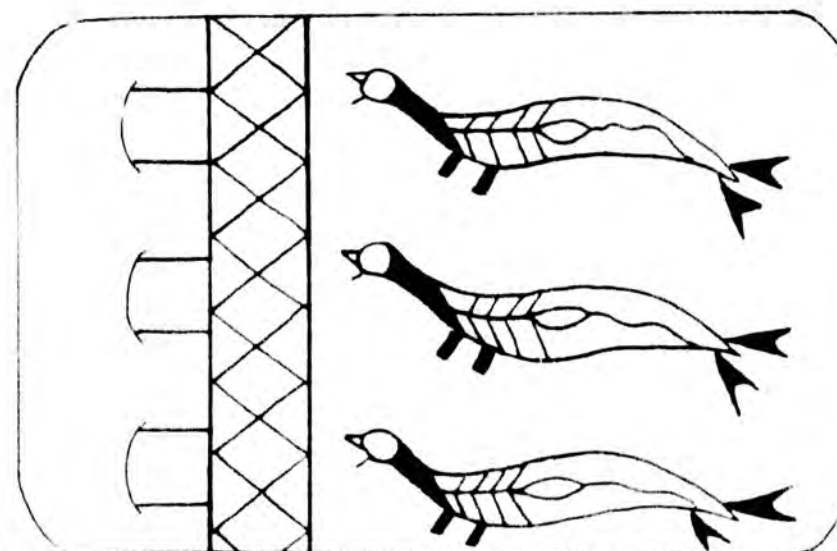
This commission should be committed to the concepts of multiple-use and sustained yield. The idea would be to set up forests, parks and refuges; both State and Federal. The areas could only be as large as the commission could justify with multiple-use and sustained yield doctrine. The governor of Alaska would have to approve each forest, park and refuge on a one-by-one basis. Any lands not assigned in a ten year period would be turned over to the state for public auction.

If the forests, parks and refuges were limited in size and the controlling individuals were kept in Alaska I think it would work. I don't dislike the Feds -- I am one -- however, I don't trust the judgment of most of the Washington Feds on any Alaska issues.

The "corridor concept" is a good one and I've heard it discussed before, but I never hear why it's always discarded.

I only hope that Senator Hohman and Representative Meekins can work to give this land-poor state some private land for hunting and firewood at everyone's back door.

Thank you for your time



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Sheraton Anchorage Hotel
December 6,7,8 1979

Supplement

**A Conference on Alaska's
Future Frontiers**

FUTURE FRONTIERS AGENDA

Anchorage Sheraton Hotel

Supplement

Wednesday — December 5, 1979

Noon — Registration and material distribution.
4:00 P.M. Delegate Room and Group Assignments
Yukon Room

Thursday, December 6

8:30 A.M. Convocation Breakfast
Welcome and Remarks by
Senator George Hohman, Jr.,
Representative Russ Meekins and Ed Merdes
Howard Rock Ballroom
10:00 A.M. Assignment of Group Leaders, Editors
Kuskokwim West Room
10:30 A.M. Work Groups begin
Alpha — Room 311
Beta — Kuskokwin East
Gamma — Kuskokwin West
Delta — Yukon Room
Epsilon — (to be announced)
(Groups will retain these meeting room
assignments throughout the conference)
1:00 P.M. Lunch
2:00 P.M. Continue work groups and comment solicitation
6:00 P.M. Adjournment
8:00 P.M. Banquet — Howard Rock Ballroom
Keynote Speaker: R. Buckminster Fuller

Friday — December 7

9:00 A.M. Continuation of Work Groups
(same room assignment)
Noon Lunch
1:00 P.M. Work groups and organization of comments
6:00 P.M. Recess for Dinner
8:00 P.M. Resume work groups and comment organization

Saturday — December 8

9:00 A.M. Summary of delegate work reports
Howard Rock Ballroom
Noon Press Conference on findings
1:00 P.M. Conference conclusion

January 14, 1980 — Report to the Alaska Legislature



The Future Frontiers Conference, 1979
is dedicated to
Gene Guess
Former Speaker of the
Alaska House of Representatives

This conference, Future Frontiers, is a continuation of a process begun ten years ago with the convening of the Legislative Council / Brookings Conference on the future of Alaska.

Then as now, Alaskans were asked to determine their State's most pressing needs and to provide guidance to the Legislature regarding allocation of North Slope oil revenues.

Many problems identified by the 1969 conferees have been addressed and substantially corrected by legislative action since that time, but there is still much before us in the 1980's.

As preparation for this conference, the series of issue papers contained in this book have been solicited from individuals who have experience in Alaskan affairs. (A supplement of papers is also provided; those that did not make the typesetting deadline.) Their format should provide background, present status and proposed directions for the conference issues. We commend these Alaskans for providing this timely material for the Future Frontiers delegates and the legislature.

Senator George Hohman Jr.
Representative Russ Meekins
Co-Chairmen
Future Frontiers Conference

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FINANCIAL FUTURE

OIL AND GAS POLICY IMPLICATIONS FOR THE DECADES AHEAD

by
Kenneth E. Showalter

ALASKA AT THE CROSSROADS: THE 1969 CONFERENCE RECOMMENDATIONS

No group of Americans in recent times has had such an opportunity freely to plan its future. An oil bonanza has enriched the treasury of a state previously penurious and underdeveloped. This new condition gives today's Alaskan an unparalleled opportunity...

Those were the thoughts of the Delta Group as contained in their Statement following the 1969 Conference on the Future of Alaska. In reading the reports from the seminar entitled "The Financial Foundations for Future Alaska," one becomes aware of several prevailing trends of thinking. First, there was definitely a perceived need to improve educational opportunities and social programs to better the lives of Alaskans. Second, the conference attendees clearly viewed environmental protection as an important priority, along with the need to foster fisheries and other non-oil kinds of development within the State. Third, there was virtually no indication that oil and gas policy for the future was even a subject warranting discussion.

In the October 20, 1979 Alaska Growth Policy Council Symposium entitled "Alaska's Financial Future," Governor Jay Hammond provided an understanding of what was in people's minds at the time. At that time, according to the Governor, "it was thought that the \$900 million was enough to sustain us for many years..." As a result, the Government set out to implement programs to meet the needs of the people, and within ten years, State expenditures had risen 900%. During that period, there was not one major lease sale to broaden the State's revenue base. Instead, the State government looked to broaden the State's revenue base. Instead,

...the State government looked to broaden the State's revenue base. Instead, there was a 900% increase in state expenditures in as many years. When the perception that Prudhoe Bay would sustain Alaska indefinitely, it is understandable to a degree why there was virtually no concern for fostering an economic climate and a leasing policy that would encourage further oil and gas exploration and development in Alaska.

In addition to carrying out needed educational and social programs, the environmental goals reflected in the 1969 seminar were implemented not only at the State but also at the Federal level. Several of the most well-known environmental goals reflected in the 1969 seminar were implemented not only at the State but also at the Federal level. Several of the most well-known environmental laws that have been passed in the last decade reflect those concerns; the National Environmental Protection Agency is surely the most prominent. Additionally, there is the Endangered Species Act, the Ocean Dumping Act, the Coastal Zone Management Act, the Marine Sanctuaries Act, and, as a part of the Native Claims Settlement Act, there is D2.

The effect of these changes over the past decade has been monumental. For the people of Alaska, the changes have resulted in a unique economic environment. Alaska has the highest per capita income in the U.S., yet individual Alaskans pay a relatively small percentage of personal income as taxes. Alaska's state government has loaned out more money than any other. In the Lower 48, Alaskans are known as "the blue-eyed Arabs" because of Prudhoe Bay and the oil potential thought to exist in the State. With the recent OPEC price increases, Alaska now looks forward to a \$1 billion surplus in unexpected revenues. From an oil industry perspective, Alaskans can hardly be viewed as environmental rapists either. The concern for the environment has made itself increasingly evident: from the repurchase of the Kachemak Bay Leases to a set of leasing regulations that result in a permit package weighing close to 93 pounds compared to some 3 pounds for such a package ten years ago. Given the beliefs of a decade ago, therefore, many of the perceived needs expressed in the 1969 Conference have been met. But, as Governor Hammond recently reiterated, Alaska depends on one resource—petroleum—for some 70% of the State's day to day needs.

In the early 1970s there was a perceived need to diversify the revenue base. In 1980, that goal has largely not been met. At this point in time, a decade after the first such symposium, it is most appropriate for thoughtful people in the State to pause again and examine not only where we have been in the past decade but where indeed should the State be headed in the decades ahead.

Current Status Some New Perceptions About Alaska's Fiscal Future

In the past year, several prominent economists have reached similar conclusions about Alaska's fiscal future given their perceptions about Alaska's current status. Economists at the Institute of Social and Economic Research of the University of Alaska were among the first to write about the problem: the growth of State expenditures coupled with extremely high dependence on one field - Prudhoe Bay, which will decline - for the bulk of the State's revenue. Alaska Pacific Bank economist Bob Richards then wrote a report reflecting the same concern and analyzing some of the options. A year ago, the Alaska Oil and Gas Association commissioned a report entitled "Alaska's Emerging Fiscal Crisis" which highlighted the conclusions of both studies and cited further evidence of concern from legislative consultants such as Bonner and Moore and Milton Lipton as well as University of Alaska Professor Bradford Tuck. In the recent Public Symposium on Alaska's Financial Future, Arlon R. Tussing addressed the same problem and provided his own insights as to what can or can not be done about the problem.

Interestingly, these economists not only appear to agree about the problem but also about several elements affecting a solution. Yet it appears that many Alaskans in policy-making positions within the government are still operating with the assumptions of a decade ago, assumptions that are incorrect in light of the perceptions of 1979. As stated in the University report mentioned above "The future financial health of Alaska's State Government is one of the most crucial, and least understood, challenges facing Alaskans." From our own experience in Alaska, Sohio would agree that the problem is not well understood. As the largest single tax-payer in the State, as well as a company with 75% of our assets here, we consider ourselves to be Alaska citizens and are concerned about these misunderstandings not only because they directly affect our ability to operate in Alaska but also

because they affect the future of the State. It is therefore, to highlight the findings of these economists and legislative consultants in the hope of both establishing the importance of oil and gas policy directions for the future well-being of the State and all its citizens (individuals and corporations) and suggesting policy alternatives that are appropriate to today's understanding of Alaska's fiscal position.

As previously stated, there is virtually unanimous agreement among major economic consultants to the State that Alaska faces a serious problem of dependence on a field that will decline for the bulk of its revenues. There is recognition of this fact increasingly evident in the government as exemplified in public statements by the Governor. What is not well understood is what should be done about it or what can be done about it. The popular answer was voiced to a degree, without the current sense of urgency, back in 1969 before there was recognition of the implications of a government financially based on the Prudhoe Bay field. Without recognizing the problem, Alaskans felt a need to diversify the economic base. That is still a worthwhile goal today, but few in policy-making positions seem aware that there are limits to the degree that diversification can, in the near term, meaningfully contribute to the State's economy: that indeed Alaska is now and will be for the foreseeable future dependent on oil revenues to operate the government. This fact has profound implications for oil and gas policy, but before detailing these, it is important to understand why petroleum development is inevitably the keystone to Alaska's future economic well-being.

The Alaska Oil and Gas Association's "Emerging Fiscal Crisis" lays out much of the current thinking on the problem. In addition to submitting that booklet for the record of the symposium, I would like at this time to quote the following which explains why, despite its vast resource potential, Alaska will still have to depend on petroleum reserves for the foreseeable future:

Professor Bradford H. Tuck, Economic Analyst of the Federal State Land Use Planning Commission and Associate Professor of the University of Alaska, recently showed, by a few comparisons, how unrealistic it is to believe that non-petroleum resource revenues could possibly contribute enough revenue—soon enough—to eliminate the need for petroleum revenue.

Revenues from commercial fishing would have to increase by a factor of 80, or

Alaska annual coal production would have to amount to 5.53 times total 1975 U.S. production, or

Alaska copper production would have to rise to 8.76 times total 1977 U.S. production, or

Personal income tax of Alaskans would have to increase by a factor of approximately five.

Professor Tuck acknowledged that, to a degree, the above is unrealistic in that, for example, no one revenue source would have to make up for the full burden of replacing petroleum dollars in the future, but the facts present a strong message.³

In his prepared remarks for the October 20, 1979 symposium on Alaska's financial future, Arlon Tussing's words evoked the same message and took it A FEW STEPS FARTHER TO POINT out some conclusions relevant to State policy planning. In summary, Tussing's message was as follows:

Surplus state revenues guarantee economic growth for Alaska, but this growth is not likely to create a stable, diversified economic base, no matter how the money is spent or invested in Alaska.⁴

Tussing's reasoning is based on the observation that a number of factors including high labor costs and inflated land prices will continue to discourage investments that have to face price competition in national or world markets. Thus, he wrote, "only the biggest deposits of oil, gas, or metallic minerals, the densest and most accessible stands of timber, and the highest-value fisheries, will be able to overcome Alaska's high cost of doing business or its remoteness from the world's population centers."⁵ Tussing further stated:

The critical limits to the growth of Alaska agriculture of bottomfish processing, for example, are not investment capital



or infrastructure, but rather include market development, technical experience, managerial competence, and the general sophistication of the surrounding economy. *Each of Alaska's other basic industries probably has its own natural pace of development; while state and federal regulation can retard its growth, the ability of government funds to force accelerated development is strictly limited.* (Emphasis added.)⁶

It is further pointed out that even construction of a gas line or a world-scale petrochemical plant or a world-scale refinery will not serve to diversify Alaska's economic base; in fact, the opposite is true. Alaska's dependence on petroleum will even be heightened, as each of these depends on a continuing source of petroleum. To avoid a total gloom and doom projection perhaps, Tussing concluded by stating that it is conceivable that "new oil and gas discoveries or the growth of some other basic industry" might postpone the predicted fiscal crash indefinitely. Sohio is in no position to guess what the "other basic industry" might be, but we are in a position to suggest some policy options that the State might wish to consider at this juncture in its history.

Implications for Oil and Gas Policy Now and in the Decades Ahead

To summarize up to this point, the fiscal trends of the past decade were reflected in the position papers of the 1979 conference

on Alaska's future. The perceptions at the time included (1) a feeling that Prudhoe Bay revenues would be more than adequate indefinitely to support the kinds of social programs that were felt to be needed at the time and (2) a desire to promote non-oil and gas economic activity within the State. With these perceptions, there was little interest much less concern about fostering economic and regulatory policy conducive to oil and gas exploration in the State. The major focus of concern regarding resource development was in fact environmental alone.

Today, many Alaskans share a new concern, but few are aware of several important factors related to that concern. The concern is over the fact that the government is highly dependent on one field which will start its decline in the next decade. Further, there is virtually unanimous agreement among economists knowledgeable about Alaska's economy that the State faces a potential fiscal crisis as a result of the trends of the past decade; and the "charismatic" fiscal chasm, to use Revenue Commissioner Tom Williams words, may occur in some ten to twenty years, possibly as early as 1992.

A critically important factor that has yet to be widely recognized, particularly in government circles, is that for the foreseeable future, Alaska's continued dependence on petroleum revenue is inevitable. Because of Alaska's uniquely high costs, non-petroleum investments will perforce continue to face difficulties in view of price competition in national and world markets. The question emerges: will the State of Alaska have new sources of petroleum revenue from new oil and gas discoveries when they are needed to prevent possible collapse of the State's economy? In view of the perceived lack of need even to hold a major lease sale on State land in the past decade and considering past and recent regulatory and tax policy trends, the answer is unclear at best.

What is clear is the State's urgent need at this point in time to reassess or indeed assess for the first time Alaska's oil and gas policy trends in the light of the newly recognized fact that new oil and gas discoveries are *crucial* to the State's ability to survive as an economically viable institution in the decades ahead. With a contemporary understanding of the importance of new oil and gas discoveries to Alaska's survival, the State cannot afford to be capricious as to State policy affecting oil and gas. Indeed, there is a critical need to design and implement

policies that will encourage much more exploration than has taken place in Alaska in the past decade. With some 30% of Alaska's jobs dependent on the petroleum industry, Alaska has a vital interest in this matter.⁷

In view of the high costs of operating in Alaska, concerned Alaskans need to step back and examine past and current leasing, tax and regulatory policy to determine if there are steps that can be taken to improve Alaska's perceived investment climate relative to that of other states. Even Sohio, with some 75% of its assets here in the State, has to consider outsiders' opinions of the Alaska investment climate for petroleum as it is often people outside the State who make the financial decisions as to whether or how much to invest in Alaska exploration and development. When Sohio was trying to raise capital to build the Trans Alaska Pipeline System, for example, we were turned down by potential investors who, in explanation during the formal Federal Energy Regulatory Commission proceeding, cited as reasons "the generally negative posture of environmentalists and the hostile political climate then existing" as well as the "hostile atmosphere" against the petroleum industry.⁸ In light of the above, we offer the following suggested policy alternatives to enable Alaska to compete more successfully for oil and gas exploration and development dollars in the years ahead.

Leasing: To attract exploration dollars to Alaska, the State needs to allow access to areas believed by the industry to be most favorable for oil and gas discoveries, and this needs to be done on a scheduled, predictable basis. As Arlon Tussing observed in the recent conference on Alaska's financial future, cited above, even with oil and gas, "only the biggest deposits...will be able to overcome Alaska's high cost of doing business or its remoteness from the world's population centers."⁹ Thus, it is important to lease acreage that the industry has expressed high interest in. Predictability in the schedule will not only allow efficient planning by the industry but also foster lower cost operations and assure that the infrastructure of service companies and contractors that have evolved in Alaska will continue in place, keeping their thousands of employees at work on a steady basis. Aborted lease sales or changes in the schedule create uncertainty that is devastating to industry planning and to the support industries. Lease sales in areas that are of little interest to the industry will not, of course, either attract investment dollars nor sustain

the impact of these companies. As to the use of temporary leasing systems, it would seem that to the extent that they discourage needed private investment dollars in exploration or unduly risk the State's financial future, they are not in the State's best interest. With the use of net profits bidding in the Beaufort Sea Lease Sale, for example, the State is running the risk of emerging a net loser which, in view of the predicted fiscal crisis ahead, would be an unmitigated disaster for Alaskans.

Tax Policy: If Alaska wants to compete for exploration dollars with other states, changes in petroleum tax laws may be warranted, particularly considering that the current tax structure is tailored to Prudhoe Bay, the largest oil field ever discovered in the United States. Again, particularly considering Alaska's high costs, the need to be competitive suggests that the total tax burden on oil and gas should at least be no higher here than in other prospective areas. Even in Alaska, the future is not likely to be more Prudhoe Bay-sized fields but rather smaller fields with marginal economics where tax policy will make a difference both as to exploration dollars invested and the decision as to whether a discovery is sufficient to be developed. Further, as with leasing policy, there is a need on the State's part to be predictable. As Milton Lipton stated in 1978:

I think it's true that insofar as the State's budgetary needs or revenue deficiencies always seem to be made up by oil industry taxation, this becomes a disabling and discouraging thing for industry...This cannot be a matter of indifference to companies that have their choice of operating any place.¹⁰

Regulatory Policy: With the contemporary understanding of the crucial role of new oil and gas discoveries in maintaining the State's fiscal viability, it is critical that State officials re-examine the unprecedented regulatory burden that has evolved as a result of preparations for the Beaufort Sea Lease Sale. If there was ever a time to recognize that there must be a balance struck between environmental and developmental goals, it is now. As Senator Ted Stevens recently observed in a speech before the Anchorage Chamber of Commerce, the people in the Lower 48 are going to need and want Alaska's resources, and when the national need is perceived to be great enough, the people in the rest of the country will demand Alaska's resources—particularly oil and gas—and they won't care particularly what happens to Alaska's environment in the process.

They fear the adverse impacts such as the State is driving deadline proposed for the Beaufort Sea Sale—a deadline that could result in two to three years of unnecessary delay in drilling of a single well—Alaskans should work together to find solutions to concerns (such as the May 15 deadline proposed by Natural Resources Commissioner Robert LeRoeche) that neither compromise the environment nor indirectly lead to a backlash against such stipulations because of the delay they cause. For the same reasons, the emerging Coastal Zone Management Programs around the State need to be examined carefully by the Coastal Policy Council and legislature to ensure that local, state and national interests are considered in order to avoid a potential backlash harmful to the very environment that the proposed ordinances are trying to protect. The responsibility of State officials to work to find a balance between environmental and developmental goals at this juncture in Alaska's history is awesome, but that responsibility must be taken by all officials with responsibilities in those areas, and it must be taken now.



I would like to close by thanking the sponsors of this important conference for inviting a member of Alaska's oil industry to participate. The fact that the perceptions of 1969 led to the policies of the last decade gives us hope that the perceptions of 1979 will enable us to work together with those in Alaska's government in the decades ahead to create an environment in which Alaska's natural resources may be developed in a manner consistent with the goals expressed in the State's constitution: "It is the policy of the State to encourage...the development of its resources by making them available for maximum use consistent with the public interest"...of all Alaskans."

NOTE

Footnotes

¹"The Financial Foundations for Future Alaska." A Conference on the Future of Alaska. Seminar One Reports. Delta Group. p. 7.

²"Alaska's Revenue Forecasts and Expenditure Options." Institute of Social and Economic Research. University of Alaska. Vol. XV. No. 2. July 1978. p. 1.

³Starratt, Patricia E., *Alaska's Emerging Fiscal Crisis*. Alaska Oil and Gas Association. 1979. p. 7.

⁴Tussing, Arlon R., "Investing in Economic Development." Remarks delivered at a Public Symposium on Alaska's Financial Future. Alaska Growth Policy Council. October 20, 1979. title page.

⁵*Ibid.* p. 2.

⁶*Ibid.* p. 5.

⁷Reaume, David, Department of Commerce and Economic Development. Statement before Eighth Annual Economic Development Workshop for Alaska Communities. November 7, 1979.

⁸Bank, Richard K., Metropolitan Life Insurance Company. Prepared Testimony. TransAlaska Pipeline System. Docket No. OR78-1. Federal Energy Regulatory Commission. November 20, 1977. pp. 7 and 12.

⁹Tussing, *op cit.* p. 2.

¹⁰Starratt *op cit.* p. 12.

¹¹The Constitution of the State of Alaska. Article VIII. Section 1. Full text: "It is the policy of the State to encourage the settlement of its land and the development of its resources by making them available for maximum use consistent with the public interest."

Biographical Sketch

During high school, Kenneth Showalter worked as a farm laborer, freight handler for B&O Railroad. During college years he worked part time in his father's hardware store and during the summer he worked as a carpenter on construction projects. Showalter joined the Standard Oil Company (Ohio)—Better known as SOHIO—in November of 1950 as a marketing department trainee. He worked a great variety of jobs in a half dozen locations around Ohio, including industrial sales, consumer sales, sales manager, site developer (real estate), division manager and department manager of pricing. In early 1975 he was assigned the job of Assistant Director of Alaskan Affairs and later promoted to Director of Alaska Government Affairs, his current job. His current employer is SOHIO Petroleum Company.

PROPOSED TAX STRUCTURE FOR ALASKA DURING A BUDGET SURPLUS

prepared by
Ken Gain

Introduction

During the decade of the 70's Alaska's burgeoning oil production, increased taxes on the petroleum industry, and the rapidly accelerating price of petroleum due to inflation and the high prices established by the O.P.E.C. cartel have produced substantial unanticipated revenue to the State of Alaska. As a result the State will be entering the decade of the 80's with surplus revenues in the range of \$2-4 billion. In view of this large surplus, it is only appropriate that Alaska review and perhaps modify its existing tax structure.

History

Since Statehood, the tax revenue needed to support state government has come primarily from the following sources:

- (1) Severance taxes on petroleum extraction, and ad valorem taxes against petroleum related facilities;
- (2) Excise taxes levied primarily on the sale of gasoline, tobacco and alcohol;
- (3) Gross business tax levied against the gross receipts of Alaska business; and
- (4) Corporate and personal income tax.

At the beginning of the 70's, the principal source of State revenue was the corporate and personal income tax. However, during the decade, a series of new and larger taxes levied against the petroleum industry as well as the increasing production of and price of petroleum, have increased the revenue from petroleum related taxes to the point where they constitute over 65% of the State's current tax income. This increased income from petroleum related taxes as well as the State's royalty income from the sale of State owned oil, has been responsible for creating the large unanticipated surplus.

Recent History

By 1978 it became obvious that the State would begin securing surplus income from oil taxes and royalties and therefore, certain modifications of the tax structure were adopted by the 1978 Legislature. As of January 1, 1979 the gross business tax, which was an extremely unpopular tax with business people, was repealed. In addition, the net cost of the personal income tax to Alaska residents was reduced through enactment of an "Individual Income Tax Credit." This resident tax credit allows a tax credit of \$100 per taxpayer (\$200 for joint returns) against taxes otherwise due in 1979 and will increase to \$300 per taxpayer (\$600 for joint returns) in 1981.

As a result of the unanticipated surplus, considerable discussion has been generated in recent months on the subject of abolishing or significantly reducing the personal income tax. Although it would of course be possible to reduce other taxes, no substantial support has developed toward reducing them. It is considered highly unlikely that anyone but the petroleum industry would support a reduction of taxes against that industry and therefore the author will address only the probabilities of reduction or elimination of some of the other taxes. Because alcohol and, to a lesser degree, tobacco create substantial public health costs as well as other social welfare costs (related to alcohol), the current taxes on these items do not yet offset their social costs. Therefore, repeal of these taxes would meet with substantial opposition. The increased price of petroleum, which is responsible for the unanticipated surplus, has also greatly increased the cost of gasoline to the Alaskan consumer. Therefore, support could be generated for a repeal of the excise tax against gasoline which would thereby reduce its cost to the Alaskan consumer. However, in terms of the overall current price of gasoline and the future anticipated cost, the elimination of this tax would not make a substantial price difference. Moreover, it is the opinion of this author that price is the ultimate answer to the conservation of petroleum products and therefore elimination of the excise tax against gasoline would only delay petroleum conservation in Alaska. Based on the foregoing, it therefore appears that the prime candidate for reduction or elimination is the personal income tax and the corporate income tax.

Putting the Income Tax in Perspective

In analyzing Alaska's personal and corporate income tax, it is important to understand the relationship with the Federal income tax. The regulations for the Alaska income tax closely parallel those for the Federal income tax and is based upon a percentage computation of the Federal tax. There is, however, one significant difference. Federal income tax rules provide that State income taxes are an allowable deduction for taxpayers who itemize deductions on their Federal Income Tax Return. Therefore, an Alaskan taxpayer, in the highest Federal bracket (70%) may deduct 70% of the amount of State income tax he pays from the amount of Federal income tax he pays. This means that for the highest income brackets, the net cost of the State income tax is only 30¢ on the dollar. For a person at the lower end of the income bracket (14%), the net cost is a sharply increased 86% of the actual tax. For the person who does not itemize deductions on his Federal tax return, the amount of Alaska income tax paid has no effect on the amount of Federal income tax paid, and therefore the net cost to him of the Alaska income tax is 100% of the amount paid. In almost all cases, it is usually advantages for persons who own homes (due to the fact that mortgage interest and real estate taxes are itemized deductions), or who have high incomes to itemize their deductions on the Federal return. Therefore, it can readily be seen that the persons who pay the highest percentage of net dollars (although not necessarily the most dollars) in State income tax are those persons who rent or who are in the lower income tax brackets.

In analyzing the income tax, it is also important to analyze just who is really paying that tax. In a recent talk, Governor Hammond indicated that the gross revenue from the personal income tax was approximately \$130 million, of which amount \$30 million is paid by non-residents of the State of Alaska.

It must be remembered that most projections indicate that the income from petroleum taxes and royalties will sharply diminish within fifteen years unless there are additional oil discoveries. Therefore, the projected level of state spending will begin resulting in deficit budgets. Any elimination or reduction in taxes to Alaskan residents is likely to be temporary in nature.

Before enacting any new tax, four basic questions which must be answered are as follows:

(1) Is the tax reasonably fair?

(2) Is the tax reasonably easy to administer?

(3) Is the tax reasonably related to the ability of taxpayers to pay?

(4) Will the tax have an undue negative affect on the economy?
(Since government is not as efficient in its utilization of capital as private enterprise, higher taxes will always have some adverse economic impact.)

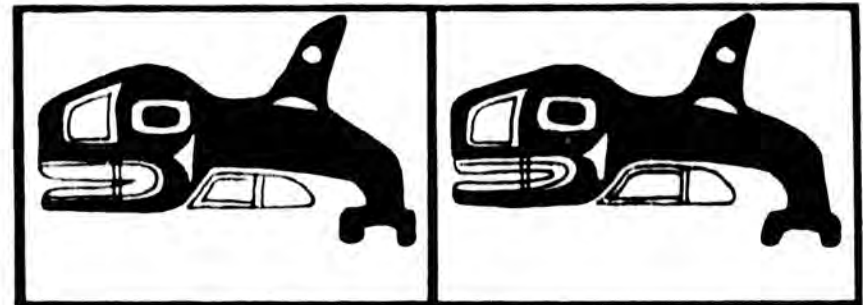
Therefore, when consideration is given to the reduction or elimination of the tax, it is only reasonable the same criteria should be applied.

One Alternative is to Simply Eliminate or Reduce the Current Income Tax

In analyzing the pros and cons of the alternatives the criteria which would be used for imposing a new tax will be applied.

Pros

The reduction or complete elimination of the income tax is incredibly simple to administer. With taxes reduced, it is a simple matter of reprinting the tax schedule. If they are eliminated it would be relatively easy to disband that portion of the Department of Revenue dealing with the income tax. It is certainly reasonably related to the ability to pay since no one would be paying any income tax. On the one hand it can be argued that it is very fair, since those persons who will benefit are those persons who are paying the taxes in the first place. However, a sub-



Statistical argument can be made that the reason the tax can be eliminated is due to the profits derived from Alaska's natural resources, and that since these resources belong to all of Alaska's residents, all of them should share in an equitable manner. Unfortunately, the matter as to which approach is the most fair is pretty much a matter of individual philosophy and should be the subject of a book on philosophy rather than a brief paper on tax structure.

Cons

The negative arguments against complete elimination of the income tax begin with a discussion of whether or not it is fair which, as discussed above, is a matter of individual philosophy. The overwhelming argument, and of this author's opinion, the key issue against eliminating the tax is the economic impact on the State of Alaska. As discussed earlier in this paper, any reduction in the Alaska income tax will, for the taxpayer who itemizes his deductions, increase his Federal income tax. Therefore, a significant portion of the amount of reduction in Alaska income tax will be offset by a corresponding increase in Federal taxes. Although the author does not have at his disposal hard statistics as to the percentage of Alaskans who itemize Federal returns and their average Federal tax rate, it is reasonable to assume that since approximately 50% of all Alaskans are homeowners, approximately 50% do in fact itemize deductions on their Federal tax returns. Based on examination of Alaska's per capita incomes, it is reasonable to assume that the average Alaskan who itemizes his Federal tax return would conservatively be in the 30% Federal tax bracket. Therefore, complete elimination of the \$100 million in State income tax paid by Alaska residents (Governor Hammond's figures) would amount to a corresponding increase of \$15 million in Federal income taxes ($50\% \times \$100 \text{ million} \times 30\% = \$15 \text{ million}$). Considering that \$30 million of the total \$130 million in income tax is paid by non-residents, the complete elimination of the personal income tax would result in only \$85 million (or approximately 65% of the loss of revenue to the State) in the pockets of Alaska residents. While an additional \$85 million at the personal disposal of Alaska residents would certainly enhance the economy, it is this author's opinion that we should strive for a higher return.

The Recommended Tax Structure

It is this author's opinion that the State would better be served by keeping the income tax in force and providing a series of tax credits which will either reduce, eliminate, or provide a negative tax based on a series of tax credits related to the high cost of living in Alaska. This proposal would be based on continuation of the current "Individual Income Tax Credit" with additional credits equal to the amount of real property taxes and heating and electricity paid, or indirectly paid as a renter, on a permanent residence within the State of Alaska. Obviously, there would have to be some limitation as to the amount of such credits. These credits could easily be established, year to year by the Legislature, depending on the amount of revenue needed to operate the State. Assuming that it is the intent to completely eliminate the \$130 million collected in income tax, it would be possible to calculate these credits as the maximum of the actual total (i.e., sum of the current individual credits, plus the cost of real estate taxes on the residence, plus the total cost of the heating and electricity for that residence) or say \$325 per family member, which is the approximate per capita amount based on \$130 million income tax revenue. Since a portion of this recommendation is to allow an actual negative income tax, it is important to separate the tax structure from the welfare system. It is therefore recommended that an additional maximum limitation be established as 50% of the taxpayer's gross earned income.

To allow renters to take advantage of credits for taxes and utilities, which they indirectly pay through the owner of the property, it will be necessary to place a certain administrative burden on owners of rental property. To offset their cost in providing this service to tenants, it is proposed that owners of rental property be allowed to deduct as tax credits the amount of credits for real estate taxes which would be attributable to vacant units. As an illustration of how this would work, assume that a taxpayer owned a four-unit apartment building on which the real estate taxes were \$1,200/year and that throughout the year he averaged a vacancy of 25%. In this instance, the renters of each unit would receive a \$300 credit and the owner would receive the remaining \$300 credit. The renters would, in addition to the credit for real property taxes paid, receive credit for their pro rata share of the utilities.

Relief to corporations paying the corporate income tax should be provided by allowing tax credits to help offset the high cost of doing business in Alaska. While it would be possible to establish corporate credits for real estate taxes paid, and utility costs, it is this author's opinion that a more beneficial type of credit should be related to the number of Alaskans employed. It is therefore recommended that corporate income tax relief be related to Alaska employee credits. Under this system each corporate taxpayer would be allowed a tax credit, equal to an amount established by the Legislature, for each employee who is an Alaska resident. By utilizing this form of credit, there would be greater incentive to those types of industry and business which are labor intensive and therefore provide greater benefits to more Alaskans. It would even be possible to allow higher credits for certain industries, the development of which the Legislature would like to encourage.

Since these credits are likely to be temporary in nature, and may vary from year to year, the most efficient method of administering the credits is to prepare an additional schedule to the current income tax form. After the taxpayer completes his normal income tax computations, he would then prepare the form for his credits. So that the taxpayer realizes that he will ultimately pay for any new government programs enacted, and that the credits are in fact temporary, the form should have a label such as "Temporary Tax Credits Due to Surplus Petroleum Revenues." By utilizing this method, the amount or limitation on the credits could be varied from year to year, depending on the State's revenue needs, while at all times maintaining a high level of consciousness with the taxpayer that he is ultimately responsible for the cost of government programs.

Pros

The recommended alternative is fair if the reader subscribes to the philosophy of fairly equal distribution of the benefits among the entire population. Because it spreads the amount of tax reductions more evenly through the populace and is related to cost of living and doing business in Alaska, it is more related to the ability to pay than the alternative of a complete elimination of income taxes. With the exception of credits which would accrue to non-resident corporations employing Alaskan residents, all of the credits would accrue to the residents of Alaska and therefore would provide a greater dollar impact on our

economy. Because of the broader distribution and the allowance of a negative income tax, the benefits would accrue more heavily to persons who do not itemize their Federal income tax returns, and therefore will reduce the amount of the tax reduction benefits, which would be lost through increased Federal taxes.

Cons

An argument against this recommendation is, of course, the element of fairness which again depends on philosophy. Another argument against the proposal is that it would be more complicated to administer than a complete elimination of the income tax. On the other hand, the mechanism already exists for administering the income tax and with the exception of providing regulations for determining the amount of credits to renters, it should not be significantly more difficult to administer than the present law. Since owners of rental property would be receiving some benefits in exchange for calculating credits to renters, they should be quite cooperative.

Summary

In summary, it appears that the recommended course of action is preferable to complete elimination of the income tax in that it directs more dollars into the Alaska economy, and will benefit more Alaskans, particularly those currently receiving no reduction in Federal taxes for the amount of State taxes paid. It also has the benefit of providing the greatest tax reduction for those businesses providing the most jobs for Alaskan residents.

While adoption of this tax structure would leave some higher income Alaskans still paying income taxes, it must be remembered that these higher income persons are already receiving substantial credits against the amount of their Alaska income tax through reduction in the amount of their Federal income tax. Therefore the issue of fairness does not seem to be an overwhelming one.

The major objection against the recommended tax structure, as opposed to the alternative of eliminating income taxes, is that there is no cost or effort involved in the elimination of income taxes. However, it is likely that at some future date it will be necessary to again levy income taxes and the amount of tax reduction benefits lost to the Federal government and non-

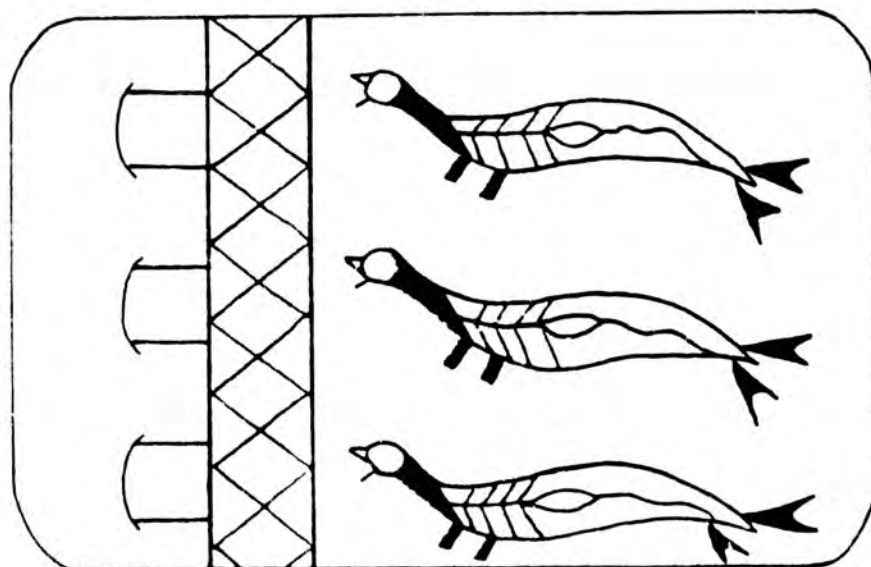
income tax. In addition, the recommended tax structure will allow the Legislature to distribute benefits from our petroleum wealth greater than the amount of income taxes, but still retain the necessary mechanism to levy taxes which might be required in the event of some unforeseen change in petroleum revenues.

Footnote

¹According to the Department of Revenue, actual revenue for fiscal 1979 from income taxes was \$117,181,248.80 from personal income taxes and \$24,828,170.87 from corporate income taxes for a total of \$142,009,419.60. They were unable to, as of the date called, verify the amount paid by non-residents.

Biographical Sketch

Kenneth Jay Gain, MAI, SRPA, SRS, CCIM, is a 28-year Alaska resident who is currently employed as President of Professional Realty, Inc., and as Chairman of Real Estate Services Corporation, of Anchorage, Alaska. In his personal practice he specializes in counseling clients in achieving tax shelter through investment in real estate. He has also organized and currently manages some 15 partnerships designed to provide tax shelter for investors.



PERMANENT FUND

prepared by
Emmitt Wilson

Since it became apparent several years ago that Alaska would be able to accumulate a sizable surplus due to mounting revenues from the North Slope Oil Reserves, everyone and everybody has developed their plan for managing or spending these revenues. The past two sessions of the State Legislature have considered the idea of a permanent fund bill to establish the control of this apparent wealth.

In reviewing the report on the Brookings Institute Conference held ten years ago after the \$900 Million oil lease sale, it is obvious that trying to predict and predetermine the actions and consequences of the next ten years will be nothing more than guesswork on the economists part. Throughout a history that has experienced the failure of four distinct economic systems, economists, for the most part, have only projected from current assumptions and later explained why their predictions failed. Ten years from now it is unlikely that my statements and recommendations will have stood the test of time but I offer them in the belief they would be good for Alaska today and well into the future.

The number one controversy that exists within Alaska at this moment is what to do with \$1 to \$4 Billion the State will apparently receive this fiscal year, over and above all operating costs-and the possible \$45 Billion of such accumulated surplus by 1995. It appears we are now in the position that John Maynard Keynes would describe as having a budget balanced at naught on both sides, with the community starving to death because of inability to put itself to work. Theory and practice have lost contact.

At the very same time we are amassing these billions of surplus dollars, we are witnessing the failure of hundreds of Alaska businesses due to the lack of financing. Our homebuilding industry that is so vital to continued economic growth and expansion is being devastated because of the lack of mortgage money within the income limitations of the homebuyer. Moreover, hundreds of

gold miners are being driven out of business. What is happening in Alaska? I think we need to answer at least four questions.

- (1) Should Alaska continue to tie itself to the monetary policy of the Lower 48?
- (2) What exactly is economic growth and is it desirable?
- (3) Have we enough of it now?
- (4) How can we get more of it, if we desire?

Should Alaska continue to tie itself to the monetary policy of the Lower 48?

By sharply increasing interest rates and adopting direct controls on the money supply, Chairman, Paul Volcker and the Federal Reserve Board have ordered what could be a long and severe recession with higher unemployment a certainty. This could be costly to Alaska's economy even if Mr. Volcker were right in predicting that it will bring inflation down, perhaps to 10% by the end of the year.

This is unlikely, however, since Alaska's unemployment rate is well above the Lower 48 and much of the inflationary boom is beyond the reach of monetary policy. The market power of big business to set wages and prices is a good example. So too is OPEC oil pricing, with another increase expected in December. A huge increase in social security payroll taxes in January will increase employer costs, drive up prices and reduce employee take-home pay, creating new pressures for catch-up wage increases. Higher interest rates are in themselves inflationary in the short run, since they increase the cost of money. Federal tax collections will decline with the Gross National Product and federal outlays for recession relief will rise steeply. The resulting increase in the deficit will be upwards of \$20 Billion for each percent of unemployment. This deficit will have to be financed at the higher rates of interest decreed by the Fed, which will further increase the deficit.

Productivity, the lack of which is another cause of inflation, is not improved during recession. Factories have to be operated at less than efficient levels of capacity and investment falls off due

...head of the AFL-CIO, has called the Volcker package "the wrong move at the wrong time."

Since World War II there have been three recessions with nearly five million unemployed, with ratios rising to almost 8 percent. This is not an indication of healthy economic growth. The main problem appears to be the huge U.S. trade deficit we are acquiring due primarily to the demand for energy that last year amounted to \$40 Billion and is estimated to reach \$90 Billion in the coming year.

Alaska does not face such deficits. Instead, we are blessed with resources that insure tremendous increases in our Gross National Product. We have sources of continued cash flow, far and above the needs of prudent state government. Why then should we not return some of this income to the electorate in the form of tax relief, low interest loans and programs to benefit education and health? Instead, we are becoming part of an orchestrated recession being created by the Feds. We have the resources, the markets, the people and finally the money we have always lacked, until now, to build ourselves the best life and dynamic economy of any state in the Union, and of most countries, for that matter.

What is economic growth and is it desirable?

There are a variety of criteria for economic growth such as "the dollar output of goods and services," or some in the more abstract, such as "progress," "well-being," "higher living standards," etc. Measurements, meanwhile, can be in physical units, such as energy, tons, dollars, and also in human terms, such as the number of people employed and unemployed.

Affluent societies do not need to increase their tonnage of physical goods as much as they need to increase services; including the arts of living. Beyond the dollar totals, beyond full employment, lies this central question - *How well does the gross output serve the people who live in the economy?* Alaska is abundantly supplied with hard and soft minerals, water, forests, fish and money. We are seriously under supplied with job opportunities, schools, teachers, hospitals, housing, livable cities and many public necessities. We need to monetize our resources and our men and women.

Our economy is far below potential at the present time. We should never forget the fundamental goal, to keep citizens employed and the community healthy. Until every person who wants to work is working, until every housing unit has food, shelter, clothing, health services and education, we have not adequately managed our economy.

How can we get more of it (economic growth) if we desire?

It has never been done in an open society without increasing its debt. Our so-called free enterprise system is primarily a debt system, where bank money, which began as a debt of the borrower, is converted into new wealth. To increase the growth rate, money must go into the flow faster than it is taken out. The new money, it has been found, will also stimulate an increase in spending over and above the amount of the original addition.

John Maynard Keynes was the first to draw attention to what is now generally known as the "multiplier." When money is motionless, as in a sock or a vault, nothing happens-except to the ego of its possessor. When it is spread around the market, the initial expenditure activates a series of waves, like a stone thrown into a pool of water, which continue to expand for some time.

Most of us assume that the initial spending is the only spending; we completely neglect the multiplier. Thus \$1 Billion, borrowed from the banks and spent by the government to put a man on the moon might be regarded as a total loss, to some, money down the drain. Actually, owing to the multiplier effect, perhaps \$2 Billion will be spent for food, shelter, clothing, health and education. The scientists, engineers and workmen spend their salaries and wages. The individuals who receive the money spend most of it, save some of it. Business firms also save some of it, as the dollars go around and around in the circuit.

Professors Canto, Joines and Webb of the University of Southern California, Graduate School of Business Administration, did a study on the effect of Proposition 13 in California. Proposition 13, which became law in July, 1978, placed a lid on property taxes at 1% of market value and dropped revenues on which counties, municipalities and school districts rely, from \$12 Billion



to about \$5.6 Billion. The \$6.4 Billion cut in property taxes was apportioned as follows: only \$2.3 Billion went to homeowners, with the landlords getting \$1.2 Billion and commercial and industrial interests winning a \$2.9 Billion cut.

The \$2.9 Billion cut for the Business Community prompted Governor Brown to urge corporations to invest their tax savings in California to create more jobs and a "Buoyant Economy."

The report which was presented a year after the Bill was enacted showed there was a decline of 100,000 jobs in the public sector but a creation of 552,000 new jobs in the private sector. The unemployment rate in California declined from 7.6 percent to 6.2 percent while the U.S. rate declined from 6.1 percent to 5.8 percent; the lowest gap in 20 years for California

To substantiate their argument the professors found that previous income tax cuts in Rhode Island in 1970 were followed by a drop in unemployment and a dramatic increase in the Commonwealth's surplus. Similarly, the professors noted that in 1982 and 1984 tax cuts resulted in the national economy experiencing "a period of unprecedented expansion," with unemployment declining from 6.7 percent to 3.8 percent in 6 years.

These examples illustrate the multiplier effect. It doesn't matter if it is in the form of a tax cut or new loans. If it allows an addition to current investment which would not have occurred otherwise, incomes will necessarily be increased and at a rate which will normally exceed the rate of the increased investment.

Money lenders, centuries ago, issued gold certificates to an amount greater than the gold in their vaults. They thus created money "out of the air," or more properly, created the means to finance an increase in production. They took a calculated risk that the gold certificates with inadequate metal behind them, would stimulate enough activity by the borrower so that he would possess new wealth, and could repay the loan and interest.

Keynes summarizes the modern process. A grant of bank credit, and the checks resulting therefrom, will tend to:

- (1) increase the output of wealth,
- (2) increase employment,
- (3) improve wages, and
- (4) raise the gross national product.

The bank credit comes "out of thin air" to begin with, but usually materializes into useful economic events. Credit can be extended to a businessman, to a government, to an individual or to a charitable enterprise, for that matter. The businessman normally gives his note, the government its bond, or short-term paper. Both help to create money or numbers never before in existence!

The only thing that has ruined this desirable process is infla-

...inflation is not a monetary effect... for the or equivalent goods & services, inflation can be independent of, and is not necessarily correlated to, the amount of money or credit available."

We've been offered hundreds of contributing causes of inflation, most of which are really effects, not causes. In any vicious cycle, an effect becomes a cause, and vice versa. High interest rates are a case in point. Inflation requires high interest rates. Lenders are entitled to receive back at least as much value as they lent. If the dollar is worth less at the end of the loan period, equity demands that the lender receive enough additional dollars to make up for the loss in value of dollars lent, but interest costs are part of the expense of doing business, so high interest *resulting* from inflation in turn *causes* more inflations.

Until we completely change our U.S. corporation tax structure to a graduated rate (above \$100,000 earned) we will not stop inflation. With a graduated corporate rate, price and profit increases would be as worthless to business as wage increases are to labor. As it is now, wage increases are just added on to the price, plus the profit on the increase, and passed on to the consumer.

A graduated corporate tax program that would achieve this end of price-wage spiral would be profitable to business, labor and the entire economy since each would gain more real buying power instead of dollars worth less all the time.

Martin J. Meyer and Dr. Joseph M. McDaniel, Jr. wrote a book entitled *Don't Bank On It*. In it they say "Believe it or not, any sum of money deposited in any Bank or Savings and Loan Association at any time during the past 10 to 25 years, after deductions of average income taxes on interest earned, would have brought more loaves of bread, more heads of lettuce, more rides on the subway or more copies of the *New York Times* with the original deposit than it will today will all of the compound interest added. Money must be made to multiply itself many times over in the span of a score of years if the thrifty are to keep pace with inflation."

The best Master Trust Agreements offered by the top banks and money managers with their "very aggressive" asset mix of

1% bonds, 50% stocks and 49% cash are projected to return of 11.5% over a five year period. Their "very conservative" asset mix of 80% bonds, 5% stocks and 15% cash is projected at 9.3%. After adjustments for management fees and taxes (in the case of corporations and individuals) the net after tax return is more like 6.4% to 6.5%.

The State of Alaska, to my knowledge, has never had a net effective yield on its investments in excess of 8% annually. Meanwhile, an inflation rate of at least 10% is predicted for this year.

Under these conditions how can anyone argue that "Saving" our surplus money for future generations is the correct path to take when we are not even getting our own money back at the end of the year.

The State can, however, realize a much higher rate of return if we can obtain the direct results of the multiplier effect within our economy.

Take for example an 11% net return from a master trust agreement in comparison to an 8% - 30 year loan on a new home built in Alaska using a \$100,000 principal amount. The 11% will make the State \$11,000 in interest the first year. The 8% home loan will only return \$8,000. How can we justify this? At least 50% of the \$100,000 is labor that the economists say turns over 5 to 7 times before winding up in someones bank account. Let's be conservative and just figure 4 times, or \$200,000 of direct benefit to the economy generated by the labor portion of this one loan. The land that was subdivided required permits from the municipality, soils tests, engineering, title reports, legal documents, utility design and construction, all before the lot was produced. The house, besides the labor, required the materials and equipment and tools, all of these things contribute to a continuous sequence of expansion and we call the multiplier process. And taxes are paid to the municipality and state each time the sequence occurs. The property tax at 9 mills on an \$80,000 assessment would be \$720 per year. The state income tax on \$200,000 in a 9% tax bracket would be \$1,800.

The difference between the 11% and the 8% rate to the homeowner would be \$218.50 less per month. Assuming most of this

went back into circulation with the multiplier effect of 4-1 it would mean \$10,488 per year additional benefit to the economy. Considering these compounding beneficial effects how could anyone say that "outside" investment is better for Alaska, unless you do not want growth or employment.

The similar advantages of providing superior rate financing to Alaska businesses would be just as dramatic. If you would pull 20 case files at random from the State Business Loan Section, that were made without bank participation, you would find typically a \$100,000 loan at 8% for 10 years will provide that business \$500 - \$700 of new money per month that it didn't have before. Applying the multiplier effect to this, it should become obvious that just as the tax cut under Proposition 13 put new money into play, that created jobs and actually more than made up the tax loss, this same result could be accomplished in Alaska by just lending people their own money at reasonable rates.

I would strongly recommend that 50% of the Permanent Fund be allocated for investment in a revolving loan fund for Alaska homeowners and businesses.

From every indication, the abnormally high interest rates decreed by the Feds will be forced back down within one year. Treasury Secretary, G. William Miller, the administration's chief economic spokesman, in a recent appearance before a subcommittee of a House-Senate joint economic committee, assured them the administration is prepared to "offer alternatives" to the current policy. The Treasury-Secretary said he believes a two-tiered system of bank interest rates, with lower rates for smaller business "makes good sense."

Lawrence B. Simons, Assistant Secretary of Housing and Urban Development, on November 9, 1979 confirmed that they are about to ask Congress for money to buy single family mortgages at below-market interest rates. A 1974 law authorizes \$10 Billion for such purposes.

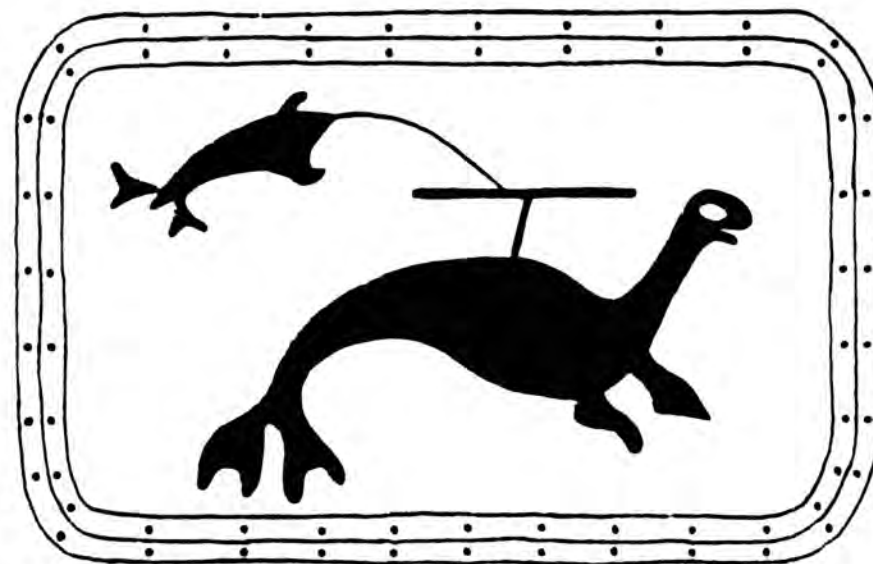
When the rates drop, Alaska could sell its mortgage portfolio or utilize the bond market "to create money," if it wished. In this manner the original funds could be leveraged to many times their original amount.

These loans should be available to all qualified Alaskans, regardless of income or mortgage amount limitations. The process for smaller business loans should be simpler and faster, and bank participation should be a choice of the borrower, not a compulsory requirement.

The Permanent Fund can provide the energy Alaska's economy has been waiting for...an adequate flow of money that can add millions of dollars of income and thousands of jobs.

Biographical Sketch

Emmitt Wilson is the director of the Alaska Teamsters 959 Credit Union.



The issues of management, regulation, harvesting and processing of the fish resources located off the shores of Alaska have been in the forefront of the debate over Alaska's Natural Resources Policy since prior to statehood. However, not since the 1930's and 1940's when codfish salteries located along the western and north-western coast of Alaska closed down, has there been significant domestic and Alaskan concern for high volume - low unit value seafoods such as pollock, cod, rockfish and sablefish.

In 1976, after much debate, and in the face of strong opposition from the U.S. Department of State, Congress passed, and the President signed, the Fisheries Conservation and Management Act of 1976 (FCMA).

The FCMA provided new opportunities and challenges to the State of Alaska. The extension of U.S. fisheries management jurisdiction from 12 to 200 miles opened up a vast protein resource to American fishermen and processors. The options for the State of Alaska were:

- (a) to do nothing about development of this new resource;
- (b) to follow the lead of industry;
- (c) to follow the lead of the federal government; or
- (d) to take the lead by coordinating the efforts of state, federal and private sector interests towards the goal of maximizing the benefits of development for Alaskans.

Governor Hammond chose the latter option, and, with the support of both houses of the Legislature, he established a Bottomfish Development Coordinator in his office and appointed members to a newly constituted Bottomfish Task Force. The Governor charged the task force with the responsibility of planning a State Bottomfish Development Program which would:

(a) develop an efficient, competitive, quality bottomfish industry able to enter freely and profitably in domestic and world markets;

- (b) develop, within a period of approximately 20 years, the domestic utilization of Alaska bottomfish resources to the fullest optimum yield;
- (c) encourage the establishment of permanent onshore processing facilities through state support of adequate port/harbor and community infrastructure;
- (d) encourage the maximum participation of Alaskan workers and entrepreneurs in the bottomfish industry; and
- (e) conserve and manage the fishery resource for a long-term, sustainable fishing and processing industry in Alaska.

Goals and policies were recommended by the Task Force and established by the Governor. State funded demonstration projects and surveys of industry and community needs were conducted. As a result of state executive and legislative efforts, the State of Alaska initiated the most complete and comprehensive program for domestic development of underutilized species of any of the states. Even federal assistance programs and policies, as we move into the 1980's, are keying on the state planning and development activities. *The State of Alaska Program for Development of the Bottomfish Industry* has become the framework within which a flexible and dynamic development program can be constructed, extended and maintained. This paper is an overview of the State program with notes on what it is, who is involved and where the program is headed in the future.

The State initiated program has now reached a significant stage of expansion. Community needs assessments directed by the Arthur D. Little planning document have been completed by the Department of Community and Regional Affairs through the first, or study, phase. Demonstration projects have been completed in several areas of the state and documents have been submitted detailing the experience of the processors and fishermen involved in those initial projects. Educational and informational conferences have been well attended, regulatory structures have been reviewed and potential barriers to full development have been identified.

The effects of the FCMA and state efforts are already beginning to become evident. Black cod (sablefish) fishing and processing effort has shifted from Japanese fleets to U.S. vessels during the past nine months. The domestic black cod fleet has expanded in only 18 months from fewer than 20 small handline vessels to more than 50 boats with state of the art automatic longline gear on many of them. Foreign vessels are being moved out of the tanner crab fishery over the next two years, and even that action is regarded as too slow by the fishermen. The latest 125 foot class vessels from the troubled king crab and salmon fleets are being modified with bottomfish and mid-water gear and onboard heading and gutting equipment to allow seasonal participation in the bottomfish fishery. Diverse elements of the industry, including processors and fishermen in small towns and villages around the coastal rim as well as federal and regional assistance agencies, are turning to the State of Alaska for direction and information on how and where the most effective further development of the industry should take place.

In establishing the State development program to date, the following elements of state government have directly participated and will, along with additional divisions and departments, have continuing responsibility through completion of the twenty-year plan:

- (1) Office of the Governor:
 - a. Bottomfish Coordinator and several Special Assistants*
 - b. International Fisheries and External Affairs*
 - c. Coastal Zone Management*
 - d. Division of Policy Development and Planning*
- (2) State Legislature*
 - a. Joint Committee on Resources
 - b. Bottomfish Interim Committee
 - c. Office of the Speaker of the House
 - d. Office of the President of the Senate
- (3) Department of Commerce and Economic Development*
- (4) Department of Community and Regional Affairs*

(6) Department of Education

(5) Department of Environmental Conservation*

(7) Department of Fish and Game*

(8) Department of Labor*

(9) Department of Public Safety

(10) Department of Transportation and Public Facilities*

(11) University of Alaska

*Represented on Work Group or Task Force

In addition, the Governor's coordinator and the legislative program managers have integrated into the planning process fishermen and fishermen's organizations, native regional corporations, village corporations, labor unions, seafood processing and marketing representatives, the Alaska Fisheries Development Foundation, Economic Development Administration, National Oceanic and Atmospheric Administration (NOAA), National Marine Fisheries Service (NMFS), North Pacific Fisheries Management Council, and the Army Corps of Engineers.

The effective coordination and correlation of these local, state and federal agencies with one another and with the private sector industry interests remains an essential part of the fishery development program as we move from the organizational stage into active implementation of the program design.

Phase II of the development program, the implementation phase, is ready to get underway. In Phase II fishermen off Alaskan shores should accelerate their capture of progressively larger portions of the optimum yield (OY) of bottomfish and other underutilized species. Both onshore and offshore domestic processing expansion should begin to impact foreign allocations. Port and harbor development, together with shore-based support infrastructure, will be moving rapidly into the design and construction stage.

Sufficient data is also becoming available through studies

investigation by the Institute of Commerce, the Institute of Marine Sciences at Uppsala and the Sea Grant programs of the University of Alaska and the University of Washington to answer long standing questions regarding socio-economic impacts, cost-benefit comparisons between gear and vessel types, likely employment scenarios, foreign investment impact and quality assurance requirements. Such study and research efforts will continue as an integral part of the implementation phase with the results of those efforts being incorporated into the twenty-year development program on an ongoing basis. The state program is moving according to schedule toward realization of goals and objectives set by Governor Hammond in 1977, 78 and 79.

Projects underway and tentatively planned for FY81 and FY82 are directed towards accomplishing the following tasks:

- (1) Complete a full analysis of the labor force characteristics of the fishing and fish processing and marketing industry.
- (2) Encourage and facilitate the creation and utilization of a trained Alaskan labor pool.
- (3) Reduce the extent of the boom-bust economic cycle and extremes of seasonal unemployment in coastal areas, both in fishing communities and business and supply centers.
- (4) Analyze the impact of foreign investment and market control on Alaskan fishery development and work towards resolution of problems flowing from such situations.
- (5) Refine and expand data base on amounts and locations of stocks of fish and increase the utility and availability to the industry of data accumulations.
- (6) Develop and implement means and methods to more effectively distribute necessary technical and practical information to fishermen and processors. [A comprehensive whitefish processing manual is now available as a result of a Kodiak demonstration project this past year.]
- (7) Make available additional bottomfishing education programs for fishermen and processors from basic bottomfish fishing and processing skills to specialized procedures for trawl

and larger vessels, new types of gear, and development of high technology bottomfish processing equipment.

- (8) Complete the identification of appropriate locations and begin design and construction process for establishment of port and harbor facilities as well as water, power, sanitation, housing and transportation infrastructure in targeted communities.
- (9) Update and refine goals, policies, objectives and activities of the state program to conform to results of ongoing study and research efforts.
- (10) Identify and analyze new or expanded finance and bonding mechanisms for infrastructure development and direct financial assistance to fishermen, processors and marketing organizations to assist their entry into the bottomfishery.
- (11) Continue analysis of marketing and quality assurance problems and formulate proposals for addressing those problems.

Among specific communities and areas likely to be impacted by the development programs underway or contained in the FY81 and FY82 programs are:

Ketchikan*	Anchorage*	Kake
Kodiak*	Hoonah	Sand Point*
Petersburg*	King Cove*	Sitka*
Cold Bay	Juneau	St. Paul*
Yakutat*	St. George	Unalaska/Dutch Harbor*
Cordova*	Valdez	Dillingham (Bristol Bay)
Seward*	Homer*	Hooper Bay/Scammon Bay
Akutan	Kenai	Norton Sound - Nome

*probably major development impact

Virtually all programs impacting these communities are either:

- (1) one time study efforts, or
- (2) planning, design and construction of capital projects which will be eventually paid for by user fees.

The State and federal efforts, including investment of approxi-

mainly 4.5 million dollars plus federal vessel financing guarantee programs, have generated or stimulated the following types of existing and planned development and investment: (approximate amounts)

- (1) Unalaska/Dutch Harbor: \$35+ million dock, harbor and port development (American President Lines, Village of Unalaska, City of Dutch Harbor). \$10+ million processing plant expansions (Pacific Pearl, PanAlaska, Unisea, others). \$5+ million commercial facilities expansion and development (private mall, Unisea, city and village).
- (2) Homer: \$10+ million combination port/harbor development for expanded fishing fleet and processing facilities.
- (3) Seward: \$20+ million shipyard construction.
- (4) Over \$125 million in construction of vessels designed for, or capable of conversion to, trawl fishing for pollock, codfish and other underutilized species.
- (5) Expansion of the U.S. black cod (sablefish) fleet off southeast Alaska from fewer than 20 vessels to more than 50 vessels, many specially designed and outfitted for highly efficient automated longline fishing.



(6) Increased employment in fish processing, marketing and related activities in Anchorage, Ketchikan, Petersburg, Kake, Sitka, Sand Point, Kodiak, King Cove, Dutch Harbor, Unalaska, Cordova and Valdez.

- (7) Management, development and consultation services generated by the private sector in Anchorage, Fairbanks, Kodiak, Juneau and Seattle.
- (8) Multi-million dollar proceeds from Aleutian Islands Area State Land Sales.

In addition to direct financial investment and returns, other types of benefits for Alaskans and industry have flowed from the investment to date:

- (1) Clear demonstration of the ability of Alaska to take a leadership position in State-Federal cooperative planning and management of natural resource utilization and community development.
- (2) Increased concentration of federal research and development funding in areas impacted by development of the fisheries off the coast of Alaska.
- (3) Reduction of foreign fishing fleet activity off the coast of Alaska and replacement by American vessels with American crews.
- (4) Demonstration of the effectiveness of advance planning and policy formulation for major state projects.

Additional tangible benefits are likely to flow from continuation of Alaskan fishery development and the Bottomfish Program:

- (1) Development of a labor force of Alaskan citizens to take advantage of 10,000 to 20,000 new jobs over the next 10 to 20 years.
- (2) Development of viable fishery oriented communities in rural coastal areas with strong local government units.
- (3) Increased feasibility of surface transportation from Anchorage

in the Aleutian Islands and western Alaska as year-round fisheries and processing expand the permanent population base in those areas.

- (4) Reduction of state's dependence on non-recurrent revenues.
- (5) Provision of government services to meet the needs of southwestern, western and coastal Alaska citizens in a more effective and efficient manner.
- (6) Encouragement of economic development which offers long-term net benefits to all Alaskans.
- (7) Improved ability of the private market system to provide needed goods and services to Alaskans as well as to other domestic and foreign markets.
- (8) Promotion of rational development and management of fish and wildlife for the long-term economic and social benefits of all Alaskans.
- (9) Reduction of the boom-bust cycle in the Alaska economy.
- (10) Improved U.S. balance of payments.

The State of Alaska has made remarkable progress in moving towards realization of the Governor's Renewable Resource Development goals through the bottomfish program within the brief time since the FCMA was established. With continued cooperation, assistance and advice from individuals and agencies in the private and public sector, from fishermen, business people, consultants and advisors, from critics and supporters alike, we can continue the development and implementation of a program which is charting Alaska's future frontiers today.

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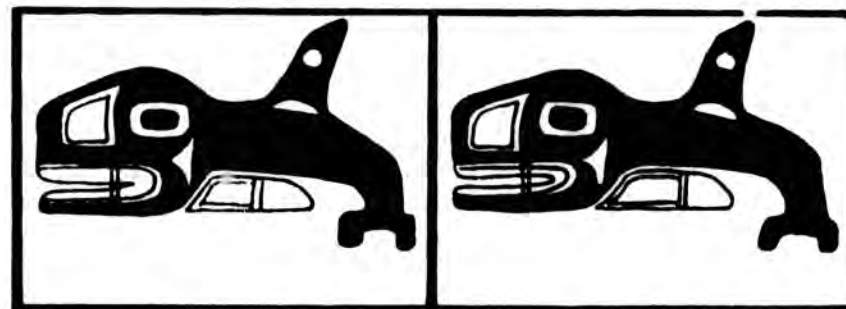
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Biographical Sketch

Dave Allison is a planning and program specialist with the Office of the Governor, Division of Policy Development and Planning. He specializes in bottomfish industry development issues and policies. He graduated from Marian College in Indianapolis, Indiana in 1964 and received his Doctor Degree from Indiana University in 1968. He served as a State Representative in the Indiana Legislature in 1969 and 1970 and practiced law as a partner in the law firm of Allison and Barnhart until leaving Indiana for Alaska where he has lived since 1978. He has served on the boards of numerous civic and non-profit commissions and organizations and is a member of various professional associations in the fields of law and fisheries.



HISTORICAL PERSPECTIVE

by
Richard Montague

Alaska Division of Tourism: Government concern for fostering growth of the visitor industry dates from Territorial Days. The Territorial Legislature regularly appropriated funds for tourism promotion and one of the early line agencies established by the newly created Alaska State Government in the 1960s was the Alaska Travel Division, first placed in the Office of the Governor, in recognition of tourism's external role as a promotion agency whose focus lay primarily outside Alaska. Subsequently, the division was transferred to the Department of Commerce, then in the mid 1960s to the Department of Economic Development. The division of tourism, as the agency is currently known, is a line office within the Department of Commerce and Economic Development.

Legislative intent behind creation of a line division for tourism was to foster continued growth of the visitor industry through two main methods of approach: *external promotion* of visitor attractions through media advertising, distribution of informational literature, participation in travel shows and similar events, and *internal promotion*, primarily through administration of grant programs to assist political subdivisions and non-profit organizations in furthering local development of visitor attractions and facilities. Although percentages have varied from year to year, generally the amount spent on external promotion exceeds that spent on internal promotion by three to one. This expenditure pattern directly reflects the Legislative mandate to concentrate primarily on bringing visitors, i.e., non-Alaska residents, into the state, rather than on promoting travel within Alaska on the part of Alaskans. The two considerations go hand in hand, however, since out-of-state visitors require a physical "plan," e.g., both publicly and privately operated attractions and facilities to service the traveling and vacationing public.

The aiding and abetting of the growth of tourism has been viewed since the beginning of Alaska state government within the overall context of fostering the state economy as a whole. Essentially, the division's promotional programs may be viewed

as the sum total of efforts to import monies into the state through the vehicle of visitor spending in-state. Recently concluded independent studies show out-of-state visitor spending probably exceeded \$200 million for 1979, thereby making tourism a highly significant factor in Alaska's export/import economy. By the measuring point of spending brought into the state and the in-state spending on travel within the state, the visitor industry ranks second among Alaska's industries.

Visitor spending within Alaska generated at least \$20 to \$25 million in taxes, fees and receipts to state government in terms of 1975 dollars. More than 6,000 Alaskans were employed on a full-time, 12 months of the year basis in catering to visitors in 1975. Their wages in 1975 are estimated to have exceeded \$55 million. Tax receipts by local government in 1975 are estimated to have been between \$4 and \$5 billion.

A secondary purpose of creating a division of tourism was to establish an agency which would function as the principal advisor to the administration and Legislature on matters of state tourism policy, as well as visitor industry and state government. The latter is a highly significant function, as tourism is, seen from the point of view of state government, a "mixed" activity, in that the state itself is heavily involved in the visitor industry through the state museum system, the state system of public works and waysides, the state ferry system and the department of fish and game.

tourism Revolving Loan Fund:

During the early 1960s, the Tourism Revolving Loan Fund was established to provide a state loan program for the construction of new tourism facilities. The program has been highly effective in providing for the construction of additional hotel space statewide. Through October 1979, \$24 million in loan funds have been granted to 49 private sector firms and organizations. The program is administered by the division of business loans within the Department of Commerce and Economic Development.

Staffing: The division has offices in Juneau. During summer months, temporary personnel are assigned to the state-operated visitor information center at Tok. Current division complement is 15 of which 5 are professional staff. The division is one of

the personnel of the division has decreased 25 percent since 1972. In 1972, the division had a personnel ceiling of 20 positions. This decreasing in staffing has been brought about without any significant decrease in the functions of the division.

Current Status

Cooperative Marketing: Beginning in 1975, the division embarked on a program of *cooperative marketing*, a departure from earlier promotional concepts. Under this new approach, funds of the private sector and the public sector were combined under the division's leadership direction to create a joint cooperative marketing program. Legislative authorization for combining public and private sector funds was contained in the revisions to the 1975 Tourism Act, part of the Legislation which transferred the functions of the Department of Economic Development into the newly formed Department of Commerce and Economic Development.

Several factors led to this new concept, principal among which was the realization within the private sector that only through cooperative pooling of private sector funds with those of the division could a sufficient mass of monies be brought together to raise the nationwide level of awareness of Alaska to a point where a significantly larger number of North Americans would vacation in Alaska. Raising consumer awareness was simply too large a problem to be successfully attacked without a joint cooperative effort. Another factor was the attitude of the Hammond Administration which looked with favor on such industry-government efforts as part of a general precept that industry should contribute an appropriate share to state-supported programs directed primarily toward helping a specific economic sector.

Cooperative Marketing Budgets: Cooperative marketing began in the spring of 1976 with the contribution of \$94,000 of industry funds to the joint marketing program for the 1976 season. The net effect of this first contribution was to enable the division to expand and stretch its existing program thereby allowing more persons to be informed about vacationing opportunities in Alaska. The cooperative program has functioned in essentially the same manner since 1976, with a joint marketing plan being established each year which provides for both public and private sector input and funding. The marketing program is "neutral," however,

is that no attempt is made to raise industry to government in the jointly sponsored media advertisements. Contributions to the cooperative marketing program can be best shown in tabular form, viz:

Division of Tourism & Cooperative Marketing Budgets

Fiscal Year	General Fund Appropriation	300 Category Funding	Private Sector Funding	Total Operating Budget
FY 76	1,172,300	689,000	94,000	1,266,300
FY 77	1,415,300	679,000	557,500	1,972,800
FY 78	1,411,700	693,800	402,000	1,813,700
FY 79	1,666,500	900,500	400,760	2,067,260
FY 80	2,026,400	1,268,200	588,100	2,614,500
TOTAL:	7,692,200	4,240,800	2,042,360	9,734,560

As is evident from the table above, the total operating budget of the division from FY 76 to FY 80 was approximately \$9.7 million dollars, of which \$7.7 million was provided by the General Fund and \$2.0 million by the private sector. The private sector contributed equals 27 percent of the divisions's *entire* state-funded budget and 48 percent of its state-funded contractual services account during this five year period. This is not other joint industry-state economic activity which can boast such a record of sustained private-public sector cooperation in the common cause of state economic development.

Approximately 80 percent of the \$2 million of private sector funds stem from firms headquartered outside Alaska. Principal contributors have been major airlines serving Alaska, tour operations and travel wholesalers, and cruiseship companies.

The base of private sector support for cooperative marketing has grown as well. The first year of cooperative efforts, 1976, saw six firms joining with the division as "marketing partners." The 1980 program includes 54 private sector marketing partners. Alaska's cooperative marketing efforts, in fact, are *international* in scope, as the tourism office of Canada's Yukon has been a regular "marketing partner" in these efforts.

Achievements of Cooperative Marketing: Most observers credit cooperative marketing programs with having played a very major role in the more than doubling the annual visitor stream to Alaska. The most recent benchmark year before launching cooperative marketing, 1973, saw about 215,000 visitors to Alaska. During 1979, visitor industry and division statistics show over 510,000 visitors, an increase over 1973 of 137 percent.

Shifts in Visitor Stream Segmentation: The visitor market has undergone significant shifts in market segmentation over the past fifteen years. These shifts have been especially evident during the past five years of cooperative marketing. These trends are evident from the following table, viz:

Visitors Entering Alaska by Mode of Transportation

Calendar	Percentage Accounted For By:				Total
	Cruiseship	Ferry	Airlines	Highway	
1964	19%	20%	22%	39%	100%
1967	15%	22%	24%	39%	100%
1973	17%	13%	39%	31%	100%
1977	15%	6%	68%	11%	100%

The most dramatic shift in transportation mode is the trend toward commercial air, from 22 percent of the visitor stream in 1964 to 68 percent of the visitor stream in 1977. It is estimated commercial air travel in 1979 will account for 75 percent of more of all arriving visitors. The trend toward air travel parallels a corresponding *decrease* in highway traffic (as measured at Port Alcan), which has essentially remained at fifty to sixty thousand per year for the last six years. These market segment shifts reflect the general trend toward use of mass-mode transportation systems to travel to Alaska, both as a time-saving and a cost-saving measure. They also reflect a shift in the types of persons vacationing in Alaska. Whereas the Alaska visitor market was heavily influenced by the retired persons and senior citizens market in the early 1960s, the 1970s have seen significant expansion of the "adventure" travel market, primarily middle aged persons from professional and managerial groups who actively seek recreation and vacation experiences beyond the traditional fare of cruiseship voyages and conducted city sightseeing. Both market segments, the retired/senior citizens market and the younger

professional/managerial group, are important to the overall tourism "mix," although growth potential in terms of numbers is judged to be greater in the latter category rather than in the former.

Offshore Holiday Market: An important emerging visitor market is holiday travelers from Europe and the Far East. The current offshore visitor market is slightly larger than 20,000, of which the largest national group are West Germans, followed by Japanese. As European-origin visitors tend to remain in Alaska about twice as long as visitors from North America, their economic impact is far greater than their numerical number suggests. Japanese visitors tend to be a short-term market, as normally Japanese groups spend only one week in the state. An interesting aspect of this market is the hope that the Japanese may emerge as a significant factor in winter tourism to Alaska, particularly for skiing.

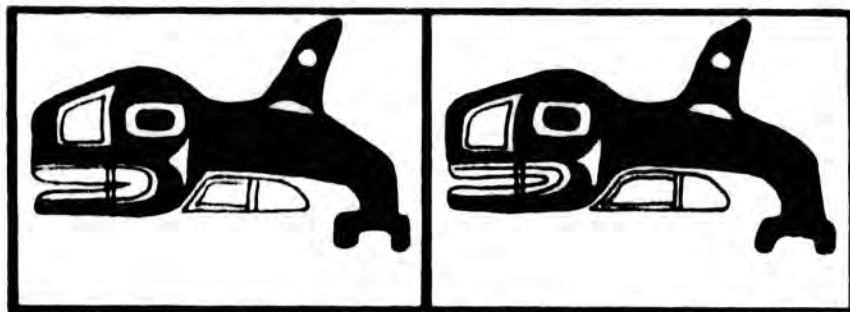
"Worlds of Alaska:" The media advertising campaigns funded through cooperative marketing have essentially focused on promoting the availability of the state's tourism information brochure, *Worlds of Alaska* through coupon response advertising. Readers of the cooperatively funded advertisements in publications such as *Alaska Magazine*, *National Geographic*, *Sunset*, as well as other publications, are urged to mail the prepaid reply coupon to obtain their free copy of *Worlds of Alaska*. Over one million copies of *Worlds of Alaska* have been distributed through this means since the campaign began in spring of 1976. The publication is revised annually to insure that prospective visitors receive the most up-to-date information possible regarding Alaska visitor attractions and facilities. The 1980 edition of *Worlds of Alaska* is 112 pages and has doubled in size since the initial edition of 1976.

A particularly useful feature of this annual publication is the "Alaska Travel Index" section which lists over 1,200 Alaska visitor industry firms and organizations which provide services to the traveling public. The address of each listed business or organization contains the code designated "DOT" allowing recipients to gauge the number of response letters deriving from listings in the Index. There are a large number of visitor industry firms in Alaska which receive upwards of 100 such letters each year requesting additional information or actually making bookings. The net effect of these annual cooperative marketing programs

visitors information necessary to purchase an Alaska vacation either as a travel "package" or on a "plan-it-yourself" basis where the visitor makes his own independent arrangements. Listings in the "Alaska Travel Index" are free to visitor industry firms, whether a firm is a financial contributor to cooperative marketing or not. There is absolutely no way in which small or medium-sized visitor industry firms could place information on their attractions or facilities in front of an annual audience of millions of readers without cooperative funding on the part of both the private and public sectors.

Computer Analysis of Visitor Interests: Beginning in 1978, the cooperative marketing effort added a new aspect to the traditional coupon reply forms by which readers ordered they copies of *Worlds of Alaska*, the division's fulfillment brochure. This new aspect was inclusion on the reply card of interest categories, allowing prospective visitors to request additional information. The names of visitors asking for such information are made available to private sector firms for direct mailing of product-line literature. The private sector ordered over 1 million such computer-generated names for the 1979 program. These private sector mailings supplement the mailing of *Worlds of Alaska* which the division sends to all coupon respondents.

Of the some 300,000 coupon responses received from the 1979 campaign, the latest year for which such figures are available, almost 40 percent, or approximately 124,000 persons, specifically sought information on hotels, motels, lodges and resorts in Alaska. Computer analysis of visitor inquiries for the 1979 program can best be shown in tabular form, viz:



Computer Analysis of 1979 World's of Alaska Response (Number of Responses = 300,000)

Interest Category	Information Requests	% of Total Response
Hotels, motels, lodges and resorts	123,777	41%
Tours to/within Alaska	120,434	40%
Travel to Alaska by air	63,277	21%
Travel to Alaska by car, camper or motorhome	149,879	50%
Travel to Alaska by cruiseship from Calif.	52,595	18%
Travel to Alaska by cruiseship from British Columbia	52,388	18%

Interest Category	Information Requests	% of Total Response
Travel to Alaska by ferryliner	71,465	24%
Travel to Alaska by motorcoach or rail	61,179	21%
Travel off the beaten track	106,829	36%
Sportfishing and sporthunting	79,971	27%
Convention and incentive travel	9,230	3%
Special interest activities	78,040	26%
Off-season (winter) travel	53,233	18%
TOTAL:	1,022,297	100%

On the average, each coupon respondent in 1979 requested information on 3.4 interest categories.

Significant is the relatively large percentage of coupon respondents seeking information on the "adventure" category, i.e., travel off the beaten track, special interest (birding, wildlife observation, etc.) activities, sportfishing and sporthunting, as well as off-season (winter) travel.

Cross-tabulation of these interest categories shows that more than one third of all coupon respondents specifically request information on these interest categories. The interest level of 40 percent for information on tours to and within Alaska is a direct

collection of the market segmentation which places about one third of all travel to and within Alaska in the "package" category, whereas the remaining two thirds is independent travel where the visitor puts together his own itinerary. Interest in mass-mode transportation is clearly shown by the interest in travel by air, water (cruiseship and ferries), and surface (train or bus). As is typical for the United States generally, about one half of all respondents sought information on travel by car, camper or motorhome. These are primarily independent, i.e., non-package travelers who plan to vacation either by driving to Alaska or by flying to Alaska and renting cars, campers or motorhomes. The fly-drive market segment is expected to achieve substantial gains as the American public turns to more fuel-efficient and less-costly ways to vacation.

New Directions

Success of Cooperative Marketing: Alaska's widely acclaimed program of joint private-public sector promotion has drawn nationwide attention and several states are investigating how they might benefit by patterning their promotion efforts on the Alaska formula. The essential ingredients of the Alaska cooperative formula can best be summarized as follows, viz:

- (1) Strong and effective leadership on the part of the division of tourism in designing and implementing cooperative programs. The division has been willing to assume the lead role in getting such programs funded and into operation. The division also functions as the essential "neutral" marketing partner, the catalyst which allows the private sector partners to cooperate toward the commonly shared goal of destination promotion.
- (2) Insight and willingness on the part of the private sector in being willing to collectively pool their funds with those of the state in cooperative ventures. It is an act of considerable farsightedness for a private sector firm voluntarily to place its own promotional funds in a common "kitty," over which the private sector firm making the contribution does not have programmatic control.
- (3) Success of the program is greatly increasing the nationwide consumer awareness of Alaska's vacation potential and the resultant substantial (more than doubling) increase in the visitor

stream. The program demonstrates clearly "works." The proof of this conclusion is the continued willingness of the private sector to make major financial contributions to the program over a period of five years.

Fine Tuning: Both state government and the Alaska visitor industry have created jointly a vehicle, namely cooperative marketing, which has won nationwide respect and has proven its effectiveness by generating growth in the visitor stream. As the years have progressed, the basic program has been refined and honed to make it increasingly responsive and cost-effective. Much of this could not be accomplished until market research had been completed to show where the program had made significant breakthroughs, since much of the cooperative effort entailed pioneering marketing efforts on the part of government as well as industry.

A successful formula has evolved from the dialogue of the past five years which should prove extremely helpful in furthering growth of the Alaska visitor industry over the next decade. Two key factors will determine whether such efforts will be successful: 1. Will funding continue to be available in sufficient amounts from both the private and public sectors? 2. Will the degree of cooperation and trust which currently exists between the private and public sectors be maintained? A major uncertainty remains. What will be the attitude of state government to continued growth of the visitor industry? Far greater efforts will have to be made on the part of both industry and government to explain the aims and goals of the visitor industry to the Alaska public during the decade of the 1980s than was done during the decade of the 1970s. The future of Alaska's visitor industry is absolutely linked to the state's posture on economic development over the next decade.

Biographical Sketch

Richard Montague was graduated from Harvard University in 1956. After service in the U.S. Army and as a writer and photographer, he moved to Alaska in 1969 to join *Alaska Magazine* and *The Milepost*. He founded his own publishing business in 1973, Alaska Travel Publications, Inc. Director of the division of tourism since January 1975, he is a member of Rotary, Society of American Travel Writers, SKAL, and the Explorer's Club (New York). Mr. Montague is also a member of the national board of directors of Discover America Travel Organizations (DATO) in Washington, D.C.

SCOMM

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STATE OF ALASKA

DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

OFFICE OF THE COMMISSIONER

POUCH B - JANUARY 1980

To: Honorable George Hohman
Chairman
Legislative Council

January 11, 1980

BLW/r
From: Bertram L. Wagnon, Deputy Commissioner
Department of Commerce & Economic
Development

Subject:
Department Comments

In compliance with your letter of December 31, 1979, attached are the department comments on the Alaska Conference of Future Frontiers.

If you have any questions concerning this, please feel free to contact me.

FUTURE FRONTIERS CONFERENCE

Page 6, Line 24-25. "Supporting private enterprise through the provision or facilitation of venture capital in Alaska."

Comment: This need is now being met through the Alaska Renewable Resources Corporation under the Department of Revenue.

Page 7, Line 5-6. "Approval of borrowers, based on relevant factors beyond those presently considered by banks."

Comments: The Division of Business Loans does consider factors beyond those presently considered by banks. In compliance with the eligibility rule as stated in AS 45.95.070(3)(c), "The loan will potentially create more jobs and provide additional services in the community" the division gives prime consideration to the number of jobs and the increase in goods and services made available to Alaskans by the project for which loan funds are requested.

Page 7, Lines 7-10. "The State economic policy should be to develop with goals of desirable social and economic development toward the improvement and strengthening of the private sector."

Comments: Certainly we agree the State should have goals for various kinds of development. We have outlined these goals which appear in the introduction to the economic development budget document:

"The primary goal is to develop, strengthen, and diversify Alaska's economic base by utilizing the State's natural human and financial resources in an effective manner, which offers long term net benefits to all Alaskans...with maximum opportunity to participate in the State's economy."

Page 8, Lines 1-25 and Page 9, Lines 1-2. "Alpha Group recommends that the State investigate a gas-stripping plant for the liquids at Prudhoe Bay and the State transportation system to bring the gas liquids and royalty share to tidewater for maximum State benefit."

Further, Alpha Group recommends that every effort be made to use Alaska petroleum to lower the cost of fuel throughout the state.

Alpha Group Recommendation on Fisheries:

Alpha Group recommends that the Alaskan fisheries program do the following:

1. Encourage and support the best possible harvest, transportation and care technique for all its multiple fisheries;

measures for coastal support and development of State fisheries products;

3. Initiation of the most advanced systems of quality production, control, transportation and storage of fisheries products;
4. Make every effort to train persons in the technical skills necessary to operate in a modern fishery.

Alpha Group's Timber Recommendation:

Alpha Group resolves that the State should facilitate in every way possible development of Alaska's vast timber resources in an expeditious, economically feasible and ecologically responsible manner."

Comments: A particularly large amount of work has gone into the investigation of the possibility of a gas stripping plant, particularly by the Department of Natural Resources. The question of such a plant is really one of costs versus benefits, as well as economics. The State Government would, of course, favor development of a job creating industry, provided its viability can be proven.

Ideally, Alaskans should have access to relatively low priced fuel. The State Government is not always in a position to influence pricing decisions especially with private companies. If the opportunity arises I'm sure it will be carefully considered.

Alaska has launched an extensive effort to support fisheries development. Considerable amounts of money are being expended to test the new Mustad equipment and train personnel. Several programs have been recently undertaken to improve quality control. Education programs are underway.

The bulk of Alaska's coastal timber is in either parks, under private contract or on private land. This does not leave a great deal of latitude for State marketing efforts. The State role therefore, has been one of research, publications and limited timber sales. This effort is carried out, with a few exceptions, by the Department of Natural Resources.

Page 24, Lines 15-17. "The arts and cultural pursuits are seen as integral to such lifestyles and essential to and enhancing the quality of life."

Comments: The State supports the development and preservation of cultural facilities and has funded numerous such projects, the latest of which were the \$750,000 grant to Haines and \$400,000 to Angoon. In addition, the cultural facilities act established a program and advisory council in this department for the purpose of promoting cultural facility development in Alaska.

the people, through the encouragement of small-scale enterprises in business, agriculture, manufacturing, resource and energy utilization."

Comments: The ideal of maximum self-sufficiency is, and remains, part of our American heritage. The State Government certainly joins in the support of that goal.

Page 32, Lines 11-12. "Fully reinstate and fund the Veteran Loan Program and include surviving spouses."

Comment: The Veterans Loan Program has been reopened.

Page 34, Line 12. "Loans for Alaskan fishermen and processors."

Comments: Fishermen can now borrow up to \$500,000 under the Commercial Fishing Loan Program and Processors a like amount under the Small Business Loan Program. Considering the size boats required in the bottom-fish industry, the limit of \$500,000 prohibits many state loan funded ventures.

Page 43, Line 10-12. "The State shall inventory the State's fuel and mineral resources and this shall be incorporated into State capital project's development plan."

Comments: The total fuel and energy resources within the State's boundaries are not all under the State's control. Partial inventories have been conducted by some government and private agencies but some lands are not open to such exploration. It would be valuable to have such a complete inventory.

Page 43, Lines 13-19. "The State shall invest income from our non-renewable resource wealth to develop renewable energy as a major State priority."

The State shall develop incentives for industry and consumers for energy conservation, especially in the areas of waste heat utilization, mass transit, insulation and car pooling.

Comments: All energy conservation and developments are a part of the Governors energy package and is a high priority with this administration.

The Governor has directed the Department of Transportation and Public Facilities and the Department of Commerce and Economic Development to begin developing guidelines, procedures and regulations necessary to implement a policy of mandatory use of waste heat in new facilities whenever possible and economically feasible. All new facilities should consider means to facilitate the use of waste heat from other sources.

Page 45, Lines 13-24. "Oil and natural gas leasing. There will be no further oil or gas exploration conducted until a Coastal Zone Management plan and an outer continental shelf management plan is adopted. And further, any oil or gas leasing program must include regional interests and considerations."

Epsilon Group recommends that the Legislature adopt Alaska's fisheries as its highest priority, and that activities to include the entire 200-mile limit.

Comments: The Federal government and the needs of America would preempt any attempt to halt exploration for a critical commodity, petroleum. However, we should, and must, guide the planning and development of offshore and onshore petroleum.

With respect to fisheries, only the Federal government has control of the area from three miles seaward to 200 miles. The State cannot preempt this jurisdiction.

Page 47, Lines 8-9. "The State should invest funds for the development of appropriate energy source."

Comment: The State is encouraging the development of alternate energy through the programs of the Division of Energy and Power Development and the (Alternative Energy Revolving Loan Fund.) *Where is this*

Page 50, Lines 17-19. And should further develop programs to expand public harbor and port facilities, with a view of expanding the fishing and maritime industry in Alaska."

Comment: Certainly one of the biggest barriers to economic development in Alaska is its underdeveloped transportation system - which includes certain ports. (There is presently being developed a program for the improvement of ports and harbors to be used in support of the bottom-fish development program.)

STATE OF ALASKA

DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

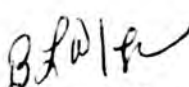
OFFICE OF THE COMMISSIONER

JAY E. HARRISON, GOVERNOR

POUCH D - JUNEAU 99011

To: Honorable George Hohman
Chairman
Legislative Council

January 11, 1980


From: Bertram L. Wagon, Deputy Commissioner
Department of Commerce & Economic
Development

Subject:
Department Comments

In compliance with your letter of December 31, 1979, attached are the department comments on the Alaska Conference of Future Frontiers.

If you have any questions concerning this, please feel free to contact me.

FUTURE FRONTIERS CONFERENCE

Page 6, Line 24-25. "Supporting private enterprise through the provision or facilitation of venture capital in Alaska."

Comment: This need is now being met through the Alaska Renewable Resources Corporation under the Department of Revenue.

Page 7, Line 5-6. "Approval of borrowers, based on relevant factors beyond those presently considered by banks."

Comments: The Division of Business Loans does consider factors beyond those presently considered by banks. In compliance with the eligibility rule as stated in AS 45.95.070(3)(c), "The loan will potentially create more jobs and provide additional services in the community" the division gives prime consideration to the number of jobs and the increase in goods and services made available to Alaskans by the project for which loan funds are requested.

Page 7, Lines 7-10. "The State economic policy should be to develop with goals of desirable social and economic development toward the improvement and strengthening of the private sector."

Comments: Certainly we agree the State should have goals for various kinds of development. We have outlined these goals which appear in the introduction to the economic development budget document:

"The primary goal is to develop, strengthen, and diversify Alaska's economic base by utilizing the State's natural human and financial resources in an effective manner, which offers long term net benefits to all Alaskans...with maximum opportunity to participate in the State's economy."

Page 8, Lines 1-25 and Page 9, Lines 1-2. "Alpha Group recommends that the State investigate a gas-stripping plant for the liquids at Prudhoe Bay and the State transportation system to bring the gas liquids and royalty share to tidewater for maximum State benefit."

Further, Alpha Group recommends that every effort be made to use Alaska petroleum to lower the cost of fuel throughout the state.

Alpha Group Recommendation on Fisheries:

Alpha Group recommends that the Alaskan fisheries program do the following:

1. Encourage and support the best possible harvest, transportation and care technique for all its multiple fisheries;

2. ~~Handlines for complete harvest and best utilization of all~~
State fisheries products;
3. Initiation of the most advanced systems of quality production, control, transportation and storage of fisheries products;
4. Make every effort to train persons in the technical skills necessary to operate in a modern fishery.

Alpha Group's Timber Recommendation:

Alpha Group resolves that the State should facilitate in every way possible development of Alaska's vast timber resources in an expeditious, economically feasible and ecologically responsible manner."

Comments: A particularly large amount of work has gone into the investigation of the possibility of a gas stripping plant, particularly by the Department of Natural Resources. The question of such a plant is really one of costs versus benefits, as well as economics. The State Government would, of course, favor development of a job creating industry, provided its viability can be proven.

Ideally, Alaskans should have access to relatively low priced fuel. The State Government is not always in a position to influence pricing decisions especially with private companies. If the opportunity arises I'm sure it will be carefully considered.

Alaska has launched an extensive effort to support fisheries development. Considerable amounts of money are being expended to test the new Mustad equipment and train personnel. Several programs have been recently undertaken to improve quality control. Education programs are underway.

The bulk of Alaska's coastal timber is in either parks, under private contract or on private land. This does not leave a great deal of latitude for State marketing efforts. The State role therefore, has been one of research, publications and limited timber sales. This effort is carried out, with a few exceptions, by the Department of Natural Resources.

Page 24, Lines 15-17. "The arts and cultural pursuits are seen as integral to such lifestyles and essential to and enhancing the quality of life."

Comments: The State supports the development and preservation of cultural facilities and has funded numerous such projects, the latest of which were the \$750,000 grant to Haines and \$400,000 to Angoon. In addition, the cultural facilities act established a program and advisory council in this department for the purpose of promoting cultural facility development in Alaska.

Page 30, Lines 4-7. "Maximum self-sufficiency is achieved by and for the people, through the encouragement of small-scale self-sustaining business, agriculture, manufacturing, resource and energy utilization."

Comments: The ideal of maximum self-sufficiency is, and remains, part of our American heritage. The State Government certainly joins in the support of that goal.

Page 32, Lines 11-12. "Fully reinstate and fund the Veteran Loan Program and include surviving spouses."

Comment: The Veterans Loan Program has been reopened.

Page 34, Line 12. "Loans for Alaskan fishermen and processors."

Comments: Fishermen can now borrow up to \$500,000 under the Commercial Fishing Loan Program and Processors a like amount under the Small Business Loan Program. Considering the size boats required in the bottom-fish industry, the limit of \$500,000 prohibits many state loan funded ventures.

Page 43, Line 10-12. "The State shall inventory the State's fuel and mineral resources and this shall be incorporated into State capital project's development plan."

Comments: The total fuel and energy resources within the State's boundaries are not all under the State's control. Partial inventories have been conducted by some government and private agencies but some lands are not open to such exploration. It would be valuable to have such a complete inventory.

Page 43, Lines 13-19. "The State shall invest income from our non-renewable resource wealth to develop renewable energy as a major State priority."

The State shall develop incentives for industry and consumers for energy conservation, especially in the areas of waste heat utilization, mass transit, insulation and car pooling.

Comments: All energy conservation and developments are a part of the Governor's energy package and is a high priority with this administration.

The Governor has directed the Department of Transportation and Public Facilities and the Department of Commerce and Economic Development to begin developing guidelines, procedures and regulations necessary to implement a policy of mandatory use of waste heat in new facilities whenever possible and economically feasible. All new facilities should consider means to facilitate the use of waste heat from other sources.

Page 45, Lines 13-24. "Oil and natural gas policy: There will be no further oil or gas exploration conducted until a Coastal Zone Management plan and an outer continental shelf management plan is adopted. And further, any oil or gas leasing program must include regional interests and considerations."

Epsilon Group recommends that the Legislature adopt Alaska's fisheries as its highest priority, and that activities to include the entire 200-mile limit.

Comments: The Federal government and the needs of America would preempt any attempt to halt exploration for a critical commodity, petroleum. However, we should, and must, guide the planning and development of offshore and onshore petroleum.

With respect to fisheries, only the Federal government has control of the area from three miles seaward to 200 miles. The State cannot preempt this jurisdiction.

Page 47, Lines 8-9. "The State should invest funds for the development of appropriate energy source."

Comment: The State is encouraging the development of alternate energy through the programs of the Division of Energy and Power Development and the Alternative Energy Revolving Loan Fund.

Page 50, Lines 17-19. And should further develop programs to expand public harbor and port facilities, with a view of expanding the fishing and maritime industry in Alaska."

Comment: Certainly one of the biggest barriers to economic development in Alaska is its underdeveloped transportation system - which includes certain ports. There is presently being developed a program for the improvement of ports and harbors to be used in support of the bottom-fish development program.

STATE OF ALASKA

JAY S. BARNARD, GOVERNOR

Department of Transportation and Public Facilities

OFFICE OF THE COMMISSIONER

Pouch Z

Juneau, Alaska, 99811

(Telex 45-328)

January 22, 1980

000H

Honorable George H. Hohman, Jr.
Co-Chairman
Alaska's Future Frontiers Conference
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Senator Hohman:

The Future Frontiers Conference recently held in Anchorage represents an often too rare opportunity for useful dialogue and input from the citizenry of Alaska regarding the policies and practices of all levels of government in the State. The concept of this unique approach to planning is to be applauded and the further refinement of the process to be encouraged for the future. I appreciate this opportunity to comment on the suggestions and recommendations of the five groups of delegates as they pertain to the Department of Transportation and Public Facilities.

Attached is a staff analysis of these recommendations prepared by my Planning and Research Unit. This staff analysis contains comments that first pertain to recommendations concerning statewide transportation policies and goals, then to recommendations relating to the regional planning processes, and finally, to those recommendations more specifically concerned with a particular mode or type of facility. The recommendations of each of the five groups have been addressed within this framework to avoid the redundancy of dealing with each group as a separate entity.

It is apparent from a general examination of the entire set of recommendations that there exists major incongruities between the intended horizon of outlook and the actual horizon of outlook implicit in most of the recommendations. To a large degree, it is obvious that this problem can be attributed to the lack of adequate time for deliberations and the apparent delays in circulating the series of issue papers. It appears that with the short amount of time available for deliberation, the natural inclination was to reduce the horizon of outlook from a 10-year "futures" perspective to the more immediate concern of the next session of the Legislature. It is important to verbalize this confusion with respect to the horizon of outlook to place the attached staff analysis in a more proper context. And, while there is certainly value to the recommendations even within this context, I think that with future conferences of this nature, the "futures" horizon of outlook should be better adhered to, with the organizational format structured time-wise to facilitate this concern.

January 22, 1968

Another consideration to note is the need for more direct and better coordinated involvement with the executive branch line agencies with future conferences of this nature. I understand the intent of this conference was to avoid having representatives from the various bureaucracies and the Legislature as delegates and applaud that concept. It is important that there are these kinds of opportunities available to the citizenry of Alaska to meet without the strong influence of politicians or bureaucrats. Nevertheless, I think this conference would have benefited from having invited representatives from the various agencies available as technical resource people. Many of the topics that were discussed are issues of direct interest or responsibility to people working in government. It is my understanding that several occasions arose where these people would have been helpful had they been available for consultation. This type of interaction would have been less important had the original horizon of a 10-year "futures" outlook been more of a reality at the conference. I hope this concern receives due consideration when planning future conferences.

If there are any questions concerning the attached comments, please contact me or John Bates, Acting Deputy Commissioner, Planning and Research Unit. Thank you again for this opportunity to respond to these recommendations.

Sincerely,



Robert W. Ward
Commissioner

Attachment

cc: John Bates, DOT/PF
Dennis M. Dooley, DOT/PF
Kit Duke, DOT/PF
Larry Soden, DOT/PF
Jessie Dodson, Office of the Governor

**Staff Analysis of the Recommendations
from
The Future Frontiers Conference**

prepared by
Planning and Research Unit
Department of Transportation
and
Public Facilities

January 15, 1980

This staff analysis is broken down into the following three distinct sections: (1) a general discussion of the Department's goals and how those goals interrelate with the general statewide recommendations of the five work groups; (2) a more specific discussion of the regional planning processes now underway; and (3) a quite specific discussion, by mode, of the projects and programs currently being undertaken or anticipated by the Department.

The composite of these three sections, while not addressing each and every specific transportation recommendation resulting from this conference, provides the reviewer with a sound background and a better understanding of the Department's goals, direction, programs, and projects, with a direct relationship to the ultimate objectives of the conference.

I. Statewide Transportation Policies and Goals:

A. Introduction:

The Department of Transportation and Public Facilities (DOT/PF) is charged with the responsibility to plan, design, construct, maintain and operate the intra-state transportation network of Alaska. This network includes highways, airports, ports, docks and public transportation.

The composite of this transportation network is the life line of the State for industry, commerce, tourism and the personal needs of every Alaskan. The quality of this network and its ability to meet the demand of its users has a direct impact on the quality of life in Alaska and the cost of every commodity consumed in the State.

In meeting the responsibilities of an effective intra-state transportation network, Departmental projects and programs address the following goals:

- (1) A reduction or stabilization of recurring maintenance cost impacts on the State's treasury.
- (2) The provision of transportation capital funding support for industry and commerce with a real growth potential, e.g., fisheries and resource extraction.
- (3) Encourage the development of local government structures by providing capital funding for the transportation facilities necessary to enhance local private and public sector income.
- (4) An equitable demarcation between State and local government responsibility for the provision and operation of transportation facilities and services.
- (5) To support and enhance where appropriate the maintenance of the divergent lifestyles of Alaskans.

B. Responses to Statewide Recommendations:

BETA Group - 1. Transportation systems shall minimize adverse social, cultural and environmental impacts.

The Departmental goals referenced above address this recommendation in two ways. First, the demarcation between State and local responsibilities entails that local input be made in project or system development. This local input assures that local initiatives are incorporated in project and system determination and that, impacts, both projected and potential, of those projects and systems have been weighed. Secondly, the goal of maintaining the divergent lifestyles of Alaskans entails that the Department both consider the local initiatives discussed above, as well as make special analysis of project and program impacts with respect to the question of lifestyle.

BETA Group - 2. All existing transportation facilities shall be upgraded to standards which assure traveler safety, optimal freight rates and minimal maintenance costs.

The Departmental goals above address this question as well. The support of the lifestyle of Alaskans assures that facilities be constructed so as to protect the safety of Alaskans. The provision of optimal freight rates is entailed in both the support of lifestyles and in capital funding support for industries with a real growth potential. Finally, maintenance costs of facilities is directly addressed by the goal that such maintenance costs shall be minimized as a result of capital implementation by the Department.

BETA Group - 3. Airport and port facilities in rural Alaska will be improved to assure the safety of users and provide adequate medical public safety and service support. Particular attention should be paid to improving and developing airport and port facilities and alternative transportation modes to accommodate critical economic needs, such as the transportation of fisheries products.

As shown in number 2, above, the recommendations included in this section are addressed by the goal of support for lifestyles and support for industry with real growth potential.

BETA Group - 4. When new transportation projects are proposed, full operation and maintenance costs shall be considered in the decision to implement the project.

Again, this recommendation is directly addressed by the goal of reduced or stabilized maintenance impacts on the State treasury as a result of capital improvements.

BETA Group - 5. Appropriate incentives should be given to private enterprise to develop transportation facilities in the private sector.

The incentives referenced here are entailed by the goal of support for industry with real growth potential.

BETA Group - 8. The Department of Transportation (sic) shall explore innovative and alternative transportation modes that may result in lower freight and fair (sic) costs and avoid adverse social, cultural and environmental impact. A criterion for evaluating new transportation systems in both rural and urban Alaska shall be energy efficiency.

This recommendation is endorsed and pursued through the Department's goals by supporting industry with real growth potential, by supporting individual lifestyles where appropriate, and by reducing or stabilizing

recurring impacts on the State's treasury.

GAMMA Group - 1. Aesthetic qualities are incorporated in all transportation and public facilities planning.

In addition to the statutory requirement that one percent of all funds for facilities improvements be dedicated to aesthetic improvements, the Department's goal that individual lifestyles be supported and maintained addresses this recommendation. This reasoning is built on the fact that aesthetic appreciation and interaction is primarily a personal set of activities.

GAMMA Group - 2. Any anticipated transportation development would only be implemented based on the expressed preference of the local areas to be effected.

This recommendation is addressed by the goal that capital implementation by the Department support local government structures (e.g., through selection of only those projects approved or endorsed by local policy-making bodies), by the goal of providing for a equitable demarcation between State and local government responsibility for the provision and operation of transportation facilities and services, and finally, by the goal to support the individual lifestyles of Alaskans.

EPSILON Group - 1. The State should encourage development, maintenance and upgrading of existing area transportation systems.

This recommendation is broadly addressed by the goals which support industry with a real growth potential, which encourage the development of local government structures, which encourage an equitable demarcation between State and local government in the areas of services and operation of transportation facilities, and which seeks to support and enhance the divergent lifestyles of Alaskans.

EPSILON Group - 6. Alaska should use a portion of the unanticipated revenues from the North Slope to defray the cost of intrastate transportation.

This recommendation is broadly addressed by all the goals of the Department in the sense that these goals are implemented through the DOT/PF Capital Improvement Program (CIP), and as a result of the fact that the current and projected CIPs are funded in part through these same unanticipated revenues.

II. Recommendations Relating to Existing and Proposed Regional Planning Processes:

A. Introduction:

Currently the Department is conducting or intends to conduct eight (8) regional transportation plans as follows: Western and Arctic Alaska Transportation Study (WAATS), Upper Cook Inlet Air System Study, Prince William Sound Study (PWS), Matanuska-Sustina Borough Study, Kenai Peninsula Borough Study, Southeast Alaska Transportation Study, Interior Study and Aleutian Ferry and Southwest Transportation Study. Each of these studies is an ongoing process of perception gathering, policy development, data acquisition, analysis, project and program recommendation, and presentation.

The structure of the regional studies for the purpose of conducting the work and arriving at recommendations is as follows: each of the regional studies is composed of a policy committee of regionally elected and nonelected policy-makers and a technical committee composed of local and State transportation planners and managers. Additionally, some regional studies employ consultants to perform some of the technical committee functions, so as to discourage unwarranted growth among permanent State employees. The essential work of perception gathering, data acquisition, analysis, and project and program alternative recommendation development is conducted by the technical committees and/or the consultants. Policy development and selection of one or more alternatives for subsequent resource allocation decision-making at the Statewide level is the function of the policy committee. Where multi-regional goals and objectives are in question, and where Statewide or multi-regional policy development is needed, the efforts of the Alaska Transportation Planning Council are employed.

In essence the sum total of the Department's regional planning activities equals Statewide planning activities. That is to say, the mosaic formed by the Regional studies is a Statewide study.

The point of regionalization in the study process is tied not only to the intent of the Legislature to defend divergent cultures, but also to the goal enunciated in Section I of the analysis: the support of divergent lifestyles of Alaskans. With no standardized set of study tools (or perceptions) with which to begin, it is felt by the Department that any potential regional bias on the part of its planning efforts is, if not eliminated, at least reduced in probability.

What this discussion states then is that, in terms of Legislative mandate and Departmental goals, "Statewide planning" must necessarily be viewed in the terms of the regional planning processes.

Based on this reasoning, a number of conference recommendations otherwise containing Statewide language can be best addressed through these regional planning processes.

B. Specific Recommendations:

ALPHA Group - 2. Preparation and implementation of a state-wide plan for surface and air transportation.

As can be seen from the above discussion on regional planning, the presentations to policy-makers which result from the sum total of perception gathering, policy development, data acquisition, analysis, and project and program recommendation in each of the regional studies entails the existence of a "Statewide Plan." Again, the point being that the plan, given the regional emphasis, will better address the locally-derived solutions to local transportation problems.

ALPHA Group - 4. Develop a complete inventory of the entire State's transportation facilities.

It can be seen from the above discussion that the sum total of all data gathering and analysis activities in each of the regional studies will entail the existence of a Statewide transportation facilities inventory.

BETA Group - 7. As part of a regional resource planning process, the Department of Natural Resources shall undertake a thorough assessment of transportation needs in relation to development of Alaska's renewable and nonrenewable resources.

It is unclear whether this recommendation would assign lead transportation planning responsibility to DNR where resources are concerned, or whether the recommendation would place a mandate on both DNR and DOT/PF to closely coordinate resource inventories with transportation planning. It is clear, however, that the regional planning structure discussed above is able to accommodate the incidence of renewable and nonrenewable resource development and its impact on transportation facilities, existing and projected. One possible method for the consideration of resource development impacts on transportation facilities would be for planners and managers from DNR to assist with the technical committee requirements of certain regional planning efforts, as well as for policy-level personnel from DNR to have representation as required on both regional policy committees and the Alaska Transportation Planning Council.

BETA Group - 9. The Department of Transportation (sic) shall give immediate attention to the development of intraregional transportation systems that do not necessarily link.

Each of the regional planning processes discussed in this Section is multimodal in nature; that is to say: each of the processes is not limited to the consideration of any given mode or modes. Further more, to accomplish this multimodal thrust, the planning conducted in each of the processes is intermodal in nature; that is to say: in the course of the regional planning processes, the relative advantages of any given mode is measured against the relative advantages of other modes to achieve both effective and efficient transportation. The result of this method of planning is the ongoing consideration of not only continuous systems of linked transportation facilities such as roads and highways, but also the ongoing consideration of unlinked facilities, such as areawide roads connecting regional ports or airports.

III. Specific Responses by Mode and/or Issue:

A. Air:

ALPHA Group - 2. Preparation and implementation of a state-wide plan for air and surface transportation.

ALPHA Group - 4. Develop a complete inventory of the entire State's transportation facilities.

DOT/PF is progressing toward this goal already, through regional plans such as the Southeast Study, HAATS (Western and Arctic Alaska Transportation Study), Southwest Study, and so on. These regional studies will be the foundation of the subsequent over-all integrated State Transportation Plan. The inventory recommended under ALPHA's fourth recommendation is currently being developed as part of DOT/PF's regional planning efforts.

ALPHA Group - 3. Construction of a complete system for rural air transportation, navigation aids and facilities, relatively equivalent to present regional airport facilities.

GAMMA Group - 3. There are improved rural air transport system.

A review of the dialogue contained in the conference transcripts might show specifically what ALPHA had in mind, but for now it is assumed that the group had some interest in larger airports at some of the smaller villages. DOT/PF efforts along that line will be discussed below. GAMMA Group's recommendation is more generally concerned with improving rural air transportation. With respect to the installation of navigational aids and facilities, the State's role is primarily advisory to the Federal Aviation Administration. Traditionally, the Federal role has been to provide for the safe movement of aircraft through the air (i.e., through the certification of aircraft and operation of navigational facilities), while the State or local government provides the facilities for handling the aircraft on the ground (i.e., runways, aircraft parking and servicing areas, etc.).

BETA Group - 3. Airport and port facilities in rural Alaska will be improved to assure the safety of users and provide adequate medical public safety and service support. Particular attention should be paid to improving and developing airport and port facilities and alternative transportation modes to accommodate critical economic needs, such as the transportation of fishery products.

GAMMA Group - 3(a). Safety should have major emphasis in development of air transport systems.

DELTA Group - 12. Upgrade rural airports to make them more fully operational

and safe.

DELTA Group - 13. Expand key rural commercial center airports to provide more economical transportation systems.

BETA Group's recommendation discusses the need for safety and service. Much of our current program consists of airport reconstruction and expansion, which both contribute directly to improved safety. With respect to the economic role of airports and air transportation, DOT/PF is currently considering the possibility of creating "convertible" airports whose prime function would be to permit large cargo operations when needed at a community, without the costly obligation of snow removal and year round maintenance of the longer runways. One target of the "convertible airport" concept is the fisheries industry, wherein heavy cargo aircraft, operated only during the relatively short summer fishing season, would be provided full length runways at a number of villages. This would permit the delivery of fresh fish to a wide variety of processing locations. However, during the winter months maintenance costs on the airport would be minimized by the lighting of and snow removal from only the shorter runway length needed for routine air service to the community. These "convertible" runways could be opened in the middle of winter to permit the delivery of heavy or bulk cargo by large aircraft on an "as needed" basis. At smaller villages these flights would be infrequent. Having the longer runways available, however, could reduce the local (costly) store inventories, permit the delivery of bulk fuel on demand, and be available for emergency needs. As of mid-January, this concept is still under study.

BETA Group - 5. appropriate incentives should be given to private enterprise to develop transportation facilities in the private sector.

With respect to the recommendation, suggestions have been made that privately-owned public airports be granted some property tax relief. The average citizen may not realize the important role that a number of privately-owned airport facilities play throughout the State. Perhaps only half of the airports in Alaska are owned by the State or local government, with many of the remaining fifty percent being owned by private industry. Some of the privately-owned fields provide an invaluable public service. Several airports within the Municipality of Anchorage are the home base for large numbers of aircraft. Metro and Phillips Field in Fairbanks both accommodate many aircraft, including some scheduled and charter flights, and Bradley Sky/Ranch at North Pole serves as the primary field for that entire community.

GAMMA Group - 1(a). The State DOT/PF should avoid a standardization in highway design through incorporation of aesthetics, through a more holistic approach to planning, through employing people of various disciplines. In order to accomplish this, the State should at times seek waivers of federal standards and/or build the projects with the State monies.

It is worth noting that DOT/PF has achieved an excellent working relationship

with the FAA and regularly obtains waivers to Federal airport standards. DOT/PF has also been aggressive in obtaining waivers to Federally imposed airport operating standards, particularly those regulations associated with airport security and certification. And, many airports have been built using State money only, without Federal aid.

B. Highways:

ALPHA Group - 5. Upgrade and expand inter-community road systems, including but not limited to extension of the road to Tanana and a connecting link between the Yukon and Kuskokwim Rivers.

ALPHA Group - 6. Avoid imposing transportation intrusions on communities or regions whose residents do not want them, i.e., unwanted highways.

One of the principal objectives of any regional transportation study, i.e., Western and Arctic Alaska Transportation Study, is ultimately the rational selection of specific capital investments (projects). The basis for selection of these projects is the result of social, economic and environmental analysis. One of the principal sources of input to that analysis is public participation. Thus, from public input, ranging from individual expression to corporate interests, comes much of the information necessary to base decisions upon. Not surprisingly, public participation is considered particularly essential when analyzing local or regional inter-community roads.

GAMMA Group - 1(a). The State DOT/PF should avoid a standardization in highway design through incorporation of aesthetics, through a more holistic approach to planning, through employing people of various disciplines. In order to accomplish this, the State should at times seek waivers of federal standards and/or build the projects with State monies.

Highway design necessarily should, and does, incorporate a variety of disciplines. Design philosophies and techniques tend to be evolutionary, improving with time. Alaska's highways reflect this trend as evidenced by increased emphasis on such features as bike paths, contouring and seeding of slopes, and individually designed structures which address the aesthetic requirements of the particular site. Such considerations generally increase design costs and, until recently, was considered as somewhat of a luxury compared to the basic essential of structural integrity. In light of our current economic position, more attention is being given to aesthetic considerations.

On the other hand, a considerable effort has been made in the past to maximize construction dollars by designing, where appropriate, to less than "Federal standards." For instance, Alaska has probably recycled more used bridges than any other State. Again, now that we are beginning to enjoy an increase in State revenues, we are in an even better position to optimize construction dollars by exercising the option of Federal vs. State funding.

DELTA Group - 16. Improve maintenance and upgrade present State highway system.

The State has every intention of improving maintenance capability and upgrading the existing highway system, as evidenced by the proposed capital and operating budget increases.

C. Marine Highway System:

ALPHA Group - 1. Expand and upgrade the marine highway system throughout the entire state, including but not necessarily limited to the Alaska Peninsula-Aleutian communities, Yukon-Kuskokwim and tributary system and other areas as later selected.

DELTA Group - 7. Expand and upgrade the Alaska Marine Highway System.

Comprehensive intermodal regional transportation studies are now underway in Southeast, Prince William Sound, Aleutian/Southwest, Western/Arctic which will include recommendations for expansion and upgrading services of the Marine Highway System. The Western/Arctic Regional Transportation Study will include development of alternatives for transportation services for the Yukon-Kuskokwim and tributary system. Some \$79.4 million expenditures for Capital Improvements on the Marine Highway System will be requested in the Fiscal Year 1981-1982 biennium budget to the Legislature.

D. Marine/Ports:

ALPHA Group - 7. Improve and expand river-loading facilities.

GAMMA Group - 4. There is improved and expanded marine transportation, including support facilities, throughout Alaska.

EPSILON Group - 2. And should further develop programs to expand public harbor and port facilities, with a view of expanding the fishing and maritime industry in Alaska.

EPSILON Group - 4. The State should pass legislation enabling the establishment of port authorities with full taxing powers.

The Western and Arctic Alaska Regional Transportation Study will investigate the needs for improving/expanding or locating new river-loading facilities on the Yukon-Kuskokwim and tributary river system, as well as port development along the Coastal area from Bethel to Barrow, including the Canadian McKenzie River Waterway. The State has contacted the U.S. Army Corps of Engineers to solicit their expansion of the National Waterways Study Program to include the rivers/waterways of Alaska.

Other Regional Transportation studies will include port development needs in the Southeast, Southwest and Aleutian Chain.

As an adjunct to the State's Bottomfish Development Program, marine port infrastructure development is being actively pursued cooperatively by the Departments of Transportation and Public Facilities and Community and Regional Affairs. A parallel effort is underway by the Federal government through the Economic Development Administration, U.S. Department of Commerce, to determine the financial support required for ports and community infrastructure development to assist the growth of Alaska's fisheries industry. The U.S. Army Corps of Engineers is completing a port development and maritime commerce study of Southwest Alaska to scope the needs for Federal support on harbor construction.

A Port Authority study being undertaken by the Department of Transportation and Public Facilities will examine the institutional mechanisms, including legislation, for port authorities in Alaska.

Some \$42.6 million expenditures for Capital Improvements of ports and harbors statewide will be requested in the Fiscal Year 1981-1982 biennium budget to the Legislature.

E. Public Transportation and Paratransit:

BETA Group - 6. The State of Alaska shall assist in the immediate improvement and development of mass transit systems in urban Alaska.

Currently, there are five (5) public transportation systems of the classic variety in the State: Barrow, Fairbanks, Anchorage, Juneau and Ketchikan.

The State has in the past and continues to assist these systems with the planning necessary to determine what capital improvements are necessary to make the systems more effective and what operational improvements are needed to make the systems more efficient. Additionally, the State has planned for and assisted in obtaining Federal grants for a total of forty vehicles (specially equipped vans and minibuses) for use in specialized, demand-responsive (or "paratransit") systems, operated according to local choice by twenty private, nonprofit organizations in fifteen communities Statewide.

Within the FY81-82 Capital Improvement Program (CIP), the Department recommended for the first time an ongoing State presence in meeting the fiscal requirements of transit and paratransit development and expansion Statewide. The Governor's Budget Review Committee passed on to the Legislature, based on this recommendation, a request for \$10 million in capital assistance and technical assistance to be administered by the Department over the two-year life of the CIP.

EPSILON Group - 3. The State should research and encourage alternative transportation systems, including mass transportation in the urban areas.

As stated above, the Department's efforts in this field have now culminated

in the recommendation to the Legislature that the State directly assist with the capital needs of new and existing transit systems throughout the State.

Additionally, the Department this year has signed a contract with the Alaska Municipal League for the purpose of conducting a Statewide transit management assistance program and needs assessment. Under the terms of the contract, the League will assist new and existing operators and policy-makers in both developing alternative resource allocation strategies, and in making cost effective operational adjustments. A second portion of the contract will assist the State in determining and fine-tuning its ongoing role in transit by making available to State policy-makers and planners a data base which demonstrates Statewide perceptions on transit from policy-makers, operators and private citizens.

EPSILON Group - 5. The Department should hold local public hearings and the legislature provide funding for both inter- and intrastate transit systems on a community-to-community basis as desired locally.

As discussed above, the Department is implementing this recommendation in part through the Alaska Municipal League, and has recommended to the Legislature the involvement alluded to in the second portion of the recommendation.

With respect to locally desired transit development and the related public hearings, in addition to the contract with the Municipal League, the Department also administers Federal transit planning funds for the development of Transit Improvement Programs (TIP's) in communities desiring such projects. A required portion of the TIP (or TDP, the "Transit Development Program") is the public hearing. Essentially, these documents are intended to serve as a basis for local decisions on the existence or nonexistence of a transit system, and subsequently as the basis for both the amount of resources to be devoted to the system as well the operational characteristics of the system.

Finally, with respect to intercity services, the Department now administers the FHWA Section 18 Program (capital and operating assistance for transit in nonurbanized areas). Under this program intercity carriers are eligible recipients, and, while no existing intercity carrier applied for funding during the first program year, one new service applicant was recommended for funding to initiate a service between Manley Hot Springs and Fairbanks, with a potential connection to Nenana.

F. Rail:

Although there were no specific recommendations or suggestions enunciated by any of the five groups of delegates at the conference with respect to the rail mode, the issue of the Alaska Railroad and a transcontinental rail link through Canada was discussed by most of the groups. This latter topic was also the focus of Mr. Red Swanson's issue paper on Alaskan Railroad Systems, mailed to the delegates prior to the conference.

The general tone of these discussions was favorable to increased utilization of Alaska's existing rail system, with strong interests expressed to further examination of the potential of a rail link through Canada. In light of this activity, there are certain issues with respect to the rail mode that warrant mention within this analysis.

The State of Alaska is vitally interested in exploring the potentials of the rail mode as an essential element of the State's evolving transportation infrastructure. With the exception of a few random task-specific rail studies conducted over the last several years in Alaska, there has been virtually no in-depth study and analysis of the rail mode with a perspective to statewide importance. Section 803 of the Railroad Revitalization and Regulatory Reform Act of 1976, as amended, authorizes the Secretary of the U.S. Department of Transportation to make available Federal financial assistance to eligible States for certain types of rail service programs. As a prerequisite to receiving the operational portions of the local rail service assistance funds, States must successfully complete rail planning activities.

The availability of these Federal monies presents the State with an excellent opportunity to conduct extensive study and analysis of the existing rail network and the future potentials and liabilities of the rail mode with respect to the over-all transportation infrastructure. The Department of Transportation and Public Facilities, Planning and Research Unit, has been designated by Governor Hammond as the State agency responsible for coordinating, administering and implementing a rail planning program for Alaska. In early September 1979, DOT/PF applied for a \$100,000 Federal rail planning assistance grant, matched by \$25,000 of State in-kind benefits, to begin this rail study. On September 26, 1979, the Federal Railroad administration awarded the State of Alaska this grant. These funds are being used to collect necessary rail data, to identify rail needs in connection with other modes of transportation and to analyze major railroad proposals. The work performed under this Federal grant will provide the foundation for the preparation of Alaska's State Rail Plan.

The two major objectives of this rail study are the development of a railroad planning capability and the assembling of transportation information and data for future use in developing commerce opportunities for Alaska's resources. The accomplishment of these goals will enable the State to make more rational decisions on the future utilization of Alaska's railroads. It is anticipated that the work to be performed under this rail planning assistance grant will produce the following two measurable products: (1) a second, more detailed and technical Planning Work Statement for the next fiscal year funds; and (2) a Preliminary Project Analysis of the existing rail system and major railroad proposals.

The Federally-owned and operated Alaska Railroad, the major existing rail system in the State, is participating directly in the performance of this work. DOT/PF and the Alaska Railroad co-chair the Rail Technical Work Group, which is responsible for technical expertise and work direction throughout the rail planning process. This type of Federal/State cooperative planning is particularly important in Alaska where much land is under Federal control and long-range uses are not as yet identified. The Rail Technical Work Group also consists of one representative from the Federal

Highways Administration (representing the Federal Railroad Administration), the Department of Commerce and Economic Development, the Department of Environmental Conservation, and the Department of Natural Resources. This organizational format reflects the desire by DOT/PF to include all relevant agencies at an early point in the rail planning process, thereby hopefully resolving differences within the planning process and avoiding conflicts over recommendations from the finished products.

Policy direction and input comes from the Alaska Transportation Planning Council and the Interdepartmental Transportation Planning Group, an ad-hoc task force composed of the respective Commissioners of the four State agencies mentioned above. Both of these groups have direct lines of communication with the Governor and DOT/PF.

Currently, it is anticipated that the completion date for all of the above-outlined activities will be May 1980. It is imperative that other line agencies and the Legislature be fully aware of these rail planning activities under DOT/PF, coordinating all related activities and proposals accordingly. Over the last several years, there appears to have developed a great deal of polarization of viewpoints with respect to issue of a rail link through Canada. A growing perception in the minds of many is that those analysts who concentrate on the economic considerations of the issue are opponents, while those analysts who stress the values of development are proponents. It is unfortunate that there has developed this type of perception with respect to the issue. A project of this magnitude, with only rudimentary analysis to date, can ill afford this constraint to the constructive dialogue necessary to the satisfactory analysis of the issue.

DOT/PF is by statute the State's lead agency responsible for transportation planning. In firm recognition of these duties, DOT/PF is committed to performing the in-depth analysis of the potentials of the rail link proposal. However, DOT/PF intends to perform this analysis within the context of the statewide rail planning process currently underway. It would be premature for the State to make any solid commitment to this project before additional information is available. Nor is there any overwhelming impetus that requires urgency for State action. Most of the data and information needed will certainly be available by no later than the beginning of the next Legislative session. An intelligent approach through a rational and coordinated rail planning process must be encouraged and supported if the State of Alaska hopes to employ efficient use of the rail mode in its transportation infrastructure.

G. Telecommunications:

1. Single State Toll Area:

DELTA Group - 11. Create a single toll area for the entire state for telephone communications.

ALPHA Group - 2. Efficient telephone systems with a single toll area spreading the costs throughout the State.

The increasing use of satellite communications has made the costs of intrastate telephone calling less affected by distance and helps make the case for single-rate intrastate toll service. Recognizing that telephone rate design is a complicated matter affecting the revenues of more than 20 local telephone companies, Alascom, and virtually every citizen, the State should request the Alaska Public Utilities Commission to consider distance-insensitive toll rates in its deliberations on rate design.

2. General Policy and Program Management

BETA Group - 1. Broadcasting of state government activities shall be under the control of an independent public board with regional representation.

Currently, all program material being submitted to rural television broadcasting is approved by an independent rural television program and policy council. The council, commonly referred to as the Rural Alaska Television Network (RatNet), is composed of seven rural representatives from across the State. In addition, the council has village contacts in most of the 79 rural communities receiving satellite television programming. A number of rural village governing bodies have not responded to the RatNet request for local village contacts. State government does select instructional television programming through the Department of Education. This programming material is first screened by rural educators and only broadcast if it meets their criteria for instructional television. Other state television programs are offered to the private commercial television stations for their use and the decision to broadcast this material is solely that of the commercial station.

BETA Group - 7. The University of Alaska shall provide the means and directive to provide education throughout the state via telecommunications.

Currently, the University of Alaska, through the Office of the President, is investigating the feasibility of providing educational programs via telecommunications. The President of the University is committed to instructional telecommunications as a means of improving and expanding rural educational opportunities. In addition, Senate Concurrent Resolution #35 and House Concurrent Resolution #28 have directed the Alaska Public Broadcasting Commission, the Department of Education and the Department of Transportation and Public Facilities to conduct a study into the feasibility of providing statewide educational television. Due to the nature of education within the state, the University of Alaska is taking a vital role in the study. This study will be completed by mid-February and delivered to the Legislature for legislative action.

BETA Group - 2. Any expansion or improvement of public communication must be preceded by a careful evaluation of the ongoing as well as start-up costs and of who is going to "pick up the tab."

This is a laudable statement and an excellent reminder to all since the ongoing costs are often the heavy burden and are not always easy to

determine. Another point worth noting is that with the increasing competitiveness of the providers of telecommunication equipment and services a reassessment of current state policies may be in order to insure that the State obtains the most from the money it spends to improve communications.

BETA Group - 3. Government shall not interfere in program availability.

We agree with this statement. State or Federal government should not be involved in anyway in censoring or determining program content. Neither should government establish priorities for airing or transmitting one program before or in place of another. However, if there is a greater demand for transmission time than is available, some mechanism must be establish for making such decisions. This task has been handled during the Television Demonstration Project by the AFN Telecommunications Committee, which consisted of one representative from each of the twelve native regions. It has been replaced by the Rural Alaska Television Network which is a committee having non-native representatives included in its make-up. These two groups have set priorities for programs to be transmitted to the rural areas. The broadcasters have selected the commercial programming that has been brought into the urban areas.

BETA Group - 4. Development of communication systems shall be sensitive to the resulting social and political effects.

The initial reaction after reading this statement is likely to be enthusiastic support. However, after a more careful reading and some serious thought we would suggest a qualification or two. The bringing of increased communications to any community certainly has the potential for impacting on the social and political life of the individuals living there. However, it is not always possible to know what that impact will be. Even if it is determined to be negative, the question arises as to whether it is the government's right or responsibility to refuse service to a community on the basis of it being "bad" for them. The Television Demonstration Project is a good example. The results of several studies have been published that deal with the harmful effects of commercial television programs on the people who watch them, especially young children. These studies could be construed as adequate justification for not adding any new communities to the system or for eliminating the service to the existing ones. Anyone familiar with the situation at all knows that this is not a viable alternative. The citizens of these communities would insist that they have the right to decide for themselves.

Ideally, the citizens of a community should be presented with as much information as is available regarding the positive and negative aspects of adding or reducing communications services. After they have had an opportunity to consider the alternatives they should make the decision as to what level of communication services they desire.

BETA Group - 5. Highest priority shall be given to upgrading communications

between rural communities and the rest of the world.

This has been and is a continuing priority within the State as evidenced by the fact that practically every community in the State has telephone service. There are presently 140 single telephone communities. The major need and emphasis presently and in the future will be to increase and improve service.

BETA Group - 6. Career education shall be provided in the field of communications.

This is a plausible sounding recommendation. We would suggest that a research effort be funded to determine what areas within the field of communications should be given priority for establishing this type of training program.

3. Microwave System:

GAMMA Group - 5(a). Improved UHF/VHF microwave systems.

BETA Group - 8. VHF and microwave systems shall be developed as a supplement to satellite communications.

The thoughts behind these recommendations are not clearly understood. The referenced UHF/VHF/Microwave systems could be those operated by common carriers providing service in the State or those operated by the State itself.

In general, telephone service is provided via terrestrial radio systems where those systems were in place prior to the availability of satellites, or where distance from a community to telephone network access points makes a terrestrial tie-in an economical alternative to a satellite link. Where service through terrestrial systems is demonstrably inadequate to meet user needs, the State should pursue what means available to ensure that the carrier takes the steps necessary to bring service to an acceptable level.

The State (DOT/PF Division of Communications) currently operates microwave systems in the Southcentral and Fairbanks areas with long-range plans to extend microwave links along the Interior highway system. These microwave circuits are primarily for communications with Public Safety and Highway agency units, but could be expanded to provide administrative telephone and data circuits for other State agencies.

4. Improved Telephone Service:

GAMMA Group - 5(b). Improved telephone communications.

DELTA Group - 10. Legislature should mandate that the top priority of

the telecommunications system be the installation of emergency and medical telephone in every village in Alaska.

The one hundred small earth stations now in place throughout the State have resulted in achievement of the goal to provide telephone service to every community of 25 or more persons. The reliability of the small earth stations has been a problem, but equipment and operating improvements has resulted in a steady increase in reliability. A limiting factor, however, has been the reliability of local power in many communities. Power failures have resulted in loss of telephone service for periods of a few hours to several weeks. The problem of adequate local power is one which must be solved in many communities before telecommunications services can be expanded or improved.

The original one hundred small earth stations were each equipped to provide one telephone and one emergency telephone circuit. However, the 87% increase in interstate tariffs which was implemented by Alascom in 1978, resulted in the Alaska Area Native Health Service canceling installation orders for 35 communities. There are currently 57 communities with access to the emergency medical system.

A first step in planning for the implementation of a statewide emergency and/or medical telecommunications system should be discussions with appropriate representatives of the Alaska Area Native Health Service to determine if a cost and service sharing arrangements can be worked out to take advantage of the equipment which is now available.

5. Regional Uplink Capability:

DELTA Group - 9. Regionalize the telecommunications system so that regional centers can broadcast via an uplink system regional news, entertainment, public affairs and educational television.

GAMMA Group - 5(c). Improved uplink systems from regional centers on satellite systems.

The capability of uplinking video through Alascom earth stations exists in Anchorage, Barrow, Fairbanks, Nome, Kodiak, Bethel, Kotzebue, and Juneau. However, permanent originating facilities and links to uplink earth stations are available only in Anchorage, Fairbanks, and Juneau.

A possible problem with regional program origination lies in the fact that if, as at present, only one transponder on a satellite is available for State television service, only one regional center will be able to uplink at any given time to rural viewers. It should be noted that uplinking would pre-empt existing television service to rural communities.

6. State Funding:

EPSILON Group - page 52. The State should participate in funding both the existing and newly developed systems of communications, so that those expenses are not part of the consumer service charges for improved

communications networks, including the utilization of advanced and expanded telecommunications technology.

For two years, the State has been participating in proceedings of the Federal-State joint board on the matter of Alaska and Hawaii separations procedures. It is hoped that through these efforts, a separations policy which will equalize telephone costs in Alaska with those in the rest of the country will be realized.

DOT/PF is preparing a report to the Legislature on alternatives to State subsidization of television (as directed by the 1979 Legislature in the appropriations bill, FCCSSB 53). There is a possible contradiction in between EPSILON Group's recommendation and the intent of the Legislature as expressed in FCCSSB 53.

H. Public Facilities and Energy:

EPSILON Group made the following recommendations on energy issues (pages 47-49):

1. "The State should invest funds for the development of appropriate energy source(s)." (Page 47, Line 8). Agree. The Fairbanks research section is involved with several energy projects which relate to energy sources such as the lighting of remote airfields. However this statement is probably intended to apply to commercial or community scale energy source. Our perception is that the need for community energy systems which are more "appropriate" than diesel fuel is the greatest energy requirement at this time, and is not being addressed adequately at this time by legislation, policy or funding. We advocate immediate funding of the development of appropriate energy sources particularly as they may be appropriate to remote areas. We propose the investigation of the production of hydrogen in the short term from gasification of ore and/or heat and in the long term from solar and wind power.
2. The second proposal, that "the State should look into grants or subsidies for the development of alternative energy sources for marine transportation" (Page 47, Line 10), also should address the potential of hydrogen. State ferries which currently use electric motor drives could be retrofitted with hydrogen fuel cells without the development of any new technology. The State should investigate the economic feasibility of creating its own hydrogen by electrolysis using excess Snettisham power.
3. The third proposal is for cash prizes for "Energy efficient" structures (Page 47, Line 13). There is conflict between this incentive and the legal mandates of energy efficiency suggested elsewhere. An obstacle to implementing this idea is a definition of "energy efficient." I would suggest that if the State were to legislate energy requirements for residences that they require new dwelling units to make available the estimated annual energy use expressed

in equivalent gallons of fuel oil. Such a rating would be similar to the EPA mileage rating for autos.

Also relevant to this proposal is the promulgation of national energy performance standards for all new construction currently underway at the Department of Energy. These standards would require public and private structures to comply with what appear at this time to be rather rigorous "energy budgets" thus making cash prizes superfluous.

4. The proposal to "upgrade existing State buildings" is currently planned for by a six-year capital improvement request for over 200 million dollars. This request will provide for technical energy audits of facilities and for capital expenditures for those items which the audits show will have the greatest return to the State.
5. A proposal is made that future State facilities be designed in accordance with ASHRE 90-75A by 1985. State facilities are currently being designed to meet or exceed this standard.

STATE OF ALASKA

DEPARTMENT OF FISH AND GAME OFFICE OF THE COMMISSIONER

JAY E. BARNETT, GOVERNOR

SUPPORT BUILDING
JUNEAU, ALASKA 99801

March 4, 1980

The Honorable George Hohman
State Senate
Pouch V
Juneau, Alaska 99811

Dear Senator Hohman:

The staff of the Department of Fish and Game has reviewed the fishery related recommendations of the Conference on Alaska's Future Frontiers. Our comments on each of these recommendations are as follows:

ALPHA GROUP

Fisheries Recommendation #1 "Encourage and support the best possible harvest, transportation, and care techniques for all its multiple fisheries."

Fisheries Recommendation #3 "Initiation of the most advanced systems of quality production, control, transportation, and storage of fishery products."

A good quality product is essential to success in the marketing of fish. Fish from Alaska have on occasion had a poor reputation for quality. If Alaskan fish products are to compete in domestic and world markets, only fish of the highest quality should be offered for sale. This is particularly true in the case of salmon where competition for markets is intense due to increasing harvests in Japan and Canada, our major competitors for the world salmon market.

Fisheries Recommendation #2 "Readiness for complete harvest and best utilization of all State fishery products."

Readiness for complete harvest of the available fishery resource implies construction of vessels and production facilities capable of handling the catch in even extremely good years. It is not sound enterprise to capitalize for peak years. The best use of capital would be to provide for the capability to catch and process the harvest in most years. During peak years, such as is expected for the Bristol Bay salmon runs this year, special arrangements can be made by industry to utilize all of the available resource.

In Alaska's established fisheries, salmon and crab, there exist ample harvesting and processing capacities to accommodate the harvests during most years. It is the underdeveloped groundfish fisheries which need extensive investment in order to harvest the available resource. However, investment

in vessels and processing facilities is only one element necessary for complete harvest and best utilization of the State's bottomfish resources. Markets must be developed simultaneously with the capacity to produce products from the groundfish fishery. Any investment by the State in underdeveloped fisheries must be closely coordinated with efforts to create markets for the product.

Fisheries Recommendation #4 "Make every effort to train persons in the technical skills necessary to operate in a modern fishery."

Adequate training for the fishermen and processing personnel of the fishing industry is a worthy goal of the State's fishery development program. The institutional framework to provide this kind of training already exists through the University of Alaska Sea Grant Program, the University of Alaska Extension Service, local high school and community college programs, and the Alaska Fisheries Development Foundation. The adequacy of existing programs and their funding deserves some review by the Legislature to insure that the maximum potential of these programs is realized, and so that unnecessary duplication of services does not result.

DELTA GROUP

Recommendation #22 "Stimulate the rapid development of on-shore processing facilities and Alaska-based vessels with development of the bottomfish industry utilizing all of the State's investment and regulatory tools including but not limited to:

- A. Loans for fishermen and processors;
- B. State bonds for construction of ports and harbors; and
- C. Promoting a marketing association to develop world markets for Alaska seafood products."

The Department supports this recommendation. The long term economic benefit to the State will accrue from the use of its renewable resources. Investment in the development of the renewable resources is an appropriate mechanism to ensure long term returns on the income derived from non-renewable resources.

Recommendation #23 "Establish strict quality control for all Alaska seafood products."

As stated above for a similar recommendation by the Alpha Group, the Department acknowledges the importance of high quality standards for Alaska fishery products in order to compete in world markets.

Recommendation #24 "Encourages the legislature to investigate the possibility of establishing a policy that would restrict foreign ownership and control of the Alaskan seafood processing industry."

Widespread investment in Alaska's seafood processing industry by foreign corporations has provided much-needed capital during years of low profitability. However, there is now a potential for these foreign corporations to attempt

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to protect their investments in their high seas groundfish fishing fleets by stifling the development of a domestic groundfish industry. If the State can encourage the development of a domestic processing industry, the influence of foreign interests can be reduced. An expanded domestic fishing industry would return greater benefits to Alaska because much less of the revenue would go out of the State. The Department would endorse a study of the feasibility of promoting domestic ownership and control of the seafood processing industry.

Recommendation #25 "Support a substantial federal exploitation tax to be levied on foreign vessels fishing and processing in the American 200-mile zone."

Foreign fishermen fishing in the Fishery Conservation Zone must pay a permit fee and a poundage fee. The permit fee is about \$200 per vessel. The poundage fee is equal to 3.5% of the U.S. ex-vessel price of fish allocated to each foreign nation. It is doubtful whether a 3.5% surcharge on the foreign harvests off Alaska is sufficient to offset the marketing advantage of the foreign fish companies due to their cheaper labor and established marketing channels. The poundage fee may have to be increased before domestic fishermen can compete in world markets on equal footing with the foreign companies selling fish caught in American waters. If the revenue collected from fishing fees can be allocated to pay for expanded management programs on groundfish, then an additional benefit would be derived from these fees.

The U.S. Department of Commerce is currently reviewing its procedures for assessing foreign fishing fees. If the State of Alaska has reasons to support higher fees for fishing off Alaska, then now would be an opportune time to make such a recommendation. The Department of Fish and Game recommends that these revenues from fees be shared with the States in the same manner as Forest Services timber sale receipts and federal oil and gas rents.

EPSILON GROUP

Fisheries "The Epsilon Group recommends that the legislature adopt fisheries as its highest priority..."

Far be it from us to recommend without bias a legislative priority for fisheries, but there is a desperate need for the State to increase its expenditures for fisheries management and research. The need for additional funding is documented in the Governor's FY81 budget now before the Legislature. We particularly wish to emphasize the need to fund research and management of developing fisheries both to assure their continued productivity and to preclude having to take funds from management of existing fisheries to meet new demands.

Fisheries "The Epsilon Group recommends... that the State increase its jurisdiction over fisheries activities to include the entire 200-mile limit."

Historically the State of Alaska has exercised an implicit jurisdiction over the fisheries of Alaska regardless of how far off-shore they occurred. With the passage of the Fishery Conservation and Management Act, the State's extended jurisdiction has become suspect due to the threat of Federal pre-emption of the State's authority beyond three miles. The Department is the primary expert on the fisheries of Alaska because of its proximity to the fisheries and its

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historical involvement. It makes no sense for Federal government to spend its money developing a duplicative system of regulatory development, public input, and management while the State has a well-established and well-accepted management program in place. The effect of duplicate systems would be eventual divergence of State and Federal regulations. The Alaska Board of Fisheries and the Department of Fish and Game are cooperating with the Federal government in the management of the Fishery Conservation Zone, but we are reluctant to surrender any of the State's leadership in this area to the Federal government which is less sensitive to the needs of the local fishing industry. Action by the Legislature would strengthen the State's position in dealing with the Federal government by affirming the current policy of the Board and Department.

Transportation Recommendation #2 "And should further encourage programs to expand public harbor and port facilities with a view of expanding the fishing and maritime industry in Alaska."

The expansion of ports and harbors is another essential element in the development of an Alaskan-based fishing industry. With the current trend toward larger vessels capable of fishing on the high seas for extended periods, there is an increased need for facilities capable of handling these large vessels. As long as these facilities are not available in Alaska, the large vessels now entering the fleet will continue to be based outside of Alaska.

With Regard to Energy "The legislature should provide funding for the development of sail power applicable to the fishing and maritime industries..."

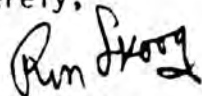
The Department does not expect the fishing fleets to return to sail power, however, there will be radical changes in the design of fishing vessels and in the fishing strategies employed by the fleet due to changes in fuel economics. Energy intensive fisheries such as the troll fishery can be expected to undergo significant changes as the price of fuel increases. Fuel efficiency will be a significant aspect of fishing in the future. In general, the fishing fleet can be expected to shift toward larger, technology-intensive vessels.

In terms of the relationship between subsistence and energy, two points are clear: First, rising energy costs in villages may increase the reliance on subsistence acquired food while at the same time constraining the modern means to obtain that food. This may, in turn, result in a return to other forms of subsistence technology, such as dog teams, which also place demands on wild resources. Second, many villages have now become reliant on imported energy. Any programs which result in greater local self-sufficiency through utilization of local renewable and nonrenewable resources may reduce the impact of rapidly rising energy costs.

Thank you for the opportunity to comment.

If we can assist you in drafting the legislation to implement these recommendations, please contact us.

Sincerely,



Ronald O. Skoog
Commissioner

MEMORANDUM

State of Alaska

TO: Honorable George Hohman
Alaska State Senate

DATE: February 14, 1980

FILE NO:

TELEPHONE NO:

M/L
FROM: Marshall L. Lind
Commissioner of Education

SUBJECT: Future Frontier Recommendations

A review of the group recommendations concerning education reported out of the recent Future Frontier Conference revealed that the recommendations fall into several main categories. Therefore, our response will be found in these categories rather than item by item.

I. Telecommunication

Several groups recommended an expansion and increased use of a telecommunication network for education and other public uses. Our response to these recommendations are contained in our response to Senate Concurrent Resolution 35. I believe that positive action on this report would meet the spirit of the Future Frontier participants' recommendations.

II. Vocational and Technical Education (Reference attached statements for additional information)

Participants' recommendation to increase support of secondary vocational education would be accommodated by positive action on the Governor's amendment to SB 199, which, among other things, reworks the vocational education foundation schedule to increase vocational education program funds of the district level.

Increased state support for adult (out-of-school) Alaskans could be achieved in a variety of ways: more direct state block grant or direct appropriation to community colleges and skill centers, an adult foundation formula for school districts as well as the university system; or tuition waivers for adult Alaskans are several funding methods which have been proposed. To date, no one plan has been universally endorsed. The Legislature may wish to propose a study of funding alternatives in this area if it wishes to pursue the recommendations of both the Future Frontier Conference and the earlier forum.

III. Special Education

Again, the recommendation for increased funding for both handicapped and gifted students, would be accommodated by the Governor's amendments to SB 199, which reworks the current special education foundation schedule to provide increased program funds to local districts.

The recommendation for improved programming for special students is receiving attention from the department as we develop program standards. Under current administrative funding for the department, we will be able to develop standards in one or two program areas (i.e., blind, deaf, gifted, etc.) per year. However, again the Governor's amendments to SB 199 call for the development of program standards in all areas and will contain a fiscal note to fund this activity.

IV. Bilingual Education

The conference participants called for increased support for bilingual/bicultural education. With the exception of a minor reworking of the bilingual foundation schedule to accommodate higher costs for districts with multiple language groups, the current foundation support to schools appears adequate. The minor revision is again contained in the Governor's amendments to SB 199.

V. General State Aid to School

Several groups called for full state funding of education costs. Again, amendments to SB 199 would allow for 100% state funding of basic needs while still requiring some local effort in city and borough school districts. Since the equalization scheme outlined in the amendments to SB 199 appears to adequately take into account differences in local tax wealth, the department would support this system over full state funding.

VI. Other Program Areas

The conference participants specifically named several areas as needing additional support: health education, adventure-based education, small high schools and legal education.

With the exception of adventure-based education, which is a high cost/high effective alternative to regular high school programs, the Department believes that local districts will have, through the proposed revision to the foundation program, adequate financial means to support educational programs to meet local needs. Therefore, we would not recommend specific state funding for health education, legal education or small high schools.

If the state wishes to expand adventure based education, however, additional resources will need to be made available. If the state is to realize the full benefits of adventure-based education both as an alternative and as a means of making the regular secondary program more relevant to Alaskan youth, it is our recommendation that funds for such programs be made available to local school districts on a grant basis rather than to a state agency.

VII. Miscellaneous Recommendations

The conference participants made several recommendations which do not readily fall into the above categories. These will be responded to on an individual basis.

A. Two-step Teacher Certification

During 1979, the State Board of Education prepared such a two-step certification process in an attempt to assure that teachers in Alaska had knowledge about the unique conditions and cultures of the State. Widespread adverse public comment (over 400 responses to the proposed regulations were received) caused the Board to withdraw the proposed regulations.

B. Mandated Class Size

The conference participants recommended a mandated maximum class size at the elementary school level. As this is a local problem, differing in severity among districts around the state, the Department recommends that the responsibility for determining class size continue to rest with the local school board. Again the proposed amendments to SB 199 could help alleviate this problem which appears to exist only in some of the larger urban centers, by increasing the amount of funds available at the elementary school level.

C. Education for Minority Students

The conference participants recommend that special consideration be given to minority students through program development and teacher preparation to enable such students to achieve at grade level. At present, there is no special foundation support for English-speaking minority students although various federal categorical funds for such purposes are being utilized in the state. The legislature may wish to address this concern through a state funded counterpart of the federal compensatory education program or through revision of the current foundation program which would extend additional funds to districts for all educational programs. Such additional funds, depending on local need, could be directed to specific programs for under achieving minority students.

The concern for adequate teaching preparation to include knowledge and skills necessary to teach across different cultures is also spoken to in more general terms elsewhere in the report.

February 14, 1990

Currently, the Department of Education is working on Alaska standards for teacher preparation programs. Course work and experience in cross cultural education will undoubtedly be considered as part of these standards. In the future, University teacher training programs may require additional state support to come into compliance with these and other Alaska standards.

If you have questions concerning any of the above comments, please do not hesitate to contact me.

Attachment

Fisheries and Communications

In the fisheries area, there are currently two Federal Vocational Education Grants designed to develop, expand and coordinate fisheries education in new or emerging occupational areas. These grants are being conducted through the Southeast Regional Resource Center and Kodiak Community College.

A state level fisheries committee is being organized to examine fisheries education across the state from the elementary, to adult and college education levels. The Committee will be looking at what currently exists, what needs to be done first, and how to go about doing it.

A grant has also been received by the Department of Education for a full-time fisheries education position. The responsibility of this position will be to work with all agencies to develop and implement fisheries education programs.

Communications Education consisting of radio and television programs have been developed at Dillingham and Yakutat for high school students.

These were developed with state vocational foundation monies at the local level. State vocational dollars can be used for developing programs in any vocational area as the district desires, although most of these dollars are used to continue existing programs rather than implementing new ones. <There are no state vocational grant funds and limited federal dollars for developing new programs.>

Adult Continuing Education

Areas of the Future Frontier report with which the Adult and Continuing Education Unit is particularly concerned are placement, fisheries, life coping skills and adult basic education. Our recommendations follow:

1. PLACEMENT

We feel that job placement should be centralized through one institution, such as the Skill Center if operated on a statewide basis, there should be a unit that serves all institutions. If approached by too many agencies wishing job placement for their graduates, industry would find it not worth its while to coordinate the many requests. One agency in the state should coordinate the requests and allow industry to devote its time to creating the positions.

2. FISHERIES

A number of fisheries education activities are occurring throughout the state, such as the Governor's demonstration projects, Alaska Fisheries Development Foundation training, Alaska Skill Center's ship construction, rebuilding and repair, and the community college fisheries education programs. In order to provide the most effective use of resources and funds, it is necessary to consolidate the coordination of these activities into one agency. The Adult and Continuing Education Unit has submitted a proposal to the Governor's Office to fund such a position during FY'80 and anticipates that the position and its funding will be approved in its FY'81 budget.

3. LIFE COPING SKILLS and ADULT BASIC EDUCATION

These programs were initially created to help those adults who had not completed high school or who were unable to cope in their everyday life or jobs because they lacked sufficient education. Traditionally, the tests for the high school equivalency certification tests were academically oriented. A movement has begun in the United States to base this test on life coping skills such as balancing the checkbook, cooking measurements, reading and filling out tax forms, etc. Our unit supports this concept and is currently pursuing its use in our program.

Student Exchange Programs

A recent annual survey conducted of 49 school districts verified a continuing and increasing need for career and vocational related experiences that are not available to the student locally. That survey was done by the Rural Student Vocational Program (RSVP), which, since 1970, has been providing rural students with two weeks of "full-time" on-the-job experience in their intended occupational field in Juneau, Anchorage or Fairbanks.

In response to the survey:

- 1) RSVP's student capacity statewide has been increased from 800 to 1000 for FY'81;
- 2) RSVP's purpose is being broadened to also encompass career exploration, occupational areas not traditionally considered "vocational"; short-term intensive training as well as work experience, leadership development, and urban students to rural experiences; and
- 3) RSVP will serve more "special needs" students. Cultural exchange occurs naturally and is a valued by-product of these student experiences. These RSVP "Student Extended Programs" are based in part upon concepts in the Alaska Plan (ADOE, 1975) which proposed turning the entire State into a learning environment where every business, industry and government agency would become a training resource.

In planning for the 80's, thought must be given to expanding the program further if more than 5% of the 20,000 high school students are to be served each year.

The State of Alaska should improve the status of vocational-technical education statewide. Such efforts should be geared not only toward program development and maintenance, but improved employment prediction needs and improved job development and job placement.

Response:

Under P.L. 94-942, Federal Vocational Education funds of up to \$150,000 are available each year for grants to school districts, post secondary institutions, regional resource centers and other eligible agencies for program improvement activities based on the priorities of the Alaska Vocational Education Planning Council (AVEPC).

AVEPC has reaffirmed each year that since federal vocational education funds are so limited, the primary use of these funds would be to help with the start-up costs of new programs for the first and possible second year. After that, state vocational education funds are adequate on the maintenance of this program at the secondary level. Post secondary/Adult programs initiated with federal funds also appear to be continuing once the federal funds are expended.

One area that seems to need a source of funds is equipment maintenance. Vocational programs, primarily in the trade and industrial and technical areas require expensive and well maintained equipment. Since the emphasis is on new programs, federal funds are not available for use in equipment maintenance and would not have much of an impact due to the limited number of dollars available. School districts could use state vocational foundation funds for equipment up-keep and maintenance. Post secondary institutions can include a line-item in their budgets for equipment maintenance. However, at both the secondary and post secondary levels, administrators sometimes do not understand the difficulty or complexity of the equipment and do not fully realize the necessity of maintenance expenditures and often cut this item from their respective budgets which in turn affects the operation of their vocational programs. Another problem cited is that when funds are available there is no one locally or in-state who has the skills to repair the equipment, thus increasing the costs of importing technicians to do the repair. It would be helpful therefore, if a fund were set aside for this specific purpose either from current vocational education foundation support or in addition to such support or a combination of both.

Improved employment predictions in terms of employment demand and occupational supply is one of the areas of concern of AVEPC. The coordination of supply/demand is also one of the responsibilities of the federally funded Alaska Occupational Information Coordinating Committee (AOICC). One of the issues identified by AVEPC for inclusion in the Occupational Preparation Plan reads as follows: "There is an apparent need for supply/demand information but the need has not been systematically identified." AVEPC is working on recommendations, and a plan of action with timelines and possible sources of funding for each of the issues identified in the Occupational Preparation Plan.