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**Legislative Council  
State of Alaska**

**Shelton Anchorage Hotel  
December 6, 7, 8 1979**

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

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



***The Conference on Alaska's Future Frontiers was a success. The delegates who attended are a highly motivated cross-section of Alaskans. They produced thoughtful recommendations that will stand the test of time in setting both immediate priorities and long-range goals for state government.***

***As preparation for the conference, forty-nine Alaskans submitted detailed papers on public policy issues facing Alaska in the 1980's. These were given to the delegates prior to the December conference and were found to be valuable for collective understanding of issues and options available. Another forty-one papers written by members of the Alaskan public are also contained in this volume.***

***Additionally, the services of verbatim transcription of the delegate meetings was a great, new step in public participation. Not only were the group recommendations ready the day following the conference, but every word spoken in favor or opposed to the group decisions is available for its meaning and context. And a general summary precedes the group recommendations.***

***We thank and commend the delegates, group chairmen, authors, members of the public, legislative interns and staff for making the Future Frontiers Conference the success that it is.***

**Senator George Hohman, Jr.  
Representative Russ Meekins  
Co-Chairmen**

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## General Index

<b>Conference Delegates.....</b>	<b>P 5</b>
<b>Resolution Summaries.....</b>	<b>P 7</b>
<b>Recommendations of the Five Groups.....</b>	<b>Pp 11-27</b>
<b>Index of Authors and Issues.....</b>	<b>P 29</b>
<b>Index of Submitted Public Papers.....</b>	<b>P 31</b>
<b>Speech of Chief Seattle.....</b>	<b>P 32</b>

## LIST OF DELEGATES

### ALPHA GROUP

ACKERMAN, Gary - Fairbanks  
ALEXI, Nels - Bethel  
ANGASAN, Ted - Dillingham  
ANSAGOK, Georgianna - Koyuk  
BENNETT, Jill - Fairbanks  
BLODGETT, Bob - Teller  
BORODKIN, John - Tatitlek  
BOWDOIN, Stu - Naknek  
BRADLEY, Marsha - Anchorage  
BRAMSTADT, Alvin - Anchorage  
BROWN, Linda - Anchorage  
BULLOCK, Edith - Anchorage  
BURNETT, Ruth - Anchorage  
DAHL, Tom - Anchorage  
FISCHER, Helen - Anchorage  
FISCHER, James - Anchorage  
SEARS, Dvid - Anchorage  
STUMP, Keith - Ketchikan

### BETA GROUP

CARLSON, Dwayne - Juneau  
CARPENTER, Dianne - Bethel  
CARTER, Ernie - Fairbanks  
CHAPADOS, Frank - Fairbanks  
CHARLEY, Walter - Glenallen  
CLARK, Jim - Naknek  
COOKE, Margaret - Bethel  
COOPER, Earl - Homer  
CROFT, Toni - Anchorage  
CROW, Bruce - Bethel  
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DAVIS, Bettye - Anchorage

DEGNAN, Fran - Unalakleet  
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DICKSON, Abbi - Unalaska  
EKVALL, Eric - Anchorage  
ELSON, Joann - Kenai  
FAIRBANKS, Grant - Sleetmute  
FATE, Mary Jane - Fairbanks  
FISON, David - Anchorage  
FLEMING, Laura - Juneau  
FLYNN, Heather - Anchorage  
FREDERICKS, Glenn - Anchorage  
GAZAWAY, Prent - Anchorage  
GIBSON, Bob - Bethel  
GORSUCH, Lee - Anchorage  
GUESS, Carolyn - Anchorage

### GAMMA GROUP

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HAAVIG, Steve - Juneau  
HARUN, Kevin - Fairbanks  
HAYS, Ellen - Anchorage  
HEDLAND, Karen - Anchorage  
HOFFMAN, Eddie - Bethel  
HOHMAN, Ron - Nome  
HOLTHAUS, Gary - Anchorage  
HURLBERT, John - Fairbanks  
HYLEN, Marlon - Ninilchik  
HUSS, Bernie - Kenai  
ISENSEN, Beverly - Anchorage  
JACK, Carl - Bethel  
JOHNSON, Christine - Anchorage  
JONES, Carolyn - Anchorage  
KADEN, Hayden - Gustavus  
KEENER, Leonard - Soldotna

KELSEY, John - Valdez  
KINGREA, Jean - Fairbanks  
KITO, Dick - Petersburg  
LADNER, Mike - Fairbanks  
LINCOLN, Enid - White Mountain  
LINCOLN, Georgianna - Fairbanks  
LONGPRE, Carrie - Bethel  
MACK, Stanley - Sand Point  
MARSHALL, Joseph - Fairbanks  
MATHIESEN, Andy - Petersburg  
LUDVIG, Rosemary - Sand Point  
HOPE, Andy - Sitka  
HUNTER, Celia - Fairbanks

### DELTA GROUP

HARTLE, John - Fairbanks  
MERDES, Ed - Fairbanks  
MOORE, Martin - Emmonak  
MORGAN, Mooris - Fairbanks  
MURRAN, Rafe - Hooper Bay  
NANALOOK, David - Togiak  
NASKE, Claus-M - Fairbanks  
NELSON, June - Kotzebue  
NYSTROM, John - Anchorage  
PADDOCK, Dean - King Salmon  
PALMQUIST, Rose - Wasilla  
PERDUE, Ralph - Fairbanks  
PETERSON, Grant - Palmer  
PILLIPHANT, Lois - Anchorage  
POLMEROY, Harold - Anchorage  
PORTER, Rosel - Bethel  
RAY, Joan - Anchorage  
REEVES, Jim - Wasilla

RICHCREEK, Peggy - Glenallen  
RODERICK, John - Anchorage  
SAMUELSON, Alex - King Cove  
SAMUELSON, Harvey - Dillingham  
SANDE, Jeanne - Ketchikan  
SCHIRMER, Harriet - Wrangell  
SEIFERT, Rich - Fairbanks  
SHROYER, Frida - Fairbanks  
SIMONDS, Charlotte - Anchorage  
SPARCK, Lucy - Chevak  
STRASSBURG, Perlia - Anchorage

### EPSILON GROUP

GARVIN, John - Anchorage  
STACHELRODT, Mary - Palmer  
STATON, Ethel - Sitka  
STEPHENS, Jeff - Kodiak  
STOKES, Wilma - Wrangell  
STRINGER, Sandra - Fairbanks  
SWAIN, Mike - Naknek  
TIPLEMAN, Dennis - Kotzebue  
UCHITEL, Robert - Anchorage  
WALDROP, I.M. - Anchorage  
WEISE, Marion - Cordova  
WHITE, George - Kotzebue  
WIDMARK, Emma - Juneau  
WORLD, Rosita - Anchorage  
YAMASHIRO, Jane - Anchorage

## RESOLUTION SUMMARIES

The following are summaries of major resolutions submitted by the five study groups of the Future Frontiers conference. Many innovative suggestions made by only one or two of the groups are not included in the summaries, not because they are not worthwhile but because we were looking for consensus among the five groups. Several themes appeared throughout the conference discussions and are reflected in many of the resolutions. One is the interest by Alaskans in maintaining diversity in lifestyles, in alternatives available to citizens in their local governments, educational opportunities, resource development and geographic location. Local and regional differences are preferable to standardization which does not take individuality into account. Local control was another pervasive theme: local control over decisions pertaining to almost every kind of service and to development of economic and natural resources. Flexibility was a key interest of most delegates; they recognize the potential Alaska has to experiment with innovative technologies and social programs and stress that we must not lock ourselves into traditional methods of solving problems without exploring alternatives.

### POLITICS, GOVERNMENT AND LAW

In the areas of politics, law and government, the major recommendations of the conference delegates concerned improvement and expansion of services, particularly to rural areas, and increasing local representation and participation in all aspects of government services. The consensus was that

- the Alaska court system should be expanded in order to expedite proceedings. This can be accomplished by several means which include increasing the number of judges, expanding the hours of operation, increasing the number of magistrates in rural areas and providing for circuit-riding magistrates.

- expanding legal aid services to assist lower income citizens in both rural and urban areas

- eliminating biases in sentencing which reflect in any way the age, sex, cultural background, race, geographic location or social status of the accused.

- increasing local governments' autonomy, flexibility and participation in decision-making and revenue sharing processes.

- carefully studying and planning for any organizational changes in boroughs which are presently unorganized.

- carrying out legislative reapportionment in accordance with Alaska's constitution to reflect both population and geographic diversity, and making sure that rural representation is not effectively eliminated.

- upgrading law enforcement recruitment, training, minority representation and rural services.

### TRANSPORTATION AND COMMUNICATIONS

It was generally felt by the conference participants that both transportation and communication facilities and services need to be expanded and upgraded.

In formulating recommendations pertaining to transportation, delegates stressed several points:

- a thorough assessment and evaluation of existing and needed transportation must be carried out in order to draw up an integrated statewide plan which takes into account regional differences, local requirements and local preferences.

- the marine highway systems should be improved and expanded

- highways, roads, ports and airports should be improved and maintained with a goal to increasing safety.

- alternative forms of transportation should be considered, including a shift to mass transit systems where feasible.

- in planning transportation services and facilities, energy efficiency, costs, and environmental impacts should be considered

Communications systems were generally in need of expansion and improvement, according to conference participants. An integrated statewide system was felt to be desirable but with costs contained and government control minimized. A single toll area for telephones in the state was suggested, and VHF and microwave systems to supplement satellite transmissions were recommended.

## HEALTH AND SOCIAL SERVICES

The recommendations of the five study groups in the area of health and social services were quite varied, but two major themes were evident: shifting the focus of health services to emphasize education and prevention; and encouraging innovative and alternative health care services which, while funded by state and federal sources to a large extent, maintained local government and private control. Major recommendations included the following:

- the state should encourage private sector and local services to the maximum extent possible.

- education should be stressed, both in schools and through the media, in areas of nutrition, preventative measures and early detection.

- some form of financial relief should be available to defray high medical costs; this could be in the form of catastrophic illness insurance.

- a comprehensive health insurance plan available to all Alaskans, cost containment policies for government health care services.

- and administrative and legislative efforts to alter the present inadequacies in federal funding levels and categories of health and social services.

as well as cost containment policies

- certain health problems which are serious in Alaska should receive more attention in research, funding, education and health delivery systems; these include alcohol and drug abuse, mental health; accidents, and diseases such as otitis media, tuberculosis, and venereal disease which are especially prevalent in Alaska.

- rural health care delivery systems should be expanded and improved.

## EDUCATION

Recommendations in the area of education centered around increasing funding levels of many programs and in upgrading the quality of education at all levels. Proposals included the following:

- increase amounts and availability of financial aids for post-secondary education, such as loans, scholarships, free tuition, and others.

- expand use of teleconferencing and telecommunications in the educational programs, particularly in rural areas.

- improve post-secondary education options; private universities, the University of Alaska system, community colleges, and alternative education such as open learning and schools-without-walls programs.

- strengthen vocational and technical education programs.

- recognize the need for bilingual/bicultural programs and include cultural background awareness in teacher training and certification requirements.

- upgrade the quality of education in the lower elementary grades, preschool programs, and programs for the gifted and handicapped.

## RESOURCES AND ECONOMIC DEVELOPMENT

Vigorous but responsible development was the theme in most recommendations in the area of resource and economic development, and energy-related issues were in the forefront of discussion.

- emphasis should be placed on development of alternative energy technologies (mostly small scale) and local self-sufficiency.

- the conversion of nonrenewable to renewable energy sources should take place as rapidly as possible and be encouraged through regulation and strong financial incentives.

- the state should develop a comprehensive energy plan which contains both short and long term goals and time guidelines.

-- energy-efficiency standards in all buildings should be followed, with financial incentives for private sector structures and energy conservation should be encouraged.

- revenue from state nonrenewable resources should be plowed back into development of renewable resources.

-- to the maximum extent, Alaskan resources should be used in Alaska for Alaskans.

-- sound development of oil and gas, fisheries, timber, agricultural land and tourism should take place, all with environmental safeguards.

-- a strong potential for fisheries development was recognized in numerous suggestions for encouraging greater exploitation of this resource.

-- well-planned policies should guide the development of resources.

## NOTES:



## RECOMMENDATIONS OF THE FIVE GROUPS

Recommendations of five participating groups, in the Future Frontiers Conference, December 5 through 8, 1979, Anchorage, Alaska.

### ALPHA GROUP

The Alpha Group of the 1979 Future Frontiers Conference, after discussion of the issues and deliberation, makes the following recommendations to the people of Alaska.

Resolutions were passed of the following topics:

#### Direct Services

Future Frontiers Conference  
Education  
Child Care  
Transportation  
Communications  
Law and Justice

#### Finance

Policy  
Mutual goals

#### Resources

Oil and gas  
Fisheries  
Timber  
Alternative energy

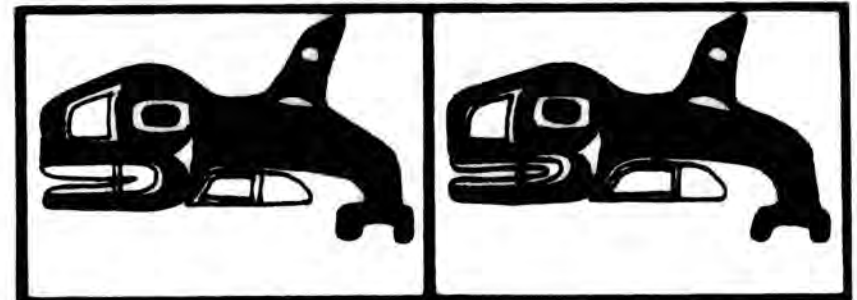
In addition, the group recommends that staff and the general public make reference to the dialogue contained in the transcripts of the conference.

## ALPHA GROUP'S EDUCATION RESOLUTION:

Alpha Group resolves that the legislature consider the following recommendations in the area of education:

That the State of Alaska provide scholarship loan funds to any Alaskan student for post-secondary education with special attention paid to

- a. Preservation of a student's freedom of choice of colleges or universities;
  - b. Recognition that private higher education makes a significant and important contribution to the State, and that the legislature not adopt policies that place private higher education at a competitive disadvantage;
  - c. Providing new and expanding opportunities for vocational and technical education and training; and
  - d. Loan forgiveness based on years of service in Alaska in the public or private sector;
2. That the State of Alaska allocate funds for local school districts, for teleconferencing and vocational education, according to a policy other than Average Daily Membership in order that all elementary and secondary students in Alaska might be provided the option of a technical trade appropriate for the 1980's, soliciting counseling from industry.



#### ALPHA GROUP'S CHILD CARE RESOLUTION:

Alpha Group resolves that the legislature consider the following recommendations in the area of child care:

1. That the State continue to use the resources of private child-caring institutions to deliver services to children entrusted to the State's care; and
2. That the State place children with child-care institutions as good parents would, providing for prompt payment of full cost of care which includes a portion of those costs required to keep the institution ready to receive the State's children.

The policy of the State should be that of a good parent that cares well for children for whom it has responsibility and pays its bills quickly.

#### ALPHA GROUP TRANSPORTATION RESOLUTION:

Alpha Group resolves that the legislature consider these recommendations for transportation needs:

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;
2. Preparation and implementation of a statewide plan for air and surface transportation;
3. Construction of a complete system for rural air transportation, navigation aids and facilities, relatively equivalent to present regional airport facilities;
4. Develop a complete inventory of the entire State's transportation facilities;
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;
6. Avoid imposing transportation intrusions on communities or regions whose residents do not want them, i.e., unwanted highways;
7. Improve and expand river-loading facilities.

#### ALPHA GROUP FUTURE FRONTIERS COMMUNICATIONS RESOLUTION:

Expand and upgrade communications services and facilities in every Alaskan community with special consideration to:

1. Television conferencing for legislative and educational purposes;
2. Efficient telephone systems with a single toll area spreading the costs throughout the State;
3. Other appropriate technology.

The goal is to integrate Alaskan society while preserving the contributions made by diverse cultures.

#### ALPHA GROUP'S RESOLUTION ON LAW AND JUSTICE:

Alpha Group resolves:

1. That the Alaska court system be expanded as follows:
  - a. increase the number of judges in order to expedite the civil and criminal calendar;
  - b. maximize the use of existing facilities beyond the normal working day to improve the convenience to juries and civil litigants; and
  - c. improve the magistrate system in villages through better communication, using appropriate technology with the presiding judge.
2. Provide increased funds to villages for police training and support, considering State participation in the management in support of the CETA program.

#### ALPHA GROUP'S FINANCING RESOLUTION:

Alpha Group resolves that the legislature adopt a policy of a financial partnership between the State and private enterprise, in cooperation with local financial institutions with a view toward:

1. Supporting private enterprise through the provision of facilitation of venture capital in Alaska;
2. Capital or operational support for projects and equipment, including

leases or lease purchases with the lease rate based on actual revenues received from use of the product; and

3. Approval of borrowers, based on relevant factors beyond those presently considered by banks.

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.

#### RESOLUTION:

Alpha Group resolves that the legislature recognize the existence and opportunities provided by the existence of the native land claims corporations, and the unique opportunities provided by those rural-based private corporations for developing mutual economic and socially desirable goals in rural and urban areas of the State.

Alpha Group further encourages the legislature to develop structures that can provide creative mutual interaction between the State, native corporations and other entities concerned with the healthy and desirable Alaska urban and rural society.

#### ALPHA GROUP OIL AND GAS RESOLUTION:

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. Readiness 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:

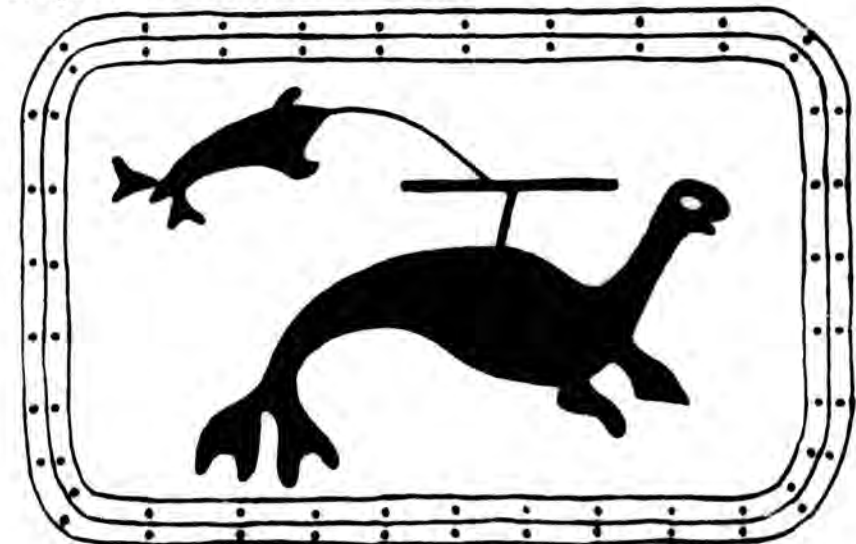
Alpha Group resolves that the State should facilitate in every way possible development of Alaska's vast timber resources in an expeditious, economically feasible and ecologically responsible manner.

#### ALPHA GROUP'S ALTERNATIVE ENERGY RESOLUTION:

Alpha Group resolves that the State develop alternative energy sources from every community in the State of Alaska, not limited to hydro power, tide, wind, solar power, geothermal or hydrogen cells and sites after an inventory is made.

#### ALPHA GROUP'S RECOMMENDATION ON ANOTHER FUTURE FRONTIERS CONFERENCE:

Alpha Group recommends that another Future Frontiers Conference be held in five years, and that it be preceded by regional conferences to select delegates for the statewide conference.



## BETA GROUP

The Beta Group appreciates the commitment that the Alaska legislature has made to involve Alaskans in the formulation of public policy through the Future Frontiers Conference.

Additional time during this conference would have permitted more refined policy recommendations. Nevertheless, the concepts recommended are believed to be a valid statement of current and future needs and methods of resolution.

We propose a reconvening of the Future Frontiers Conference within one year to review legislative and administrative reaction to our recommendations and to propose more detailed policy development.

## GOVERNMENT SERVICES POLICY STATEMENT

For every request for government financing, programs, participation and/or regulation before acting the government should ask the requester:

1. Is there truly a need?
2. Have you exhausted all other means of resolution of this need?
3. What is the least government can do in conjunction with other resources to meet the need?
4. What is the most creative role government can play in resolving the need that maximizes private participation?

Then government's role should be limited to the lowest level of participation necessary to adequately resolve the need consistent with incentives for maximum participation by the individual and the private sector in general.

2. Revenue-sharing funds to local governments shall be increased and the State shall share revenue with "No strings attached" disposition to be in sole discretion of local governments.

3. If the unorganized areas of the State are compelled to organize into boroughs, they should be limited to small contiguous areas with common needs.

4. State activities affecting a local area shall not be undertaken without local consultation. Various levels of government participating in the same program shall develop effective means of coordination.

5. Means should be found to constitutionally administer at least some of the State benefits on a longevity of residence basis.

6. Legislative reapportionment shall be implemented so as not to effectively eliminate rural representation.

7. The adventure education program is extremely valuable to Alaskan youth in helping to achieve self-confidence and a sense of purpose, and shall be made available to all Alaskan youth as an adjunct to regular school curriculum.

## COMMUNICATION SECTION

1. Broadcasting of State government activities shall be under the control of an independent public board with regional representation.

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."

3. Government shall not interfere in program content or availability.

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

5. Highest priority shall be given to upgrading communications between rural communities and the rest of the world.

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

7. The University of Alaska shall be provided the means and directive to provide education throughout the State via telecommunications.

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

## JUSTICE

1. The State shall assure adequate basic law enforcement facilities in rural areas through local government.
2. Effective means shall be provided whereby judges who are not performing properly shall be removed from office.
3. Publicly supported legal services shall be expanded to meet the growing needs of Alaskans lacking the financial means to hire an attorney.
4. Research shall be undertaken to evaluate sentencing of offenders who commit crimes of violence against females in comparison with sentencing of offenders who commit similar crimes against males.
5. Criminal sentencing shall not reflect minority bias.
6. Criminal justice to be effective must be swift and sure in application.
7. The legislature, judiciary, executive and private sector shall actively pursue programs, incentives and public education to discourage the people of Alaska from their increasing propensity to litigate and shall encourage social amenity.

## FINANCE POLICY

The State shall invest its surplus income in the permanent fund inside the State, to the extent the opportunity for prudent investment exists in Alaska. Monies shall be loaned at low interest rates to anyone who has a financially sound investment opportunity, subject to the availability of adequate security and the borrower's demonstrable ability to repay the loan, provided the project enhances one or more goals of Alaska.

## EDUCATION

### Policy:

1. Provide residents of Alaska with financial access to post-secondary education.
2. To best serve the interests of the State, autonomy should be granted to the community college system.
3. Explore methods of encouraging competition in education systems, including alternatives to the University of Alaska system.

### Program:

1. Give special consideration to minority students through program development and teacher preparation to enable them to achieve at grade level.
2. Establish a non-traditional statewide education program to enable rural students to obtain a Bachelor's Degree, i.e. open-learning, school-without-walls concept.
3. Develop bilingual and cross-cultural programs and teacher training to better serve minority students.

### Funding:

1. State formula funding to provide smaller classes and needed services for children in grades K through six to ensure their success at the secondary and post-secondary levels.
2. Explore alternative forms of endowing Alaskan universities to enable them to achieve excellence.
3. Increase the level of funding for special education programs, including those for gifted students.
4. Provide funding for innovative programs, such as student exchange programs, wilderness experience and special cultural programs.

### Amendments:

1. Establish an education fund similar to the renewable resources fund which dedicates a portion of the permanent fund for long-term educational needs.
2. 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 placement.
3. Increase the loan funding monies, and, if possible, the individual applicant ceiling amount of the scholarship loan program.
4. Where the Board of Regents of the University of Alaska establishes a statewide program at a community college, it shall assure the availability of adequate housing for out-of-town students participating.

## Health

Health services which include:

1. Family planning counseling; and

2. Mental/Alcoholism/Drug Abuse Health need to be made available to all areas of the State from the paramedical/nurse practitioner level in the rural areas to the fully sophisticated facilities in central urban areas. An adequate means of transportation and communication is necessary.

Expansion of the professional role of paramedics and nurses shall be encouraged at all levels of health-care delivery.

An adequate curricula be added to the school system, stressing early detection and providing training opportunities to help school children become aware of health-care needs.

Alternative methods need to be considered for future water/sewer systems to ensure the practicality of the operation from a maintenance and cost standpoint.

Catastrophic health care should be available to all Alaskans with a mandatory deductible requirement sufficient to prevent abuse.

A need statewide is for health education in the media. Our TV, radio and newspaper should have more specific information about preventive health measures. Only when our whole community is more concerned about health will we improve our children's health and, consequently, the welfare of future generations.

## ENERGY STATEMENT, BETA GROUP

The energy goal of the State should be:

Existing energy systems which depend on non-renewable resources should be converted to systems which are based on renewable resources in an orderly, effective and efficient transition.

A means to accomplish this would be for the State government to encourage the private sector, i.e. business and individual, through tax incentives, tax penalties and low-interest loans, to convert existing energy systems to be as efficient as possible, and to replace existing energy systems and develop new energy systems that rely on renewable resources.

Among the suggestions of the Beta Group were:

1. Energy-efficient improvements for both residences and businesses should not increase the value of the property for taxation purposes, but should reduce the property tax.

2. The State should encourage the creation of regional energy councils to respond to grass roots concerns and ideas to develop alternative energy sources.

3. An Alaskan energy plan should be developed by 1982 which includes a realistic timetable to accomplish the long-term energy goal.

Non-renewable resources used for energy systems are in a state of transition which requires new problem-solving techniques.

Human energy potential should not be diluted by polarization and provincialism, but must acknowledge the immediate challenge that today's energy crisis brings. The cost of diesel fuel in rural Alaska is a crisis, both in financial and emotional terms. Survival and economic development at present in rural Alaska is dependent on the availability and the price of diesel fuel. Until the primary goal of energy-system dependency in renewable resources is accomplished -- and a specific time limit should be established -- the State should be prepared to assist the people in rural Alaska to acquire and pay a reasonable price for diesel fuel. Any State program should promote the stated energy goal. In no way should a government program foster business as usual, which provides no incentive to convert to other alternative energy sources.

It appears logical and appropriate that monies received by the State from the increased revenues from its petroleum resources should be used to accomplish the long-term energy goals and to solve the short-term immediate energy crisis.

All State agencies should coordinate their efforts to achieve the long-term energy goal.

## BETA GROUP TRANSPORTATION

It shall be the policy of the State that a transportation system be developed in a manner that serves the economic and social needs of all Alaskans and the areas in which they reside. An integrated system of transportation shall include facilities necessary to accommodate the mode of transportation which best fits the particular needs of the area to be served. Regional representatives will participate in all stages of planning

and implementation. And to help facilitate their involvement, there will be established regional advisory committees which shall have representation on a statewide advisory board that guides statewide transportation policy.

Priorities of an integrated transportation system shall include the following:

1. Transportation systems to be developed shall minimize adverse social, cultural and environmental impact.

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

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.

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

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

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

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 non-renewable resources.

8. The Department of Transportation shall explore innovative and alternative transportation modes that may result in lower freight and fair 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.

9. The Department of Transportation shall give immediate attention to the development of intra-regional transportation systems that do not necessarily link.

## FINAL REPORT, GAMMA GROUP

Gamma Group spent the first day setting goals for the future of Alaska. We worked as a committee of the whole. We separated our goals into nine areas.

- I. Political/Justice
- II. Lifestyle
- III. Transportation and Communication
- IV. Development
- V. Human Resources
- VI. Education
- VII. Governmental Structure
- VIII. Economy
- IX. Community Development

It was our plan to come up with means for achieving the goals, but time ran out. Except for the goals under Political/Justice, the means submitted herein were not acted on by the group, but were ideas which had been submitted by individuals in the group.

One policy statement which was adopted by the group was that, "Responsible fiscal actions be applied to all goals suggested herein."

Gamma Group recommends that a follow-up conference be held. There was objection to the way the conference was planned, namely, that the time frame was too short to do an adequate job.

We were just beginning to communicate well with each other when we had to push to produce some kind of report.

Gamma Group voted down a motion to call a Constitutional Convention.

### I. POLITICAL/JUSTICE

Gamma Group envisions a future for Alaska as one in which:

1. Political representation reflects both population and geographic diversity.

**Recommendations:**

a. The Alaska State Legislature should be apportioned in accordance with Alaska's Constitution which calls for the election of the House of Representatives on a one man, one vote basis, and a Senate on a geographical distribution.

2. Justice and enforcement of the law is applied equally without regard to race, ethnic group, geographic location, sex or social status.

**Recommendations:**

a. Professional and adequate permanent law enforcement service in rural and urban areas.

b. Increase the number of magistrates and judges and provide for circuit-riding magistrates.

c. Legal aid available in rural and urban areas.

d. Minority hire in law enforcement positions which reflect ethnic populations.

e. Improved recruitment and training in all aspects of law enforcement personnel.

f. Courts which are closer to home.

g. End to racial biases in sentencing.

h. State enforcement of local liquor laws.

**II. LIFESTYLE**

Gamma Group envisions a future for Alaska as one in which:

1. Diverse lifestyles desired by its people are protected and respected.

2. The arts and cultural pursuits are seen as integral to such lifestyles and essential to and enhancing the quality of life.

3. A harmony is maintained between man and his natural environment.

**III. TRANSPORTATION AND COMMUNICATION**

Gamma Group envisions a future for Alaska as one in which:

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

**Recommendations:**

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.

2. Any anticipated transportation development would only be implemented based on the expressed preference of the local areas to be affected.

3. There are improved rural air transport systems.

**Recommendations:**

a. Safety should have major emphasis in development of air transport systems.

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

5. There are improved rural communications.

**Recommendations:**

a. Improved UHF/VHF/microwave systems.

b. Improved telephone communications.

c. Improved uplink systems from regional centers on satellite systems.

d. Provide radio stations in regions where they are needed.

#### IV. DEVELOPMENT

Gamma Group envisions a future for Alaska as one in which:

1. The stewardship role of the State for present and future generations of Alaskans in protecting the natural environment, including wildlife habitat and wild and scenic areas, and in preserving air, land and water quality, is recognized.

2. Protection of the environment and maintenance of viable ecological systems shall be a major factor in reaching decisions on both public and private development projects.

3. The energy needs for a future Alaska shall be based on renewable resources to the greatest extent possible and on localized economical units allowing for maximum self-sufficiency.

4. National energy independence is not reached to the detriment of Alaskan citizens and the environment.

5. Oil and gas leases should occur only where justifiable and only after the Coastal Resource Service Area plans have been completed and approved by the appropriate agencies.

#### V. HUMAN RESOURCES

Gamma Group envisions a future for Alaska as one in which:

1. The dignity and well-being of Alaskans of all ages, race, sex and economic status are guaranteed.

Recommendations:

a. Adequate housing, preventive and crisis medical treatment, day care and aid for the elderly are essential.

2. The causes of alcohol abuse as an impediment to the full utilization of Alaska's human resource have been recognized and effectively dealt with.

3. Private industry is encouraged to assume the responsibility to offset adverse developmental impact in the areas affected.

Recommendations:

a. Socio-economic studies should be done before the fact, not after the problems occur.

4. Good health is a right of the people.

Recommendations:

a. People should be educated about nutrition.

b. Funds should be made available for building suitable medical facilities in rural areas.

#### VI. EDUCATION

Gamma Group envisions a future for Alaska as one in which:

1. High expectations for all students are shared by their teachers and school administrators, and where the opportunity for an enriched education is available to all Alaskans without discrimination.

Recommendations:

a. A commitment to bi-lingual education.

b. Better standards for village high schools.

c. Student exchange programs between all high schools.

d. Special programs for gifted and handicapped students.

2. The opportunity is provided for Alaskans of all ages to acquire basic academic and life-coping competencies.

a. Two-step certification for Alaskan teachers which would include teaching skills and cultural knowledge.

b. Stress good health and nutrition as a responsible part of the program.

3. Apply to the fullest extent possible and at all educational levels principles and practices of self-directed life-long learning.

4. The State assume its constitutional responsibility for educating all public school children.

5. Continuing education is provided.

6. Compulsory education in all public school systems be 100 percent funded.

Recommendations:

a. Funds be made available for suitable buildings.

## VII. GOVERNMENTAL STRUCTURE

Gamma Group envisions a future for Alaska in which:

1. Flexibility in the types of government available at the local level and experimentation in the means by which we govern ourselves is encouraged.

Recommendations:

a. Legislation preventing experimentation of local government structures must be repealed.

2. State decision-making is decentralized by means of maximum local public involvement and control.

## VIII. ECONOMY

Gamma Group envisions a future for Alaska in which:

1. Maximum self-sufficiency is provided by and for the people, through the encouragement of small scale self-sustaining business, agriculture, manufacturing, resource and energy utilization.

## IX. COMMUNITY DEVELOPMENT

Gamma Group envisions a future for Alaska in which:

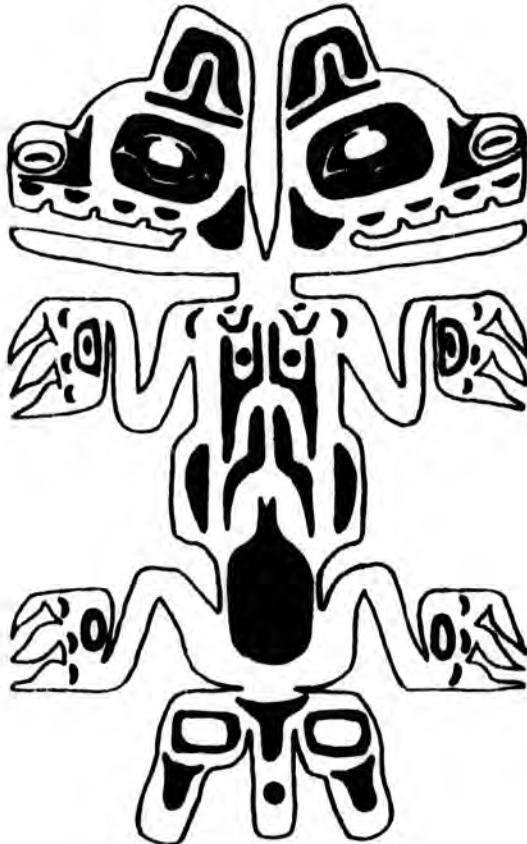
1. Land disposals are adequately planned by the state and existing use patterns, and the desires of the people in the local area are taken account in order to maintain quality of life.

2. Urban areas are assisted by the State to achieve quality urbanization.

Recommendations:

a. When feasible the State should shift transportation funding from projects which promote automobile dependence to mass transportation.

3. Rural housing, water and assuming disposal facilities are designed for suitability to local needs. (Criteria should include energy conservation, affordability, utilization of local resources and know-how, and strong local input in planning and implementation).



## **DELTA GROUP GENERAL RECOMMENDATIONS**

### **OF THE**

### **FUTURE FRONTIERS CONFERENCE**

1. Make money available to local banks for investment in small Alaskan businesses, with specific requirements from the State.
2. Make State housing loans available where other housing funds are not.
3. Fully reinstate and fund the Veterans Loan Program and include surviving spouses.
4. Liquidate by lump-sum the Alaska Native Fund paid for by the State (400 million dollars).
5. Do not repeal State income tax.
6. Continue an aggressive national advertising campaign to promote tourism.
7. Expand and upgrade the Alaska Marine Highway system.
8. Reactivate the Capital Site Planning Commission and direct the legislature to proceed without delay for moving the capital according to law.
9. Regionalize the telecommunications system, so that regional centers can broadcast via an uplink system regional news, entertainment, public affairs and educational television.
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.
11. Create a single toll area for the entire state for telephone communications.
12. Upgrade rural airports to make them more fully operational and safe.
13. Expand key rural commercial center airports to provide more economical transportation systems.

14. Delay any attempt to organize the unorganized borough until studies made of economical and geographical feasibility of that organization.

15. Expand and improve the magistrate system in rural Alaska.

16. Improve maintenance and upgrade present State highway system.

### **AGRICULTURE**

17. Continue to vigorously promote the development of our agricultural potential so that the State becomes as self-sufficient as possible.

18. Establish a Department of Agriculture.

19. Encourage in-state production of all mineral and organic elements for use as fertilizer within the State.

20. Increase Agriculture Revolving Loan Fund.

21. Provide State tax incentives for agricultural production.

### **FISHERIES**

22. Stimulate the rapid development of on-shore processing facilities and Alaska-based vessels with development of the bottom fish industry utilizing all of the State's investment and regulatory tools, including but not limited to:

a. Loans for Alaskan fishermen and processors;

b. State bonds for the construction of ports and harbors;

c. Promoting a marketing association to develop world markets for Alaska seafood products.

23. Establish strict quality control for all Alaska seafood products.

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

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

## EDUCATION

### Opening Remarks

In the spirit of Buckminster Fuller's thesis that the healthy growth of the human mind is vital for the survival of mankind, and recognizing that the preservation of Alaska's unique life-style in the face of enormous pressure for resource development is dependent upon intelligent and creative leadership, the State shall make a total commitment to and establish as one of its highest priorities excellence in the University of Alaska system, including emphasis on social, cultural and physical studies related to the arctic and subarctic and adjacent seas.

In the implementation of this program, and providing an incentive to Alaskan families to encourage their children to attend the university system, the legislature shall consider adopting policies of free tuition and other incentives that would encourage all Alaskans who want to further their education to attend the university system.

26. Consider adding the Naval Arctic Research Laboratory as a facility for the University if federal funds are withdrawn.

27. Develop excellence in vocational and technical education as a basic function of the community college system.

28. Provide funding to expand pre-school educational programs as an educational priority.

29. Provide an exchange program between urban and rural students in Alaska.

30. Continue support for and expansion of community school programs.

31. Pursue methods to fully utilize telecommunications in all phases of education, especially to support rural schools with regionalized programming.

32. Provide adequate funds to support basic literacy projects in Alaska.

33. Support expansion of programs for the exceptionally gifted students in Alaska.

## HEALTH AND SOCIAL SERVICES

### Opening Remarks

That in the spirit underlying each of the following policy recommendations, the broad cross-section of Alaskans from every part of the state strongly urge the legislative and executive branches to encourage, whenever feasible, the adoption and implementation of health and social programs which encourage local input, provide incentives for self-help and adopt creative policies that tend to encourage human dignity.

34. Public policy as developed by the legislative and executive branches of government should shift priority as far as possible from the curative and treatment approach to health promotion, health education and disease prevention and social service programs and similar approaches recommended for problems.

35. Since disease prevention is cheaper than cure and treatment, Alaska should single out diseases which contribute unduly to the pain and suffering of citizens and lay heavy claims on public funds. Earliest attention should be given to tuberculosis, otitis media, alcoholism and drug abuse, accident prevention, and venereal disease.

36. Cost containment for all health care purchased by government should be undertaken with a minimum goal that payment and fees for services should not be allowable beyond the increases in the Consumer Price Index for the region concerned.

37. That to the extent allowable by present law and reasonable amendments thereto, health and social services delivery programs should be vested in local government and in private nonprofit corporations with mutually agreeable funding provided by federal and state governments.

38. Revenue-sharing funds made available by the State government for health services and health facilities should be made available to local governments, with the local governments determining the priorities for usage of the funds, whether for services, institutions or facilities.

39. That public policy in Alaska include studies leading toward the possible revision of all direct service health expenditures with the emerging possibility of opting out the Medicaid program, the development of a unique and comprehensive Alaska health insurance program, or other innovative improved methods for assisting Alaskans in meeting medical costs.

40. Immediate attention should be given to an improved catastrophic-illness program to bring relief to low- and middle-income wage earners, otherwise ineligible for federal and state assistance.

41. The State should consider a revised plan of reimbursement for physician services and hospitals, including strong emphasis on the free enterprise, competitive system and that as a quid pro quo the free market forces be rigidly enforced as demanded in other fields of endeavor.

42. Alternatives to expensive institutional health care (hospitals, nursing homes, residential centers) should be sought, including pilot programs and coordinated home support and health care, with services available not only from nurses but also from doctors for in-home assistance.

43. Since all forms of accidents are responsible for the highest percentage of Alaska deaths and a major portion of health care dollar expenditures, special massive attention should be given to the fundamental causes of those accidents and the relationship thereto to other social and health phenomena, and that a bold program of education and prevention be developed.

44. All third-party insurance payment mechanisms for health care in Alaska should be required to cover mental illness services in much the same way as they cover physical illness at the present time.

45. Legislative and executive branch decisions should be directed toward more extensive utilization and funding of community mental health centers and several small regional juvenile residential facilities should be provided for mentally disturbed juveniles.

46. That the legislative and executive branches provide for the detailed analysis regarding the financial impact of improving the current payment level of \$120.54 per month per recipient under the Aid to Families with Dependent Children Program. (Under AFDC, the monthly payment for mother and child is \$350 versus \$608 for two persons under the supplemental security income programs.)

47. Since \$80 per month per person for certain needy persons in the State is not sufficient to deal realistically with those eligible, a detailed study should be provided to determine the future structure and coverages under the General Relief and General Relief Medical programs.

48. The legislative and executive branches of government should attempt to influence more strongly the Federal Office of Management and Budget in order to adjust the official poverty guidelines for Alaska, to bring it in line with financial realities and remove the current discrimination against

Alaska's needy made possible by the policies of the Federal Office of Management and Budget.

49. That the legislative and executive branches provide for an updated, comprehensive study of the status of Alaska's elderly population, with special emphasis on adequacies of the financial assistance provided to elderly eligibles, and with special review of the effects of inflation and the fixed income of retired persons and in connection with a proposed Older Alaskans Commission.

50. The legislative and executive branches of government in Alaska have recently provided for a comprehensive Corrections Master Plan for Alaska. After public hearings are held in affected communities only, those portions of the plan deemed to be acceptable should be strongly supported by the legislative and executive branches in order to improve both facilities and services in urban and rural areas of Alaska.

51. Limited and new programs, such as Treatment Alternatives to Street Crime and New Start Center have demonstrated efficiency and adequate rate of success in assisting in the continuing rehabilitation of ex-offenders. It is in the interest of every citizen of Alaska that such ex-offenders be assisted in developing new life patterns free of crime and deserve adequate staff and financial support to assist in that goal.

52. Even though public assistance in the form of money-transfer payment programs and social services based on counseling do not have the same goals, human service centers in various communities throughout the State should be co-located in order to serve citizens in a more efficient manner.

53. Since Alaska does not operate any social service child care institutions and only one correctional juvenile institution, revisions should be made in the "purchase of services" statutes by amendment in order to fund those privately operated programs giving care to juveniles whose care has been made a State responsibility more nearly on the basis of actual full cost of care.

54. The legislative and executive branches of government should make provisions whereby a reasonable percentage (approximately one percent) of the human services budgets of the State could be utilized by the executive agencies for research and evaluation purposes in order that full data may be available and proper evaluations made to place sound statistical and programmatic basis under all expenditures in the field of human services.

55. Support adventure-based education on a continuing basis.

56. Continue support of Crisis Centers throughout the State.

#### OIL AND GAS - ENERGY

57. Explore State oil and gas potential so that planned development can occur. Develop seismic information before State commits its resources to development.

58. Investigate and inventory archaeological sites and insure their protection, especially in areas that might currently be threatened due to development or erosion.

59. Oil and gas resources should be used primarily to benefit Alaska's energy needs.

60. Considerations other than just the rate of monetary return and security should be utilized as a State investment policy.

61. The legislature shall develop a policy in the 1980 legislative session for the development of oil and gas resources to determine the rate of development.

62. The legislature shall consider the possibility whether the State should be involved as a partner to industry in oil and gas leasing, exploration and development.

63. The State shall inventory the State's fuel and mineral resources and this shall be incorporated into State capital project's development plan.

64. The State shall invest income from our non-renewable resource wealth to develop renewable energy as a major State priority.

65. 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.

66. The University of Alaska shall develop excellence in the matters pertaining to the resources of the northern latitudes.

67. The State legislature should specially encourage small-scale utilization of alternate energy resources. This would include use by individuals, families and small businesses.

#### TIMBER

68. Establish a conservation corps to put people to work maintaining State forests and parks, especially thinning and protecting State forests.

69. Increase utilization of timber resources with appropriate ecological and biological and economical conservation.

70. Increase utilization of State timber for personal use.

71. Research utilization of State timber into finished timber products.

72. Produce a quantitative report of the real effects of timber harvest on other resources.



**REPORT OF EPSILON GROUP TO THE ASSEMBLED  
DELEGATION LEGISLATIVE COUNCIL CONFERENCE  
ON ALASKA'S FUTURE FRONTIER**

We have accepted the challenge of this great undertaking and accept it in the light of its excellence as an exercise in participant democracy.

Epsilon Group was a microcosm of Alaska, representing as it did a balance of cultures, regions and ethnic populations which reflected the diversity of our State.

Our specific recommendations are as follows:

**IN THE AREA OF NATURAL RESOURCES**

1. 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.

**IN THE AREA OF FISHERIES**

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

**WITH REGARD TO STATE LANDS**

No State land disposal program should preclude agricultural use.

In the area of agriculture specifically, Epsilon Group recommends that a State agriculture program emphasize in-state production, distribution and consumption of Alaskan agricultural commodities and products.

Further, that the State make available money to help fund alternative method to fuel and fertilizer production, such as methane and alcohol fuels from agricultural products.

Further, both fisheries by-products and petroleum-based fertilizers be made available.

The State should further encourage the retention of all potential agricultural lands for exclusively agricultural purposes through tax incentives.

**TOURISM**

The tourist industry is recognized as Alaska's second major industry and should reflect both cultural sensitivity and the integrity of ethnic populations within the state.

The State should see that local employment benefits accrue to Alaskans in any tourism programs.

The State should ensure that local and regional inputs be included in tourism program planning.

With specific regard to the proposed World's Fair, Expo '84, that the State promote local and regional participation and particular emphasis on participation of both minorities and women.

**WITH REGARD TO ENERGY**

The State should invest funds for the development of appropriate energy source.

The State should look into grants or subsidies for the development of alternative energy sources for marine transportation.

The State should provide a cash prize annually to any Alaskan who develops and builds an energy-efficient structure.

The State should upgrade existing State buildings and facilities to meet minimum energy-efficient studies.

The State should pursue and encourage in-state processing of natural resources to a finished and consumable form. These products and resources should then be made available to Alaskans on a priority basis. And further, that any in-state resource processing be pursued with strong consideration for local environmental concerns.

The legislature should provide funding for the development of sail power applicable to the fishing and maritime industries and establish maritime museums within the State.

### **General policy on energy resource development and the environment:**

1. We ask that the State protect the subsistence, cultural and psychological values of the State's resources, specifically to include its people.

2. We ask that the State include in its oil and gas policy a provision providing that no gas be withdrawn from an oil reservoir until oil recovery from that reservoir is mostly completed.

3. We further ask that the State include in its oil and gas policy a provision insuring that maximum pressure be maintained in oil reservoirs from the beginning of production activities in order to maximize petroleum recovery.

4. Further, that the State of Alaska upgrade all State buildings from an energy-efficient standpoint, and that all future State buildings meet an energy-efficiency standard. And in order to meet those ends, the State should use as its guideline the ASHRE (American Society of Heating and Refrigerating Engineers) No. 90-75 A, 1992 standards, to be implemented no later than 1985.

Each year this law is to become more stringent to:

1. Maintain a maximum energy efficiency in the structure; and
2. Maximize efficiency in the mechanics of heating and refrigeration.

### **LAND**

1. All Alaska lands are to be regarded as an asset of all citizens present and future.

2. Prior to any land disposal planning being done providing for local input.

3. Said planning should involve determining the best resource potential, the best use, the best disposal mechanism, giving local preference.

4. The State should expedite the processing of permits, loans and leases relative to land acquisition.

5. The State should reconsider the joint consideration process of municipal and state lands.

### **GOVERNMENT**

#### **State government:**

1. The State government must provide formula grant funding for planning a five-year program in the unorganized borough.

2. The State shall develop a plan to ensure equitable representation in the State legislature, taking into consideration both population and geographical considerations.

### **HEALTH AND SOCIAL SERVICES**

1. The State should establish a comprehensive health insurance program.

2. Encourage the private sector to provide health and social services in Alaska.

3. The State should emphasize the role of the family in social, health and education priorities and policies.

### **TRANSPORTATION**

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

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.

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

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

5. The Department of Transportation 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.

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

## EDUCATION

The emphasis of Epsilon Group was to encourage more relevant educational programs and delivery systems that are field based and have a strong emphasis on local control. They should concentrate and place an emphasis on strengthening the diversity of our people, the numbers of people involved and the development of both relevant curricula and methods of funding.

It was also proposed that there should be 100 percent financing of school bonds. A process of certification should take place which requires special courses to develop better understanding of our multi-cultural/cross-cultural population base as well as ongoing evaluation of teachers.

## LAW AND JUSTICE

We recommend that the State of Alaska encourage the equitable treatment of all individuals within the judicial system regardless of race, sex, ethnic or cultural background. This will be encouraged through special funding and programs.:

1. The Judicial Council should investigate and develop plans to remedy inequities.
2. Should provide better services in law enforcement for rural areas.
3. Give preference to women who are victims of violence or displacement in areas such as housing to insure the safety and protection of our women.

## COMMUNICATIONS

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 net works, including the utilization of advanced and expanded telecommunications technology.

## NOTES:

## AUTHORS AND ISSUES:

### 1. ALTERNATIVE FUTURES

Robert Weeden, <i>Creating the Future</i> .....	A 1
Michael Rowan, <i>A Changing Alaska</i> .....	A 6
William Spear, <i>It's Only Money</i> .....	A 10
Victor Fischer, <i>A New Constitutional Convention?</i> .....	A 15
Glenn Olds, <i>Holistic Alaska</i> .....	A 22
Charles Konigsberg, <i>Conceptualizing Alaska</i> .....	A 28

### 2. DIRECT SERVICES

#### Government

Gillian Smythe, <i>Regional Government</i> .....	D 1
Ginny Chitwood, <i>Local Government</i> .....	D 5

#### Education

Marshall Lind & Marilou Madden, <i>Alaskan Education</i> .....	D 9
Patrick O'Rourke, <i>Public Higher Education in Alaska</i> .....	D 29

#### Transportation

Walter Parker, <i>Air Transportation</i> .....	D 36
George Silides, <i>Water Borne Transportation</i> .....	D 41
Woodrow Johansen, <i>Road Transportation Systems</i> .....	D 45
Leslie 'Red' Swanson, <i>Alaskan Railroad Systems</i> .....	D 51

#### Law & Justice

Robert Wagstaff, <i>Law &amp; Justice, 1979</i> .....	D 58
John Angell, <i>Justice</i> .....	D 62
Avrum Gross, <i>Law &amp; Justice</i> .....	D 67

#### Communications

Walter Parker, <i>Communications</i> .....	D 71
--	------

#### Health and Social Services

Frederick McGinnis, <i>Health and Social Services</i> .....	D 75
---	------

### 3. FINANCES

Michael Bradner, <i>Disposable Revenues</i> .....	F 1
David Rose, <i>Long Term Investments/Funds Leveraging</i> .....	F 14
John Shively, <i>Native Claims Settlement Act</i> .....	F 14
Michael Deman, <i>Rural Economic Development</i> .....	F 23
Mark Fryer, <i>Energy Efficient Capital Construction</i> .....	F 28
Ken Gain, <i>A Proposed Tax Structure</i> .....	F 35
Emmitt Wilson, <i>Permanent Fund</i> .....	F 40

### 4. RESOURCES

#### Oil & Gas Policy

Chancy Croft, <i>Oil &amp; Gas Policy</i> .....	R 1
Connie Barlow, <i>In-State Use of Petroleum Resources</i> .....	R 6
Milton Lipton, <i>Perspectives on Oil &amp; Gas Policy</i> .....	R 10
Kenneth Showalter, <i>Oil &amp; Gas Policy Implications</i> .....	R 13

#### Fisheries

John Martin, <i>Fisheries Marketing in Japan</i> .....	R 19
David Allison, <i>Bottomfish Development Planning</i> .....	R 27
Frank Orth, <i>Economics of Bottomfish Development</i> .....	R 32
Larry Cotter, <i>Alaska Fisheries</i> .....	R 39

#### Agriculture

Wayne Thomas, <i>Prospects for Agriculture</i> .....	R 44
Bob Palmer, <i>Agriculture in Alaska</i> .....	R 51

#### Tourism

William Sheffield, <i>Tourism/Alaska's Renewable Resource</i> .....	R 56
Richard Montague, <i>A Tourism Perspective</i> .....	R 60

#### Energy

Bob Speed, <i>Energy Future</i> .....	R 65
---------------------------------------	------

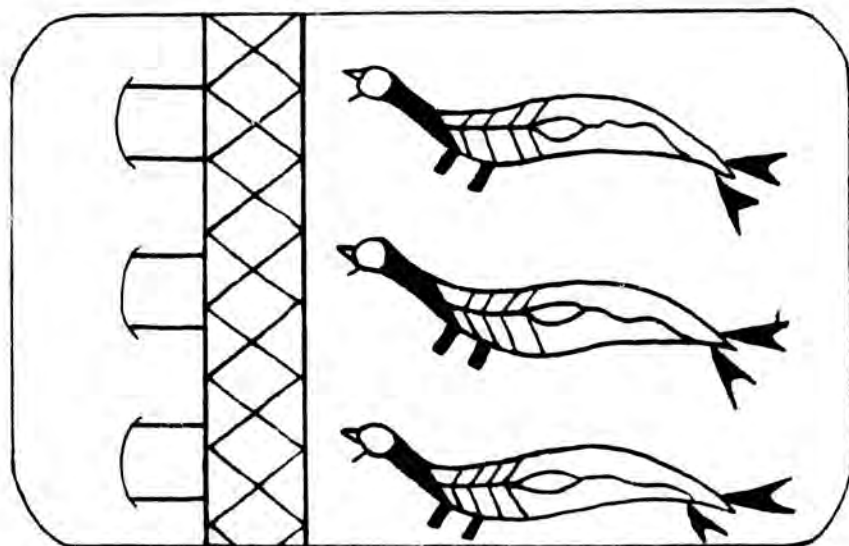
#### Land

Ted Smith, <i>Future Use of State Lands</i> .....	R 71
Janet McCabe, <i>Life Quality/Land and Community</i> .....	R 77

**NOTES:**

**SUBMITTED PUBLIC PAPERS:**

Robert Shirnberg, *Community Fire Protection* ..... S 1  
 Human Resources Co., *Unemployment Calculations* ..... S 3  
 Ronald Inouye, *Council on Science and Technology* ..... S 6  
 Gloria Thompson, *Rental Policies* ..... S 7  
 J. B. Barry, *Institutional Health Care* ..... S 9  
 Margaret Fischer, *Frontier Children, 1979* ..... S 13  
 Natalie Brooks, *Problems After Incarceration* ..... S 16  
 Alaska Repertory Theatre, *A Statewide Cultural Institution* ..... S 19  
 Donn Hopkins, *An Alaskan Information System* ..... S 22  
 Lucy Jones-Sparck, *Alaskan Native Education* ..... S 27  
 Beau Bassett, *Adventure Based Education* ..... S 31  
 Clay McDowell, *Mom, Apple Pie and Education* ..... S 39  
 Richard Myren, *Exploitation of Ecosystems* ..... S 47  
 David Stannard, *Future Self-Sufficiency* ..... S 50  
 Fermin Gutierrez, *Hydro-Electric Power* ..... S 54  
 Allyn Moore, *Alternative Transportation* ..... S 55  
 Jose Peguero, *Railroads* ..... S 56  
 Thomas Peetz, *Utilities* ..... S 57  
 H. Lamar Gray, *Buy Alaskan* ..... S 58  
 Thor Brandt-Erichson, *Alaskan Minerals* ..... S 59  
 Dick Swainbank, *Mining in Alaska* ..... S 61  
 John Nystrom, *Local Manufacturing* ..... S 65  
 Dan Hadley, *An Agricultural Nation* ..... S 67  
 Robert Gibson, *Resources and Economic Development* ..... S 70  
 Alaskans for Independence, *Independence and Defense* ..... S 74  
 Joseph Vogler, *The Land Imperative* ..... S 75  
 William Hunt, *Hot Words Over the Cold Land* ..... S 78  
 Perlia Strassburg, *Investment Priorities* ..... S 81  
 Harvey Shields, *Surplus Revenue Usage* ..... S 83  
 Claus Naske, *State Income Tax* ..... S 84  
 John McMullen, *Salmon Resources* ..... S 87  
 Richard Whittaker, *Offshore Fishing* ..... S 89  
 William Bedsworth, *Limited Entry Permits* ..... S 92  
 William Fredson, *Permanent Fund* ..... S 93  
 Jorgen Bogdanoff, *Limited Entry Permits* ..... S 94  
 Verda Marie Jones, *Bar Association: Limited Entry* ..... S 98  
 Richard Fritz, *Need for Private Land* ..... S 104



## ' . . . . . THIS LAND IS SACRED'

In 1851, Seattle, Chief of the Suquamish and other Indian tribes around Washington's Puget Sound, delivered what is considered to be one of the most beautiful and profound environmental statements ever made. The city of Seattle is named for the Chief, whose speech was in response to a proposed treaty under which the Indians were persuaded to sell two million acres of land for \$150,000.

"How can you buy or sell the sky, the warmth of the land? The idea is strange to us.

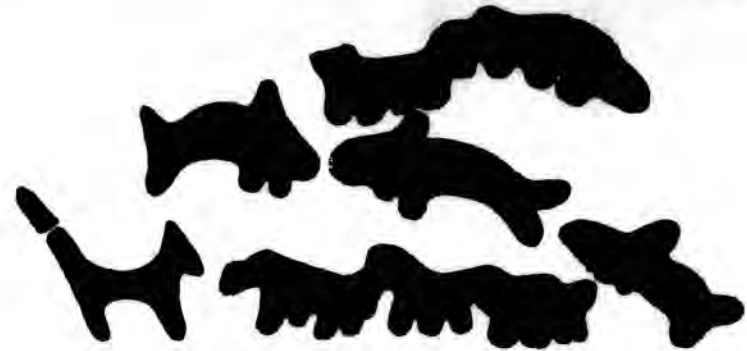
If we do not own the freshness of the air and the sparkle of the water, how can you buy them?

Every part of this earth is sacred to my people. Every shining pine needle, every sandy shore, every mist in the dark woods, every clearing and humming insect is holy in the memory and experience of my people. The sap which courses through the trees carries the memories of the red man.

The white man's dead forget the country of their birth when they go to walk among the stars. Our dead never forget this beautiful earth, for it is the mother of the red man. We are part of the earth and it is part of us. The perfumed flowers are our sisters; the deer, the horse, the great eagle, these are our brothers. The rocky crests, the juices in the meadows, the body heat of the pony, and man — all belong to the same family.

So, when the Great Chief in Washington sends word that he wishes to buy our land, he asks much of us. The Great Chief sends word he will reserve us a place so that we can live comfortably to ourselves. He will be our father and we will be his children.

So we will consider your offer to buy our land. But it will not be easy. For this land is sacred to us. This shining water that moves in the streams and rivers is not just water but the blood of our ancestors. If we sell you land, you must remember that it is sacred, and you must teach your children that it is sacred and that each ghostly reflection in the clear water of the lakes tells of events and



memories in the life of my people. The water's murmur is the voice of my father's father.

The rivers are our brothers, they quench our thirst. The rivers carry our canoes, and feed our children. If we sell you our land, you must remember, and teach your children, that the rivers are our brothers and yours, and you must henceforth give the rivers the kindness you would give any brother.

We know that the white man does not understand our ways. One portion of land is the same to him as the next, for he is a stranger who comes in the night and takes from the land whatever he needs. The earth is not his brother, but his enemy and when he has conquered it, he moves on. He leaves his father's graves behind, and he does not care. He kidnaps the earth from his children, and he does not care. His father's grave, and his children's birthright are forgotten. He treats his mother, the earth, and his brother, the sky, as things to be bought, plundered, sold like sheep or bright beads. His appetite will devour the earth and leave behind only a desert.

I do not know. Our ways are different from your ways. The sight of your cities pains the eyes of the red man. There is no quiet place in the white man's cities. No place to hear the unfurling of leaves in spring or the rustle of the insect's wings. The clatter only seems to insult the ears. And what is there to life if a man cannot hear the lonely cry of the whippoorwill or the arguments of the frogs around the pond at night? I am a red man and do not understand. The Indian prefers the soft sound of the wind darting over the face of a pond and the smell of the wind itself, cleansed by a midday rain, or scented with pinon pine.



The air is precious to the red man for all things share the same breath, the beast, the tree, the man, they all share the same breath. The white man does not seem to notice the air he breathes. Like a man dying for many days he is numb to the stench. But if we sell you our land, you must remember that the air is precious to us, that the air shares its spirit with all the life it supports.

The wind that gave our grandfather his first breath also receives his last sigh. And if we sell you our land, you must keep it apart and sacred as a place where even the white man can go to taste the wind that is sweetened by the meadow's flowers.

You must teach your children that the ground beneath their feet is the ashes of our grandfathers. So that they will respect the land, tell your children that the earth is rich with the lives of our kin. Teach your children that we have taught our children that the earth is our mother. Whatever befalls the earth befalls the sons of the earth. If men spit upon the ground, they spit upon themselves.

This we know: the earth does not belong to man; man belongs to the earth. All things are connected. We may be brothers after all. We

shall see. One thing we know which, the white man may one day discover; Our God is the same God.

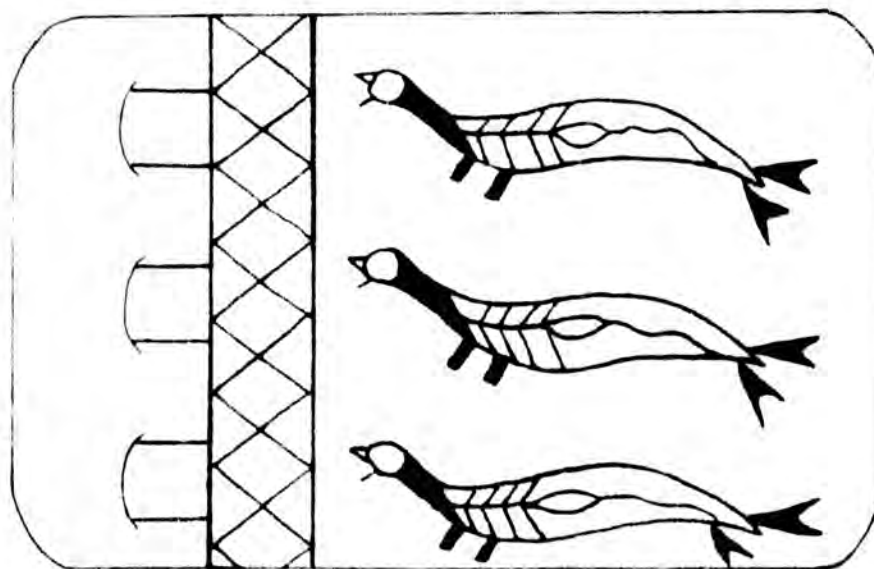
You may think now that you own Him as you wish to own our land; but you cannot. He is the God of man, and His compassion is equal for the red man and the white. This earth is precious to Him and to harm the earth is to heap contempt on its creator. The whites too shall pass; perhaps sooner than all other tribes. Contaminate your bed and you will one night suffocate in your own waste.

But in your perishing you will shine brightly fired by the strength of the God who brought you to this land and for some special purpose gave you dominion over this land and over the red man.

That destiny is a mystery to us, for we do not understand when the buffalo area all slaughtered, the wild horses are tame, the secret corners of the forest heavy with scent of many men and the view of the ripe hills blotted by talking wires.

Where is the thicket? Gone. Where is the eagle? Gone.

The end of living and the beginning of survival."



Glenn Olds submitted the speech as a footnote to his article.

## CHANGE IN ALASKA: CREATING THE FUTURE

By  
Robert Weeden

Some think the future is in the Book of Fate. Some see people as sheep, herded about by random circumstance. Luckily for us all, there are some who strive to create futures by guiding the present. This essay is addressed to the thousands of Alaskans who daily direct their hopes, energies, and talents toward a better tomorrow.

Change is time and life: universal and beyond argument. Zero change is inconceivable; excessive change is future shock, a clock gone wild. The critical question is how to direct change so that the good of the past survives to be re-shaped by the best of the future.

Recently in Alaska it has been easy to be tempted into pessimism. Where there was spaciousness there is scarcity or rumor of scarcity. Simplicity has given way to complexity, independence to helplessness, friendliness to distrust. It seems natural, when changes outdistance adaptive response, for the past to look better than the present or future. One of Evelyn Waugh's characters in "Put Out More Flags" said, "In the old days if there was one thing wrong it spoiled everything; from now on for all our lives, if there's one thing right the day is made."

For my part, I see no greater inherent dangers in the future than in the past, except the danger of giving up. My interest is in striving: in taking action informed by the past, adequate to reality, and shaped by a dream.

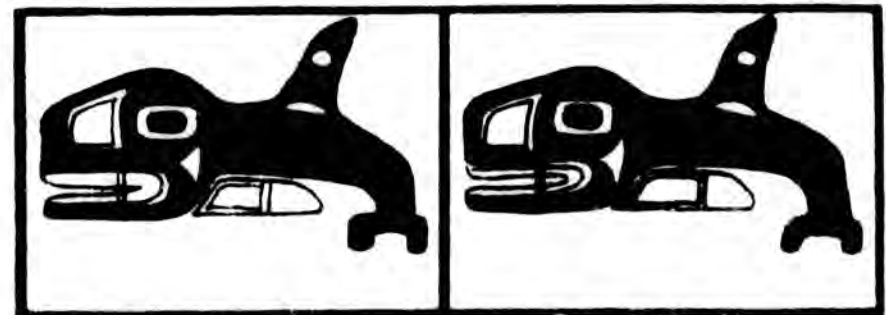
### Changes of the Past: Native and Frontier Alaska

Native Alaskan societies adapted thoroughly to natural conditions. They had no other choice, given their subsistence economic base and their limited technology for buffering environmental forces, moving long distances rapidly, and storing food or wealth. Adaptation accepted certain boundary conditions set by nature, but

it also proved to be a highly durable strategy. Survival was not the sole achievement of subsistence societies, however. Native people were creative in art, mythology, and the transfer of knowledge. Their strong interdependence and necessarily close-knit living led to systems of personal relationships that "civilized" societies could well admire.

The invasion of Alaska by non-Natives in the two centuries following Bering's voyage signalled the onset of the frontier. A high-technology society, founded on a strategy of manipulating nature, moved into the North to find goods valued in its temperate-zone homelands. Natives were killed, displaced, or simply engulfed. Profits were sent back South or were used to build bases of exploitation, small replicas of home communities. The region's money economy and governance were propped up by massive speculative investments and subsidies from the South. Of this ever-expanding phalanx only a few outriders needed to adapt substantially to northern environments. The majority lived in a buffered world built and operated by an intricate technology and fed intravenously with Outside capital.

There was no single time when frontierism came to Alaska and no single time when it left. (Attitudes akin to frontierism survive today despite the disappearance of the geographic frontier.) However, three events between 1958 and 1971 certainly mark a sharp transition. The first was statehood, a pact committing Alaskans to work toward social permanence and self sufficiency. The second was the statutory settlement of Native claims, a giant step toward equal participation by Natives in economic and political affairs. Petroleum discoveries at Prudhoe Bay were the third, bringing a promise of momentary fiscal solvency to us all.



Fantastic changes took place in the frontier period, mainly in the 75 years following gold discoveries and salmon canning. Population growth statistics, measures of economic flow, and the growth in multilevel governance tell one side of that story. The other side is marked by alcoholism, suicide, mental disease, growing crime rates, overexploited resources, and pollution, sure signs that change has been accompanied by high stress and inadequate adaptation.

### **Groping Toward Permanence**

There is solid evidence that most Alaskans want to help create a permanent society in the North. There is strong concern for problems of renewable resource use even while spectacular finds of exhaustible resources capture the headlines. Public leaders are serious about a substantial Permanent Fund. Rural people, even in unorganized areas, want the responsibility for educational policies. The North Slope Borough's coastal management ordinance is just one example of the determination of local governments to use sophisticated and powerful tools for protecting regional lifestyles. There is a will to build permanence, but that will is diluted by the clamor of boomerism and hampered by self-doubt.

Achieving permanence requires new perceptions, values, and policies. We will have to work out ways of managing renewable and non-renewable resources so that our economy pays its way without massive Outside subsidies and without risky reliance on huge, shortterm windfalls. We will have to achieve wisdom in handling our few windfalls so that they do not cause social disruption and so that coming generations are not impoverished. New relations must be evolved with the federal government. Native and non-Native Alaskans will need a thorough rethinking of our relationships to nature, listening carefully and responding adaptively to messages from the earth. And, lastly, we will need to find ways to protect regional diversity as a unique and fundamental part of the Alaskan way of life.

All of this may sound vague and academic, but the connections to the hard policy choices facing us today are concrete and highly visible. There is a program for action for every dream.

### **Getting There: Actions with a Future**

**Renewable resources** are the key to a durable northern society, and their two most important features are productive capacity and renewability. A sustained policy toward renewable resources rests on four cornerposts: 1) maintaining in top condition soils, waters, and habitats that nurture crops, timber, fish, and wildlife; 2) accurately gauging and staying well within sustained harvest limits; 3) avoiding excess harvesting capacity; and 4) investing adequately in research and development.

The specific applications of those commonsense ideas should be obvious. Being tough on polluters (including those in the renewable resource industries) isn't a political fad, it is a step toward survival. Rejecting the brinkmanship inherent in "maximum sustained yield" harvests is an obvious wise choice, one that admits our scientific uncertainties and allows for unexpected declines in productivity. Limited entry systems, either explicit as in the salmon fisheries and McKinley Park backcountry permits, or implicit as with the combination of allowable cut and primary processing timber policies in Southeast, will be required in direct relation to the rise in the number of potential resource users. Low-interest loan programs designed to encourage a buildup of resource extraction businesses need careful and constant reappraisal. And a broad array of research and technology development programs must be understood as essential and profitable elements of good management, not as half-starved hitchhikers.

**Nonrenewable resources** also are extremely important to Alaska's longrun future. The three major groups of nonrenewables - petroleum, coal, and metallic minerals - inherently pose different challenges.

Petroleum is the Roman candle of our celebration of economic life in Alaska. Youngsters born in 1958 saw the match lit and may well outlive the last spark. From that perspective it is clear that oil and gas policy has to account for the decline as well as the rise of the petroleum era. I can express at least four broad objectives of such a policy: 1) reduce the height and stretch out the duration of the exploitation curve; 2) prevent the swamping of other interest while, inevitably, petroleum dominates political and economic af-

fairs; 3) soften the effects of the downside of the curve; and 4) put aside a share of the benefits of oil and gas exploitation and social debts they have to pay off.

The most obvious (and most difficult) policy is to slow the rate of leasing. We may not be able to influence federal leasing schedules very much, (though delays of even a few years can sometimes be critical), but we should be able to choose our own lease sale timing. Opposing the longrun social wisdom of stretched-out exploitation, and the purely economic argument that oil will be worth more later than it is now, are the political forces generated by slack time following booms. Somewhere we have to find the courage to break the cycle.

Another important decision is whether to encourage (and probably subsidize) buildup of major refineries and petrochemical plants in the state, based on royalty oil and gas. My own view is that such industries would last only as long as handy Alaskan supplies of petroleum are available; importing crude oil for refining and later export doesn't make sense. It would be like building sandcastles in the top of an hourglass, worsening the wind-down crisis of the turn of the century.

The third basic element of petroleum policy is to divert windfall revenues into a Permanent Fund, the income from which is plowed back into the fund to protect the real dollar value of the principle. Coupled with a curb on annual state expenditures and unwise pork-barreling, this policy would dampen, (but not eliminate) the growth-stimulating effects of petroleum bonanzas, reduce contemporary social stress, and give our grandchildren a share of the one-time resource we are converting to waste heat and money.

Old King Coal is the sleeping giant of the nonrenewables, and no one knows whether or when he will wake up. Our deposits are immense, mostly remote, and low in grade. Mining would be by open-pit and stripping techniques. There is an obvious need for strong reclamation and antipollution laws, which regulations are tailored to the uniquely vulnerable permafrost and vegetation dynamics of the North. Royalties, now a pittance, must be increased to compensate for taxpayer costs of impact. Coal mining *could* be an important element in our economy for much longer than petroleum development, and should be required to pay its way in the fullest

sense of the phrase.

If petroleum is our Roman candle, *hardrock and placer materials* are our longest string of firecrackers. Mining may never employ really large numbers of people, and probably will never yield windfall revenues to the State, but mining will be around for centuries. Though each mining project should be approached as a short-term activity, mining as a whole can be considered permanent.

If large ore-processing plants are developed in Alaska, we may face serious air pollution and weather pollution problems. In the foreseeable future, however, the paramount policy area related to mining is access and transportation. The problem is simple: mineral deposits occur in remote areas (because most of mountainous Alaska is remote), roads or railroads are needed if the deposits are to be mined, and the increased surface access completely changes rural life and resource stewardship. Resolution of the Alaska land ownership question by Congress will give new shape to this problem, but will not solve it.

Because I want to see most of Alaska remain wild, and because I think that the absence of road linkages to cities gives rural regions the best chance to make their own choices of lifestyle, I hope mining is not the stimulus (or excuse) for the roading of Alaska. The question is how to develop minerals without an intricate highway network radiating from Anchorage and Fairbanks. Fortunately, there are answers: river, air, and ocean access; isolated road spurs from mine to coastal port; railroads; and, in some cases, simply deciding not to mine.

Alaska is in the rare position of having *public revenues* far in excess of current needs. I think this is a shortterm "problem" because no future State revenues comparable to those from Prudhoe are likely, but right now the challenge of wealth is real. The role of the Permanent Fund has been mentioned; it can be an adequate solution to the "surplus" problem if the flow into it is expanded substantially and if the growth of the General Fund expenditures is cut back at the same time. (However, at least one program area is being starved of annual appropriations with serious current and future consequences. This is the natural resource stewardship area: the realm of basic resource research, resource assessment, monitoring, protec-

tion of air, water, soil, and habitat quality, and management techniques development. Partly because of personal political vendettas and partly because of a notion that such functions stifle economic development and reduce profits, the several agencies with the stewardship role have fallen further behind into crisis-oriented management. If we cannot invest in good management and useful research while we are rich, we will never do more than react to urgent current demands.)

There are grounds for concern that the institutions we have established to manage surplus oil wealth (Permanent fund, Renewable Resources Development Corporation) and to spend large chunks of it (Department of Transportation and Public Facilities, possibly the Alaska Power Authority) are not adequately accountable for the broad and longterm consequences of their actions, or even aware of them. There is an understandable tendency to rely on financial and engineering technicians to manage the money and design the projects. Such people certainly can help, but we need to make sure a more diverse group is responsible and accountable for policy.

In the arena of *federal-state relations*, I think it is obvious that no permanent Alaskan society can survive the present armed-camp atmosphere. The nation needs Alaska, and Alaska needs the nation. Cooperation in land use planning (an issue raised so often that our receptors are dulled, but one no less urgent than ever) is an immediate and important need. With all the leverage we have, we should insist that federal development projects conform to statutory standards of environmental protection, that in some cases the State receive and control impact conservation funds, and that federal management of conservation lands be sensitive to the ecologic and cultural differences between here and Outside. What can we do in return? Well, we could extend our hands in friendship instead of just for handouts.

Social change is a triangle of tension, touching those actions that are economically feasible, those that are socially acceptable, and those that are ecologically permissible. We have neglected environmental signals - *messages from the earth* - in our preoccupation with economic development. The most crucial sea-change our society needs to undertake is to fit more smoothly and adaptively into northern environments. The challenge is great for Natives and

non-Natives alike, the former because they are using new tools and institutions in a familiar place, the latter because they have to apply familiar tools to a strange environment.

I can do no more here than list the main aspects of northern environments that seem important signals as we build our future. The comparatively low biological productivity of land and freshwater is a pervasive and fundamental element. Permafrost and fire have wider implications to architecture, construction, waste disposal, timber and wildlife management, rural settlement, and other human activities. The seasonal sun cycle should strongly influence home design and energy systems. The pollutability of northern airsheds has already affected development planning. Cold, of course, is and will be a behavior-shaping characteristic of the North.

If we learn and respond creatively, the process of fitting and refitting into the North (a full and true "coming into the country") will be satisfying and stabilizing. We will find, in even deeper ways than we have so far, that *diversity in human society* is a natural outgrowth of diversity of environment and resource endowment. Working against the grain of diversity, however, are a number of homogenizing forces, big and small. A few examples are network television, mass marketing, rigidity and standardization in big business, inflexibility in government service delivery and regulation, and the widening subculture of petroleum (in Alaska, the only things certain are death and Texas).

With a little thought these forces can be countered. We can walk away from onerous federal service programs and design our own. Through zoning and other tools we can make it harder for nationwide chains to punch out locally-run businesses. Regional forms of decision-making can displace unnecessarily centralized policy setting. Subsidies that encourage single, huge, regionwide power sources can be withheld and diverted to development of varied, dispersed, and smaller sources. Texas accents could be outlawed. The point is that our regional diversity is a deeper thing than style alone. It is worth protecting and nurturing because every imposition of uniformity erodes the prospects for survival as an efficient, smooth-running, distinctive, and self-respecting human society.

do

I said earlier that the gravest danger we face today is giving up. Too many of my peers are cynics. Too many young people are trying to find a hole to live in. Too many political leaders excuse failure by pointing to Outside forces.

To a far greater extent than the tired and the skeptical want to admit, we are able to create good futures. Outsiders may whimsically change economic volume and pitch, but we are in control of quality and style. Our political leaders need to use the leverage law and politics afford to exert this control, and to find the courage to make unpopular decisions when the longer run good demands. We adult Alaskans need to use our inward eye to illuminate neglected values and our outer eyes to see reality more clearly. And our youth need only to give rein to the well-springs of hope and vigor they all were born with.

#### Notes and Biography

I relied on ISER publications by Tom Morehouse (1977) and Scott Goldsmith (1978) for estimates of Alaskan petroleum reserves and ideas on state fiscal policy, respectively. Walter Firey's book (1960) "Man, Mind, and Land" classified many things about human adaptation and change. The several books of the 1960's by Alaskans George Rogers and Dick Cooley started much of my thinking about these issues.

Bob Weeden was born and raised in New England, but a boyhood yearning for wilder country took him West in 1956. After earning degrees in wildlife conservation at the University of Massachusetts and University of Maine, he embarked on a doctoral program at the University of British Columbia. After graduation, he and his Canadian wife Judy headed up to Alaska, where they have lived since 1959. Bob worked as a biologist for the Alaska Department of Fish and Game for 10 years, then joined the faculty at the University of Alaska in Fairbanks where he teaches wildlife management and a broad array of natural resource courses. A conservation activist for 20 years, Bob has written scores of technical and popular articles as well as a recent book called "Alaska: Promises to Keep" (Houghton Mifflin 1978). For a year and a half beginning in 1975 he served as the Governor of Alaska's Director of Policy Development and Planning. He has served on many boards and commissions, including the National Marine Fishery Advisory Committee and the Committee of Scientific Advisors to the U.S. Marine Mammal Commission.



*"The Big Thing"*

*Old Mother Seward: I'll rub some of this on his sore spot:  
it may soothe him a little.*

Nast's Cartoon on the Alaska Purchase — From "Harper's Weekly" for April 30, 1867.

# A CHANGING ALASKA

Prepared by  
Michael Rowan

## Historical Perspective

Measuring socio-political change in Alaska has been a precarious occupation. Until the mid 1960's, public opinion surveys were rarely applied in either the government sector or the private sector. Traditional forms of demographic information, such as the Census, national surveys, or academic research were either irrelevant; for example, some Census forms classified Eskimos, Indians and Aleuts as "Spanish speaking"; or they were inadequate, such as national surveys that include so few interviews from the small Alaska population that the findings are statistically meaningless in terms of learning anything about the state.

Even when surveys came into general use, the rapid population explosion, in-migration, cultural change, and economic developments initiated in the mid-60's quickly eclipsed most data. Even in the 1970's, major decisions in the public and private sectors were based upon obsolete or erroneous assumptions about the Alaska population, creating a volatile political environment. Several times in this period, the public sent a majority of new faces to the Legislature, to the surprise of those who felt comfortable and secure in their views about what the public wanted.

During this period, which extends into the present, the Alaskan public abandoned the traditional political parties, adopting in its stead a neo-populist, anti-government posture which is complicated and ambiguous in its developing form. As a result, radically divergent political views and personalities clashed in Alaska, and government policy generally divided. In the private sector, Alaskans appear to follow patterns of behavior previously identified in the USA, and so most of the market data internal to the state is consistent and applicable. But in the public sector, Alaskans are cutting and stitching the new pattern on a daily basis, making it problematic to assess where they are, and difficult to predict where they are heading.

## Current Status

In this section, areas of significant (and often volatile) change in Alaskan views are briefly identified. Survey research data ranging over the period 1969-1979, most of it proprietary and unpublished, and involving over sixty major studies and 10,000 Alaskan interviewees, rests as the basis for all observations which follow. For convenience, the topics are listed, but not in terms of priority or dynamics.

A. *Participation.* While most Americans are concerned and opinionated about public issues and community life, Alaskans are especially so. [The writer has conducted surveys in 24 of the states.] Alaskans have a strong interest in controlling events and shaping their own lifestyle. They feel a frustration when control is beyond them, and a resentment of that situation. Most Alaskans are migrants to the state who share immediately with longterm residents the ideal of being self-made and self-regulated. Much of the antagonism toward powerful institutions (government, labor, industry, the media) can be traced to this characteristic, and it goes a long way in explaining why the initiative process is being used more and more in Alaska: the people want to take over their future directly.

B. *Identity as "Alaskan".* Alaskans have a sharp sense of identity with Alaska, and they view the state as a larger lens on their own community. Few Alaskans have seen the state firsthand, but all feel a keen pride in being part of it. This perspective is based more on the open and trusting relationships struck by Alaskans struggling with a common dilemma, than on the shared sense of living in a grand environment. What Alaskans really like about Alaska is each other — which is not to imply Alaskans do not love the land — it's just that the people come first. As a result of all this, the Alaskan self-perspective is of the self-made, free, controlled and independent variety; and, in the extreme, this perspective is registered by "outsiders" from the "lower-48" as narrow, insular, chauvinistic and sometimes selfish. The significance of all this is that Alaskans are developing a feeling of sovereignty which, sparked by the fires of d-2, raises real questions about Alaska's status. If a common culture and a clear, shared sense of identity were to envelop the state in this condition, the seeds for devolution as in Quebec, Scotland, the Basque country, etc. would be sown. But at this point,

internal divisions in the state, and confusion about what to do about d-2 appear to be forestalling the development of this clear, shared sense of identity among Alaskans. So the situation remains unstable and dynamic at the same time, in a way that is unique in the union.

**C. Migration.** About half the Alaskan population has come to the state since the 1969 Brookings conference. They came for economic opportunity and to escape the consequences of essentially urban life in the west, east, midwest, and southwest (including Texas) — in that order of volume. Basically, the new Alaskans brought with them the same kind of problems they escaped from — traffic is the major local problem mentioned in urban Alaska. Over the 1970's, a new attitude emerged — an out-migration desire among 5% to 10% of the households. During pipeline construction, many families did come and go; and a general sensitivity to rapidly escalating population growth developed when most migrants stayed. An effort was made in law (Alaska Hire, Limited Entry, Pioneer allotments, residency requirements) to distinguish the "real" Alaskan from the predators and pretenders; some were struck down by the U.S. Supreme Court while others were upheld by statewide referendum. Today, large majorities of Alaskans would encourage "getting around" the Supreme Court rulings in any way possible, as long as "Alaskans" wind up with privileges and benefits from residence not granted to other U.S. citizens.

**D. Alaska Natives.** Alaskan attitude toward the Native peoples has experienced a major change over the last ten years. In 1969, there was a positive, affirmative feeling toward Native life and culture; today, the feeling is the opposite, at least in the Anchorage and Fairbanks areas. Recent migrants to Alaska know little about Native life other than that which they see from the window of their cars while driving down "Two Street" in Fairbanks or 4th Ave. in Anchorage. Many of these urban residents are ignorant of, or misinformed about Native culture, rural life, the land claims, and so on. Some believe that the Natives are rich with land and money, and they resent this especially when they can't get some land for themselves, or when they see the federal government freezing land transfers to the state based upon d-2 classifications. Urban Alaskans have high respect for what they assume is rural lifestyle, but they know little or nothing about it. This situation can

deteriorate further before it becomes critical, but it is already shaping some of the capital improvements issues facing the state government.

**E. Regionalism.** Alaskan resentment of certain communities has increased over the decade, even though all areas show progress from Alaska's newfound wealth. Anchorage is generally the target here, since its growth now gives it about half the state's political and economic muscle. While people in Anchorage often seem oblivious to the existence of other parts of the state, all the other areas are aware of Anchorage. There is a general sense of unfair distribution of government funds in Alaska which, while not substantiated by the facts, comprises a large portion of local political campaign rhetoric.

**F. The Capitol Move.** This is an issue which Alaskans have voted on more than any other. The capitol move is essentially a product of distrust in government, and it takes its motivation from those who would put it under their noses, and thus watch it (control it) more effectively. Yet, as soon as the location was selected, the pro-move constituencies in Fairbanks, the Kenai and rural Alaska began to evaporate, leaving the situation in limbo, and the capitol in Juneau.

**G. Anti-Federalism.** Once Alaska threw off the chains of federal financial support, the anti-federal attitude (which appears to have been smoldering since Territorial days) cascaded uncontrollably. D-2 was the final straw. Now there is a significant minority in the state (about one-third of the voters) who would give up federal spending in the state in order to escape federal regulation.

The land issue is prominent here because it strikes at the reason people came to Alaska, the dream of freedom and opportunity. (The truth of the Alaskan experience is that it is essentially urban and interior, not rural and exterior.) Urban Alaskans long for a piece of land to make that dream come true, and anyone who gets in the way of it is in trouble. This explains why Mo Udall has a +5% / -70% rating among Alaskans.

**H. Role of Government.** Alaskans seek as small a role for government as is possible, but it is their major tool for development, so they are caught in a quandry. Alaska is like a developing nation in



the sense that it needs a superstructure of facilities, but it is totally unlike a developing nation in the sense that it has the money to build them. But even as it moves to do so, there is a resentment of state government power and a feeling of unfairness in the way money is spent. There is also little accurate information in the public about how the money is divided up, and to this day most Alaskans believe that the original \$900 million of lease sale revenues was "wasted." Only the local government has the trust of most Alaskans (when compared to the state or federal), but even there, when studied internally, the local government is not trusted by significant blocks of people (witness the development of community councils in Anchorage).

Alaskans are not only anti-government, they are in the larger sense anti-big. They distrust big business, big labor, big government, even big education (U. of A.). They are anti-bureaucracy and oppose state employee raises. They would reduce or eliminate taxes on personal income, limit state spending, and obliterate most prerequisites of public office.

I. *Growth.* This is the issue over which the last two gubernatorial battles were drawn; but, because of simplistic rhetoric, the matter was not properly addressed. There is, in Alaska, a very large majori-

ty who favor economic growth along with a very large majority who oppose population growth at the 1970's rate. The economic growth is favored most in the urban centers, where sensitivity to population growth is also the highest. Whether Alaskans would adopt an economic policy which encouraged economic growth in rural Alaska if it did not result in more population (generally, from outside) in urban Alaska is a hypothetical question, but interesting nevertheless. The politicians have not divided the question but talk of both kinds of growth as if they are identical. The public is confused about the issue, and this explains the whisker-close elections for governor in 1974 and 1978 (in the primaries).

J. *Wealth.* The Alaskan public wants to save some of the oil wealth and invest it in traditional activities (fishing, mining, timber, tourism) which hold promise of diversifying the economy when the oil runs out. Referenda on the permanent fund and fish hatcheries bonds bear this out.

At the same time, Alaskans seek some immediate benefits from the wealth, and this has caused a considerable dialogue in Alaska about how to go about that.

Alaskan families now have the highest income in the nation, but there is economic trouble afoot in the state. During the pipeline boom, incomes often doubled and many women joined the workforce; in this period, many obligations were made (mortgages, etc.) based upon current income which began to fade in 1978. At this point, about a third of the families in Alaska identify unemployment as the problem they fear the most. This has instigated a desire for eliminating the income tax, or distributing state wealth through dividends, etc., in about half the families of the state. This is a complicated area for the public (which happens to be the most educated state public in the union, by the way), and it will require a lot of public dialogue to form a consensus on any scheme to distribute income. One thing is clear, though; if the scheme appears to increase the size of government, it will be turned down flat: this, it appears, is the feeling that supports the notion of eliminating the income tax.

#### Other Perspectives

These questions and issues have been approached by others in the private sector, the government, and in academia. Since much of

it is proprietary, or not available for other cause, no review is provided here of those activities. However, it would be remiss not to mention the exemplary efforts of the Public Forum, both as research collector and communications innovator for public affairs discussion in Alaska. The Forum has sharpened the public dialogue in the state.

### Directions

Many of the socio-political problems in Alaska can be ameliorated or eliminated by an active, organized research and communications system. For instance, open research with representative samples of the Alaskan public, if widely published, could reveal "why" the public is thinking the way it is, not just "what" the public is doing. An extraordinary amount of time and money has been wasted on the capitol move in the last five years simply because few people recognized why the public voted for the move in 1974.

Radio and television are also available for instant feedback and public dialogue (even research) on major public issues. Such programs can increase citizen information, public participation, and the likelihood of statewide consensus — in a flash — compared to the slow and anachronistic print communications techniques . . . or so-called public hearings, which rarely turn out anything but private, special interests to plead their case. Some simple examples of how to update the Alaska research and communications system are as follows:

(1) Create a Citizen Feedback System in the state so that a means is available for the executive, legislative and judicial bodies to ask questions directly of the public, and go into issues in-depth with questionnaires formulated by top decision makers. All these can be published as news.

(2) Establish a Survey Research Center in Alaska where all the private and public surveys can be computerized and stored for analysis, comparison and use. (At this moment, Rowan Group is negotiating with the University of North Carolina at Chapel Hill, and U. C. Berkeley, to take ten years of Alaska surveys into their survey research centers. The U. of A. has expressed no interest in such a center, although repeated requests from public and private researchers have been made over the years.

(3) Create an information-bank transmission system, similar to the systems in Michigan, California or North Carolina — which are the best — so that all the information is available to anyone with a terminal. Satellite transmission of such data is inexpensive. Such an installation would double local library knowledge about Alaska — for Alaskans!

(4) Expand the teleconferencing mechanisms now in existence.

(5) Experiment with telephone-feedback systems which permit vote-counting or free-comment taping.

(6) Expand the news-production flow from the governments to the people. Cover in-depth stories, such as regionalism, racial perspectives, etc., with longer set-pieces, as in 60 Minutes.

(7) Conduct television town-meetings in order to gain public participation of large majorities of whole populations in issues of major concern. Such discussions would also be conducted statewide, by satellite, with a state-wide representative sample providing immediate feedback response to questions put "live" in the TV show.

### Bibliography (Biography)

A listing of the Rowan Group survey reports from which the conclusions of this paper were drawn will be supplied at the Futures conference. Some of the surveys will be available for review, others can be made available upon request.

The author of this paper, Michael Rowan, is the President of Rowan Group Inc. (a survey research company), and a director of Media Group (a San Francisco based film and television production company), Public Affairs Analysts Inc. (a New York-London international public affairs counseling company), and Environmental Media Consultants Inc. (a New York-based media strategy development corporation).

Rowan has designed and conducted surveys in over half the states and in seven foreign nations. Clients range from governments (foreign and domestic) to corporations and unions, political candidates and universities. Since 1969, Rowan has been conducting surveys in Alaska, having become a resident of Bethel in 1964, where he served briefly as City Manager. An office of Rowan Group is located in Anchorage.

Rowan is a member of the American Association of Public Opinion Research, the American Marketing Association, and is Vice President of the International Association of Political Consultants, and a director of the American Association of Political Consultants. He has been admitted before both state and federal courts as an expert witness on survey research and communications, and has testified often before the U.S. House and the U.S. Senate Committees dealing with the Census, government research methods, and related issues.

## "IT'S ONLY MONEY"

or, "BOUNDLESS WEALTH IS A PREDICAMENT WE CAN ESCAPE THROUGH HONEST SELF-APPRAISAL, HARD WORK AND ENTERPRISE."

by  
William Spear

Alaska's much extolled "storehouse" of natural resource wealth relative to its small population, and its recent fortuitous accumulation of working capital provide, obviously, some excellent opportunities for local development: economic, social, political and what have you. However, these natural riches have always been with us and, arguably, there has actually been substantial development capital available over the past decade. How then does our dream for a self-sustaining, locally owned, diverse, humane, appropriate, and independent economy continue to elude us?

We often hear our State compared to underdeveloped countries, and yet the differences are quite dramatic in most ways. We suffer from no deficiency of resources. Our land is virtually teeming with animals, fish, vegetation, water, renewable and non-renewable energy sources. We have no population problem; we have a stable, well trained and honest government that would be the envy of any developing nation, (notwithstanding our practice of berating public employees and institutions like a drunken wagon driver beating and cursing his horse.) We have an exceptionally young and vigorous population, which is at least as well educated as that of other states. There are no ravages of war, religious or political upheaval. We have land increasingly available for various economic purposes and increasing amounts of capital for both long term development projects and individual ventures. Yet in spite of all this, we import virtually everything we use or consume in our daily lives and we depend for our income upon either government or multi-national corporations. We provide almost nothing for ourselves.

The historical evidence is that people who have great wealth heaped upon them, wealth which they have not created or earned themselves, generally have no real understanding of it, and as a result, dribble it away. Thus, for instance, the Spanish conquistadors returned to Europe with whole convoys of gems and

precious metals for several decades, but, alas, only a few generations later, their grandchildren were wandering about the countryside barefooted. Similarly, Alaska's present wealth is not earned, it comes out of the ground. The middle eastern countries and underdeveloped, but oil rich countries, such as Mexico, face the same difficulty in transferring, as it were, the technology of wealth. It is a difficult irony.

Another interesting feature of large heaps of money held by people unused to it is that it tends to overawe. Perhaps we become hypnotized and intimidated by its very existence, and we unconsciously seek to find projects sufficiently grand so as not to insult the money. Grandiose schemes somehow seem to make us more worthy of its presence. There is, also to consider, the traditionally scorned social behaviour typical of nouveau riches who attempt to buy results that are not for sale, abandoning what they have in the process.

The attitudes and qualities which will lead to a self-sustaining economy and a healthy society cannot be purchased. We already have many of the elements in substantial quantity, but we seem embarrassed or timid about giving them rein and developing them. It seems strange to say, in a state seemingly so proud, but we have yet to establish a positive sense of Alaskan identity and self-possession. We must have confidence in ourselves and our abilities, in our observations, and our way of doing things. We must develop and express the love of the land which unifies and supports us; care for it; give and take from it. If we really *didn't* give a damn about how they did it outside, we would be well on our way to success; but the phrase, which used to be a cheerful expression about Alaskan resourcefulness and ingenuity, has been taken up as the chauvinistic battle cry of a defensive and hostile group of people who see themselves as being in an embattled citadel.

The facts are that we not only *do* give a damn how they do it outside, but, with an embarrassing willingness, seem to uncritically accept the opinions and recommendations of conventional and self-appointed wise persons with no apparent reference to what we know about ourselves and our country. Thus, for instance, without any reference to the existence and history of Alaska's rich and varied livelihoods, we are complete suckers for "jobs". Government agencies and developers speak proudly of the "jobs" they have

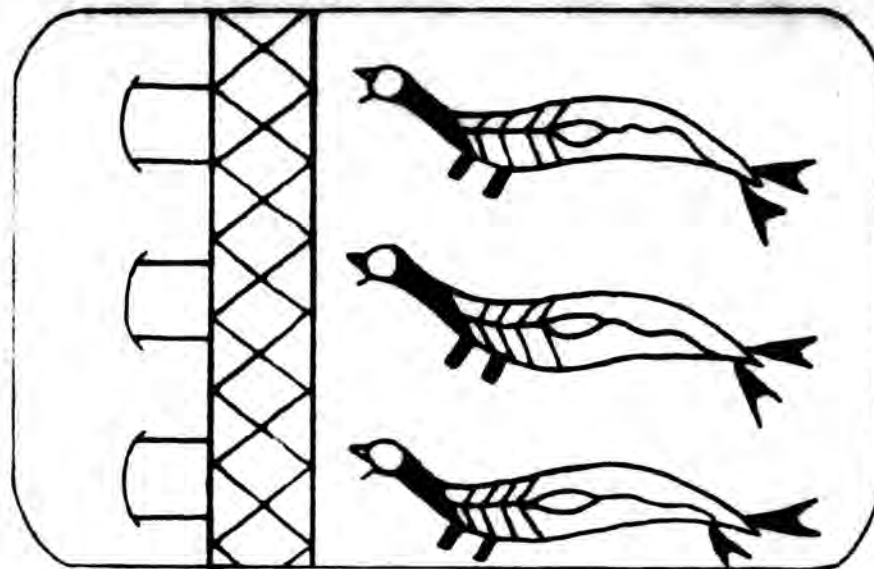
created and how the unemployment "rate" or percentage has gone up or down. Never mind that the jobs are completely boring, inappropriate and destructive of morale, culture and personal pride and that no one wants them. During the pipeline, various manpower agencies, including the Native organizations, jealously fought over credit for who made how many "placements". Somehow, we became actually convinced that dragging the most productive villagers out of their homes and sending them a thousand miles away to a work camp with a bunch of welders from Oklahoma was economically and socially desirable behavior.

The elements for a healthy economy and society are present, and we throw dollars by the million into various economic development programs, and subsidies for private industries, but somehow, nothing seems to happen. Or if it does, it doesn't seem to be what we wanted. This may be happening because we are making some wrong assumptions, or that we are allowing someone else to provide inappropriate assumptions for us. The result likely follows not only from our tendency to generalize but also from a lack of rigor and honesty in viewing ourselves. Our actions in the recent past have been based as it were, on deduction (reasoning from premises or propositions antecedently proved or assumed as true or certain; going from the general to the particular) rather than induction (looking at a lot of particular facts and drawing a conclusion), a process which requires constant observations and reexamination of evidence. In light of our repeated or constant failures to develop results, (and it may not be a uniquely Alaskan problem) perhaps it is time to question our assumptions and develop some new ones.

What then is the technology of wealth and how do we obtain it and turn it to our purposes?

It is almost too obvious to state that the essential element of any self-sufficient economy in Alaska is local, unsubsidized, self-sustaining *production*. Once this is established, distribution, consumption and trade, including export, will follow. More interrelated production and increased employment can be expected to develop later.

It is not likely that Alaska will fare any better than anyone else in creating government supported "great leaps forward" or Russian-style five year plans. The Japanese have had success in this regard



but the attitude of their population is entirely different, perhaps even opposite ours. We should not make the mistake of trying to start from the top, but rather, start at the bottom and build a strong base for a future economy. It is interesting to note in this regard that 2/3 of Russia's total agricultural output is produced on garden size plots, the collectives having failed miserably. Travellers there say an extremely active underground market in agricultural produce has sprung up in the very shadow of the Kremlin. This is no grandiose scheme and no medals are given out because no bureaucrat thought it up and no multi-national corporation invested millions. However, it is an extremely significant achievement and one much more relevant to us that the Siberian "technologies" for large scale agriculture which seem so fascinating to some.

One of the difficulties we have had in analyzing and acting upon economic development matters is that we have grown accustomed to discussing matters in macroeconomic terms and statistics. We like to speak in broad sweeps and assumptions and make predictions from computer based econometric models developed from past statistics and trends. Economic development is not, however, a function of macroeconomics. Such discussions are merely crude attempts to monitor and describe the broad shape and outline of the basic state of affairs, a state which is made up of many rather tiny

cells of productivity. In developing this overview we often lose sight of the driving force and soul of the system which is actually microeconomic.

Thus we hear much discussion, particularly in government circles, about all manner of financing schemes, legislative solutions, subsidies and the like. Lately consideration of what technologies are appropriate is a popular topic of conversation. Although financing, public policy and technology are necessary and important aspects of Alaska's economic development, it is remarkable how little attention is paid to the need for human skills, attitudes and motivation in the production of the results we seek. We seem to forget that production and distribution are still a function of the private sector and that they depend upon some particular private individual or group of people organizing purposeful economic activity.

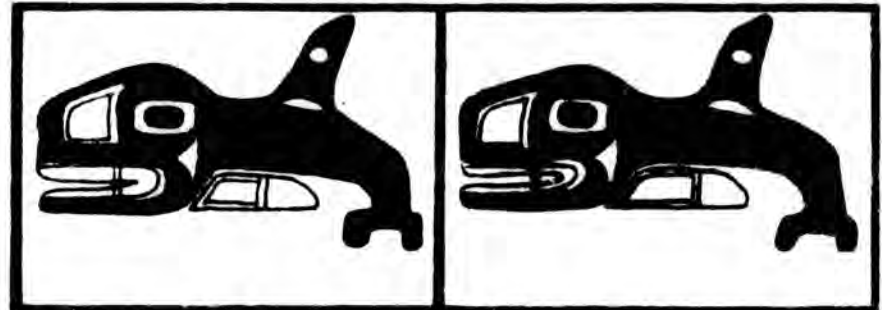
Microeconomics is simply the economics of business enterprise, and in Alaska, due to small isolated markets, business enterprise is likely to be microbusiness. In other words, we must add to our list of appropriatenesses the appropriateness of economic scale. In considering this proposition, remember that we are talking about enterprises and ventures where there is actual production. (Franchised fast food operations and other retail, flow-through businesses don't count here.) Thus, we are not talking about a middle man for office furniture made in Michigan, we are talking about *making* furniture and using it locally.

Neither do the business organizations offering this production necessarily have to be traditional. They can be worker owned, community based, operated by barter and so on, however, their forms must be able to respond to the demands of a business plan and make the decisions necessary to take an abstract idea, convert it into a concrete entity and provide for its maintenance and/or expansion over an indefinite period of time. Starting a business from scratch and maintaining it is one of the most difficult and demanding things a human being can do. It requires vast reserves of determination, realism, drive and ambition, self-confidence, ability to take advice, resourcefulness, honesty and so on. It is, however, far from impossible, and successful ventures start every day all over the world. Moreover, people are happiest when they are doing something difficult.

Likewise, the *motivation* for these things to develop must be present. Ordinarily we guess that such motivation is provided by money, by people wanting to become richer. Certainly this is a major part of it, but there is also the satisfaction of seeing something grow and develop under one's care and superintendence. There can be no social "program" or plan which has a chance of success if it does not honestly and realistically take into consideration people's motivations. No amount of ideology or political intervention or insistence on how the world *should be* is going to change how it actually is. Thus, our social and welfare programs, subsidies and tax policies must be examined just as critically as the types of projects we consider.

Thus, as we stand poised before the next decade, it seems clear that some sort of significant economic activity is going to take place in Alaska. (It would take at least a decade to get *swindled* out of that much money.) Two paths seem spread before us. Because there is not likely to be any real unanimity, and because of the general process of synthesis, and because much of our future is out of our control anyway, it is doubtful we will come out very definitely one way or the other.

However, it is quite possible that we will develop two economies, each having very different premises and characteristics. For the immediate future they may not have to be competitive, but eventually the crunch will come, because the underlying basis for them is significantly different and conflicting.



On one side, the extractive fossil fuel economy and its allies will continue to develop unless there is economic collapse nationally. As United States energy prices rise there will be attempts to create in Alaska a lifeboat ethic for the past systems. Alaska will be sought to be established as the last hold out of the energy rich American dream of the sixties. State owned reserves of fossil fuels will be diverted to local uses, if possible, and their consumption will be subsidized or made artificially cheap. This feature, and the development of resource extractive industries such as coal, timber, and bottomfish fit the familiar chamber of commerce prototype and will actually be designed to create "jobs" which is code for attracting people. More people will create increases in retail demand, land sales, tax-based public works construction and demand for services such as transportation, communications and financing. The elemental feature of this economy is that it will not actually produce anything, its economic activity coming from land speculators, middle men, bankers, airlines, communications companies, bureaucrats, lawyers, retailers, construction workers and so on.

The underlying support for such an economy will be resource extraction which, if properly managed, could provide at least for a time, a relatively stable platform for development. It is doubtful that the resources will be so managed however. If the United States economy solves its energy problems in the intervening years, the lifeboat theory will have worked. We can simply hop on to the new systems or technologies and live happily ever after. It is hard to see how any rural area will prosper in such an economy however.

The second economy, which might take place right under the noses of the first one, but which will not be noticed, because it is not grandiose, is what I will call the Neo-Capitalist-Buddhist-Bio-Bush-Trickle-Up economy. While everyone in Anchorage is washing each others' shirts, so to speak, a productive rural economy begins to sneak upon us. The primary situs for this economy will be almost everywhere but Anchorage, however, it will have substantial enclaves there. The consumer part of this economy is already in place. The Bush knows that even if someone does develop fusion that they will never get on the system (unless Doyon is holding the patents). There are a lot of others who just don't want to be on the grid.

The impetus for this development will be the still struggling, appropriate/alternative technology group whose values are self-sufficiency and independence rather than materialism and conspicuous consumption. This economy will be primarily productive, beginning initially with local food production, housing and renewable energy systems. Gardening, indoor and out, subsistence hunting and fishing (watch for a referendum which will seek to avoid race war by excluding all non-resident hunting) will expand into preservation, barter and eventually marketing. The businesses will be micro and vary in organization. This economy will be characterized primarily by a much more integrated relationship between the man-made and the natural environment, provision of many economic needs locally, less capital-intensive more labor-intensive systems of production which will have more personal involvement, decentralization of systems and less emphasis on jobs with more emphasis on livelihoods.

Life in such an economy would be much more complicated and difficult than it is today, where specialization and division of labor make things simpler (so long as the system as a whole produces). It will have rewards for a great number, however, in its element of self-sufficiency and pride of accomplishment.

Both of these scenarios are obviously polarities based upon different points of view. The impetus for activity in either situation will not be altruism (although one side will wave the flag and talk about our free enterprise system while the other adopts an air of moral superiority and mumbles about small being beautiful) but rather, simple self-interest. The primary differences here will be in individual perceptions of what is good for one based on a view of the future.

Either scenario could run away with it all depending upon the success or failure of the competing technologists. That is, if one group or the other showed remarkable success while the other failed miserably, the failing elites and technologists would fall into disrepute.

Alaska has a brilliant opportunity to lead the rest of the nation out of the wilderness. It could do this by combining the best elements of the two economies and creating a productive renewable resource economy based on individual enterprise. We have the resources,

the money and the talents. To accomplish this however, some very substantial attitudinal changes are needed.

In the bio-bush crowd we need to see some serious production oriented activity. There is already the sensibility about the geography and the biology, but how do we make it actually pay off for us? The 80's will demand actual solutions for consumers. It will not be possible to oppose a 15 mbf mill by saying an 8 mbf mill would be more acceptable. It is no longer our privilege to accept or reject abstract entities. To have the self-sustaining economy, people need locally produced lumber with which to build their homes, their boats, their barns and greenhouses and so on. Someone, some human being, has to sit down and develop a business plan and create an 8 mbf mill and successfully market the product. If the world is going to change favorably and appropriately we must change it personally. It's that simple. Small may indeed be beautiful, and if it is, it is a point in our favor, because as anyone in business will tell you, beauty is what sells.

For the extracto-fossil fuel folks we need to see some realism about the resources we rely upon. As noted, the other team could use some defectors with some technical and business skills, so think about putting something together. A windcharger in an urban setting may seem an unnecessary extravagance to you, but it expresses a legitimate and healthy attitude, and it is no more absurd than driving a forty pound child three blocks to school in a four thousand pound Lincoln. All the smugness is not on the other side either. There seems to be an attitude that just because someone else discovered oil which was accidentally on our property that somehow the "free enterprise" system has been smiled upon by the deities and Alaskans are the chosen people. In a way that's true, but the credit goes to the people who had the technical and business know-how to discover and produce the oil, not someone sitting around buying low and selling high and calling it productive.

In short, if we begin to come together, united in our respect for the geography we all say we love, and pool our talents to create some real self-reliance and independence by producing some basic wealth on a renewable basis, we can not only reaffirm the basic health of the great American experiment and show the world new patterns of self-sustaining synergy, but we can have one hell of a lot of fun doing it. I'm skeptical that this will happen but I'm not so cynical as to exclude its possibility or not do what I can to make it happen.

William Spear is an attorney and trustee of the Alaska Renewable Resources Corporation.

## NOTES

## A NEW CONSTITUTIONAL CONVENTION FOR ALASKA?

(Some interim thoughts)

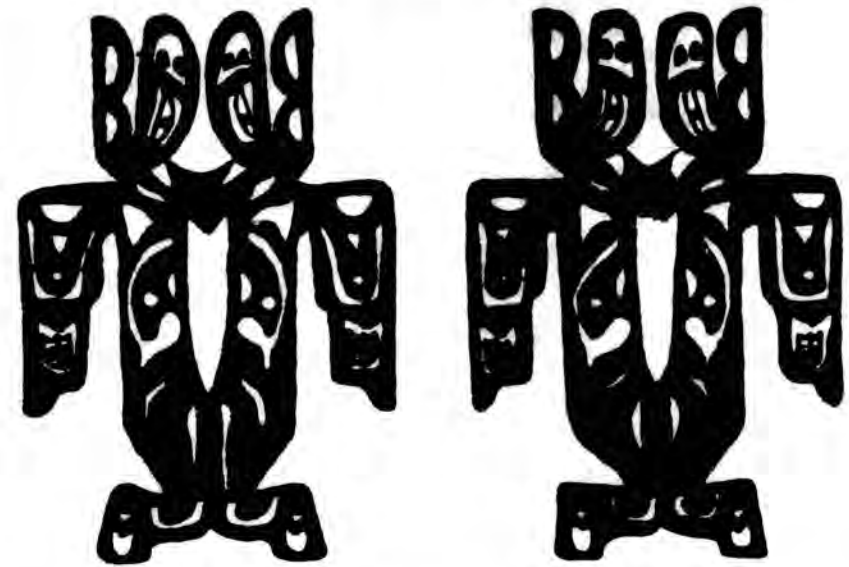
by  
Victor Fischer

Alaska's constitution was written twenty-four years ago as part of the statehood movement. Since 1959, the constitution has functioned as the fundamental law of the State of Alaska. The question before us now is whether the guarantees of individual rights, the structure of government, and other parts of the constitution are still adequate to serve the state and the people today in the foreseeable future. Or should we consider revising the constitution in view of changed values and different conditions in Alaska?

This question is real, for in 1982 Alaskans are scheduled to ballot on whether or not to hold a new constitutional convention. Their answer may have far-reaching effects on Alaska's future. It is, therefore, none too early to consider the issues entailed in calling a convention and to evaluate alternative courses that we might pursue.

The Interim Committee on the Constitutional Convention was established by the 1979 legislature to explore the issues entailed in providing answers to these questions and to make recommendations to the legislature about the means of preparing for the forthcoming convention referendum; the committee is co-chaired by Senator George Hohman and Representative Brian Rogers. Part of the material in this paper is derived from my work for this committee.

Accomplishing an objective analysis of constitutional convention issues may not be easy. Alaska's life nowadays abounds with a multitude of issues of importance to significant numbers of people: the fiscal situation of the state — too much money now, not enough in the future, give it away, lower taxes, save it; oil and gas development vs. environmental protection; jobs, unemployment, local hire; right-to-life vs. abortion choice; economic development — petrochemicals, renewable resources, mining, etc.; loans, subsidies, incentives; land distribution; growth and development vs.



subsistence and protection of lifestyles; big government, lack of adequate services; federal domination of Alaska; capital move; etc., etc., endlessly.

Some of these issues existed in the 1950's, when the constitution was adopted and statehood came to Alaska. But the mood is quite different now from what it was then. The unity, spirit, idealism, and deep belief in democracy that characterized and sustained the statehood movement and motivated the constitutional convention do not exist in Alaska today. And nothing has taken their place, at least nothing positive or constructive. Rather, public dialogue and responsiveness to issues are characterized by dissension, divisiveness, anger, and extremism. Whereas twenty-plus years ago a common general philosophy and broad purpose underlay the striving for statehood, as the nation Alaska is now characterized by single or narrow issue campaigns that ignore everything else about them. And added to all that is a negativism and know-nothingism that characterizes the reaction of many media, groups, and individuals to any consideration of public issues or of the future of the state, its communities and neighborhoods.

This current climate is not particularly healthy for considering the basic philosophies and structures upon which the state's

democratic institutions are founded. And yet, it is possible that the very consideration of state goals and purposes that would accompany preparations for and the conduct of a constitutional convention might help overcome the "malaise" that is said to characterize our public spirit today. Above all, the choice doesn't exist: the constitution requires that we decide whether or not to have a convention, and our purpose should be to make the best of this requirement, to try and make a positive opportunity of it.

Toward that end, this paper reviews Alaska's only constitutional convention and the means it established to update the document, examines constitutional changes that have been suggested, and delves into possible ways of dealing with the gamut of questions entailed in accomplishing desirable revisions and judging whether or not to call a new constitutional convention.

### **1955-56 Constitutional Convention**

Political scientists and constitutional experts consider Alaska's constitution the best in all the states, a true model. In discussing the results of the 1955-56 Alaska constitution writing process, the nation's top specialist on state constitution, John Bebout, stated:

The convention produced a document that was a rare blend of the classic principles embodied first and best in the U.S. constitution and of modern or innovative features altogether compatible with those principles which made the Alaska constitution more distinctly appropriate to its time and place than any other state constitution.

A number of factors helped determine the character and quality of the Alaska constitution. It was written as part of and in furtherance of statehood, and the idealism inherent in the statehood movement served to inspire convention delegates and Alaska's people. Statehood was the cause and goal of the constitutional convention, and those planning the document saw the necessity to draft a constitution that would clearly demonstrate to the nation and to the Congress that Alaska was politically mature and ready to assume the responsibilities of managing a state.

Once delegates met in convention, statehood was no longer their principal aim, although it provided the context for their work.

Rather, creating the best possible foundation for the future state became the overpowering and all-encompassing purpose. The enthusiasm, dedication, and idealism aroused by the statehood issue were thus turned toward drafting a constitution that would serve Alaska's future.

Another aspect of the Alaska convention that contributed to the success of its product was the fact that it took place before statehood was achieved. It functioned outside the realm of conventional political pressures and realities. The convention was future oriented and had little to do with current territorial affairs; it did not directly affect jobs, business, or allocation of power. Delegates were viewed as a group of idealists working for great cause and dealing with issues that generated, with few exceptions, no pressures from those lobbies and special interests that regularly pursue their particular objectives at legislative sessions. This kind of detachment could have been dangerous, but since it was carried out by men and women who were realists as well as idealists, it provided a milieu that engendered freedom and creativity.

Out of this environment emerged a stated intent that the constitution be a document of fundamental principles of basic government and contain only the framework for state government. Drafting the constitution was largely predicated on making each branch of state government effective and strong in its own right. The underlying purpose was to achieve not just an adequate system of checks and balances in the traditional sense, but also to bring about the establishment of executive, legislative, and judicial branches that each function effectively and adequately serve the needs of the state and its citizens. At the same time, personal rights and the individual liberties of the people were to be assured through a strong and liberal bill of rights. I believe these objectives were achieved quite successfully.

### **Amendment and Revision**

Despite high-minded aims and the resultant well-regarded document, convention delegates never considered that the constitution they created was at all sacrosanct. Throughout, delegates strove to deal with general concepts, allowing for future flexibility and adjustment. The constitution itself was designed not to be static. Its vitality was to be achieved by designing a general structure of state

government adaptable to changing needs and conditions. And, in case these measures proved inadequate, they provided for an amendment and revision process to make possible changes in the constitution itself.

Amendments to the constitution are made by two-thirds vote of each house of the legislature and voter approval by majority vote. Since statehood, sixteen amendments have been so recommended by the legislature and ratified by Alaska voters. These amendments dealt with such basic issues as the right of privacy, non-discrimination on account of sex, voter qualifications, limited entry in fisheries, and establishment of the Alaska Permanent Fund. These and other changes demonstrate that updating of the constitution and meeting current needs can take place through the amendment process.

Individual amendments are, however, but one method of changing the constitution: It can also be revised by calling a constitutional convention. There are two ways of obtaining a state constitutional convention. The legislature may call a convention at any time by simple majority vote. Alternatively, Alaska voters can decide to hold a convention. If during any ten year period a convention has not been held, the question: "Shall there be a Constitutional Convention?" is placed on the ballot at the next general election. A majority "yes" vote results in a convention. On the other hand, if a majority votes in the negative, the question is not placed on the ballot again until the end of the next ten year period.

The provision for convention call by referendum was principally in response to problems that generally don't exist anymore. When the constitution was written in 1955-56, most state legislatures were extremely malapportioned, with urban areas highly under-represented. As a result, legislatures avoided constitutional conventions and did not modernize their constitutions in fear that revision could result in reapportionment and loss of legislators' seats. Alaska convention delegates wanted to assure that the constitution would be responsive to the needs and the will of the people even if the legislature were unresponsive to them. Since the constitution was written, however, the U.S. Supreme Court, in *Baker vs. Carr*, established the one-man one-vote rule, requiring state legislatures to be apportioned strictly in accordance with popula-

tion. In theory, at least, the legislature is fully representative of the people and will represent them both in enacting legislation and, as necessary, amending the constitution.

Even though we are now only in our twentieth year of statehood, Alaskans have already twice voted on the question of calling a constitutional convention. The first decennial referendum on the issue was held in 1970. The trouble then was that the question "as required by the Constitution of the State of Alaska", Article III, Section 3 was posed thus: "Shall there be a constitutional convention?" The convention call was narrowly approved by the voters. Upon a challenge, the Supreme Court held that by adding "As required by the Constitution..." to the constitutionally required language, the phrasing of the proposition was sufficiently biased to justify nullifying the referendum. When voters once more balloted on the question in November, 1972, the convention call was rejected.

Alaskans are once more faced with the decision of whether or not to call a convention. In November 1982, unless the legislature initiates a convention in the interim, the ten-year question will be on the ballot at the general election: "Shall there be a Constitutional Convention?" The rest of this paper is devoted to considerations that should go into possible responses to this question.

### Potential Subjects of Constitution Change

Alaska has so far utilized only the amendment process to make changes in the constitution; we have not yet had the experience of constitutional revision via the amendment process.

The difference between changing the constitution by amendment as against convention is great indeed. When the legislature recommends an amendment it deals with a specific item, such as the manner of selecting the chief justice of the Supreme Court. While the subject matter may be broader than that, it is certain to be confined to a specific topic.

A constitutional convention, on the other hand, has plenary powers, subject only to ratification by the people. This means that a convention, whether called by referendum or by the legislature, can amend or revise any and all parts of the constitution. In other words,

once called, a convention can rewrite every section and article and can add any new matter it desires, subject of course to ratification by the electorate.

In view of the tremendous power that a convention possesses, it is important to distinguish between the types of changes that may call for a convention as against those that can be effected through amendment. Concurrently, it vital to have a clear understanding of the difference between constitutional and legislative matter, for the latter is, by definition, something that should be handled through legislation and not changing the constitution. (This distinction, by the way, was ever-present concern of the 1955 convention as it tried to restrict the constitution to fundamental law, excluding trivia and special interest provisions.)

### Revision by Convention

The rationale for a convention needs to rest on a significant purpose beyond amendments that can be routinely handled by the legislative amendment route. Such a purpose can be (1) making changes that the legislature cannot or is not likely to accomplish, (2) dealing with major issues of philosophy and policy undergirding the fabric of state government, and (3) accommodating or defusing public pressures that are not being satisfied by the legislature. While from a constitutionalist or political science viewpoint only the first two reasons might be considered legitimate, popular pressure may be at least as important a factor as the other two in bringing about a convention.

There are few changes that the legislature cannot be expected to deal with through the amendment process other than those that affect the legislature itself and those that are too big or too complex to be dealt with as part of the legislative process. The prime example to the first category is the proposal to change the legislative structure from a two-house to a unicameral system. This suggested change has been repeatedly approved by the state house of representatives, but it has yet to see positive action by the senate. Even after voters approved of the concept in a statewide advisory referendum, the legislature has refused to act. And, it is highly unlikely that it will approve this basic change in the structure of the legislature, if for no other reason than the fact that it would lead to a

reallocation of legislative power and more than a few legislators would be jeopardized.

Other structural changes might be similarly difficult to obtain via legislative initiative, especially if they limit the powers of the legislature or restrict its ability to exercise its will. Among these is the oft-repeated proposal to limit the length of legislative sessions, another idea that has seen wide approval by the electorate. Yet, this generality needs to be approached with caution, for in 1976 the legislature did approve a constitutional amendment to establish the permanent fund. The effect of this action was to put a substantial portion of petroleum revenues beyond direct reach and disposal by the legislature. This proves that lawmakers can move to limit their own prerogatives when either purpose or popular will so require.

A more difficult area to define as a basis for potential constitutional revision is possible desire or need to change the fundamental philosophy or grounding of the constitution. Nothing of this sort has as yet clearly emerged, though one could speculate about attitudes that could lead to efforts for basic changes in the constitution. Ideas in that direction were initiated several years ago when proposals were made to revise the natural resources article to eliminate the existing pro-development bias and substitute therefor a policy of environmental protection. Another type of pressure may emerge as a result of increasing sentiment, in Alaska and the nation, against government in general and against taxes and government expenditures in particular. These examples deal with subject matter already in the constitution. Potential new areas of basic constitutional concern could be the preservation of Alaska lifestyles, Native culture, and the subsistence way of making a living off the land; or Alaskans may decide to try restructuring their concept of government and the state's relationship to the United States.

Whatever such fundamental issues might be they are obviously not suited to resolution as part of the routine legislative process. This is not due to lawmaker's lack of concern for major policy. Rather, the hundreds of bills and financial management responsibilities are more than enough to occupy legislators' time both during sessions and during their interim. Therefore, if pressures for fundamental changes do arise, their resolution will almost certainly lie within a constitutional convention or some other vehicle established to deal with them.

These two categories — matters that affect the legislature and issues of underlying philosophy — are logical bases for calling a constitutional convention. However, given the fact that a convention opens the constitution to massive revision, routine and other changes are best handled through the legislative amendment process.

### **Constitutional Amendments**

A plethora of amendments has been proposed to change specific parts of the state's constitution. A very few, such as unicameralism or limiting legislative sessions, may require a convention to resolve. Most others appropriately stand or fall through action or inaction by the legislature and confirmation or rejection by Alaska's voters. (Should a convention be held, such changes could, of course, be considered as part of comprehensive constitutional revision.)

A survey of specific amendments that have been proposed or might be considered is being undertaken as part of an analysis sponsored by the legislature's Interim Committee on the Constitutional Convention. The items are truly too numerous to enumerate here. Changes have been proposed, either formally in the legislature or informally in other media, to every article of the constitution. Some can be justified, but certainly not all.

Here is a small sampling. Suggestions have been made that the grand jury, provided for in Article I, is obsolete and should be superseded by methods that are more expeditious and fairer to defendants. But, while the change could be made by amending the constitution, it could far more simply be put into practice through a rule promulgated by the State Supreme Court.

Article II covers the legislature and has seen a number of proposals that might, as already mentioned, be difficult to get through the legislature, assuming they were worthy pursuit. These deal not only with a one-house legislature and time limit on annual sessions, but also with such matters as legislative pay, qualification of members, and the like.

The executive article covers such controversial proposal as election of the state attorney general and district attorneys/prosecutors, and establishing a single, six-year term for the governor. Sugges-

tions have also been made to elect judges and change the composition of the judicial council. There are those who want to authorize state funding of students in private schools. Changes in resources policy have been proposed. Suggested revisions of the finance and taxation article include establishment of tax and expenditure limits, extension of the permanent fund to cover more state revenues, and creation of a more responsible general obligation binding process. Other proposed amendments include allowing use of the initiative process to amend the constitution.

Any of these and other suggested amendments can be routinely handled by the legislature whenever sufficient justification exists for a specific proposal. The fact that many oft-suggested changes, such as selecting members of the judiciary, have not made it through the legislature is due exclusively to lack of support for the idea.

### **Special Issues**

Since lawmakers do not necessarily endorse and act on all issues that come before them, many groups are dissatisfied with the legislative process and its responsiveness to their desires. A constitutional convention can potentially provide a medium through which such groups can try to achieve their objectives. And, in these days of single-issue politics, massive pressures can be marshalled. In Alaska, the lands issue provides a good example; nationally it is the support of environmental causes.

Principal Alaskan causes of the day include moving the state capital, outlawing abortions, repealing the income tax, and distributing state lands, though the latter issue appears dormant at this time. Frustrated by lack or inadequacy of legislative response, proponents of such cause might well try to obtain instant remedy and satisfaction by writing their cause into the constitution. Thus, those who have been trying for years to get the capital moved could mandate the change by a specific clause in the constitution. The same aims might be pursued by "right-to-life" proponents and advocates of other causes.

There are two prospective problems that could result from this situation. First, the subjects these interest groups are pursuing are

not bona fide constitutional matter, though they could make it such by marshalling sufficient votes. Second, and by far more serious, single-issue groups and candidates could well beget a constitutional convention that cared only about satisfying their specific wants and paid little attention to the fundamental purposes and concepts of the constitution itself. A convention dominated by narrow special interest is scary to contemplate, for the basic fabric and institutions of the state could thus be endangered and undermined. But the potentials for the happening do exist, and one needs to examine ways of approaching constitutional revision in a constructive and positive manner, particularly since the 1982 referendum looms not far away.

### **Alternative Approaches to Constitutional Revision**

A review of Alaska's experience under the constitution and its adequacy to serve the state in the future was conducted in 1976, twenty years after the document was written and ratified. The review was sponsored by delegates to the 1955-56 convention. But the examination of the constitutional experience was carried out by individuals who had worked under it or observed it closely: legislators, state and local government officials, judges, newspaper editors, rural representatives, businessmen, and the like. With some exceptions, the general opinion was that the constitution had served the new state well and that no overall revisions were necessary for it to remain a viable document.

Today, people who have taken positions on the matter hold strong opinions on the need for a new constitutional convention, and they fall on both sides of the issue. Convention proponents generally base their stand on specific areas of change, such as establishment of a unicameral legislature, provisions for rural Alaska and subsistence, or changes in the finance article; a few want the whole constitutional structure of Alaska to be reviewed. The opposition to a convention is satisfied with the present state constitution and fears that a convention, with its plenary powers, could end up making extensive, unnecessary, undesirable and damaging revisions.

It is fair to assume that the vast majority of Alaskans is unaware of and unconcerned with the convention issue. That is the way it was in 1970, when the first convention referendum was voted on.

With the exception of information from League of Women Voters and some newspaper editorials, the general public had little basis for voting on the convention call. That was not a healthy state of affairs then. But lack of public understanding of the issues would be much more serious today in view of the general tenor of the times and the shrillness of recent single-issue campaigns.

Public education, information, and knowledge are keys to successful democratic governance. These factors together with the overriding statehood purpose provided the foundation for a successful convention twenty-five years ago. And they can do so again.

Striving for a knowledgeable electorate should be the goal of those convention proponents and opponents who are serious in their striving for a good constitution for the state. That is the surest way, in fact the only way, to insure that special interest groups will now sway the public and control a convention if called. Providing the basis for an intelligent response to the whole subject of constitutional revision is, of course, a principal purpose of the legislature's Interim Committee on the Constitutional Convention.

An essential ingredient in preparing the voting public as well as laying the groundwork for a convention is the establishment of an appropriate preparatory commission. In 1955, the Alaska Statehood Commission performed that task. In the future, a special constitutional convention commission could provide the vehicle for these purposes. Most states have used such commissions as an initial stage preceding a convention or even a decision on holding a convention. Commissions of this sort are usually composed either of a mixture of public officials and citizens appointees or appointed citizens only. Generally, their task is establishing two-way communication with the electorate and doing preparatory research for the contemplated convention.

A newly emerging device used by a number of states is the constitutional revision commission, which is charged with actually proposing changes to be made in the state constitution. This instrumentality has evolved since Alaska's constitution was written, but it may have applicability in Alaska. A commission of this sort undertakes a study of possible constitutional changes and proposes amendments or packages of revisions to the legislature, which can, in turn, recommend them for voter approval. In effect,

this method constitutes a process of comprehensive revision utilizing the regular amendment process without recourse to a constitutional convention. A disadvantage of this approach is that it does not in the first instance involve delegates elected by the people. However, proposed changes do go through the scrutiny of elected lawmakers, and recommended revisions are eventually voted on by the people of the state. The approach represents a compromise between holding a constitutional convention, which can propose wholesale revisions, and the legislative amendment process, which, as mentioned, does not lend itself well to major constitutional policy analyses and revisions.

The decision of how to initially approach constitutional revision is up to the state legislature. A preparatory commission would have to be established by law. So would a constitutional revision body. Also, the legislature can use the regular amendment process and it can initiate a constitutional convention of its own volition.

It is quite possible that the most practical course would be for the legislature to determine what changes are needed in the constitution, (possibly using a constitutional study commission), recommend a package of amendments to the people, and thus eliminate possible justifications for a convention. The legislature may still have to face head-on the special interest pressures that might develop for a convention, but these could be defused by legislative action, public information, or a combination of these.

Another alternative available under the constitution is for the legislature itself to issue a convention call. This course might be taken if either the case for a convention became extremely strong or public approval of a referendum appeared inevitable, or both. Under such circumstances, a legislative call might simply eliminate the need for a potentially divisive referendum campaign and help set a higher tone of unity for the constitutional convention than might otherwise be achieved. At the same time, such a course might cause a convention to be held when none might be called by vote of the people, had they a chance to express themselves on the matter.

At this juncture, the wisest course to pursue might just be to wait another year or two before taking firm steps in any of the above directions. Continuing exploratory work would be appropriate,

together with a broadening program of public information and involvement. And then, as the 1982 referendum time approached, the public and the legislature will be in a better situation for setting a constitutional revision course than we are today.

### **A Personal Postscript**

Several months of looking at the constitutional revision question have not helped me decide what position to take about a new constitutional convention. The constitution is essentially sound; no critical changes appear necessary. At the same time, some issues will not be resolved without a convention being held, the unicameral legislative structure being a prime example. But, while issues such as that remain undecided, Alaska can certainly continue on its present course without great suffering. From this standpoint, again, constitutional revision is not vital to Alaska's welfare.

Yet a constitutional convention — including both the process leading to it and the actual proceedings — have the potential of providing the kind of uplifting experience and unity that Alaska so badly needs. Although there is a danger that special, single-issue interest might capture and derail a convention, I am not really afraid of that. First, voters generally do exercise good judgment in the people they elect. Second, I have time and again seen people, when challenged, rise to heights far greater than one might have expected. Thus, my intrinsic belief in democracy, together with an innate optimism, makes me unafraid of what a convention, even under the worst of circumstances, might do to Alaska's constitutions, the best in the nation.

And so, at least for the time being, I straddle the fence.

### **Biographical Sketch**

Victor Fischer was a delegate to the 1956 Alaska Constitutional Convention and has written a book on the state constitution. Fischer was the director of the Institute of Social and Economic Research (ISER) for many years and is now a private consultant, currently working with several legislative committees.

# HOLISTIC ALASKA

By Glenn A. Olds, President  
Alaska Pacific University

Cheshire Puss," she began, rather timidly . . .

"Would you tell me, please, which way ought I go to from here?"

"That depends a good deal on where you want to get to," said the cat.

"I don't much care where —" said Alice.

"Then, it doesn't much matter which way you go," said the cat.

Lewis Carroll — *Alice's Adventures in Wonderland*

"If the human race is to survive, it will have to change its ways of thinking more in the next 25 years than in the last 25,000."

Kenneth Boulding

"I can't believe God plays dice with the cosmos."

Albert Einstein

"It shall be required of this generation."

Luke 11:50-51

## Historical Perspective

Alaska, "the great land" stands as a fascinating and unique link in human history. Anchored as it is in a past and a culture that were historically holistic, integrated and whole, it has escaped much of that sweeping, scientific specialization of the modern day that has left our world fragmented and narrowly professionalized. Alaska, as a bridge between East and West, absorbs the best of both continents without adopting the extremes of either.<sup>1</sup>

As technology continues to shrink our world, Alaska has the unique prospect of averting the dangerous dichotomies and narrow specializations that haunt and divide our time. Because of Alaska's holistic past not yet suberted, we can pursue a more vital holistic culture and development for the future.

Alaska's future may well celebrate T.S. Elliot's classic line, "And we may return to the beginning, and know it for the first time." This means that the remarkable holistic outlook and life style of the original Alaskan native may become the saving form and function against an overly specialized, segregated world.

Back in 1851 Seattle, Chief of the Suquamish and other tribes of the Northwest, wrote to the President of the United States. In beautiful simplicity, he expressed the holistic sense of the relationship of nature, human nature, and the Divine, the connectedness of all things, and the insight of his native culture containing 40 000 years of wisdom. He painted a picture<sup>2</sup> which mirrored in miniature in Alaska, reaches for a new unity.

The fact and graphic necessity of this whole new view was brought home to me on that eventful day, July 20, 1969, when our first astronaut landed on the moon. I was in the chair as Ambassador to the United Nations Economic and Social Council in Geneva representing the United States and was asked to say a word appropriate to that occasion. It seemed so obvious, and yet so prophetic, to acknowledge man was now able, for the first time to see the whole earth from beyond itself, from the moon; and know it for what it is, in its precious, precarious, finite wholeness to see it as our radically interdependent, *integrative, holistic* home.

The bankruptcy of our recent scientific legacy of specialization leads to dangerous dichotomies:

between	person	—	and	—	nature
between	mind	—	and	—	matter
between	subject	—	and	—	object
between	freedom	—	and	—	security
between	self	—	and	—	society
between	private	—	and	—	public
between	development	—	and	—	conservation
between	quality	—	and	—	quantity

## Current Status

Much of the malaise of our time roots in the disruptive dualisms generated in a culture which has lost the "holistic" sense of the interconnection of all things. There is no time or place in so swift a sketch for review of this trend over the past four hundred years; how a limited scientific method, designed for measuring and mastering objects in space and time, becomes a misplaced Messiah when applied to persons, values and the cosmic setting and meaning for human existence. It is sufficient to note the successive forms of alienation and violence, ravaging of resources and limits of a fragile world such a perspective has left in its wake.<sup>1</sup> One might generalize to say, *the later the hour, the faster the time, the smaller the space, the more urgent the human problems to be solved.*

Alaska has an unparalleled opportunity to escape the perils of such perspectives and practices, and create new wholes for a healthy human culture. Alaska can properly address *and* integrate wholly —

- (1) Native and Caucasian culture
- (2) Eastern and Western cultures
- (3) Traditional and modern cultures
- (4) Natural and human environments
- (5) Conservation and development of resources
- (6) Specialization and integration of knowledge and professions
- (7) Science and values
- (8) Technology and humanity

Moreover, Alaska's unique situation mirrors in a marvelous way clues to that holistic world aborning, and may be replicated round the world.

- (1) *Geographically* it does link Asia and America, anchors the Pacific Rim around whose circumference clusters 2/3 of the population of the world, and heralds the dawning significance of the Pacific for the 21st Century.

(2) *Culturally* it does mirror the meeting of the four major powers who will shape decisively the coming century; — the U.S.S.R., the People's Republic of China, Japan, and the U.S. It embodies the holistic culture of native Alaskans with their life styles, their partnership with nature and neighbor as innovators of appropriate technology and as heroes of adversity. Alaska is producing a new native, full of competency and scientific sophistication. He is bent on joining the old in creation of a newer holistic world.

(3) *Economically*, Alaska represents an incomparable "whole" array of resources essential to the modern world's survival and enhancement.

### a. Natural Resources

.Just two of Alaska's 20 oil fields contain 25% of America's oil reserves.<sup>4</sup> The Alyeska pipeline at 8+ billion dollars represents private enterprise's most expensive undertaking in the world.

.60% of the coal reserves of the U.S. are in Alaska.

.30 of the 33 minerals essential to U.S. industry are found there.

.Devil's Canyon, alone, on the Susitna River, as now contemplated will be the largest hydro-electric dam system in the country; and other untapped river systems illustrate this powerful water resource.

.With a longer shoreline than continental United States, Alaska boasts fisheries that are a feeding ground of the whole North Pacific, and scientifically farmed, present a clue to the feeding of a hungry world.

.The timber resources of Southeastern Alaska, which first attracted Russian settlements and ship building, defy definition. Annual timber production is only 1/4 of 1% of the real farmable and renewable potential.

.With 20,000,000 acres of potentially farmable land, and a growing season North of the Arctic Circle in sunlight hours longer than Iowa's, and currently farming only 17,800 acres, this untapped resource of food sources for a hungry world and a self-supportive Alaska staggers the mind.

.The new capital, innovative potential, and renewable resources of the native corporations, with land and money, has already impacted dramatically and favorably on the new Alaska. Investments in tourist accommodations, banks, fisheries

and new technologies herald a hopeful and holistic development in this area.

A skilled labor force, growing population, economic diversity, and reversal of State deficit spending, add to an incomparable picture of promise.

### Other Perspectives

The critical and comprehensive analysis of the Club of Rome's "Limits of Growth", has been sharply modified by subsequent factual and logical analysis. By retaining a linear, sequential form of projection trend, it ignored the renewable feature of the inventive human mind, the capacity to "do more with less" the recycled form of finite resources and the powerful impact of informed knowledge and plans. We now may take these ignored features into account. Ervin Laszlo, concentrating on the human and value dimensions of the future, in his second report points toward corrective holistic features of an emerging planetary perspective. And, the latest report about to be released is purported to exemplify this trend toward a systematic, restrained and retrained holistic understanding of controlled growth and integrative development.

R. Buckminster Fuller, who will be addressing this conference, has brought a refreshing optimism to his human assessment of perspectives on the future. His books<sup>9</sup>, his speeches and his writing testify to the possibility and advisability of the world's optimal functioning in this holistic model. His World Game strategies to show how in energy, food, education and global design, the world can work to larger fulfillment of all human needs are contemporary confirmation of Alaska's promise. Alaska is on Main Street!

The promising perspective is reinforced by Dr. Arthur Shaw's *Copionics* and computer confirmation that a new form of global barter, exchanging goods and services in a free economy, computerized in exchange as a global bank is in the works.

Futurists of as widely differing perspectives as Herman Kahn and Hazel Henderson, of the Princeton Center on the Future, Jean Houston and Jonas Salk provide still further embellishment of Alaska's holistic promise.

Key concepts from all these alternatives can guide Alaska's evolving strategies.

(1) *Relativity* — It is absolutely dependable to rely on the *invariance of interdependence* of every aspect of nature, human nature and earthly or cosmic development.

(2) *Synergy* — The whole is always more than the sum of its parts, unpredictable from the analysis of any of its parts; and meaning descends in planning, direction or life from the whole to part.

(3) *Symbiosis* — Interdependence is reciprocal and becomes responsive and responsible when lifted to the level of conscious intention and choice. It is the clue to trade, a sharing society, and the integrity of a barter economy at the root of self-reliant and self-directed units of any whole.

(4) *Syndetic* — Connecting structures that give order, strength and permanence to relationships that carry the health of any organism or society are essential. They mirror the essential infrastructure and institutional life adequate to carry a healthy circulation and strength of holistic development.

(5) *Entropic reversal* — Introduces the principle of conscious renewal and redirection of natural systems otherwise entropic, that is, running down. T.H. Huxley was right when he remarked "With the coming of consciousness, natural evolution is reversible." This is the inwardly decisive resource of renewal to be discovered, nurtured and liberated at all cost; conscious choice to change trends and events.

(6) *Presence* — This quasi-mystical, yet everywhere evident feature of omnipresent fullness of consciousness, totally integrated, holistic, presentment is not only a feature of personal life at its best, but social dynamism where vacuous and dangerous degrees of emptiness are missing. This is the full life, new life and whole life toward which Alaskan life styles bent on authenticity, spontaneity and newness are heading.

### Directions

What prescriptions if not predictions can be drawn from all this. There is but space for the most sketchy of suggestions.

(1) Alaska should consciously lift to a state of comprehensive planning its unique role as holistic model for a deeply divided world. It should seize its delayed maturity as a grace and virtue, to escape earlier and debilitating dichotomies. New and novel approaches should be expected and demanded to escape the tired shiboleths of our so-called "older societies."

(2) Alaska should borrow a more apt metaphor for such planning and expectation than the conventional linear types. The metaphor of transformation of a caterpillar to a butterfly is more apt for surprises and expectations of the future.

(3) In the field of energy, fossil fuel development, so critical to the nation, should be advanced and accelerated with income generated partially committed to come up with innovative research in alternative energy sources. Institutes or contracted research should be fostered in:

a. *Coal* gasification and slurry; link holistically coal, oil and water.

B. *Geothermal* research linked holistically with hydroponic farming and fisheries, and environmental modification of heat transfer systems yielded by the rhythmic renewal of geothermal energy.

c. *Tidal* harnessing the Cook Inlet tide and one of nature's largest non-polluting sources of energy — the gravitational pull of the moon on the surface of the sea.

D. *Wind* research in the incomparable wind vectors of the Matanuska Valley, and virtually every valley-mountain axis in Alaska.

e. *Hydro-electric and solar-powered* domestic mini-systems essential to modest personal or village needs.

(4) Institutes or contracted services for holistic innovation in:

a. *Agriculture* — using the long Arctic day through summer, alternating with dark frozen winter to generate disease-free, new strains of Arctic-enduring grains and vegetables — holistically linked with new forms of earth-related housing and storage.

b. *Housing* — Using Buckey Fuller's Dymaxian Geodesic dome model for Alaskan construction and export, where "more is done with less" and optimal strength achieved with minimal materials and cost.

c. *Fishery* development in seasonal holistic rhythm between ship building (winter) and ship sailing and fishing in summer to enhance this promising field; fish farming, fresh and salt, with

geothermal heated shrimp ponds and other adaptations to a total development.

d. *Satellite* — the maximizing of telecommunications systems for two-way educational delivery systems, full participatory democracy in government and development of Third World program models on audio-visual cassette for sharing, export and sale.

e. *Educational* innovation, using permanent funds, and excess income over taxes to develop Silber's Tuition Advance Plan (and/or other forms of student choice, public or private) for strengthening Alaskan options of high quality, low cost and fully funded education.

f. *Monetary*. Experimentation in developing a new monetary system substituting for gold or sterling, goods and services, real or potential as a basis for a new global economy.

g. *Institutes*. Develop new supernational institutes for intercultural exchange and cooperation — U.S. — U.S.S.R., U.S. — Peoples Republic of China with historic and thematic pursuit of new frontiers — sea, space and the self.

h. *Develop* an Alaskan modelled Battelle Institute, a profit-making non-profit corporation to nurture and support inventive human genius, pure and applied, whose ingenuity might be expected to release new insight, technologies or practices into a *holistic* life authentically Alaskan and thereby, in promise, planetary.

i. *Devise* new work and manpower models that maximize Alaska's unique climate, geography and economy; i.e. rhythmic, seasonal, rural-urban, and Pacific, which holistically and synergetically interface with Hawaii, Japan and the Pacific Rim; and invite new training programs linked to these models.

j. *Support*, liberate, and encourage the private sector in friendly competition, serving priority personal and social ends, with productivity economy and quality to swiftly balance the present heavily-governmentally dependent culture and economy.

k. *Transform* preoccupation with GNP — from Gross National Product to *Growing New People* who are whole, healthy, hopeful and helping.

Then, truly, our State will vindicate its name — and destiny  
Alyeska — *THE GREAT LAND*.

**Addendum:**

**CRITICAL ISSUES OR QUESTIONS FOR DISCUSSION:**

1. What investment from the permanent fund or current budget is committed to tend the most precarious and productive resource of the State, its creative, productive, inventive people? (note: the heavy investment in the non-productive — the investment in every residential youth offender is five times the real cost of any Alaska Pacific University student, for whom no direct support is given by the State.)

2. What provision is being made to direct pure and applied research, public and private toward the priorities and State goals explicitly required for our future?

3. What mechanisms are provided for holistic linkages in the State, communicative transportative, social and political? What should be provided?

4. What tax incentives or advantages are provided the private sector to contribute innovative leadership to the unresolved and promising directions for the future? What should be?

5. What linkages are being forged with the Pacific region, the world, to insure holistic integration of resources, people and programs essential for the future?

6. What policy and provision is being made to encourage the private sector in education to address the dramatic outmigration of Alaska's most valuable resource, its own bright young people?

7. What provision is being made to insure the permanent fund will be used to reinforce *renewable* resources, natural and human?

8. What initiative is the State prepared to take to provide swift and sustaining continuing education to upgrade its leadership, political and professional for the weighty 80's?

9. What prospect is there for an Alaskan "Fulbright or Truman" program of fellowships for outstanding leaders from other nations

to study/contribute through public and private higher education in the State (100 well chosen top scholars annually, fully subsidized in the school or research institute of their choice, would revolutionize the Pacific Rim and the place of Alaska in it in a decade).

10. What prospect is there for a holistic, socio-political synergy linking cooperatively the now divisive fractionalism of the State? A new and imaginative "capital sharing" resolution of the problem of a move; securing and disposition of State lands, and an integrated comprehensive educational system, public and private, would greatly enhance the prospect.

**Footnotes**

<sup>1</sup>See Northrop's brilliant analysis, *The Meeting of East and West*.

<sup>2</sup>See His Letter as appended.

<sup>3</sup>See Bibliography

<sup>4</sup>These and other figures represent estimates from a variety of public and private sources. See the valuable paper by Doug Millar "The Future: Alaska"

<sup>5</sup>See Millar's graphic portrayal of this potential.

<sup>6</sup>See Bibliography

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## NOTES



## **AN APPROACH TOWARD CONCEPTUALIZING "THE KIND OF ALASKA WE WANT TO SEE . . ."**

by

**Dr. Charles Konigsberg**

This paper was delivered at  
The 27th Alaska Science Conference  
University of Alaska  
August, 1976

### **It Is Assumed:**

That fulfillment of the functional responsibilities of the Alaska state government — which in our time includes the formulation of policy on growth, on cultural and environmental integrity and diversity, and the development of a rational and coherent land-use planning capability — requires the articulation of an explicit, comprehensive concept of the "whole" for which we plan; that is, of "The Kind of Alaska We Want to See".

That all such ultimates, or fundamental issues — and our inquiries thereto — are, of course, "too broad and too complex", but that, nevertheless, the way to adequate understanding and appropriate articulation necessitates our learning to grasp and deal with the broad complexity, with the whole of it.

That this cannot be "simplified", for to simplify the complex, or to reduce the whole, is to distort it, thereby fundamentally changing the reality of the whole which we are trying to grasp and with which we must deal . . . Nor can the problem of the whole be evaded since it will come into being, it will "happen" — it is always there — in consequence of the incremental aggregation of seemingly unrelated policy decisions and actions, and the aggregated, rather the synergistic, result of which being, in all likelihood, far less than — certainly much different than — what is otherwise desired, or, to be desired.

That this is also another way of saying we always plan and act for the "long-run". No longer can escape from the responsibility inherent therein be sought in the supposed distinction between short- and long-run. This must now be recognized as a false and highly misleading dichotomy: There is no short-, no long-run without the other; each is inherent in the other; the two are one and the same.

That the implications of this point are more profound and compelling:

"The future is not a result of choices among alternative paths offered by the present, but a place that is created — created first in mind and will, created next in activity. The future is not some place we are going to, but one we are creating. The paths to it are not found but made, and the activity of making them changes both the maker and the destination."

John Schaar

Therefore,

That in all — and granting whatever else may be said about the difficulty — such an effort as is being suggested here can no longer be evaded, however "human" to try to put it off. Let us not be like "the psychiatric patient who knows he must do something to help himself but can't or won't bring himself to act because he can't see how to solve the whole problem at once".

As in the psychiatric example so in the present case — as also in the proverbial journey of a thousand miles, or in the modern search for the way to the "end of the tunnel" — the appropriate course of action is to begin with the first step: to conceptualize and articulate the whole of it. This means, for our pressing purpose, an explicit articulated vision of the Alaska we want to see.

In one sense, indeed, our concern and our task are really nothing new in the history of human affairs (though perhaps more compelling today than ever before). In all explicit, deliberately patterned societies — and in many lesser groupings of people organized for even more restricted purposes — their "constitutions" or charters constitute their "first step" toward achieving a grasp of and way of dealing with the whole: that is, politically, the "social contract" (or compact) which seeks to express the "general will" on behalf of the "common good".

Tacitly implied, therefore, is a vision of the cultural whole, of a way or ways of life desired. Constitutions, thus, are attempts are articulated conceptualizations of the whole.

To speak, then, of "the Alaska we want to see" is to ask that we build on the first step already taken, the Constitution of the State of Alaska . . . to ask that (in a socio-evolutionary sense) we take the next step, that of making explicit the tacitly implied concept of the cultural whole appropriate to life and place.

2

Perspective on the past strongly suggests that societal (Political) constitutions have heretofore been fashioned with a one-sided focus on people-to-people relationships, to the virtual exclusion of other relations and their interactions. Given, moreover, the history of the Twentieth Century, and the experiences of our own times in particular, it is now clear that human interrelationships and the societal systems which express or attempt to institutionalize them inescapably involve and impact all life forms and their common habitat, the biosphere, which sustains all. A change in, and expansion of the focus of, traditional constitutions is therefore needed to include the heretofore neglected elements.

It is in this perspective that at least the shape of a concept of a cultural whole appropriate to the Alaskan situation can be perceived, and a constitution to express it can be fashioned. Since earlier constitutions did not account for the all-encompassing web of interacting relationships — which may be viewed as the "ecological imperative" — and given our need to develop improved ways to decide policy, to plan and to act, it seems clear and urgent that we must build upon, add to, or revise our political constitutions with a "Constitution of Culture": hence, "The Kind of Alaska We Want to See".

It does seem especially appropriate that Alaska be the place to undertake the effort. It has taken us some time, but we have finally begun to understand that the ecological crisis of our times is the human dilemma raised to the species level:

" . . . It means we have arrived, after long journeying, at an historical vantage point from which we can at least see where the wasteland ends and where a culture of human wholeness and fulfillment begins. We can now recognize that the fate of the soul is the fate of the social order; that if the spirit within us withers, so will all the world we build about us. Literally so.

What, after all, is the ecological crisis but the inevitable extroversion of a blighted psyche? Like inside, like outside. In the eleventh hour, the very physical environment suddenly looms up before us as the outward mirror of our inner condition, for many the first discernible symptom of advance disease within."

Theodore Roszak

Here in Alaska, we are yet in a position, despite the pressures of recent events, to act on the understanding reflected above. This is our last chance as Americans to "civilize" a great natural region without disrupting its ecological integrity and without falling victim to the technological (urban-industrial) Leviathan in the process. Indeed, Alaska can be the new model for societal development, a reassuring pattern of a society in dynamic harmony with its natural environment, with all life and with our nature as the human species.

It seems clear that the best in Alaska's future derives from, or will be the extension of the best in the Alaskan past. Nature, we may say, has developed her own plan for Alaska: we would be wise to respect and learn from it.



The relationship between environmental integrity and the character of our lives is now understood to be direct and controlling one . . . Like outside, like inside . . . Disrespect for and abuse of the biosphere fashions a society disrespectful and destructive of itself. Indeed, it may be seen that concern for our environment is the tie that may finally bind us all together; and that, if, as in the past of human history, our common humanity was not enough to bring us all together as members of the family of man, perhaps the felt recognition of our inseparable relationship within the ecological community will help us to achieve that end: genuine respect for our environment being accompanied by increasing respect for each other, for all life.

There can be no more appropriate place than Alaska in which to begin. Indeed, in Alaska it should occasion no surprise to recognize, that an innovation such as the Federal-State Land Use Planning Commission (F-S/LUPC) is itself an explicit reflection of the foregoing, and of the attendant point discussed earlier of our need to transcend or to evolve into something broader — more comprehensive, more holistic — than the essentially "political", confined within relatively narrow parameters. The F-S/LUPC, like the cooperative management systems approach it is coming to rely upon — and which has its counterparts in increasing instances around the nation — similarly reflects or constitutes a step toward fashioning a better grasp on at least a larger portion of the whole.

Is this not an institutional groping toward the more organic, that cultural whole which, as this paper suggests, ought to be our central concern?

This is likewise true, and constitutes the underlying significance of, contemporary legislation epitomized by the National Environmental Policy Act (NEPA), coastal zone management and land-use planning generally (in all their varied manifestations).

All of which reflects belated recognition of the need to build upon our political constitutions in the manner earlier suggested, to embody the "ecological imperative", explicitly recognizing the direct (shared) relationship of life to all life and their common habitat — the institutional and legislative acts noted above constituting elements in the evolution of a "Constitution of Culture", growing out of and building upon our experience with political and organizational constitutions.

3

What Kind of Alaska, then?

In my view, the following must be recognized as the touchstone values in all policy deliberations of Alaska state government:

\*Alaska's potential as a model society-to-be is of far more significance to its people and to the nation than as a "storehouse of energy and minerals" or anything else material . . .

\*Our focus must be on the protection and enhancement of Alaskan culture/lifestyles in all their diversities — which mandates maintenance of ecological integrity of the Great Land and relegates economic activity to its proper (instrumental, not dominant) role, as the basic elements necessary to achieving a life of quality for the Alaskan people.

These touchstones further reflect the following considerations at least:

\*That the human creature is so much more than producer-consumer; so much more than "economic man" . . . We have learned that for us "more" and "bigger" are no longer "better" and that the optimum is always less than the maximum.

\*That the human species shares this world with all the animate and the inanimate together in a system of mutual interdependence. As the "conscious" force in this system, the human role is therefore one of stewardship: responsible for the well-being of the other species as well as of our own and for the well-being of the common habitat which sustains us. We are responsible for the whole.

\*This responsibility applies equally to our varieties of human culture. The maintenance of their integrity (a dynamic process), assuring diversity, enriches us all, is consistent with the larger natural patterns, and strengthens the social fabric of our common species by providing demonstrable standards for mutual evaluation toward improvement.

Much of this is my way of saying that: we must face the fact that as yet we do not know how to establish a society so that its social purposes are properly served, its environment protected, or its human values preserved. Yet it emerges from the foregoing pages

of discussion that in our times the key consideration for the policymaker, public or private, is the maintenance of cultural/environmental integrity:

"A thing is right when it tends to preserve the integrity, the stability, and beauty of the biotic community. It is wrong when it tends otherwise."

Aldo Leopold

Efforts which seek to pursue this fundamental insight should be strongly encouraged and supported. There is, for example, a Natural Systems Study of the F-S/LUPC which seeks to establish a foundation for "Land Planning and Policy in Alaska" through analysis and systematization of landform/biota/climatological characteristics, and offers, I believe, a most promising approach to the stated end. The study is persuasive in supporting the dictum that ecological characteristics must guide human activities (and not the other way around, as at present). Indeed, at least the possibility exists that, for example, we may be able to determine an optimum population/economic structure and technological activity/appropriate culture for each distinguishable landform/biota "province".

Other proposed programs of SocioEconomic Studies offer an equally promising approach toward restoring the balance, or creating an optimal relationship, between economic and other human aspirations and activities within the controlling parameters of ecological integrity and the perspective of the cultural whole.

These studies are yet incomplete and, of course, inconclusive. Interim guidelines, or value judgments as guidelines, are needed for policy formulation. What may be suggested, then, on the basis of the general understanding of our situation reflected in this paper are the following:

1. \**Focus on the Cultural Whole (holism)*; not on economic activity . . . under State-wide "Constitution of Culture".
2. \**Land: "Bridge to Community"* — the tie that binds: Land use planning therefore a central function of contemporary socio-political system . . . toward protection of cultural/environmental integrity and diversity as "most precious resource" . . .

3. \**Ruralization not Urbanization/Suburbanization: Focus on renewable resources base, subsistence mode . . . preservation and maintenance of subsistence way of life for Native and non-Native, and for the semi-subsistence mode so vital to so many Alaskans . . .*

4. \**"Small is Beautiful"* — small-scale economic activity, not large-scale (note misleading notion of "economics of scale") . . . "Intermediate Technology" — not simply as to size and extent but as to character (and inclusive of transportation and communication, market/distribution and exchange systems as well as of "tools") . . .

5. \**"Community" Perspective and Emphasis* (smaller population groupings) not Metropolis/Megalopolis . . . lesser centralization . . . importance of role of the elderly . . . diversity valued . . .

6. \**Managing Growth* — Examples of Petulama case (and others) . . . including controlled rate of nonrenewable resources extraction . . . One major project at a time . . . Refocus from nonrenewable to renewable resource emphasis . . . More and bigger not better . . .

7. \**The Still Natural Regions*: Our responsibility for their protection . . . need for beauty, silence, purity of air, water, land . . . Protection of wildlife/Habitat . . . their condition as "barometer" for human society . . . Stewardship: an end to the "tragedy of the commons", here and now, in Alaska . . . Natural systems as model for human society.

8. \**Quality of Life (Social-Biospheric) Assessment Index* . . . by which to evaluate all relevant costs and to insure thereby that activities are approved only if proved beneficial in all major respects.

9. \**Is there an "optimum population"?* . . . a question whose time has certainly come.

10. \**The Role of Higher Education* . . . in the forefront of public questioning, exploring all dimensions, exposing hidden assumptions . . . source of future social and political leadership.

11. \**The Role of Government* . . . government is a creative, integrating force . . . "politics is the architectonic science — the

(art and) science of the common good — and of mobilizing the community to achieve it."

4

These guidelines may be re-stated, perhaps, as follows:

#### **Policy Focus on the Cultural Whole**

On our ways of life and their quality . . . always asking how "Project X" or "Program Y" affects the kind of life we want to lead, the kind of Alaska we want to see . . .

And always in the awareness of the precious relationship between cultural and environmental integrity and diversity, which requires continued availability of the natural . . .

Emphasis on the value, the critical need for diversity in ways of life and lifestyles, with corresponding emphasis on countervailing pressures to the homogenizing influence of the dominant culture . . . importance of learning from other cultures and other species . . .

#### **Policy on Governance of Growth and Population Size**

Misconceived issue when posed in terms of "growth vs. no-growth / slow growth", "development vs. conservation / preservation", etc. Real question is: what kind of life do we want to lead? — and the relation thereto of growth and population size, of cultural and environmental integrity and diversity . . . of the management of change.

Basic problem of character and rate of change, of significant, rapid and continual change, fueled by disruptive forces of speculation and inflation and their attendant, highly intensified psychology of expectation and ambition . . . requires carefully governed types and rate of economic activity, especially infrastructure availability, and suggests policy of one major project at a time . . . and deliberate dampening of the highly destabilizing speculation and inflation.

Re-direction from "gigantism" to "small is beautiful", including "intermediate technology" and technology assessment systems . . . with land-use planning (planning understood as "process") and

biospheric protections, carefully governed rate of natural resources extraction and refocus on renewable resources, as primary determinants of economic activity, rather than "economic profitability".

Requiring, therefore, a

#### **Socio-Biospheric Costs (Assessment) Index**

By which to evaluate all relevant costs, quantifiable and non-quantifiable both . . . and to insure that major activities are approved only if proved beneficial on all counts, with burden of proof on the initiator.

#### **Policy on Community and Regional Development**

Policy focus on "community" not metropolitan . . . centralization, lesser concentrations of population . . . more respect for the aged, for tradition.

Minimizing settlement of still-natural regions . . . protection and encouragement of subsistence and semi-subsistence modes . . . decentralized settlement, ruralization not urbanization / suburbanization . . . protection and encouragement of agricultural / pastoral, and of the coastal-fisheries / lumbering communities.

Controlled infrastructure availability / non-availability . . . Special attention to evolving relationship between city and country.

Implied in the foregoing are, of course, more specifically delineated policies and plans with respect to:

- Natural Resources and Energy
- Land-Use Planning
- Environmental Protection
- Fish and Game
- Social Services
- Transportation and Communications Infrastructures
- Public Taxation/Revenues
- Others

All in the context of educational programs of genuine quality and government as an integrating, creative force — a role so especially crucial in time of rapid change — and requiring dynamic, creative leadership able and willing to seize the initiative, especially in

regard to the terms of discourse, as we discuss and create our future.

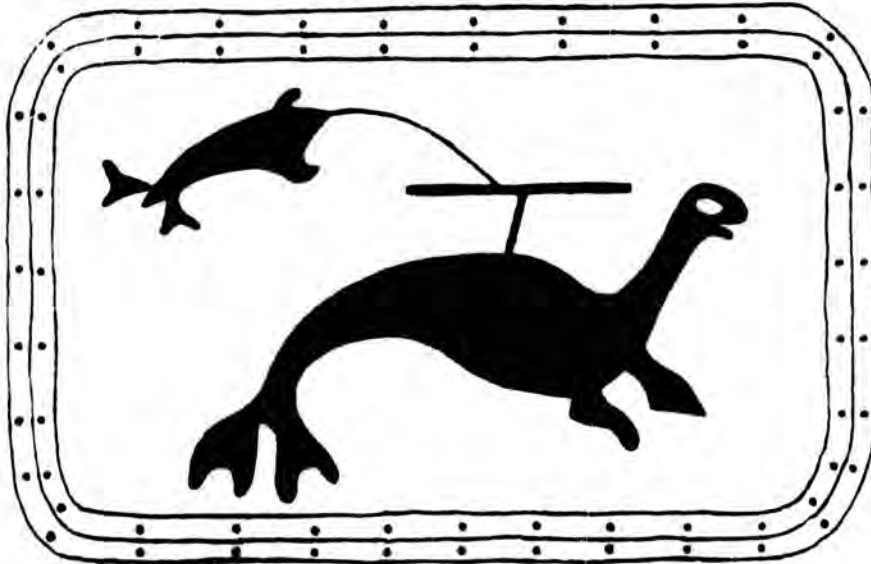
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### A Summation:

Taken together, these policy guidelines may be seen as elements in a Constitution of Culture — of the Alaska We Want to See — urged throughout this brief paper.

The "Preamble" to this Constitution would argue that Alaska's great promise to her own people and to others, lies in the establishment of the proper relationship of people to life to land . . . that socio-political policy development and planning, both public and private, must therefore focus on biospheric policy development and planning, of which some essential elements have been suggested in the form of reflections and guidelines.

There is obviously much yet to be elaborated . . . It seems critical, therefore, to keep in mind that since we do not yet have such a constitution, that we do not yet "know" — and since current approaches are less than adequate, when not destructive — that we must "hold the line" in most sectors of activity, until we can have learned how better to proceed.



### Appendix of Supporting Papers

- \*The Proposed Trans-Alaska Oil Pipeline" (1969)
- "An Ecological Declaration" (1969-1970)
- "Religion/Morality, Environment/Development" (1970)
- "Social Implications of Population Growth" (1971)
- \*A Talk on Wilderness (1971)
- "Land: Bridge to Community" (1971)
- "An Ecological Overview of Economic Development" (1971)
- "Eskimo Culture at the Crossroads" (1972)
- "Attitudinal Change in Alaska" (1972)
- "Alaska's Greatest Need: Time" (1972)
- "Environmental Quality and the Concept of Growth & Progress" (1972)
- "The Environmental Crisis in Global Perspective" (1972)
- "Responsibility of the Forester in Our Times of Crisis" (1972)
- "Responsibility of the Landscape Architect in Our Times of Crisis" (1973)
- "The D-2 Lands in Perspective" (1973)
- "The Mining Function in Unconventional Perspective" (1973)
- "Resource Extraction on the OCS" (1973, 1974, 1975)
- "Planning for Quality"; (1975)
- "Ode to the Dinosaur: Observations on 'Competing Uses' of Wildlife" (1975)
- "The F-SLUPC and the Effects of Divided Land Management" (1975)
- "Oil Impact and Renewable Aquatic Resources" (1977)

(This appendix of papers by C. Konigsberg is included by way of an offer of availability to anyone interested in the evolution of the thought and biases reflected in part of this paper. An adequate approach to the subject of this paper must, of course, include papers from other analysts and the views of other Alaskans as expressed, for example, at the Brookings Conferences (1969) and on other such occasions).



# REGIONAL GOVERNMENT IN ALASKA

Prepared by  
Gillian Smythe

## Historical Perspective

Before Statehood, government organization within Alaska was in its infancy. The powers of the territorial legislature were limited by federal law, as were those of local government. At Statehood, Alaska had only about 30 incorporated cities and 15 special districts (8 independent school districts, 1 incorporated school district and 6 public utility districts), with most of the territory being outside any local government jurisdiction.

Although the relative lack of local government organization prior to Statehood hindered the early development of Alaska communities, its absence proved advantageous to the framers of the Constitution since they inherited few of the organizational problems which beset most local governments elsewhere in the nation and could therefore apply new concepts with relatively little opposition from entrenched interests.

The State Constitutional Convention set the framework for Alaska's present system of local government. As outlined in *Article X of the State Constitution*, local government in Alaska was to be carried out by as few as possible local governments exercising as many powers as practicable. Any duplication of tax levying jurisdictions was expressly prohibited. To carry out this overall purpose, all local government powers in Alaska were required to be vested in boroughs and cities.

The borough concept was developed to accommodate Alaska's special needs arising from its large physical size and small population. Boroughs were seen as regional governments covering large geographic areas with common economic, social and political interests but with boundaries established at the State level to reflect Statewide considerations. These local government units were seen

as providing all local services within their boundaries, including those on a service area basis where necessary, thus avoiding the problems of multiple taxing jurisdictions and overlapping independent districts. It was determined that the entire State should be divided into boroughs but that not all areas needed to be organized initially. Areas not organized would be part of the unorganized borough which would have the State Legislature serving as its assembly. The Legislature was to have the authority to exercise any power or function in an unorganized borough which the assembly could exercise in an organized borough, including the establishment of service areas.

The basic local government concepts outlined in the State Constitution were incorporated into the *Borough Act of 1961*. Under this Act, all special service districts were to be integrated with organized boroughs (or, in the case of some public utility districts, with cities) by July 1, 1963. Organized boroughs were to be formed through local initiative (with appropriate State review) and, upon incorporation, were required to assume areawide responsibilities for property tax assessment and collection, education, and planning and zoning. The assumption of additional powers, whether on an areawide or service area basis, was not mandatory but could be undertaken through local initiative.



Only one borough (Bristol Bay) incorporated before the July 1, 1963 deadline. In response, the State Legislature passed the *Mandatory Borough Act of 1963* which required the incorporation of boroughs as of January 1, 1964 in eight areas containing public utility and independent school districts. These areas were given the option of initiating incorporation and proposing borough boundaries themselves before the January 1, 1964 deadline (as was done in the Ketchikan, Sitka, Juneau and Kodiak Island areas) or being mandatorily incorporated by the State (the case in the Anchorage, Fairbanks, Kenai Peninsula and Matanuska-Susitna areas). Except for Juneau, all of the boroughs chose second class status (i.e. the weakest form of borough government at that time).

Since January 1, 1964, only two additional boroughs have been formed. The Haines Borough incorporated in 1968 after a "*third class borough*" amendment which allowed Haines to bring its independent school district into conformity with the Constitution without assuming any other burdens of local government. The North Slope Borough incorporated voluntarily as a home rule regional government in 1972. In addition, one other area is currently active in investigating the feasibility of incorporating as a borough — a 53,000 square mile region centered around Fort Yukon which includes 11 villages and a section of the Trans Alaska Pipeline.

Although only two new boroughs have been incorporated since 1964, the status of several primarily urban boroughs changed following the *1967 State legislature's action to permit the merger of organized boroughs and all cities within them to form a single unit of home rule government*. Anchorage, Juneau and Sitka have since elected to become unified home rule municipalities.

### **Current Status**

Of Alaska's 11 existing organized boroughs, 5 are centered around a major urban area (Anchorage, Fairbanks, Juneau, Ketchikan and Sitka) and 4 are regional units (Kodiak Island, Kenai Peninsula, Matanuska-Susitna and the North Slope Borough). The remaining 2 boroughs fit neither category. The Haines Borough is a semi-regional unit, while Bristol Bay Borough covers only a small physical area which includes three unincorporated villages and an Air Force base.

The 11 organized boroughs together cover an area of close to 150,000 square miles or about 25 percent of the State total. According to estimates provided by the Employment Security Division of the Alaska Department of Labor, the combined population of these organized boroughs in 1978 was 338,000 or slightly more than 80 percent of the State's total population. Thus, the unorganized borough accounts for about 75 percent of the State's area but only for around 20 percent of its resident population.

Although organized boroughs have their own problems, particularly where second class boroughs include home rule or first class cities, probably the most serious local government problem in Alaska today lies with the unorganized borough. Physically large but with a small and scattered population, a very large share of it being Alaska Natives residing in second class cities which have very limited sources of revenue or in unincorporated villages, the effective delivery of government programs and services in the unorganized borough has proven extremely difficult or simply impossible.

### **Other Perspectives**

A number of legislative attempts have been made to solve the inequities of the existing regional government situation in Alaska. These inequities have generally been addressed either from the perspective of better delivery of government services or from that of the present absence of property taxation in the unorganized borough. The following major types of attempts have been unsuccessfully made:

1. Mandatory incorporation of the unorganized borough into organized borough units;
2. Creation of service areas in the unorganized borough;
3. Division of the unorganized borough into several unorganized borough units;
4. Imposition of a property tax in the unorganized borough.

A fifth type of legislative attempt was successful and resulted in the creation of what are essentially "semi-independent school districts" throughout the unorganized borough. As a result, delivery of education services in the unorganized borough has undergone a fundamental change.

Until recently, education services in the unorganized borough (except for home rule and first class cities) were provided by the Alaska State Operated School System and by the Bureau of Indian Affairs. However, provision of education services by a remote State and federal bureaucracy was not felt to be adequate for the needs of unorganized borough residents. With an absence of local government which could assume responsibility for education and because of a constitutional prohibition against independent school (and other special school) districts, a rural education system funded by the State (and the Bureau of Indian Affairs) but with local administrative and budgetary control was devised and passed as *Senate Bill 35* in 1975. A total of 21 Regional Educational Attendance Areas (REAA's) was established, each with its own elected school board. However, given the constitutional prohibition against the delegation of local government powers to any but cities and boroughs, the legal standing of REAA's is thought by many to be shaky. Furthermore, the establishment of similar types of single purpose entities to perform other services in the unorganized borough would be cumbersome and would probably be challenged in Court since the services would be provided without any local tax contribution.

In the absence of a regional government system, delivery of a range of federal programs in the unorganized borough is carried out by non-profit Native corporations. These include Native associations established before (and some after) passage of the Alaska Native Claims Settlement Act which primarily deliver programs in their regions or perform services with funds from the Bureau of Indian Affairs and the U.S. Department of Labor, as authorized by the federal Indian Self-Determination Act. Other specialized Native non-profit corporations have also been organized to deliver health care and to develop housing programs. This group of corporations, loosely referred to as the "non-profits" (as distinct from the regional and village corporations established under the Alaska Native Claims Settlement Act) has also been used by a number of State agencies for program delivery or for performance of specific projects in the unorganized borough.

Although the non-profit corporations perform a valuable service, it is very important to remember that they are not government entities. Furthermore, their activities are not confined to the unorganized borough since a significant share of their primary

clients, i.e. Alaska Natives, live in urban areas of the State. Thus, the non-profits should not be regarded as providing an answer to the lack of a delivery system for government programs in the unorganized borough.

### Directions

Clearly, something needs to be done to carry out the concepts outlined in Article X of the State Constitution and to better serve the local government needs of a large physical area of Alaska. This writer proposes that future consideration be given to organizing the unorganized borough and, at the same time, making adjustments to the boundaries of some of the organized boroughs through the following actions:

1. Develop and refine a detailed map of the entire State divided into future organized borough units. Factors to be considered in addition to those specified in the Constitution and existing State law should include Native Corporation regional and sub-regional boundaries, existing organized borough boundaries, and others as appropriate. (However, where existing borough boundaries do not encompass areas which should logically be within their respective regions, as is clearly the case with the Haines and Bristol Bay Boroughs for example, existing boundaries should not be regarded as inviolate).
2. Request the State Assessor's office to assess the value of property in each of the proposed boroughs. This assessment should *not* include unused Native lands since they will not be subject to taxation until 1991 and possibly even later. Using population estimates developed by the Employment Security Division of the Alaska Department of Labor (or other appropriate measures), per capita property valuations should then be developed (as is presently done by the State Assessor each year for organized boroughs and for independent home rule and first class cities).
3. Concurrently, the Department of Community and Regional Affairs should also be requested to undertake an analysis of other potential sources of revenue available to these proposed borough units and to compare estimated total revenues available at different rates of taxation with probable needed levels of expenditure to provide the three mandatory areawide borough powers of assessment and collection of taxes, educa-

tion, and planning and zoning. This analysis should include a review of anticipated administrative costs since these would necessarily be high in large regions where villages are connected only by air. It should also analyze probable initial capital improvement-related costs.

4. Develop a formula by which the State could financially assist in the operation of the poorest of the proposed borough units. Even without detailed analysis, it is obvious that several proposed borough units would lack an adequate tax base to support the provision of minimum levels of service to their residents. Because of this, the contribution of State funds to the operation of several proposed boroughs, especially those in Western Alaska and parts of the Interior, would be necessary. There are several means by which this could be done. However, the most equitable would require some local property taxation (or other locally generated revenue) effort, with the level of State support related to the extent of local effort and total demonstrated need.

The relationship between property valuation and population provides a reasonably accurate measure of the financial ability of local government units. Thus, *a formula which related per capita valuation and local tax effort to determine the level of State support would seem to be equitable*. For example, if a proposed borough had only a \$5,000 per capita valuation and did not feel it could levy a property tax of more than 10 mills, the State could contribute funds to increase the effective per capita valuation to a more workable figure. Only in extraordinary cases, however, should State assistance exceed the level of local effort.

5. Once an equitable formula for determining State assistance has been developed, organization of the unorganized borough could be enacted by the State Legislature. Such legislation could probably have to mandate incorporation, similar to the Mandatory Borough Act of 1963. New boroughs should be at least second class government units as third class boroughs have little flexibility. In addition, all REAA's should be abolished and their functions assumed by borough school districts.

It may appear that the costs associated with organizing the unorganized borough are high and they certainly would be. However, the cost of the unorganized borough to the State is

already very high when the hidden costs of ineffective delivery of local government programs and the waste which accompanies this are considered. Furthermore, residents of what is now the unorganized borough would be making some local contribution toward basic school support whereas this cost is presently assumed entirely by the State. For their part, unorganized borough residents would be given a stronger voice in the delivery of programs in their regions and in the formulation of State programs. The State would be provided with a single Statewide system of local government as provided for in its Constitution.

It should be noted that State "subsidies" to newly organized units in what is now the unorganized borough are not necessarily a perpetual cost. Rather, they should be viewed as assistance until such time as the economic climate in these areas improves sufficiently to provide a tax base which is adequate to support needed local government services.

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#### Biographical Sketch

Gillian Smythe completed her formal education in Canada and New Zealand. Since 1965, she has worked on an extensive series of comprehensive plans for urban and rural Alaskan communities while employed with ASHA, as senior planner for the Alaska Department of Community and Regional Affairs and as a principal of Alaska Consultants, Anchorage.

## FUTURE FRONTIERS

### Local Government in Alaska

by  
Ginny Chitwood

#### Historical Perspective

The first non-native local control in Alaska was enforced by the Russian-American Company, chartered by the Russian government for fur trading. The Company had virtually limitless authority over the people within its jurisdiction.

After the United States purchased Alaska in 1867, there still was no legal authority to organize local government until 1900. In the meantime, the little law and order that existed was maintained by the military.

Two different times Sitka tried unsuccessfully to establish local control. Both governments were largely ignored and basically ineffective because there was no legal authority to back up the efforts at governing.

Although it didn't authorize the formation of local government, Congress did recognize the need to provide some governmental structure in the area by enacting the Organic Act of 1884. This Act extended Oregon laws and U.S. mining laws to Alaska.

Miners law, with miners meeting organizations, provided some limited local government to Alaska, especially after being sanctioned by the Organic Act of 1884, but it wasn't until 1900 that Congress passed an act authorizing the formation of cities. The Act of 1900 allowed area of 300 or more residents to petition for incorporation as first class cities, with a weak mayor form of government.

The Organic Act of 1912 granted territorial status to Alaska and authorized the creation of a territorial legislature. The legislature could enact laws relating to local government, but within a very restrictive framework established by Congress. The legislature

established second class cities, and later, third and fourth class cities. Counties, however, were not permitted unless approved by Congress, and it wasn't until 1943 that the city manager form of government was authorized.

In addition to cities, there were two other forms of local organization prior to statehood - school districts and public utility districts. Some of the school district boundaries coincided with city boundaries; others included suburban and rural areas as well.

With the adoption of the Alaska Constitution and statehood in 1959, the local government role expanded. Section 1 of Article X states, "The purpose of this article is to provide for maximum local self-government with a minimum of local government units, and to prevent duplication of tax-levying jurisdictions. A liberal construction shall be given to the powers of local government units."



Delegates attempted to avoid the problems of counties in the lower 48 by creating a new form of regional government which they called the "borough". Service areas within boroughs were authorized but they were to be controlled by the borough assembly.

Prior to statehood, what little power cities had was a direct grant from the legislature. With the adoption of the constitution came "home rule", which authorized cities and boroughs to adopt home rule charters, assuming all local government powers not prohibited by law or charter. In theory, this procedure allows local residents to devise the kind of government best suited for their area, within the broad guidelines set out by the Constitution and the legislature.

Over the years the courts have alternated between interpreting home rule powers broadly and narrowly. This inconsistency makes it difficult for local governments to evaluate their authority. The legislature further restricts home rule power each year by adding more sections to the law applying to home rule governments.

In 1961, the legislature started the process of implementing the regional government provisions of the Constitution by passing the Borough Act. Two years later after only one area, Bristol Bay, had incorporated, the Legislature adopted the Mandatory Borough Act, which set out eight areas for incorporation: Anchorage, Fairbanks, Juneau, Kenai, Ketchikan, Kodiak, Matanuska-Susitna, and Sitka. Since that time, Haines and the North Slope have also formed boroughs.

A further refinement of the local government scene occurred in 1967 when the legislature authorized unification of a borough and any cities within it into a single unit of home rule local government. In 1970 the voters of the Juneau area adopted a charter consolidating the Greater Juneau Borough, the City of Juneau, and the City of Douglas into one municipality. Sitka unified next, followed by Anchorage.

#### **Current Status**

There presently are three unified municipalities, one home rule borough, six second class boroughs, one third class borough, eleven home rule cities, twenty-one first class cities, and one hundred and seven second class cities. In addition there is one federal

law town, Metlakatla, a native community on Annette Island. There are also many villages that are recognized by the federal government for purposes of implementing the Alaska Native Claims Settlement Act, but have no legal standing in the State system.

Any first class city or borough may achieve home rule status with approval of a charter by its voters. The original first, second, and third class city designations have been combined as first class; the fourth class designation has been modified and is now labelled second class.

Over 80% of the State's population lives within an organized regional government (borough or unified municipality), yet the vast majority of the land mass is unorganized except for small pockets of city incorporations.

In the organized areas there are the traditional jurisdictional disputes: city vs borough, municipality vs school district, service area board vs assembly, etc. The major problem, however, facing municipalities appears to be an economic one - how to stimulate the economy to generate a tax base sufficient to support the services demanded by the residents.

In the unorganized areas, not only do the people have the economic problem, but they also have the problem of no infrastructure with which to plan for and deliver services.

#### **Other Perspectives**

The Alaska Municipal League is an organization that works on a continuing basis to improve local government in the State. Originally created in 1950 as the League of Alaska Cities, the League amended this constitution in 1962 to offer full rights and privileges of membership to boroughs and changed its name to its present one.

The League provides a forum whereby municipal officials may interchange ideas, experiences, and obtain expert advice. It also offers educational and training programs to its members throughout the year.

D 6 In addition, the League works to secure legislation that will be

beneficial to municipalities. For example, AML worked hard for legislation changing the Local Affairs Agency to the Department of Community and Regional Affairs, for the enactment of revenue sharing, and for the major rewrite of the municipal code that completely revised the mishmash of local government law that had been accumulating since 1900.

As an ongoing process, League members work with each other and the legislature to develop solutions to local government problems.

A one time only event, the "Conference of the Future of Alaska", sponsored by the Legislative Council in association with the Brookings Institution, examined many issues facing the state. This series of seminars was held after the state had received 900 million dollars from Prudhoe Bay and specifically addressed the question of what to do with that money.

Although local government was not a subject that was studied extensively, there was a general endorsement of the concept of revenue sharing to enable local governments to increase levels of local service, to fund a major portion of education costs and to relieve municipalities from present and new school construction debt.

The conference participants also agreed that whatever revenue sharing formula was used should ensure maximum local control on how the money was used. There was positive recognition of the need for people to be able to choose their own goals.

The conference also recognized the need for some kind of government structure in the unorganized borough in order to increase local determination in the rural areas. It recommended that the legislature devise some form of intermediate regional government with financing sufficient to make local control feasible.

A major force in the municipal arena is the Joint Senate and House Community and Regional Affairs Committee's Local Government Study, initiated earlier this year. The Joint Committee is co-chaired by Senator Arliss Sturgulewski and Representative Bill Parker. Legislators, the Department of Community and Regional Affairs, and the Alaska Municipal League all have recognized the need

for an in depth study of municipal problems, municipal/state relationships, and the lack of local governmental structure in the unorganized borough.

Because of severe constraints dictated by the limited time between sessions, the committee decided to focus on the unorganized borough, asking the Municipal League to identify the concerns of the organized areas.

As a first step in developing legislative solutions to problems in the unorganized borough, the committee sponsored an intensive, two-day Local Government Symposium in Anchorage. In attendance were knowledgeable people from diverse backgrounds, such as native leaders, state administrators, municipal representatives, planning consultants, lawyers, legislators, and researchers from the university.

The second step of the committee's solution-oriented process was a series of public hearings in rural regional centers and associated villages. These hearings were recently completed, and preliminary recommendations may be available by the time Future Frontiers convenes.

### Directions

According to a recent national survey of public attitudes on government and taxes conducted by the Advisory Commission on Intergovernmental Relations (ACIR), people now believe they get more for their money from local government than from either the state or federal government. This is the first time since 1972, when ACIR began its annual poll, that local government has topped the list and indicates a trend toward a growing confidence in the level of government that is closest to them.

People now realize that the old saying, "You can't beat City Hall" is not true. With some effort it is possible to make a point on the city council or borough assembly level, but it is difficult to have an impact on Congress or even the State Legislature. This is not to say that federal or state legislators individually are unresponsive, but simply their large constituency and arena or responsibility precludes the individualized attention possible on the local level.

The increasing responsiveness of cities and boroughs to the needs of their residents unfortunately is not matched by an increasing ability to fund the services that are demanded. Local governments, for the most part, rely on the two most regressive taxes that there are - property and sales. Additionally, the state and federal monies that are necessary for survival frequently have so many strings attached that municipal officials are unable to use the funds to the best advantage of their constituents.

Substantially increasing state revenue sharing is one way to ease the problems facing municipalities and at the same time to allow an equitable distribution of the wealth generated by non-renewable resource development in Alaska. For the most part, the present structure of organized local government is adequate to deliver demanded services and respond to stated needs as long as funding is available and as long as traditional municipal powers are not eroded by the Legislature. (For example, platting powers that were diluted by the Legislature last session when dealing with the lands situation, should be fully restored to local government.)

Another way to ease the burden of the local tax payer is to provide a state income tax credit based on the amount of local taxes paid for school support. This credit would have the added benefit of balancing the cost of education between those who live in organized areas and those who do not.

What to do in the unorganized areas is less obvious. There is a growing demand for self determination but the economic viability of traditional local government in the unorganized borough is questionable. Hopefully from the results of the Joint Senate and House C&RA Committee's Local Government Study and from thoughts of Future Frontiers participants more knowledgeable than I on this subject will come ideas to form the basis of solutions to these complicated problems.

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#### Biography

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## ALASKAN EDUCATION

by the  
Alaska Department of Education  
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and  
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**Historical Perspective:** Rather than outline the entire historical development of education in Alaska, this paper will focus on developments since the Conference on the Future of Alaska, held in 1969. As can be seen in the reports of the four seminars held as part of that conference, education emerged as one of the top, if not the top, priority concerns, and each of the four groups (Alpha, Beta, Gamma and Delta) urged greater state effort and expenditure in this area.

To understand some of the recommendations of the previous conference, it is necessary to briefly describe the organization, financing and scope of education in Alaska at the end of the last decade.

**Organization:** In the 1969-70 school year, Alaska's 85,500 school-aged children were educated by four distinct systems: the city/borough school districts, which accounted for about 70 percent of the students; the State Operated School System, which enrolled about 19 percent or most of the rural students, as well as on-base students; private schools, which accounted for about 2 percent of the total student population and the Bureau of Indian Affairs federal system which enrolled approximately 9 percent of the predominantly rural students.<sup>1</sup> City and borough school districts, as at present, were governed by boards of locally elected citizens. Neither the State Operated School System nor the Bureau of Indian Affairs system had access to local governing boards, although in some areas, local advisory boards were formed. The questions of multiple public systems and unequal local representation between urban and rural systems was highlighted by three of the four groups during the 1969 conference. Alpha group recommended, in its first priority, that "Rural education . . . be restructured in order that Native Alaskans as well as non-Natives may be equipped to choose

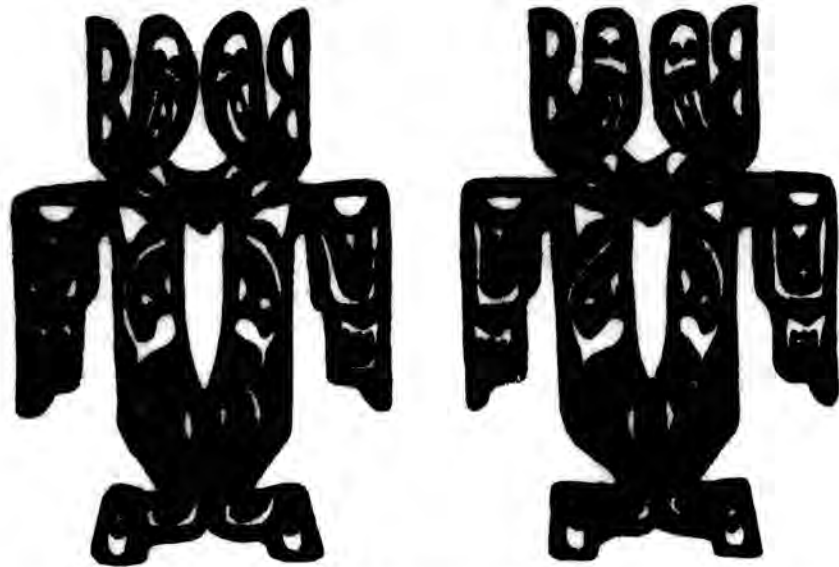
the life-style of their own seeking, a situation which does not now exist."<sup>2</sup>

Beta group urged that "In formulating educational programs, maximum local participation coupled with responsive and innovative methods . . . be sought. Beta group further urged the ". . . transfer of all BIA schools to the state as soon as it is feasible."<sup>3</sup>

Delta group, also under one of its highest priorities, stated that "Public school systems should be administered under local direction, thereby maintaining a culturally relevant curriculum in keeping with regional difference."<sup>4</sup>

**Financing:** Financing of public education during the period under discussion was as varied as the systems themselves. Although both city/borough school districts and the State Operated School System received state support, the methods for distribution and the percentage of total costs assumed by the state varied widely. For city/borough school districts, state support was distributed through a fairly complex formula which calculated allowable numbers of teachers, administrators, custodial and support staff. Some consideration was given to higher costs by adjusting funding for each of four areas of the state: Central, Northwest, Southcentral and Southeastern. Districts' total budgets were approved by the Department, and allowable costs calculated. Statewide, the city/borough districts received about 69 percent of their total operating costs from the state, the remainder being raised from local and federal sources, with the primary source local property taxes. The total budget for the State Operated School System appeared as a separate line item in the Department of Education's budget. Budget requests were made to the legislature on the basis of historical expenditure information rather than calculated by any formula. Revenues came entirely from the state, with the exception of limited federal program funds. In contrast, the BIA system, as is still the case, was funded entirely by Congressional appropriation. Again, appropriation requests appear to have been made on the basis of historical expenditures rather than on a formula. Private schools, obviously, were and continue to be funded by tuition and private contributions.

Capital construction costs were also handled in diverse ways. City/borough school districts built on the basis of locally generated



revenue; SOS schools were fully financed by the state; BIA construction funds came as a direct Congressional appropriation.

Participants at the previous conference had several recommendations concerning public school financing; both for operation and capital construction. Beta group "urge(d) the legislature to increase substantially its financial aid to school districts, specifically considering the relief of local government from its present school construction debt and the cost of new school construction on a basis which is equitable between local governments."<sup>5</sup> Delta group recommended that "... the state ... immediately assume responsibility for setting uniform minimal educational standards and assume full responsibility for the attainment of those standards."<sup>6</sup> Although the recommendation does not specifically refer to finances, the call to the state to assume full responsibility can be interpreted to imply full fiscal responsibility. Alpha group recommended that the "... state ... fund a major portion of educational costs through revenue sharing while leaving school control in local hands."<sup>7</sup>

*Scope:* In the context of this paper, scope of the educational system refers both to level (e.g., elementary, secondary, postsecondary, adult) and to special services (e.g., bicultural, vocational,

special education).

As is the case with both organization and financing, difference in scope existed between city/borough school districts in the more urban areas and the SOS/BIA systems in rural Alaska. By the 1969-70 school year, all city/borough districts in the state offered elementary and secondary programs; many offered kindergarten as well. By contrast, SOS operated few high school programs in the whole of the Unorganized Borough and BIA offered one in-state program at Mt. Edgecumbe. Almost without exception, rural students left their villages to attend high school, many traveling to BIA high schools in the "Lower 48." Although most of these students attended large boarding schools, some were beginning to be placed in boarding homes, particularly in Anchorage, under the State's Boarding Home program. Although the 1962 Community College Act had extended postsecondary opportunities to adult citizens in the urban centers of the state, at the end of the last decade access to adult basic education or continuind education services was limited, particularly in the rural areas.

The previous conference participants had much to recommend concerning the extension of education, at all levels, to all citizens of the state. Of special concern to the Alpha group was "... no kindergarten and an inadequate secondary school system for rural Alaska."<sup>8</sup> It recommended two remedies: First, "There should be regional schools with boarding facilities so that Native children (and others in remote areas) need not be sent outside the state for schooling. Opportunity should remain for rural children to attend urban schools through a program like the present Foster Home arrangements."<sup>9</sup> Second, Alpha group recommended that "... there should be preschool training in all urban and rural schools."<sup>10</sup>

Beta group urged the state "... to upgrade the value of Alaska's educational system and broaden its influence, particularly in rural Alaska."<sup>11</sup> In its final recommendations, the group recommended that "Secondary education, particularly for Native Alaskans, should be responsive to their needs, easy to assimilate and adaptable to technological demands."<sup>12</sup> This group also gave a high priority for legislative funding to the "state community college complex and extension program."<sup>13</sup>

Gamma group suggested that "... schools near Natives' homes (are) important, at least through high school, when family relationships are important."<sup>14</sup> This group also, in its strongest statement on education, called for the state to provide "... a tuition and fee-free opportunity for each resident of Alaska to attend pre-school, elementary and secondary schools — including vocational and technical training — as well as institutions of higher learning through the B.A. degree. This also includes funding for transportation and subsistence, where necessary."<sup>15</sup>

Delta group made the most extensive recommendations concerning the expanded scope of Alaska's public school system. It called for: 1) "... developmental education of the highest quality ... available during the early years of all Alaskan children using state funds where or when necessary; 2) free schooling through two years of post-high school education within Alaska; 3) liberal availability of subsidies for those students who have demonstrated competence to continue purposeful education at higher levels; and 4) a vigorous policy of continuing adult education in a broad spectrum of fields which encompass academic and non-academic interests."<sup>16</sup>

As mentioned above, scope of the educational program can also refer to the richness or diversity of content area and to ways in which programs accommodate special student needs. By 1969, the state had enacted legislation concerning the provision of vocational secondary education and special education for students with various handicapping conditions. Again, provision of such programs and services varied widely between urban and rural Alaska. For the 1969-70 school years, the state expended about \$3,000,000 on vocational educational programs. Although comparable figures are not available, because of the limited secondary education opportunities available in rural Alaska, it can be assumed that vocational education opportunities were severely limited if not non-existent. Rural residents who attended school at Mt. Edgecumbe, outside BIA boarding schools, or Anchorage high schools through the Boarding Home program did have access to vocational education, but hard data on costs or numbers of students so served are not available. It is probably accurate to suggest that vocational education opportunities at the secondary level were limited to students of major urban areas and that much of the support for such programs came from local sources or through the federal Vocational Education Act. The Community College Act of 1962 did make

provisions for the offering of non-degree adult vocational education classes, in conjunction with the local school district, and for offering degree adult vocational education, in conjunction with the University; however, the extent to which such courses were being offered is unknown since no uniform data collection system was in place.

By the end of the 1960's special educational programs for handicapped students were being offered, to some degree at least, in most of the city/borough school districts. During the 1969-70 school years, such districts served 1,232 students; by contrast, the SOS system reported only 80 students served. Again, accurate data is not available concerning the extent to which such services were provided by BIA. However, as late as this current school year (1979-80), BIA schools in the state are providing limited special education programs, despite a massive national effort to expand such programs, so one may assume that programs were either extremely limited or non-existent ten years ago.

Participants at the previous conference recognized the limitations of the then existing programs in vocational and special education and made the following recommendations. Gamma group emphasized the need for vocational education, particularly in the areas of fisheries and oceanography. Alpha group called for expanded state support of vocational education, with special reference to training for Alaskan industries. Alpha group also called for expanded special education services and recommended state support for "special education problem centers, particularly for rural Alaskans."<sup>17</sup>

Beta group focused its attention primarily on postsecondary technical training and urged that all citizens have access to free postsecondary education, at least for two years. Gamma group also addressed vocational-technical education needs by calling for free postsecondary education, both vocational and degree oriented.

Although only one group (Alpha) spoke to the needs of handicapped students, several groups (Alpha, Beta and Delta) spoke to the need for culturally relevant curricula and materials and for programs to accommodate students with problems in English proficiency. Since at the time of the conference the state did not legislate bil-

ingual/bicultural programs, the extent to which such were offered in any of the school systems is unknown. Again, however, data collected for later years shows little activity except through SOS, so that one may assume that such programs were virtually non-existent at the time of the conference report.

*Other conditions:* Several other conditions existed in Alaska and nationwide ten years ago which impacted the scope and quality of education programs and which have changed considerably during the past ten years. First is the role played by the federal government in the funding and policy direction of educational programs, both nationally and in Alaska. In 1969, this role was a relatively minor one, as federal attention and intervention focused primarily on expanding educational services to low-income children, with some minor attention to the improvement of school libraries and to development of innovative educational projects. By the 1969-70 school year, all city/borough school districts as well as SOS received some federal aid although that federal aid amounted to only 8.8 percent of the total statewide expenditures for education.

Second, school districts were not required to negotiate with certificated personnel, the establishment of salary schedules being left up to local boards, although statewide minimum salaries were set through statute for each of the four regional areas.



Third, staff turnover, both at the administrative and teacher levels, was extremely high in all areas of the state. Although no accurate figures are available, it is estimated that between the 1968-69 and 1969-70 school years over 30 percent of urban staff had moved either out of state or to other districts within state and up to 60 percent of rural (SOS) teachers had left or taken new positions. Information is not available for BIA schools, but it seems likely that this system also experienced a large staff turnover either between BIA school sites or out of the system altogether. The adverse programmatic effects of large staff turnover, particularly the effects on program continuity and responsiveness to local needs, was addressed indirectly by Alpha group in the previous convention. This group recommended that the state: a) foster and support the use of local village residents as aides; b) increase the number of Native Alaskans in the teaching profession; and c) develop a teacher cross-cultural orientation program for all new urban as well as rural teachers.

Fourth, at the end of the last decade, the lack of adequate communication and transportation networks continued to be a major problem. Again, participants of the previous conference recognized this problem and called for the development of such networks, not only for economic development but to increase educational opportunity. Gamma group saw such development as "almost co-important and often intertwined with education."<sup>18</sup> Alpha group suggested that areas of importance for the future "include the use of teaching tools such as satellite television,"<sup>19</sup> while Beta group called for the "implementation of educational television."<sup>20</sup> Although in 1969 the state, particularly SOS, was planning experimental educational use of ATS-1, and audio-only communication satellite, educational uses of telecommunications and computer technology was non-existent.

Finally, the education system at the end of the last decade was feeling the effects of the general development of the state in terms of continued and steady growth in the student population. Between the 1967-68 and the 1968-69 school years, total enrollment in state public school (city/borough and SOS) climbed from 67,808 to 72,526, or an increase of about 7 percent. By the 1969-70 school year, the same population had grown to 76,000 for a total increase over the two-year period of over 12 percent. By contrast, enrollment in private school dropped from 2,242 in 1967-68 to 1,923 in 1968-69. It

dropped further in 1969-70 to 1,656, for a two-year decrease of over 28 percent. BIA enrollments for the same two-year period went from 6,449 to 7,697, or an increase of over 18 percent. With the relatively small numbers involved, drastic changes in percentage points can reflect the movement of only a few pupils; however, by 1969 a trend of increased public school enrollments and declining private school enrollments seems rather clear.

### **Current Status**

With the above brief overview of educational conditions at the end of the last decade, we will move to a discussion of the current status of Alaskan education, using the same outline as above. In order to clarify some of the existing conditions, it will be necessary to refer at times to state or federal actions and activities which have taken place throughout the ensuing decade, and which account for the sometimes considerable differences between the present and ten years ago.

*Organization:* As mentioned above, education in Alaska in 1969 was reorganized into four separate systems, characterized by diverse methods of governance and finance. It should also be remembered that a major concern of the time was the lack of local decision-making and representation in rural education, as well as the continued existence of a federal system of education (BIA) in rural Alaska. These concerns came to a head in 1975, when the legislature mandated a massive reorganization of state supported rural education through the passage of an Act Related to Education in the Unorganized Borough. The act, which became effective on July 1, 1976, created 21 new school districts, or Regional Educational Attendance Areas, in the Unorganized Borough, replacing the former SOS system. This act delegated to REAA school boards all rights and privileges of school boards of city/borough school districts and had the effect of placing most public elementary and secondary education in Alaska (with the exception of BIA) under one governance system. The act revived the turn over of BIA schools to state control, a trend which had begun in 1962 under an overall plan for rural education and which ceased in 1971. In the 1976-77 school year, nine former BIA schools came under REAA control. Several new turn overs have occurred in the past three school years and the number of children attending BIA schools in

the state has decreased from 7,697 in 1969-70 school year to 2,999 in the 1978-79 school year (the last year for which statistics are available), representing a 61 percent decrease in enrollment. Put another way, in 1969-70, BIA enrollments accounted for about 9 percent of the total state student population; in 1978-79, they accounted for about 3 percent. Further turn overs will depend on the full implementation in Alaska of Native options under the federal Indian Self-Determination Act (P.L. 93-638) which allows Native groups a variety of governance options within the BIA educational system.

As mentioned above, in the 1969-70 school year, private schools accounted for about 2 percent of the total state student population. By 1971-72, private school enrollments had shrunk to 1,534 (or about 1 percent of the total); the lowest figures since the 1967-68 school year. During the 1972-73 school year, however, private school enrollments had begun to increase, peaking in 1977-78 when their 3,149 students accounted for more than 3 percent of the total and when private school enrollments, for the first time, exceeded those of BIA.

The 1978-79 school year showed a slight decrease (three-tenths of one percent) in private school enrollments, but with the establishment of several new private schools for the 1979-80 school year, enrollments are expected to increase again.

Currently, then, Alaska continues to have a dual system of public education: local districts, both city/borough and REAAs and the BIA. However, the numbers of students attending schools under the direction of a locally elected board have increased dramatically to the point that the earlier vision of a single system of public education for the state has been virtually accomplished.

*Financing:* Another major concern at the turn of the decade was the inadequacy and inequality of state support for public education. Two major events occurred in the 1970's to significantly alter, if not entirely erase, the problem. The first major event was the complete revision of the Public School Foundation Act in 1970. Although too complex to fully discuss here, the act had three major components. First, it described the state's fiscal responsibility in terms of basic need; that is, on a calculation of costs associated with the education of certain groups of students. In doing so, it attempted to tie

state support to program components as opposed to staffing patterns as had been done in the past. It also greatly simplified the calculation process while at the same time left maximum flexibility with the local school board in deciding how educational revenues would be spent. Second, it increased the state's share of total educational costs from the previous 69 percent level to about 78 percent. Third, it took into account the relative ability of districts to generate local funds by requiring a contribution to basic need from 10 percent to 0.1 percent or less, based on the local ability to pay.

In addition to these general components which affected all districts, the 1970 foundation act also recognized the added costs of special programs by providing additional state support to vocational and special education programs. Finally, it took into account the differing costs of doing business by allowing eight area differentials instead of the previous four.

In a related piece of legislation enacted in 1970, the state established a debt retirement system to provide partial state reimbursement to local districts for capital expenditures for education.

The second major event affecting school finance was the Act Related to Education in the Unorganized Borough, referred to above, which placed state financial support for rural education, for the first time in the state's history, on the same footing as city/borough districts. Since July 1, 1976, the REAAs have been financed under the same formulae as the cities/boroughs with the difference that the state picks up 100 percent of the basic need in recognition of the fact that there is no taxing authority for the Unorganized Borough. In addition, the state compensates for this lack of local revenue by distributing to each REAA an amount of state funds for each REAA student equal to the average per pupil local contribution of the city/borough districts. With these two exceptions, however, we have achieved, at this point in the state's history, the goal of consistent distribution of state educational support to both urban and rural students. Whether or not the current system is entirely equitable, however, is a question which is receiving much consideration at this point in time. Although the formulae for distribution are essentially the same for both city/borough and REAA districts, certain facets of the current foundation program disequalize rather than equalize state support. There appear to be three major concerns, although others are beginning to surface as

studies of the current foundation program progress. The first is that many of the small city districts have a correspondingly small ability to raise local revenues. Although some compensation for limited ability to pay is allowed in the current formula, city/borough school districts can only approach, but never reach, 100 percent state funding of basic need. In addition, no city/borough school district receives the per pupil "in lieu of local tax" payments currently available to REAAs, although many districts cannot raise, through local sources, an amount per pupil anywhere near the current state average of \$710. Thus, in absolute terms, less wealthy school districts can never achieve the amount of funds available to REAAs.

Second, no city/borough can achieve 100 percent state support of basic need. In addition, the calculation of basic need appears to have become less workable as a description of the normal operating costs of a district, in that it is not unusual, particularly in the larger districts, that the state share funds only between 60 percent to 80 percent of the total school budget; this, although the state's minimum share of basic need has increased from 90 percent in 1970 to 97 percent in 1977, is where it remains today.

Finally, although the foundation program does take into account a district's ability to pay from local resources, it does so over a very narrow percentage spread (i.e., 3 percent, the difference between 97 percent and 100 percent state funding of basic need). Such a small percentage spread does not begin to equalize the vast differences in local wealth among the organized cities and boroughs of the state.

The change in the foundation program, like the Act Relating to Education in the Unorganized Borough, affected only state controlled programs. It did not, of course, alter the financial support structure for the BIA schools. At the present time, such schools continue to be funded by a direct Congressional appropriation which takes little if any account of the similarities or differences between BIA per pupil expenditures and per pupil expenditures of REAA districts serving a like population. Although data is not available to allow for a comparison, it seems likely that there is a disparity between expenditures of BIA for elementary services and the expenditures of an REAA district for similar programs in a neighboring village. This statement is not meant to imply that the BIA necessarily spends less per pupil than the REAA, but only to indicate that there is no

current system to assure the BIA and REAA students have equal access to educational resources.

One final point needs to be made concerning the current status of public school financing in the state. As mentioned above, a state supported debt retirement program for city/borough school districts was initiated in 1970. At that time, a district could be reimbursed up to 50 percent of "... payments made by the borough or city during the fiscal year two years earlier for the retirement of principal and interest on outstanding bonds, notes or other indebtedness incurred ... to pay costs of school construction."<sup>21</sup> In 1978, the minimum percentage of state support for approved school construction was raised to 80 percent. On the other hand, school construction for the REAAs, as part of the Unorganized Borough, is financed entirely by the state, either through the sale of state voter-approved bonds, or, as in 1978, through a direct cash appropriation by the legislature. In any case, there currently exists a disparity between the state support for rural, REAA construction which is at 100 percent of costs, and that of state support for city/borough school construction which, at a maximum is supported at 80 percent, and this only as a two-year delayed reimbursement of expenditures already made by the city/borough.

**Scope:** Several major changes occurred in the current decade to change the scope of public education in Alaska, in terms both of levels and of special programs.

As will be recalled from the earlier historical overview, a major concern in 1969 was the provision of secondary school programs for rural Alaskans. It will also be remembered that at least one group called for the establishment of regional high schools in the state to decrease the number of students, particularly Native Alaskans, who had to leave the state for secondary programs. And indeed, by 1970 the state had constructed three regional high schools; at Nome, Bethel and Kodiak. However, during that same period, a major effort was initiated to compel the state to provide secondary programs in each village which desired such. This effort came to a head in 1972 with the class action suit, *Molly Hootch, et al. vs. Marshall Lind et al.*, filed on behalf of rural secondary residents who did not have local access to secondary programs. Although the court did not rule that access to local secondary programs was a constitutional right of all citizens, a subsequent out-of-court settlement bound the state

to construct facilities and finance the operation of partial or 4 year secondary school programs in any village which formally requested such a program. To date, the state has committed in excess of \$90,000,000 for construction of high school facilities or modified elementary school facilities to allow secondary programs to be added in 77 villages.

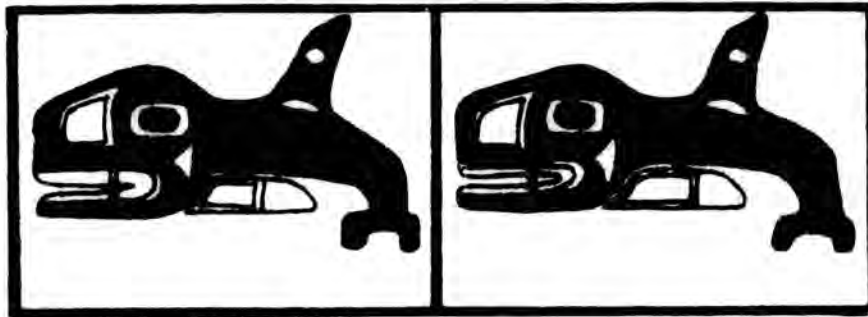
Also singled out for attention by the earlier convention was the need for expansion, both down to preelementary and upward, to adult programs. Again, several changes have taken place in the last decade. Almost all city/borough school districts and REAAs have established kindergarten programs; some REAAs also provide limited preschool, although, as in 1969, most public preschool programs in the state are run by RuRal CAP under the Head Start program. However, in 1974 the legislature amended the Education for Exceptional Children Act to extend state support for special education services to children "... who are at least three years of age and for whom the regular school facilities are inadequate or not available."<sup>22</sup> Currently, around 350 children between the ages of three and five are being served by 16 local school districts throughout the state.

The current status of adult programs, on the other hand, has changed significantly from the end of the last decade. Adults enrolled in Adult Basic Education courses, that is, those who did not complete a regular elementary program, jumped from 2,780 in FY '75 (the first year for which reliable data is available) to 5,500 in FY '79. Adults completing the General Educational Development program, which leads to the equivalent of a high school diploma, rose from 1,840 in FY '75 to 3,252 in FY '79. Although several major regions of the state still do not have access to ABE or GED programs, financial support of the programs, which is mainly state with some federal contribution, has gone from \$680,000 in FY '75 to \$1,172,000 in FY '79.

The earlier conference also spoke to the need to extend adult vocational and degree related educational opportunities. Although the growth of postsecondary education through the university system is beyond the scope of this paper, it should be noted here that the community college system, through its several campuses and extension centers, offers both degree and non-degree programs in 21 communities of the state; such programs include both voca-

tional and academic courses.

Two other training and continuing educational resources are currently in place which were not available in 1969. In January, 1970, the Alaska Skill Center at Seward was established to provide high quality, non-degree vocational training to Alaskan citizens. Although initially started with federal Manpower Development and Training Act funds to service only the unemployed or underemployed of the state, in FY '78 the Skill Center opened its programs, on a tuition basis, to any citizen of the state, regardless of family or personal income. At the present time, approximately one-third of the Skill Center students pay their own educational costs. During the 1979 legislative session, funds were allocated to the Department of Education to establish a similar center in Anchorage. The Anchorage program has not yet begun, so it is too early to predict whether or not this extension program will succeed.



The second adult education resource was created in 1975 when the legislature passed the Community Schools Act. Although never fully funded, the act did provide some state support to local school districts for the purpose of providing continuing educational opportunities to local adult citizens through the extended use of public school facilities. Currently operating in about 180 school sites in 34 districts on a state appropriation of 1.2 million dollars, the Community Schools Act has succeeded in extending access to at least avocational education to a significant percentage of adults throughout the state. To date, community school funds have not been used to a great extent to provide vocational training, which, as will be recalled from the earlier historical overview, was felt to be a major educational need in 1969. For all practical purposes, locally available vocational training or upgrading programs for adults are

still limited to those citizens with access to a local community college, extension center or the Alaska Skill Center.

One other recommendation of the earlier conference has been partially addressed in the ensuing decade; that of state support to individuals pursuing postsecondary education. As will be recalled, several of the groups called for tuition and fee-free public education for at least two years after high school. To date, nothing has been accomplished in this area, although it has continued to be suggested by individuals and groups at various times over the past ten years, the most recent being a bill introduced in the last legislative session which would have allowed, on a pilot basis, state support for grades 13 and 14 run by local districts.

While the state has not waived tuition and fee requirements for postsecondary education, it did establish, in 1971, a Student Loan program, which "... provided low cost educational loans to Alaskan students enrolled in undergraduate, graduate or career degree programs. These need-based loans offer the recipient a ten-year repayment period at an annual interest of 5 percent ... An incentive, in the form of up to a 40% cancellation is offered to those individuals who work in Alaska after completion of their programs of study." Through the 1978 fiscal year, nearly twelve thousand loans were awarded to students, of who 4,396 attended programs in state and 7,460 attended out of state. In all, approximately \$22,000,000 had been granted, up until FY '78, with an additional \$5,000,000 and \$8,150,000 appropriated for FY '79 and FY '80 respectively.

In the historical overview, we examined a second facet of "scope" — i.e., the provision of programs which are specialized either in content or by the particular needs of the target student population. We indicated that, in 1969, the two most widespread programs under this definition of scope were vocational education and special education, both of which were cited by the earlier convention participants as areas in need of expansion. These two programs received considerably more state support through the revised foundation program enacted in 1970. Such services were similarly extended to rural Alaska with the creation of the REAAs and the concomitant extension of state categorical funds, on a formula basis, to these new school districts. At present, all but two school districts in the state offer some vocational education at the secondary level at a cost, in the 1978-79 school year (the last year for

which data is available) in excess of 13 million dollars. While the quality and breadth of some of these programs may be limited by lack of facilities and of a sufficiently large student body, it is probably safe to say that most secondary students in the state have some access to occupational training and job preparation.

Similarly, all but one school district in the state offer special education programs, at least at the elementary level, for students who, because of handicapping conditions, cannot access the regular educational program without special services. Programs for special students at the secondary level are not as well developed, although considerable attention is now being given by districts to strengthening such programs. During the 1978-79 school year approximately 6,500 students were served, at a state cost of \$22,000,000.

The relatively phenomenal growth in the numbers of special education students serviced from school year 1969-70 to school year 1978-79 can be attributed to several things; first, the continual strengthening of state legislation concerning education of exceptional children coupled with increased state support and the massive federal effort in the area, stemming from the passage by Congress in 1975 of P.L. 94-142, which stated the right of each handicapped child to a free, appropriate education.

In our historical overview, we mentioned the concern in 1969 over the state's responsibility to Alaskan Natives, particularly in the area of secondary school programs, but also for the provision of culturally relevant curricula and materials. During the middle years of the current decade, this concern became intensified in the state through the action of the federal Office for Civil Rights which insisted on the state's responsibility to provide equitable educational services to children who either did not speak English when entering school or who came from a family whose primary language was other than English. Negotiations with the Office for Civil Rights led to the expansion of the state's Bilingual-Bicultural Education Act.

First enacted in 1972 to serve non-English speaking students in the Unorganized Borough only, the act was extended in 1978 to both require and fund, through state sources, programs for non-English and limited English speaking students in all districts. Although

originally conceived, by both the 1975 legislature and the Office for Civil Rights, as a program designed primarily to serve Alaskan Native students, the Bilingual-Bicultural education fund in FY '79 supported programs in 26 of the 51 districts, reaching students from 63 language backgrounds, of which only 14 were Alaskan Native languages or dialects.

One other special student population has been singled out for additional attention and funding in the ten years since 1969. In 1975 the Education of Exceptional Children Act was amended to include gifted and talented children and to extend state support for programs to serve them. Currently, 32 districts offer programs which affect a total of 2,200 students; efforts are now underway to establish such programs in all districts within the next several years.

*Other Considerations:* In the historical overview, five other conditions were listed which prevailed at the time of the first convention and which had direct or indirect impact on Alaskan education. The first was the essentially passive role of the federal government in both educational funding and policy direction. During the ensuing decade, we have witnessed an active and increasingly pervasive federal intervention into education, primarily as an advocate of and enforcer for the provision of equal educational opportunity for various individuals and minority groups. Although the state has not experienced federal intervention in the area of race desegregation — a major issue nationwide — as was mentioned above, the federal government either by direct legislation, as in the case of special education's P.L. 94-142 or through its civil rights enforcement arm, as in the case of bilingual-bicultural education, has become an increasingly active partner (or adversary) in the realm of state and local policy decision making.

Without judging the desirability of this more active role, it is necessary to point out that through increased funding, monitoring or data reporting requirements, the federal government now much more directly controls and shapes the state's educational programs than was envisioned by the participants of the 1969 conference, or perhaps by anyone in the state at that time. Worthy of note is that federal influence has continued to grow, at the same time that federal funds to support educational programs has remained fairly limited. Funds flowing to school districts under the Elementary and Secondary Education Act of 1964, the federal government's major

contribution to education, amounted to \$1,651,000 in FY 1970 as compared to \$7,323,000 in FY 1979, or about 6 percent of current instructional program costs. Other sources of federal support show similar narrow impact.

A second condition which has undergone major change in the past decade is that of teacher/board relations. The Negotiation and Mediation Act, which requires each city/borough school board to "... negotiate with its certified employees in good faith on matters pertaining to their employment and the fulfillment of their professional duties" 24 was passed in 1970 and extended to REAA boards in 1975. Partly as a function of this act, although partly too as a function of inflation, teacher salaries have continued to rise from a statewide average of \$10,560 in 1969-70 to \$45,323 in 1978-79, an increase of 125 percent, while the salaries of all professional school personnel (teachers, principals, superintendents) rose 129 percent from \$11,109 in 1969-70 to \$25,456 in 1978-79.

Negotiations have brought about other changes since 1969 over and above salary increases. Certainly, the recent Anchorage teacher strike would have seemed unlikely if not unthinkable in 1969. Whether one considers the cumulative effects of mandated negotiations to be positive or negative, the impact on school district finances, operations and decision making is significant.

A third condition which was mentioned in the historical overview was the high rate of staff turnover in the state, particularly among teachers but also among other professional and administrative staff, with its concomitant adverse effects on program continuity and cultural responsiveness. Although statistics on teacher turnover for the 1978-79 school year indicate an 18.5 percent turnover statewide, conditions differ widely between larger urban districts and rural areas, whether REAAs or small city/borough districts. For the six largest urban areas, from 1977 to 1978, all but Anchorage had turnover rates well below 20 percent; between 1978-79, the same areas, with the exception of Anchorage (for which data is not available), experienced a turnover rate of around 10 percent. As with student population shifts, staff turnover percentages in the smaller districts are based on very small numbers, so that a change in one or two staff members can result in a high percentage increase; therefore, it is difficult to interpret with much accuracy the conditions in rural Alaska. With this in mind, however, figures show that

turnover among all of the REAAs fell from 28 percent between 1977-78 to 24 percent in 1978-79. In only three cases did turnover rise significantly between these two school years; in most cases, the drop was significant. Given the continued housing problems in rural Alaska, in rural city/borough districts as well as REAAs, a turnover rate of around 25 percent a year is probably not unreasonable, particularly as most districts continue to need to recruit from outside local residents.

While it is still too soon to tell if turnover rates will continue to stabilize in rural Alaska, the trend in urban Alaska toward less turnover seems quite clear, and will no doubt continue as long as the job market for teachers outside as well as in urban Alaska remains glutted. The programmatic and fiscal implication of this will be discussed in the next section of this paper which deals with probably future development in education in the state.

A fourth condition discussed above was the lack of adequate communication and transportation networks, particularly in rural Alaska. Again, although the problem is a long way from being solved, considerable changes have taken place in the past decade, at least in the area of education. In 1969, very limited educational uses were being planned for ATS-1, a two-way audio-only communication satellite which linked Alaska, the "Lower 48" and several of the Pacific Rim countries. In 1975, Alaska became one of three major experimental sites for the ATS-6 satellite, a two-way video-audio satellite which covered the "Lower 48" and some parts of Alaska. Under a grant from the National Institute of Education, the state mounted three educational experiments: two dealt with the use of one-way live video transmission of classroom educational television and one dealt with an open-ended "teacher forum" utilizing both one-way video and two-way audio. Although the experiments had some positive impact, the greatest lessons were negative; i.e., about what *didn't* work or what was *not* cost-effective. Overall, the experiments seemed to indicate the following: 1) Live video transmission did not have a significant educational advantage over time-delayed transmission or video tapes, partly because the different time zones covered by the satellite footprint made it virtually impossible to deliver the classroom programming at times appropriate to all areas of the state. 2) Alaskan produced educational video programming appeared to have some educational advantage over programs produced out-

ticularly when the cost differences between producing and purchasing already produced materials was taken into account. 3) Many teachers were unable or unwilling to use ETV without additional training. 4) The use of two-way video, although not tried experimentally in an educational setting, was shown, through experiments in the medical field, to be prohibitively expensive and probably of limited educational value. 5) The more sophisticated the equipment, the more likely that breakdowns will occur which cannot be handled readily within the village. Throughout the experiment, repeated equipment failure was a significant deterrent from using the system. 6) The audio-only use of the system was severely limited, partly because of equipment failure, partly because of uneven quality of the transmission, and partly because the nature of the communication required a written rather than a verbal response. The ATS-6 experiment lasted less than one calendar year, after which the satellite was moved and further work became impossible.

All of the above rather negative findings were taken into account when, in 1977, the state received a major 3-year grant from the National Institute of Education to further experiment with the educational uses of telecommunication. For this grant period, activities were not tied to an experimental satellite so that the state could begin to look at educational uses of existing telecommunications networks, specifically long-line transmission. This decision limited experimentation to the areas of data transmission (including written messages as well as numerical data) and ruled out further experimentation with video transmission. However, as will be discussed later, other telecommunication systems were being developed by the state which could be and have been used for the transmission of instructional and educational television.

The NIE telecommunications project focuses on two major areas: 1) administrative uses of telecommunications, and 2) classroom applications of telecommunications technology. Activity in the first area has led to the development of a computer-based communications network which links each school district's administrative office with the Department of Education and with other districts. Now in full operation, the communication system has two current uses: 1) the Electronic Mail System which allows for almost instant transmission of written messages to any or all network participants, and 2) the Alaska Knowledge Base, which allows educational practitioners around the state to access a large information file which in-

cludes research findings, descriptions of successful programs in most content areas, names and resumes of Alaskan educational experts and descriptions of public and private agencies which provide assistance to local schools. Over the next year, the system will be expanded to allow the system to collect statistical information from districts about finances, student populations, facilities, etc. In addition to its data transmission capabilities, the equipment in each school district is also available for a variety of small computer operations, such as accounting and student recordkeeping, for the district's own internal use.

Although the EMS system has been fully on-line only since early fall of 1979, the number of messages transmitted since September exceeds 4,200. The short turn-around time between message and response has made it ideal for communications about grants, meetings, administrative problems, etc. As district personnel become more accustomed to using this alternative to the letter and telephone, use is expected to increase tremendously.

The second application under the NIE grant, that of instructional uses of telecommunication technology, is currently in the pilot test stage in seven districts. The educational content focuses on Alaskan History and ninth grade English at the secondary school level. The delivery system utilizes interactive computer time for programmed instruction, supporting written, audio and visual materials and a master teacher located in a centralized area. Although initial development costs-per-course are fairly high, the experiment will attempt to develop processes which will significantly decrease the developmental costs of subsequent courseware.

Of major importance and difference between the current instructional experimentation and that mounted over ATS-6 is that the current effort is individualized rather than group based; that it is time-independent in terms of transmission; and that it uses a variety of instructional techniques rather than relying only on video.

In the area of instructional television, significant changes have also occurred since 1969. Again, the current situation has developed with attention to the findings of the ATS-6 experiment. The current situation relies on the state-supported satellite network which currently serves 42 villages in rural Alaska with direct broadcast, delivering both prime time commercial television and about six hours per school day of instructional television. A major effort

has been made to identify and utilize already-produced instructional television series and programs which can be adapted to Alaska. Programs are selected by a panel of local teachers who also suggest content for the teacher's guide to using instructional TV in the classroom. Because of the ATS-6 findings that many teachers did not know how to use ITV effectively and were thus reluctant to do so, an intensive effort has been made to educate teachers in the use of this teaching tool. During the 1979-80 school years, 26 ITV series will be broadcast, reaching 78 villages by spring of 1980. Teacher and student evaluations of the programs have been enthusiastic.



A fifth condition was discussed in the historical overview — that of steadily increasing student population. In this respect, Alaska mirrored what was happening nationwide. However, during the past several years, schools throughout the United States have seen a slow but steady decline in student population, particularly in the primary grades. Demographic projections indicate that this decline will continue, due to decreasing birth rates.

In Alaska, the overall student population, grades K-12, has continued to increase, over the past ten years, with the exception of a slight (seven-tenths of one percent) decrease in the 1973-74 school year. However, in the past two years (school year 1977-78 to 1978-79, the last year for which analysis is available) this increase statewide has been slight, around one tenth of one percent. Although figures for the current school year are not available, recent news articles speak of a 2,000 student decrease in the Anchorage school population from last year, and a less drastic but significant decrease in the Fairbanks area. Thus, it seems likely to assume that we in Alaska are beginning to experience at least a leveling off of student population growth, if not an actual decline in enrollment. Although it is possible that this leveling off or decline could be halted by a major economic effort, such as a new pipeline, it should be noted that the construction of the Alyeska pipeline did not bring with it, except in Valdez, the kinds of student population growth which was anticipated. During the peak of the pipeline years, overall growth in student population hovered between two and three percent.

In addition to the twin causes of school population decline — lower birthrates and outmigration of families — a third cause for potentially diminished public school enrollments is the development of private schools in many areas of the state. Since the 1971-72 school year, enrollments in public schools have shown a steady increase, more than doubling from 1,534 in that year to 3,139 in 1978-79.

In the latter year, private school enrollment showed a slight (three tenths of one percent) decrease, but with the opening of several new denominational schools for the 1979-80 school year, total statewide private school enrollment is expected to once again show an increase. Public school population for the same eight-year period, 1971-72 through 1978-79, showed a ten percent increase as opposed to the private school increase of over one hundred per-

cent. Of course, with Alaska's small population very small numbers of students can lead to a large percentage of either increase or decrease, so that the apparent magnitude of the growth in private school student population translates in reality into quite few students. However, given the rise in costs of private school education, the corresponding trend of continued population increases seems significant.

Actual figures for private school enrollments may be higher than suggested above, since not all private schools report to the Department of Education. Although required by law to report, the Department has no way of monitoring the establishment of private schools; thus the data discussed is from the 38 private schools which are currently known to operate in Alaska. In 1978, the legislature amended the Compulsory Education law in a way which, while it has not yet been felt, could provide a significant impetus to the rise of private — particularly private, profit-making — schools in the state. In effect, the law removed private schools (not only private, non-profit schools) from the necessity of meeting any state requirements concerning staff certification, by allowing pupils attending such schools to meet attendance laws when "the average student proficiency (in the private school) is not less than the average proficiency found in the public school in the area as measured by national achievement tests."<sup>25</sup>

If the author's interpretation of this statute is correct, the law now allows any individual, group or organization to provide educational programs, at cost or for profit, on a performance — contract basis. As may be remembered, during the late 60's and early 70's, several major school systems in the "Lower 48" and in Anchorage made similar student achievement performance contracts with several large industries, Quality Education Development Corporation and Westinghouse, among others. Although several such programs did result in student achievement gains, the experiments were dropped for a variety of reasons, including public sentiment. However, the possibility currently exists in Alaska for any group or organization to develop — and attempt to market — a variety of innovative, non-traditional education approaches which will legally meet the state's requirements under the compulsory attendance.

As we have attempted to outline above, the current K-12 student

population enrolled in public schools is remaining fairly steady in terms of numbers and may begin to decline, partly because of the alternatives available to parents and students through the growth of private schools. One other alternative should be considered. Although still a part of the public educational system, Centralized Correspondence Study, operated by the Department of Education, has provided alternative programming since 1977, when an amendment to its authorizing legislation opened CC/S to any student in the state. As is the case with the private schools, CC/S does draw some of its students from the populations of other school districts. Since 1976, the full-time equivalent of all students in Centralized Correspondence Study has risen from 348.7 to 497.7 in 1979. Most of this growth occurred at the secondary (grades 7-12) level, which jumped from 42.6 FTE in 1976 to 182.3 in 1979. Although some of this growth can be attributed to the strengthening of secondary school services to students who have no other access to public education, some of it may also be attributed to those students with daily access to school who have enrolled in Centralized Correspondence Study as an alternative to the regular secondary school program offered by their home district, as is allowed under the 1977 statute.<sup>26</sup>

Another condition which differs significantly today from 1969 is the spiraling costs of education, partly due to general inflation in the total economy but also attributable to the significant salary increases for all school staff which have occurred throughout the latter part of the 1970's. Personnel costs, in such a labor intensive enterprise as education, account for between 70 and 75 percent of the total operating budget; thus the salary increases of over 120 percent which have been experienced by all professional staff — administrators as well as teachers — have had a tremendous effect on educational costs. In addition, fuel and energy costs in the state have continued to rise at rates equaling or exceeding those of the rest of the nation, further escalating the price of doing educational business. In the ten years since 1969, average per-pupil costs from state and local sources have risen from \$1,012 to \$3,254 in school year 1978-79, or an increase of 222 percent although inflation in the total economy for the same period was about 105.6 percent.

Given a further rise in fuel costs during 1979, as well as negotiated agreements which tie salary increases to total inflation rates, the costs of providing education services will probably continue to rise in excess of 10 percent annually, if not considerably higher.

**TRENDS FOR THE 80'S** The format for the papers prepared for this conference suggested a discussion of "Other Perspectives," which would outline efforts by other public and private agencies to address the general issue being discussed. However, for the purposes of education, it seems more fruitful to attempt, from the above two sections on "Historical Perspective" and "Current Status," to identify trends which will carry on through the 1980's. In the final section, "Directions," ways will be discussed by which the state might accelerate or lessen the pace of these trends. As in the above two sections, we will deal with organization, financing, scope and other conditions affecting education.

*Organization:* During the 1980's, it is likely that Alaska will finally see the establishment of only one system of elementary and secondary public education in the state. This will happen in one of two ways. Either the remaining BIA schools will be turned over to state control through the surrounding REAA districts or local Native Alaskan governing bodies will exercise one of the several other options under P.L. 93-638; that is, to run their own BIA school under contract with the federal government or to subcontract out the operation of the BIA schools to a separate, non-profit entity. Under either contract option, the former BIA schools will become in effect private rather than public schools.

It is further possible that the 1980's will see changes in the structure of the Unorganized Borough, leading to the development of local municipal and borough governments in this area. If this is accomplished, the current differences between city/borough school districts and REAA districts will disappear, resulting in a truly uniform system of public education in the state.

One interesting organization or governance question is likely to occur in the 1980's, which, while not influencing the development of a uniform statewide system of public education, will affect the policy direction and operation of our larger school systems. Currently, the average citizen's access to representation on local school boards varies widely around the state. In Anchorage, for example, which has half the state's school population, the governing board is composed of 7 members; on the other hand, the Lower Kuskokwim REAA, with a student population of 1,617, has an eleven-member governing board. A review of the school board minutes of any large urban system in Alaska reveals that much of

the board's time is spent dealing with the concerns of special interest groups who feel shut out of the decision-making process. The recent attempts of the Anchorage Board to close two neighborhood schools is a good case in point. It seems likely that the increasing demands of citizens for access to decision-making for education will lead to the establishment — either locally or through state mandate — of neighborhood school boards or committees similar to the Community School Committees which were originally mandated for the REAAs. The mandate was made optional in 1979 although it appears that all REAAs except for two single community REAAs thus far have elected to maintain CSCs as originally established.

*Financing:* The trend over the past decade for the state to assume a greater portion of educational costs will likely continue through the 80's with the state at some point in the near future funding 100 percent (rather than the current 97 percent) of basic need. In addition, it appears likely that the concept of "basic need" will be revised to more accurately reflect, and fund, the majority of educational costs at the local district, with the result that the state may eventually fund close to 100 percent of all educational costs for K-12 programs in organized as well as unorganized areas of the state.

If the state continues to mandate or allow local contributions to educational programs in city/borough districts, it seems likely that some adjustments will need to be made to better take into account local ability to pay; or, put another way, to better equalize local support across wealthy and less wealthy districts, particularly those small city districts with relatively limited abilities to pay.

The disparities among local tax bases between wealthy and less wealthy communities, together with the implications of these disparities on equal access to education, will continue to bring pressures on the state for a more equitable system of school construction. Within the coming decade, it seems likely that the state will move toward an increased support of city/borough capital school construction, approaching 100 percent reimbursement. In addition, the state will continue, at least in the next five years, to support considerable school construction in the Unorganized Borough. Estimates based on a recent survey by the Department of Transportation indicate that an additional \$50,000,000 is necessary for priority school construction; that is, construction for currently

unhoused students and construction needed to assure the health and safety of currently housed students.

As was mentioned earlier, districts are at present under great pressure to expand or modify programs for students who need special services. Costs for such programs, particularly for students with severe mental or physical handicaps, have risen to rates which exceed even the extraordinary inflationary increases of the regular school program, primarily because of federal legislation which requires a variety of supportive, non-educational services. Again, it seems likely within the next several years that the state will increase significantly its support for such high-cost programs.

Finally, it appears that the state may need to continue support of regional or statewide programs or activities which are beyond the ability of local districts to fund; in particular, telecommunications networks, certain high-cost services for severely handicapped students, and some intensive, high-cost technical training programs.

Given the historical state commitment to education which has characterized Alaska since statehood, it seems likely that such support will continue to increase; however, it is also likely that questions of local district accountability for the dollars received will also increase. This will become an even more important issue as, as alluded to above, the student population remains fairly constant or even decreases at the same time that educational costs soar. Whether the accountability question results in statewide mandates concerning minimum competencies, district comprehensive plans or some other mechanism designed to assure quality control is unknown, but public school districts in the 80's can look toward increased local and state pressure to describe and improve student achievement.

**Scope:** The 1980's will undoubtedly see an expansion in the scope of public education, certainly at the adult level and probably reaching to younger children.

Although it seems likely that the need for Adult Basic Education (elementary) and General Education Development (secondary) programs will decrease as the next decade closes, primarily because of

the extension of regular secondary programs in rural Alaska, the need for continuing education will probably grow as a result of several factors. First, changing economic conditions and related jobs will require continued and increasing access to programs for job skill upgrading and change. This need will be seen in all areas of the state's economy, the most visible, at present, being the need for a fairly massive fisheries education and reeducation program to allow Alaska fishermen to take advantage of expanding opportunities in the bottom fish industry. Similar skill building and upgrading educational opportunities are needed in the areas of forestry, oil technology, tourism, etc. In any job sector, including state and local government, employees and employers will be faced with the need to secure training to meet changing job conditions. In many cases, the state may find it in its best interests to underwrite at least a portion of these job-related training activities, through an expansion of the community college system, continued support of the community schools programs with a concomitant emphasis on vocational as well as avocational courses, or the development of other educational resources such as regional vocational/technical centers.

Second, the change in life style and values of Alaska's citizens which is already in evidence now will increase the demand for education opportunities directed at improving satisfaction with life and the use of leisure time. Nationwide, the trend in the past decade has been away from a lifetime commitment to a particular career toward greater attention to a life style in which work, social relations and avocational pursuits have equal importance. This trend requires continuing access to an educational system which increases the individual's ability not only to earn money but to lead a fuller life. While it may not be a state responsibility to provide its citizens with "education for life" as well as "education for work," it should be remembered that taxes to support a public education system ultimately come from citizens and that these same citizens are likely to demand immediate returns to themselves as well as on the investment in future human development. This will become even more true as the state's population begins to mirror population shifts in the rest of the nation; that is, as the number of adults, particularly older adults, increases and the number of the school-age children remains constant or decreases. With or without a conscious state policy, then, it seems likely that education opportunities for adult citizens will increase, either as a public respon-

sibility or as a function of marketplace economics where demand will generate supply.

The need for expanded preparatory — as opposed to continuing — education, which will continue to be felt as jobs require more advanced training, will no doubt lead to an increasing demand for free, public education beyond the current K-12 years. The earlier convention called for free education at least through grades 13 and 14, if not through a baccalaureate degree. It seems highly likely that extension through the grade 14 at public expense, either through the community colleges or the local school districts, will become a reality in the 1980's. It also seems likely that, as many of the smaller areas cannot support full, high cost technical training locally, the state will develop a system of regional, postsecondary technical centers, either through the community colleges, an extension of the current Alaska Skill Center or through yet another, unidentified organizational system. Again, these resources will need to be heavily subsidized by the State even if they are not tuition- and fee-free.

Extension of the school system to reach children younger than the current school starting age is more difficult to predict. At the turn of the current decade, forces within Alaska and nationwide were emphasizing the positive effects of early childhood education on later achievement and calling for public funding for such programs through the school systems. As was seen above, this pressure resulted, in 1974, in lowering the school age for exceptional children to three years of age. At that time, it was expected that the public would begin to demand similar services for all children; however, such demands have not been made to any great extent. On the other hand, this situation could change dramatically in the 1980's, although it is likely that demands to lower the school age may be based more on economic policy than on educational principles. The dramatic increase in employment of mothers of young children has severely strained the existing facilities and resources for child care in all areas of the state. Although the private sector has, in the larger areas, moved in to provide some of these services, the availability and quality of day care for young children varies widely throughout the state. Since the provision of day care services in the less populated areas of Alaska is not economically attractive to the private sector, the state may be faced with increasing pressures to provide such. Since the public school system has, in the past, been called upon to serve social as well as

educational needs, it is not beyond reason to suggest that school systems may be delegated this responsibility in the coming years.

Changes in scope as it relates to the diversity of program content and methods of delivery are perhaps easier to predict and envision than those dealing with the extension in the levels of education. Certainly, the extension of equal educational opportunity to all individuals, particularly those of minority groups, will continue in the next decade. There is little, if any, evidence to support a prediction that less attention will be given to the educational needs of gifted, bilingual, female, low-income, handicapped or culturally different children. However, there is evidence that the current methods of treating the educational needs of such children may change significantly in the next decade, and further, that education will begin to focus on the individual needs of each child rather than on groups of special target groups. In other words, the current epidemic of pluralism in the state and nation will reach the point where alternative programs for groups of children are no longer effective, cost efficient or acceptable to parents. At such time, the schools will move away from alternative programs and into a delivery system where each student has his or her own educational program. This does not mean that education will become "individualized" as that is currently defined to mean a student working alone as opposed to in groups. What it does mean is that each student will have an educational plan for the 12 or more years of public education which will tailor his or her educational experiences to a total program designed to meet individual interests and needs. This is already happening in special education where each enrolled child has an Individual Education Plan (IEP), developed in conjunction with the student's parents, which outlines both short- and long-term educational objectives, details activities by which these objectives will be met, and cites evaluation procedures to assess student progress on a continual basis, although the paperwork burdens on local school personnel in developing and monitoring IEPs for exceptional children have been cumbersome, the system has begun to produce two favorable benefits: first, it has succeeded in making the individual child the focus of the education delivery system and second, it has allowed for meaningful inclusion of parents in the design and evaluation of their child's education.

It is this latter aspect which is likely to increase demands for similar programming for all children. Parents are beginning to ex-

press their concerns over the current quality and scope of the public school system in a variety of ways: by increasing pressure on local boards, the state and in the courts to provide more responsive services to children with different backgrounds and needs and by removing their children from the regular public school program and enrolling them either in private schools or the Centralized Correspondence Study program. The increased enrollments in these two alternatives over the past five years are significant, particularly when one considers the costs to the parents in terms either of tuition or of time commitments necessary to educate the child at home. In many cases, the parents' reasons for choosing these alternatives come from an objection to the moral or ethical tone of public schools, particularly at the secondary level. While schools can do much to lessen the harmful influences of drugs, alcohol and violence, it is doubtful if the public school system, even with totally individualized educational planning, can provide the moral and religious education required by some parents. For these, private denominational schools may continue to be the only alternative. For other parents, however, whose concerns are for the type and delivery of educational content, the IEP approach for each child may provide an acceptable solution.

The concept of individualized educational programming for all is attractive in one other way in that it can allow for greater flexibility and creativity in the development of educational experiences. Several programs currently exist in the state, particularly at the secondary level, which incorporate and rely heavily on out-of-school community resources to provide portions of a student's education. An excellent example is Kodiak High School's CE<sup>2</sup> program which structures a student's total education program — academic as well as vocational — around learning experiences utilizing community resources.

In other areas of the state, programs extend educational resources beyond the local community, to the region, state, nation or even outside the country. Student travel-cum-school programs have become commonplace in the state to the point that a significant portion of the child's educational career may be spent outside his or her home community. A major difficulty with such programs, at present, is that they are not always integrated into the student's regular educational program, thus minimizing their true educational value. This difficulty could be overcome, however, if such ex-

periences were planned for and woven into a student's individual educational plan. Such is the case with a pilot project, PROJECT EMPLOY, conducted by several districts and REAAs. Under EMPLOY, a student, his parents and teachers develop an individualized vocational education plan which utilizes the resources of the local high school, large schools in the region and, depending upon student objectives, the Alaska Skill Center or the Kenai Community College. In effect, under this program, the state, rather than only the local community becomes the educational resource for the student. The increased usability of computer and communications technology to track student progress and simplify student scheduling may provide an added impetus to the development of individualized educational plans for each student, since the application of such technology should greatly simplify the recordkeeping burdens currently associated with such planning.

If public school systems do not move fairly rapidly in the area of individualized planning, public pressure and demand may well result in a proliferation of private educational programs, particularly private, profit-making programs. As we alluded to above, the advances in technology already make possible the delivery of individualized, self-paced programs using computers, support print, audio and visual materials and distant teachers. The rapid decrease in the costs of home computers, together with the explosion in instructional software programs, make it entirely feasible, within the next decade, that students can be adequately and effectively educated at home or in any other location. Our current statutes do not differentiate between private non-profit and private profit educational institutions in meeting compulsory attendance requirements. Further, a private program can operate in the absence of any state requirements if it can equal or exceed the average student achievement of the surrounding public schools. This legislation could certainly make it economically feasible for the private sector to begin to offer performance-contract education, utilizing existing technology, to citizens throughout the state.

If such marketplace economics are fostered, it does not seem unlikely that in the future, although not necessarily within the next decade, the state will move toward a direct or indirect allocation, through grants, tax incentives or other means, to each citizen of funds to be used to purchase educational services, from any public or private source. Although such a concept may seem far fetched at

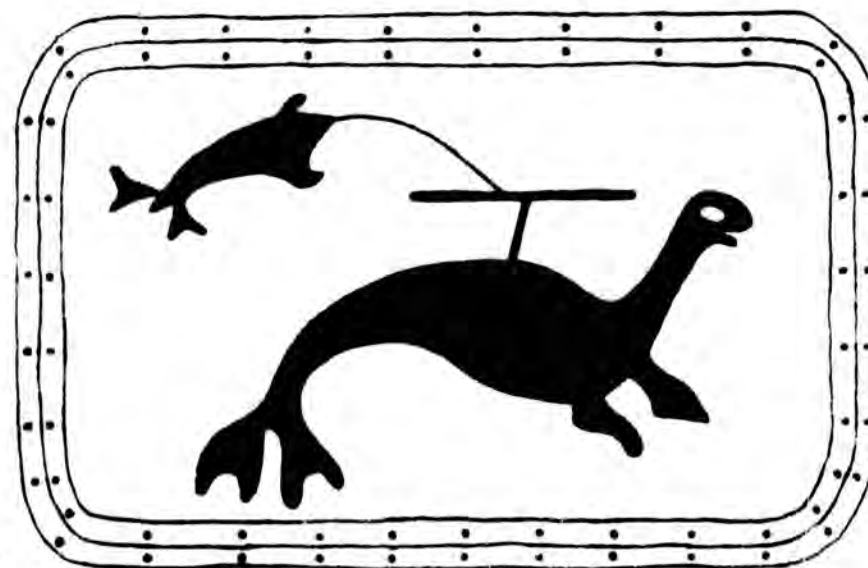
the present, one needs only to reflect on some of the massive changes that have taken place in the financing, organization and delivery of educational services that have occurred since 1969. And, indeed, such a scheme reflects somewhat the thinking behind current ideas about returning some of the state's resource development wealth to individual citizens. Again, although the fostering of private sector activity in education may seem strange at present, one should reflect on the dramatic increase in costs of delivering education through the public sector—costs which can only increase in the years to come, as we see further unionization of professional public education staff, increased costs of facility maintenance and operation and static or declining school enrollment. Although attractive on the surface, such a scheme could well result in the demise of public education as we know it and should be considered with extreme caution.

*Other Conditions:* Several of the conditions described in the first two sections — i.e., uses of technology for education, slowed or declining enrollments and increasing costs — have already been considered. However, three — i.e., the federal role in education, staff/board relations and teacher turnover — need further discussion as to possible future trends. As was mentioned earlier, the federal government has assumed an increasingly active and obtrusive role in education, both nationwide and in Alaska, and there is little evidence that such a trend will decrease. Quite the opposite is likely true, in fact, with the recent creation of a federal Department of Education and the almost inevitable concurrent rise in federal educational activity and bureaucracy. Since such increased activity will probably take the form of further federal insistence on equal educational opportunity and uniformity of educational programs, with a resulting increase in federal monitoring and data collection, the state in the next decade may be faced with a decision either to relinquish or lessen policy control over Alaska education or to refuse to accept federal educational funds. This latter course could cost the state and local districts around \$11,500,000 annually in federal program funds which are currently available for special education, vocational education, bilingual education and, to lesser extent, regular education programs. Such a decision may require the state to assume these costs from its own resources.

A second area or condition which will continue to affect local school districts in the 80's is the increase in teacher unionization —

at the community college as well as K-12 level — and the demands by unions not only for increased salaries and benefits but also for an increasing role in policy development and decision-making. Such increased demands could eventually lead to teacher representation on local school boards in much the same way as the United Auto Workers recently achieved representation on the Board of Directors for Chrysler Corporation. Whatever the final outcome, it will be interesting — and significant to future educational development — to see the effects of teacher demands on school governance and operation.

A final condition — that of teacher turnover — has less far reaching effects than most of the other areas discussed above, except that it will impact both the rising costs of education, (since teacher salaries are based, in part, on years of service in the districts) and the ability of schools to try out innovative and non-traditional education approaches with staffs trained in traditional methods. In addition, if staff turnover decreases significantly in rural Alaska, it will impede the inclusion of large numbers of local, particularly Native Alaska residents, in the professional staffs of rural schools.



## **Directions:**

Several major areas were cited above which will require policy attention by the state in the coming decades. While no attempt will be made to determine the content of such policy, the following areas need to be considered.

1. The State needs to consider the continued existence of BIA educational activity in the state, although the final resolution of this historical problem may rest with the affected villages themselves.

2. The state needs to consider its level of support for both the operation of public education and the construction of school facilities.

3. The state will need to examine the current scope of public education in the state and to determine whether or not it is in the state's best interests to extend free public education to include younger children or to include postsecondary and adult job-related and "life" educational opportunities.

4. The state will need to consider whether or not it wishes or needs to control private profit and non-profit educational programs, and if so, to what degree.

5. The state will need to determine what demands it will make on local districts to account for the expenditure of and the results gained from state support.

6. The state will need to examine more closely the educational uses of technology and determine if it wishes to extend and foster the use of such tools by public education.

7. The state will need to consider the effects of the new federal Department of Education on the field of education and to decide whether or not the continued acceptance of federal funds, with the concomitant increase in federal direction and control, is in the state's best interest.

8. The state will need to examine ways in which the total educational enterprise — in policy development, planning, curriculum and delivery systems — can become more responsive to the needs

and desires of students, parents and the community at large, especially in urban centers where citizen access to representation is limited.

FINALLY, the state will need to encourage the public school system — through policy direction, funding, or other mechanisms — to examine alternatives to present curricula and delivery systems in order that all students, urban as well as rural, majority as well as minority, are equipped to survive and succeed in a future quite different in opportunities, attitudes and values from today's world.

Whether these questions are consciously considered and a firm policy direction established for the state, it seems clear that the next ten years of education in Alaska will see changes of a similar or even greater magnitude as those occurring in the past decade. That change will come is clear; the challenge is in how to control that change to best meet the educational needs of Alaska's present and future populations.

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#### Biographical Sketch

The preceding paper was prepared for the Department of Education by Marilou Madden. Ms. Madden has been with the Department since 1972 and has served in a variety of capacities: Research Analyst, Special Assistant to the Commissioner and, at present, the Director of the Division of Education Program Support, a position she has held since 1975.

During her years with the Department, Ms. Madden has worked closely with such projects as the ATS-6 satellite experiment, the Governor's Pipeline Impact Committee, the reorganization of State Operated Schools, and the development of rural vocational, special, and secondary education programs.

#### NOTES

# PUBLIC HIGHER EDUCATION IN ALASKA — THE 1980s

by  
Patrick J. O'Rourke

## Historical Perspective

Public Higher Education in Alaska has been essentially provided by one entity, the University of Alaska Statewide System of Higher Education. Its roots are anchored in the establishment of a Land Grant College at Fairbanks, Alaska in 1917. The period 1917 to 1954 was devoted primarily to the growth and development of this campus, along with its multiple programs. Residential facilities were constructed, class room and office buildings built and the college moved from a School of Mines and Agriculture to a full University entity with its concomitant teaching and research functions.

By 1954, there was a recognition of the growth that had taken place in the greater Anchorage area and this year saw the establishment of Anchorage Community College in association with the Anchorage Borough School District. In April 1955, Ketchikan followed suit with the founding of the Community College in that city. These two events marked the first thrust toward what is becoming a *statewide system* of higher and postsecondary education. These units were designed primarily to provide lower division academic work which could be transferred to the University of Alaska, Fairbanks and needed vocational/technical training in their areas. Throughout this period of growth and development, the statewide Extension Service was perhaps the only extended activity of the University of Alaska. An experimental farm was developed in the Mat-Su Valley and other applied research stations established throughout the state. Agents were involved in the translation of theoretical research to applied Alaskan topics and engaged in informal education of Alaskans in a number of communities around the state.

The growth and development of the University system during the decade of the '60s is perhaps characterized by three significant factors. First, in 1962, the Legislature passed the Community College

Act in an attempt to join the University and the School Districts in a cooperative postsecondary education venture. Second, a commitment to the permanency of programs beyond Fairbanks was made with the beginning construction of facilities in other areas of the state. Third, continuing expansion of the system occurred with the establishment of Community Colleges at Sitka, Juneau, Kodiak, Palmer and Kenai. Additionally, embryonic four-year programs were begun in Anchorage and Juneau. The activities of the sixties were marked by strong central control from the University campus at Fairbanks with other units being viewed as extensions of the Fairbanks campus operation. By this time too, the University of Alaska had secured for itself a national and international reputation particularly as it pertains to geophysics and cold climate research. Greater awareness of the needs of rural native Alaskans began to emerge and a number of special programs were created at the University of Alaska, Fairbanks in order to encourage and assure the success of these individuals.

The decade of the seventies represents the most turbid period of time in the history of public higher education in Alaska. The beginning awareness of rural Alaska native needs carried itself forward with the establishment of other Community Colleges at Bethel and Nome, followed by the need for increased vocational training in the Fairbanks region with the establishment of Tanana Valley Community College and culminating in 1978 with the establishment of Community Colleges at Kotzebue and Valdez. By the end of this decade there were now units of the University embracing within their service regions, 92 percent of the state's population. Additionally, Extension Centers were operating in a number of areas of the state in further attempts to provide higher education services to rural Alaskans. Increased autonomy for different sectors of the University became major demands and in the second half of this decade, the system reorganized itself three times. By the mid 1970s, a crisis in finance and management began to emerge and the second half of this decade was marked by major changes in leadership, a loss in the University's credibility before the Legislature and the Alaskan people and the restoration of appropriate management systems with which to move forward into the '80s. During the second half of this decade, the system saw five separate Presidents and numerous changes in its upper level management team. Perhaps it could be said that the system had expanded beyond its capabilities to provide sound management and qualitative programs.

## Current Status

As the 1970s draw to a close and the 1980s thrust upon us, public higher education in Alaska finds itself in an improved state of health, but facing many critical issues whose resolution will determine its ability to continue to flourish and grow. The crisis management of the 70s has passed, new Presidential leadership for the University system has been provided and beginning seeds planted for renewed faith and confidence on the part of Alaskans in its public higher education system. After two decades of expansion, we now find three four-year campuses of the University of Alaska; a residential campus at Fairbanks, a metropolitan campus at Anchorage and a limited four-year campus at Juneau. Eleven Community Colleges are currently in existence and eight Extension Centers are operating. Additionally, twenty major research sections are engaged in the investigation of questions pertinent to national, state and international concerns.

Public higher education must now address the qualitative status of each of its units, and grapple with the basic problem of how far and in what manner to extend its services across the state.

**Issue #1 — Rural Alaska.** How can the needs of rural Alaska be better served by the public higher education system?

It has been said by some that rural Alaska is the glue that holds the state together. The faction fighting that occurs between the primary urban centers in Alaska is held in check only by this adhesive force of the rural communities. Many of the urban centers have developed their current employment and commercial bases in order to serve rural Alaska. Thus, the health and well being of rural Alaska will also contribute to the health and well being of urban Alaska. We have spent a quarter of a century securing even basic secondary education for rural Alaskans. We are now on the threshold of providing that postsecondary education and cannot afford to wait another quarter of a century in order to adequately fulfill this promise to our citizens.

But, how geographically far and to what degree of program depth can and should the University of Alaska extend its services across the state? In a state of 410,000 people, is there a need for three full four-year campuses, eleven Community Colleges and eight Extension

Centers? Is the system currently over expanded and how might its resources be more adequately used to serve broader state needs? The values and life style of rural Alaska defy much of standard tradition and if this is the case, then non traditional means must be utilized to reach these non traditional students.

Modern technology, primarily in the telecommunications area offers the potential and the promise to public higher education to better serve the higher education needs of the adult citizens of all of Alaska. Is it reasonable to expect that in a state which is unable to meet its basic transportation needs because of its geographical vastness, that an extremely sophisticated communication network is a basic requirement and basic service that ought to be expected and demanded just as citizens in urban Alaska expect and demand better road conditions? This lack of a highway transportation network creates a unique situation for the University as it attempts to carry out its charge to the people of this state. Rural service must be carried to small scattered populations. Accessibility is often difficult and the high cost of established methods of instruction in sparsely populated areas of the state, demands that new delivery methods and modes be conceived and developed.



**Issue #2 — Educational Policy Making. Is educational policy making in Alaska too segmented to be completely effective?**

Currently, three State Boards are charged with the development of overall state education policy. The Alaska State Board of Education, the Board of Regents and the Alaska Postsecondary Commission, all have a policy making, regulatory or coordinating authority of one type or another; yet, there is overlap between these three Boards. The lines of distinction are unclear in certain areas, particularly as it relates to the education of adults. The State Board of Education, through its Commissioner's office, is involved in adult programs of a variety of types and natures. They are directly involved in the operation of Skill Training Centers and provide for certain offerings in vocational education, adult basic education and other areas. The Community Colleges, under the direction of the Board of Regents, attempt to meet their open admission standards by the development of programs specifically designed for adult learners which will allow them to make a proper transition into postsecondary and higher education. Additionally, in terms of certain areas in vocational education, they have now reached a point where they are considered creditable as postsecondary level training. Thus, there is overlap between these two Boards for there is a very fine line of difference between what might be considered adult education and what might be considered postsecondary or higher education. Also, the University Centers with their public service mission overlap in the areas of Community Schools and community interest programs.

The Postsecondary Education Commission, as a third entity, has both coordinative and regulatory authority over certain public and private agencies in Alaska; yet, this authority is limited. Who resolves the differences between these three Boards? Are we wasting resources because of duplication in certain areas which occurs when one governing or regulatory body believes it can perform a service better than another? Additionally, each regulatory body believes full well that the charge has been given to it to perform a certain mission. Is there a need to consider an overall education reorganization act for Alaska which will place education policy making for all levels of education in the hands of a single Board? There is waste occurring, despite great efforts by staff to bring about coordination.

**Issue #3 — Governance and Organization of Public Higher Education. What type of higher education system would best suit Alaska?**

Currently there is a single public Statewide System of Higher Education encompassing both University Centers and Community Colleges; yet, there are philosophic and geographic rivalries that continue to exist within the system. The philosophic differences generally differentiate a Community College from a University Center, while the regional rivalries are factional battles that ensue between the three University Center campuses as each struggles for its own identity and its own prestige and reputation.

Philosophically, Community Colleges differ from University Centers in a number of areas. First, Community Colleges generally offer a tripartite educational function; that of general education and academic transfer programs, career and vocational education and community and public service of a continuing education nature. Only in the first of these and to a minor extent in the third, do the University Centers embrace this portion of a philosophic mission. Second, the role of Community Colleges is to provide access to all peoples regardless of background, location or financial capability. They are open admission institutions which allow any adult above the age of eighteen to enroll regardless of prior educational background. For many of these adults, programs of developmental studies are designed to assist them to successfully complete and master a postsecondary education program. University Centers on the other hand, have a selective admission process which is utilized in accepting students who may attend these institutions. Third, Community Colleges serve a more limited geographic locale and ought to be community based. Programs are designed with a specific eye toward the local community needs and it is the philosophic thrust of these institutions to provide adult education as close to home as possible. University Centers, on the other hand, serve a broader and more far ranging geographic population base. Fourth, Community Colleges traditionally try to provide financial access by maintaining tuition rates at low or no cost to the individual student. In a recent survey by the Postsecondary Commission of tuition rates in thirteen western states, the University of Alaska had the lowest rate of tuition for all Universities in those states. However, when the Community Colleges were compared with the Community Colleges in those same states, the rate for the Alaskan Community Colleges is third highest among these thirteen western

states. Does the utilization of the same base of tuition between University Centers and the Community Colleges preclude Alaskans from attending who might otherwise enroll and should our concept of access to postsecondary education also include economic access? This issue is particularly prevalent in rural areas of the state where per capita income among the indigenous population is extremely low. Fourth, Community Colleges do not have any particular emphasis on research, while University Centers legitimately do. Sixth, Community Colleges offer only the first two years of academic programs and many of the associate degree programs are designed with a *dual* purpose to allow a student, after completion, to either go out into the work force or to transfer to a four year institution. The University Centers offer primarily baccalaureate degree work of a full four year nature. Seventh, Community Colleges also place a special emphasis on vocational/technical education which is not generally of major importance in the University Centers. Eighth, the student population of Community Colleges is usually two-thirds part time with a normal average student body age of 28 to 30 years. University Centers, on the other hand, serve predominantly a full time student population and its student population is usually younger.

The geographic disputes among the University Centers seem to arise from a lack of distinction in the missions of the three centers. As the University of Alaska, Fairbanks was established first, full programs and a major research effort were developed. Now the predominant population base is in Anchorage and not Fairbanks and as the University of Alaska, Anchorage comes into its own, it finds itself in competition with the Fairbanks campus for certain research segments, certain baccalaureate and masters degree programs along with certain needs in the areas of physical facilities. All of these are real needs to serve an Anchorage base, but at the same time could result in under utilization of the Fairbanks campus. How can one segment of a single statewide higher education system be allowed to grow without diminishing another segment of the same system and without engaging in unnecessary duplication? Some duplication will be required by all units, however, our work force data seems to indicate that there are other areas where there is a need for only one program in the state. For instance, we duplicate our Bachelor of Education degree in elementary education at the three University campuses, yet none of the three offers the necessary credential for teaching in vocational education. This

same situation exists with the University of Alaska, Juneau, although to a lesser extent; this is yet an embryonic institution, but has heavy developmental needs. New campuses require a much heavier financial commitment on the part of the state than do existing campuses. How do we allow these new University Centers to achieve their potential status and at the same time preserve qualitative programs at the University of Alaska, Fairbanks?

University faculties also feel the need and professional thrust to engage in research in their disciplines. How will research be organized to allow all three University Centers to appropriately engage in this activity? Additionally, should all three centers be University Centers or should we maintain one University Center and additional state Colleges, which would have more of a teaching emphasis rather than research.

**Issue #4 — Public Higher Education Research and Alaskan Needs.** How can public higher education research answer better the basic questions relative to the economic, social and personal needs of Alaskans?

Criticism has been frequently leveled that the organized research being conducted within this state by the University of Alaska is too often geared to national and international questions and less often geared to Alaskan needs. This criticism is not, however, totally valid, for many institutes and research projects are geared specifically to the needs of Alaska. Alaska is one of several arctic areas; its research is integrated with that of other arctic and north pacific regions, but its University also represents the United States in the far north. How can the balance between this national/international and state need be balanced and still allow the University and its faculty the academic freedom to pursue questions of interest and validity to them as scientists? What incentives can be created through the Legislative and Executive branches of state government to assure that our public higher education scientists are addressing questions which need to be addressed by this state? As we begin the economic enterprise development in Alaska, we must be in a position to utilize our own human resources to explore the basic questions.

What linkage can be brought about between the public higher education system and the state policy makers? If higher education,

as part of its mission, is to answer basic questions pertinent to Alaska's commercial and industrial development, and if public higher education is to provide a trained work force at an appropriate time to meet the commercial and industrial needs of the state, then mechanisms are necessary to join these two arms in the exploration of mutual issues. As commercial, conservation and industrial issues are identified within the state and task forces or commissions set to explore them, a better binding could be brought about by involvement of the public higher education system at these early times. It is within the power of the Legislative and Executive branches of this state to conduct public policy planning in such a manner that public higher education can both contribute to this policy making and is in a position to respond in a timely fashion to the specific needs of the state. As we explore our bottom fishing needs over the next decade, many of our institutions must be in a position of being able to retrain Alaskans to partake in this economy. Yet, if such training is brought about too early, there will be no commercial enterprise for the trained fishermen to engage in unless the training and planning and development of markets occurs hand in hand with the state.

**Issue #5 — Unmet Needs.** How can public higher education in Alaska perform better those tasks it is currently engaged in? Four areas are highlighted here.

What must be done to better attract Alaskan High School seniors to the state's public postsecondary educational institutions? The Alaska High School senior survey report for the years 1977-78 and 1978-79, conducted by the Commission on Postsecondary Education, has indicated for two years in a row that only 30 - 32 percent of the state's High School seniors are planning to attend institutions in Alaska to continue their higher education. The three most frequently cited reasons by these High School senior for selecting the institutions of their choice were as follows: the availability of a particular program, the reputation and prestige of the school, and parents' or relatives' encouragement. For those students planning to remain in the state, the principal determinations in their selection of an institution were its closeness to home, program availability, parental encouragement and low tuition and living expenses.

How can the statewide higher education system assist in meeting the critical energy needs of Alaska? What can be done to

develop alternate energy sources? The statewide system of higher education must be engaged in practical and applied research which can be used by the average homeowner in curtailing his energy needs. The state government must assure that public agencies, including the statewide higher education system in Alaska, are utilizing public utilities wherever possible for their own basic resource needs in order to assure the least possible cost of these energy needs to citizens within the surrounding community. When a public agency sets up and establishes its own source of energy and does not utilize the public utility, higher costs will result to the individual homeowner and user. What state policies are currently in existence to assure that all public facilities being constructed in this state are of an energy efficient design?

The statewide public higher education system is not yet adequately meeting the vocational/technical needs of Alaskans. As we become a more technological society, our needs for increased skills in trade and technical areas becomes more and more evident. Although a multiplicity of vocational/technical programs exist around the state, there are still many areas of unmet needs. If we are indeed to maximize the utilization of Alaskans in our skilled work force, major support for vocational/technical education in the adult sphere of the University must be forthcoming. It is not only the training function which must be highlighted here, but the need to provide the linkages and liaisons with business and industry to assist in the development of jobs to aid in the placement and counseling of individuals who have completed programs and to help the colleges to keep their programs on target as they relate to the commercial and industrial needs of the state.

Finally, there is a whole generation of rural Alaskans who have been skipped by the formal education process. How can their developmental and adult education needs be met? A high percentage of Alaskans between the ages of 30 and 60 grew up at a time when secondary or postsecondary educational opportunities were not available to them. Most of these individuals exist in rural Alaska. They are individuals who are the natural leaders of their villages and associations yet, they lack some of the technical skills that the younger rural Alaskan native population has developed. The result is a conflict of leadership in rural Alaska. The younger rural Alaskan native has the formal educational capability of dealing with a modern technological society, yet lacks to a large extent, the

wisdom of age required for sound decision making. The older rural Alaskan, on the other hand, possesses the wisdom of age but lacks the modern technological skills to deal with current society in many ways. As a result, a reversal of roles occurs and a situation of social conflict between old and young is established. We cannot afford to merely pass over this generation of Alaskans, but must find ways to better meet their needs.

### **Other Perspectives**

Currently there are three private non-profit higher education institutions in Alaska; Alaska Pacific University, Sheldon Jackson College and Inupiat University of the Arctic. In addition to these, there are a number of proprietary schools functioning and operating within the state. They all contribute to the education and training of Alaska's adult population and ultimately, the state's economic development. Private higher education in Alaska has played a supplemental but important role yet, the cost of doing business in Alaska coupled with its sparse population, mitigate against the potential success of these institutions.

If we accept the notion that different philosophic missions among our higher education institutions contribute to a diversified heterogeneous population and that such educational plurality is healthy for the State of Alaska, then both public and private higher education must submit themselves to coordination by an authority with non-vested interests. What can the public system do to insure the health and well being of the private institutions in this state, while still fulfilling its mission as a public institution to all segments of Alaskan society?

### **Recommendations:**

1. That the State of Alaska and its public higher education system establish within its existing structure a statewide, non-campus based, non-traditional College of Alaska to meet the wide variety of needs not currently met by the existing, more traditional institutions. The University of Alaska has been undergoing preliminary planning in this area through its rural education section and so some of this ground work has been laid. As Susan A. Powell states in "State Policies: Plans and Activities" in Peterson's "Life Long Learning in America", non-

traditional students have widely divergent educational, psychological and financial needs which make demands on the traditional structure that the institution is often not equipped to meet. For these reasons, if the state relies in the future primarily on its existing units, their impact on non-traditional students will remain minimal. The most viable alternative to provide the access, diversity and equal opportunity desired by the University to meet the unique needs of rural clientele is for rural education to become a degree granting unit of the University which can then establish and sustain relevance and coherence in educational service to rural Alaska. As former Chancellor Ernest L. Boyer wrote to the trustees of the State University of New York in 1971, regarding a proposal to establish a non-residential degree granting college within New York, "we must now develop a higher learning system that is not restricted to a rigid curriculum, a single campus or a fixed calendar."

The non-campus college for Alaska must be village based for instruction and student support, but augmented by statewide capabilities in educational resources and programming. Orientation to the rural environment will provide the philosophical base, but attention will be paid also to the provisions of the educational experiences necessary to prepare individuals for equal participation in economic, social and political opportunities in a wider society.

2. That the State of Alaska provide its public higher education system with the telecommunications capability to provide equal postsecondary educational opportunities for all citizens in this state.
3. That the Governor and the Legislature of the State of Alaska look at the overall organization of educational policy making within this state. This investigation should determine whether or not appropriate coordination and utilization of sources is occurring at all levels, identify overlap of service, and make appropriate transfers to utilize the state's resources as efficiently as possible. This review should look particularly at adult and continuing education activities.

4. That the Board of Regents of the University of Alaska, with appropriate assistance from state government, define the educational mission of each major administrative unit of the statewide public higher education system in such a way as to clearly delineate to the public the issues addressed in issue statement #3.
5. That a differentiated tuition structure for Community Colleges and University Centers be established so as to provide individuals with financial access to postsecondary education.
6. That there be established within organized research of the public higher education system, an institute for state policy studies. Such an institute, while needing a basic core staff, can draw together some of the existing institutes and have the financial resources available to it to draw from other research areas of the University, those faculty and scientists needed to answer some of the state's critical questions.
7. That the Postsecondary Education Commission engage in a detailed analysis of why students go out of state by further exploring the reasons stated. Specifically, this project should identify what programs these individuals cannot currently find within state and what might be necessary to build the reputation and prestige of the public higher education system in Alaska to better attract Alaskan High School seniors.
8. Due to the lack of transportation corridors within the State of Alaska, state policy makers should encourage the establishment of appropriate student housing on a number of campuses within the public higher education system.
9. That financial incentives be provided to encourage University scientists to engage in applied energy research in cooperation with the energy consumers of Alaska. Such research activities should be directed toward identifying economically feasible energy conservation measures for the average Alaskan.
10. That the State of Alaska adopt as its policy that all public agencies participate in the local utility systems within their communities in order to create a lower overall rate of energy

consumption for the average Alaskan taxpayer.

11. That the State of Alaska provide a major funding thrust to improve the status of vocational/technical education within Alaska. Such efforts should be geared not only toward program development and maintenance, but improved employment prediction needs and improved job development and placement.
12. That the State of Alaska provide the financial resources necessary for a major undertaking in providing for developmental and adult education in those areas of the state where our adult citizens have not had previous access to the educational processes.

The needs of public higher education in Alaska are indeed great. In some ways this state has attempted an undertaking in its educational system which has been attempted by no other state in the country; but this has been Alaskan tradition — to provide for its people a quality of service which will overcome all natural and geographic boundaries. The issues need thorough investigation and exploration and the alternatives and consequences must be fully explored as we move forward into the decade of the '80s.

#### Biographical Sketch

Patrick J. O'Rourke is currently Chancellor for the division of Community Colleges, Rural Education & Extension of the University of Alaska Statewide System of Higher Education. He is a sixteen year resident of Alaska and received his Bachelor of Arts degree from St. John's University in Jamaica, New York, his Master of Science degree from Indiana State University in Terre Haute, Indiana and his PhD from the University of Connecticut.

Dr. O'Rourke has been a Teacher, Counselor and College Administrator in rural Alaska, a former Director of the Upward Bound program at the University of Alaska, Fairbanks and founder of Kuskokwim Community College in Bethel.

Dr. O'Rourke has been with the University of Alaska since 1970 and assumed his current position in November 1977. His current responsibilities include the state's eleven Community Colleges, ten Extension Centers, Statewide Correspondence Study program, the statewide Cooperative Extension Service, the Alaska Native Language Center and Rural Education. He has served on the Governor's Manpower Planning Council, the state Manpower Services Council, the Alaska Native Human Resource Development program and the Economic Policy Development Council for Southwestern Alaska. Additionally, he has served on numerous state Task Forces during his years in Alaska.

# AIR TRANSPORTATION IN THE FUTURE OF ALASKA

Prepared by  
Walter B. Parker

## Air Transportation

Alaska's airport terminals are probably the place where friends most often meet. The importance of the air transportation system to the state's social and economic well being is well recognized. Despite that recognition, probably no other sector of importance in Alaska has been more neglected by the state government. The result is that the aviation system of which Alaskans have been so proud is at present in sad straits in several of the state's rural areas.

There are several reasons for the present situation in western Alaska where freight and mail shipments suffer long delays; where the small air carriers serving a large area of the state have been shut down by the Federal Aviation Administration for safety reasons; and where old experienced operators are giving up after years of effort to build a strong local air carrier.

Part of the reason lies with the efforts of both state and federal governments to deregulate the economic aspects of aviation in Alaska. Part is with the great increase in demand in rural Alaska. Most is due to a policy of general neglect by those agencies responsible for the public welfare in aviation.

Alaska's air system has three main tiers: states - Alaska and international service; service from the major hubs of Anchorage and Fairbanks to the regional hubs like Bethel, Nome and Barrow; and, service from the regional hubs to the small villages. The first is well served at present, the second has no major problems, and the third area is where the problems referred to earlier occur.

In order to understand the present problems a short review of Alaska's aviation history is instructive. From the arrival of the first

aircraft in 1921 until World War II, Alaskan aviation was largely unstructured and consisted of small aircraft operating from largely unprepared landing areas.

In 1939, a careful planning and construction effort was begun which by 1945 resulted in a statewide system of airports and radio aids to navigation. This system linked Alaska's major communities for the first time with a safe and reliable air transportation system. It did little for the smaller villages since airports between the larger towns were sited to meet military needs rather than those of the existing population.

After the war, a period of intensive competition between scheduled and non-scheduled air carrier ensued. In addition, several of the small bush operations utilized their earnings during the war to establish positions as strong regional carriers. Northern Consolidated, Wien, Pacific Northern, Alaska, Reeve Aleutian and Coastal Ellis emerged as the strong regional carriers during the 1950's, while Pan American and Northwest maintained their positions as international and states — Alaska carriers, joined by Pacific Northern, Alaska and later Western in the states — Alaska traffic. In 1957, Scandinavian Airlines instituted the first polar flights and were soon joined by a host of other foreign carriers. Alaska became truly the "Air Crossroads of the World".

DEW line construction resulted in a ring of modern airports with radar navigation aids around the western and arctic coasts of Alaska. Here again, there was only incidental relationship to the needs of the resident population as the sites were chosen to provide overlapping radar coverage.

At statehood, Alaska inherited from the federal government an airport system that was reasonably modern and adequate for the cities and larger towns, but which was still in the bush period in so far as most of the small villages were concerned. Short poorly constructed airstrips or water landing areas were the rule for rural areas.

At statehood, the FAA maintained some 40 flight service stations throughout Alaska which provided a focus for aviation communications, weather, field information and which maintained the network of radio aids to navigation.

In the first ten years of statehood little was accomplished to upgrade rural airports in most of the state. Maintaining and upgrading the regional hub airports, and the program to "put Southeast on wheels" absorbed most available funds. During this period, the FAA began its program of centralizing its facilities and serving the bush through remote controlled outlets. This eliminated on-site weather observations and other immediate information for many areas.

From 1968 through 1977, the major energies of both state and federal agencies concerned with aviation facilities were directed to support of the Prudhoe Bay development, Alaska Oil Pipeline construction and continuation of the Southeast Alaska airport program. Upgrading small rural airports was a minor program and of 230 small communities for which air service is essential due to lack of other transportation, less than one third had substantial improvements on their airports during the first twenty years of statehood.

The Civil Aeronautics Board (CAB), as a result of its Alaska Service hearings, in 1970 and 1971, concluded that Alaska could best be served by strong regional carriers. This policy resulted in the joining of Wien and Northern Consolidated into Wien Air Alaska and giving that airline the scheduled air service rights for most of Western Alaska, the Arctic and the Interior. Alaska Airlines was given exclusive rights for Southeastern Alaska, which eliminated both Western and Pan American from that area, while Alaska gave up its rights in serving Nome and Kotzebue. Reeve continued to serve the Aleutian area and Kodiak Western served Kodiak Island and portions of Bristol Bay.

During this period, the major regional carriers continued to subcontract their mail routes from the regional hubs to the villages with small air taxi operators. This process began in 1957 and by 1977 all bush routes were subcontracted. The result of this was a gradual diminishment in the capability of the air service to meet peak demand loads or to haul oversized freight to many places. The small carriers could not provide the back-up services in communications and radio aids to navigation that the regional carrier had provided, and general reliability of service was diminished.

In 1978, the CAB began to implement the Airline Deregulation

Act, a procedure which brought a turnaround in policy by encouraging competition in air service. Wien and Alaska had previously held a monopolistic position on most of their routes. Now competition between the two major Alaska carriers was encouraged as well as allowing service by new entrants such as Great Northern Airlines. The Alaska Transportation Commission also issued competing certificates of necessity on many bush routes where one carrier had previously held a monopoly.

Previously, air carriers in Alaska had depended upon pay for carrying mail and CAB subsidies for a substantial part of their income. Under the new policy, mail pay can be divided among several carriers, if necessary, and subsidies are not encouraged as a means of guaranteeing service to points that generate little passenger, freight or mail revenues in air service. Thus, carriers must find new revenues, be more efficient or prepare to exist on less income, if competitors must share a revenue base that is relatively limited.

The CAB is required, under the terms of the Air Deregulation Act, to ensure the provision of essential air service to small communities. This process is still underway and the Board will soon be issuing some findings on essential air service for comment. There is no indication, thus far, that serious consideration is being given to the cost of air service to small communities. The situation in the past five months is that air fares to rural Alaska have increased over 20 percent while those on high density routes such as Anchorage-Seattle have remained relatively stable.

The result, thus far, of deregulation of air service has been a plethora of special fares on high density routes with substantially reduced fares by airlines offering services on new routes. However, fares on low density routes have often increased. There is little system or economic pattern that can be determined as yet, but there is cause for genuine apprehension that the net result of deregulation will be substantially higher costs for rural Alaskans.

In recent months, in Alaska, there have been several incidents in air service that cause concern for the future. Two major subcontractors for mail service were shut down by the FAA because of faulty maintenance procedures. In the past, this has been one of the first indications of an air carrier that is operating with limited revenues and rising costs and looking for ways out of a cost squeeze

One major subcontractor has indicated he is terminating his contract and will discontinue service to some 53 points in Western Alaska. A new subcontractor with an entire new fleet of aircraft and new personnel will replace the old operation.

The present situation is that mail and freight service to many points is extremely poor. Passenger service is marginal in many areas due to the small aircraft in use and unreliability of scheduled service. Many operators say that they cannot finance more suitable aircraft without a great increase in fares, freight rates, and mail pay.

The condition of airports and support services for aviation is worse in many areas than it was twenty years ago. Poor telephone service to many places makes it difficult to make reservations and to exchange weather information and other aviation data.

Limited funding for airport improvement has made it impossible to generate a major program for bush airport improvement. With some 230 rural airports competing with those in the urban areas for about \$20 million in mostly federal funds with some state money, there is obviously not enough funding in the system. Usually improvements are not completely adequate to do the job because of the necessity to cut costs.

The state has never accepted any responsibility to provide radio aids to supplement the FAA program. The FAA system provides good coverage at high altitudes and around urban areas. It provides no coverage or service to almost all of the smaller communities. The FAA has a few radio aids budgeted over the next few years, but

these will only provide a very limited expansion of capability for the air system.

There are no provisions for terminals or storage at almost all of the smaller airports. Some of these are a substantial distance from the village they serve and sometimes people must wait for hours in cold or rainy weather for delayed air service.

Improvements in the rural air system should have a positive effect upon economic development in several areas. Fisheries is the first example that comes to mind because of the substantial portion of the annual fish catch that is being lifted by air service already. Longer runways at key locations would improve the efficiency of this operation.

Many Alaska Native village corporations are planning new ventures in forest products, agriculture, tourism and other ventures. Improved air service, at reasonable cost, will enhance the viability of these ventures in their initial years.

Development of both off-shore and on-shore oil and gas will continue to make sporadic localized demands for intensive air service. A basic good statewide structure will make it easier to accommodate these surges in demand without severe deterioration of service to the rest of Alaska.

While there are a range of problems with the States - Alaska, international and interurban air service in Alaska, most of these are being addressed and major projects are underway to remedy many of them. The effects of deregulation on costs in these areas still remains to be seen but it will certainly be largely affected by the general effect of deregulation on air service nationwide; and any detrimental effects will probably be addressed by nationwide corrective measures.

The problem of rural air service is unique to Alaska and can be most affected by what we do ourselves. Federal programs will never be sufficient to meet the requirements for a first rate rural air service.

Airports, aircraft and personnel to man both are the primary requirements to any air system. Radio aids, communication and other



supporting services are absolutely necessary if a reasonable level of safety and reliability is to be maintained.

Rural airports will require the expenditure of a great deal of money to bring them all up to a reasonable level of quality. Some areas can be connected to a central airport by road but this is a limited option. The relationship between airports and aircraft is the area where greatest immediate savings can be achieved.

Many communities in Southeastern Alaska, Kodiak Island and other areas still rely upon float equipped or amphibious aircraft for all of their service. In areas where this service is predominant, the utilization of amphibious aircraft with greater capabilities in handling freight and passengers is an alternative. Many of these places do not have a good airport site.

Helicopters are another alternative for places that have no runways or inadequate runways. The villages around Bethel are an example where helicopter service might be considered. Both helicopters and amphibious aircraft are inefficient to operate economically and demand higher fares than conventional aircraft.

Another category of aircraft that would lessen runaway costs are short takeoff and landing (STOL) types. Many of these presently available can carry large freight items and large numbers of passengers. They too are inefficient to operate economically compared to conventional aircraft, especially over long distances.

However, when the costs of using aircraft of this type are measured against the costs of building long runways, some significant savings may be realized without penalizing the service to the small communities. The obvious question that arises is why have we not done this in the past?

The major reason is that we have been locked into federal funding patterns which provide money for airports but not for aircraft. There are limited federal programs for aircraft now available, but these are too new to have any effect yet and may be too limited.

Utilization of state monies allows us to make the decision for airport expansion or more suitable aircraft on its merits. Proper aircraft would provide more immediate relief while the state entered upon a

long term program of upgrading airports. The other major advantage is that such a program could be adjusted to fill economic dips if sufficient long term planning is accomplished. However, many communities do not fit into the above patterns and need immediate relief on airport expansion or improvement.

There appears to be an adequate supply of pilots and trained flight personnel. Expanded training opportunities in Alaska will insure that the air services are provided by local residents to the maximum extent possible.

Maintenance of rural airports has been a constant problem. The most logical solution is to continue to train and utilize local people. This problem will be greater if radio aide, field lights and other improvements are made. The answer is still to train local people to the maximum extent possible in repair and maintenance of equipment.

Radio aides, communications and field lighting need special designs to make them low energy utilizers and as easy for maintenance as possible. They must be certifiable by the FAA but designed for use in village Alaska. The experience with small earth station design has provided us with a fund of experience in how to design electronics for rural Alaska.

Terminal improvements at many regional hubs and rural airports should be strongly considered. Alaskans of all walks of life spend a substantial part of their lives in airport terminals or waiting around airports. Why not make the experience as comfortable as possible.

Weather observers should be hired and trained throughout the state. It is ridiculous to continue to operate in large areas where no public weather information is available.

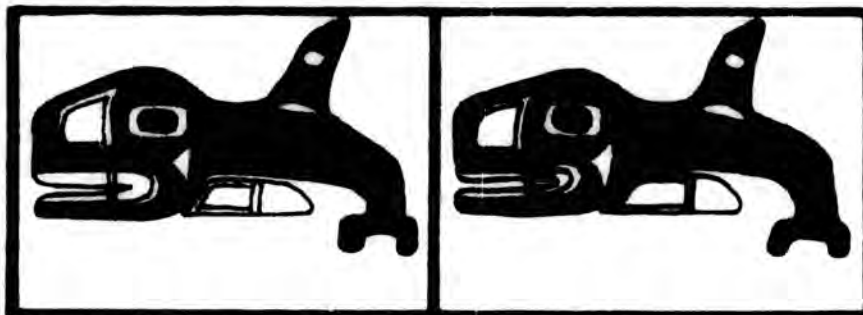
Communications can be provided with conference (hot-line) circuits to link rural areas with the regional hubs as a minimum improvement at this time. These circuits would connect FAA stations, airline offices and others in the hubs with postmasters and airline agents in the villages. They would eliminate many of the frustrations involved with waiting for aircraft that never come.

There has never been a real aviation system plan for Alaska. The state has an airport plan, FAA an air traffic and air navigation plan,

CAB and economic plan and each carrier its own plan. The improvements suggested here should, indeed, must be related to an overall plan which will provide the base for the private system of air carriers to give the best possible service at reasonable rates. It is primarily a state responsibility to design such a system for inter-Alaska services and one that has been ignored too long.

## NOTES

Aviation is too important in the future of Alaska to continue to receive the casual offhand treatment it has received in the past from the state government. The time to move is now, before we enter another period of major development, and the problems are pushed to the back of the heap to emerge again after the next boom period with no basic changes in the flaws of the system.



### Biographical Sketch

Walter B. Parker has been involved in Alaska's air transportation system since 1946, beginning as a radio operator for the Civil Aeronautics Administration (CAA) and continuing through various positions as an air traffic controller, training officer, planning officer, and evaluation officer for the Federal Aviation Administration which succeeded the CAA in 1957. He was Transportation Planning Officer for the Federal Field Committee for Development Planning in Alaska in 1970-71 where he did extensive work on the problems of rural air transportation. He then consulted in transportation until 1974, working on a comprehensive economic analysis of the Alaska transportation system in 1973 which included a strong segment on the air system. He was Director of the Technical Staff for the Alaska State Office of the Pipeline Coordinator in 1974 where he had a good deal of involvement with the air support operations for that effort. In 1975-76, as Commissioner of Highways, he was active in developing the legislation which eventually created the Department of Transportation and Public Facilities in 1977. As State Co-Chairman of the Federal/State Land Use Planning Commission in 1976-79 he provided oversight on several transportation studies. He is now active again in consulting and working on air transportation problems in rural Alaska for the Alaska Legislature.

# WATER BORNE TRANSPORTATION

Prepared by  
George C. Silides, P.E.

Transportation! Usually the most sensitive issue in Alaska, whether the issue pertains to the transport of natural resources through and out of the State, or whether it concerns the cost of transporting the everyday necessities. No matter what the current economic development may be in any part of Alaska, the cost of living and the quality of life is enhanced by improved transportation or by the construction of those facilities which give access to adequate transportation. This paper deals, briefly, with various aspects of water borne transportation and with some of the capital improvements/investments that are needed to make better transportation modes possible and effective along the coast and through the great interior rivers.

## Historic Dependency

All of the people of Alaska have always been highly dependent upon water borne transportation, though nowhere is this fact more truly reflected than throughout rural Alaska. There the quality of life and, in fact, the very ability to maintain a community at a given location depends greatly on the ability to move freight and people in and out of the community.

## Facilities Need

It is a modern paradox that in these days of sophisticated, high speed, transfer of people and the goods of commerce, many communities of this State remain totally without any mode of surface transportation by a public facility, or of regular service by a surface common carrier.

Need studies conducted by the Division of Waters and Harbors, beginning in 1972, showed scarcely a community along the coast and rivers that was not in need of some attention. To the historic state role of rendering fisheries assistance was now added the concern of providing public assistance for the handling of fundamental

freight needs in both urban and rural areas. In the case of the rural areas, such assistance often meant the difference between measurable economic growth, such as was afforded by the public docks at Dillingham and Bethel, or continued privation.

## Financial Need

Also in 1972, it became evident that dependence upon the receipts from the Marine Fuel Tax was no longer adequate to both sustain and enlarge a marine facilities construction program. Furthermore, such use taxes are subject to erosion or outright repeal by legislative action.

Additionally, port and harbor projects for which Corps of Engineers or Federal Economic Development participation had been authorized demanded a permanent commitment of funds which would be immune from future legislative action. The best solution to provide this fund was determined to be a series of General Obligation Bond issues.

## Legislative Action

In 1972 the Legislature and the Administration joined their efforts in an initial \$20,000,000 bond issue for water resource development, thus marking the birth of a modern, long range, port and harbor improvement and construction program. A comprehensive Port Facilities Act in 1974 gave further meaning and direction. The program of furnishing adequate facilities to the burgeoning industry of harvesting Alaska's fish and shellfish resources, and to the freight handling needs of coastal and river communities seemed well launched.

## Administrative Action

There followed a series of significant actions. In addition to expansion and repairs to existing facilities at Ketchikan, Juneau, and Sitka, docks were constructed at Bethel and Dillingham to serve as Regional Ports. Small boat harbors were completed at Sand Point and King Cove, and begun elsewhere. Studies were conducted to determine the needs of the Kenai Peninsula, the Seward Peninsula, and Southwest Alaska. Determination was made of the economic feasibility and of the capital improvements necessary for the exten-

sion of the coastal freight handling capabilities of the Marine Highway System to the westward.

### Delays

The marine facilities program was dealt a setback in 1976 when, on very poor advice, the Governor vetoed the legislative bond issue authorization of that year. Despite a later change in Administration attitude, and a 1978 bond issue authorization, the program has been impeded in the recovery of both its scope and impetus.

Much of the delay to facilities construction and to extension of the marine highway system stems from the 1977 re-creation of the oversized Alaska Department of Transportation. Such was its unwieldy structure in 1962 before it was broken up by Executive Order, and historic evidence of its failure is being repeated. One can recite a litany of ills, but the evident result is a lack of accountability. Formerly productive units have been reduced to bureaucratic cogs, and the Department appears unable to comply in a timely fashion to either legislative intent or the Governor's openly stated wishes.

An unconcionable delay to proven necessary and publicly desired development has been caused by interference from other agencies on environmental grounds, after valid environmental protection needs have been identified and satisfied. In 1977 the Legislature responded to this interference by enacting a Master Permitting Act, but to this date the Act has not been fully implemented as various agencies guard their "turf". Such delay is economically devastating. Faced with today's rate of inflation, the development potential of the principal sum of any bond issue cannot long endure.

### Oversight Protection

In its concern to develop criteria for the beneficial use of unanticipated state revenues, the Conference On Alaska's Future Frontiers must also concern itself with the survival of that criteria within the social and political mechanism of the coming decade. A firmer stand against spurious attacks and more effective legislative oversight will aid that survival.

### Extension of the Marine Highway System

Through the operation of the Alaska Marine Highway System, surface movement has been made possible to some of the roadless communities of Southeastern Alaska, Prince William Sound, and Kodiak Island. Though the system was primarily designed to accommodate tourist traffic and private vehicles, the freight transportation capacity of the system was quickly recognized. Today the ferries of the Alaska Marine Highway System make possible the delivery of a substantial portion of the much needed freight received at their ports of call.

There is a recognized and growing need for public marine transportation service to the communities of western coastal Alaska, whose water orientation is a way of life.

Because of the ready accessibility by water to almost all of the communities along the Alaska Peninsula, Aleutian Islands, and Bristol Bay, an extensive system of roads is neither needed nor economically practical. It is both needful and useful for the State of Alaska to alleviate the existing conditions by implementing a moderate, economically sound, extension of the Marine Highway System.



That system should use small, high freight capability-low passenger, coastal ferries. It cannot use the tourist passenger-personal vehicle type of vessel presently in use in southeastern Alaska, and between Seward-Homer-Kodiak. If currently uninformed and disruptive political pressure regarding the size and type of vessel is set aside, implementation of the extension through vessel purchase and construction of docking facilities can begin.

### **River Transportation**

The major rivers of Alaska were once the main routes of access from the coast. They are once again resuming their historic status of major highways for commerce, fed from the regional port at Bethel on the Kuskokwim River and the railhead at Nenana on the Tanana River.

Two additions to the State's Interior transportation system are needed if the Yukon and the Kuskokwim are to contribute their full potential to the transportation economy.

The first is the construction of a rail link to the village of Tanana, near the confluence of the Yukon and Tanana Rivers. Such an extension will have a marked effect on the handling of cargo destined for river points. One effect will be the elimination of the necessity of partially loading barges to 3-1/2 feet of draft for the trip on the Tanana River, and reloading at the village of Tanana to a draft of about 6 feet for the trip on the Yukon.

The second addition to the system which can beneficially affect traffic patterns and haul distances is the joining of the Yukon and Kuskokwim Rivers in the vicinity of their nearest proximity to each other. An earlier plan to join the rivers by means of a canal has proven both economically and environmentally unsound. The feasible alternative is to join the rivers with a heavy duty, unpaved, gravel road, approximately 30 miles in length. A dock is proposed at each end, and a probable oil products pipeline alongside. All communities can then enjoy access from the deep water port at Bethel, and from the railhead at Nenana and Tanana.

In any event, there are presently few, if any, cargo off-loading facilities at the river communities. Because of this lack, unloading of cargo is a difficult, often dangerous, time consuming affair. As a

result, it is also much more expensive than it should be. The added expense is passed on to the consumer, and increases the already high cost of living in Interior Alaska.

The problem is further aggravated by the various stages of the rivers — high in June, low in October, and unpredictably anywhere at other times. No cargo handling facility can be built on these rivers without careful attention to water level fluctuations during the shipping season, and to the problem of ice battering at Spring breakup. Any solution must be common to all communities.

Perhaps the most promising scheme is one adapted from facilities on the Mississippi. This consists of a rail mounted, movable platform which can serve as a barge breasting device and unloading platform, and as a means to winch freight up the bank to the village level if no trucks are available, as is often the case. The necessary rails are set in a concrete plank ramp, already developed and in use in the state.

### **The Northwest**

One cannot close a paper on marine transportation without mentioning the need at Nome and at Kotzebue to lighten freight for very long distances. This is especially true at Kotzebue. The cost of this lightening is reported to be 50% of the total transportation cost.

A deep water port on the Seward Peninsula is necessary for the reduction of these lighterage costs, for the development of the area's mineral potential, and as an alternative oil and gas pipeline terminal. To this date, the State has left the development of such a port to the U.S. Army Corps of Engineers. It is time that the State undertook the development of this deep water port on its own account if there is to be any hope of a reasonable construction time frame.

## Recommendations

From the preceding discourse we are led to the following recommendations as some of the action necessary by the State during the next decade.

1. Establish a high freight - low passenger capability ferry system between Kodiak, Unalaska, and Bristol Bay.
2. Construct a railroad link to the village of Tanana on the Yukon.
3. Construct barge tie up and freight off-loading facilities at the communities on the Yukon and Kuskokwim Rivers, and on their major tributaries.
4. Construct a heavy duty, approximately 30 mile long, gravel, unsurfaced, highway link between the Yukon and Kuskokwim Rivers.
5. Expand the regional ports at Bethel and Dillingham.
6. Construct regional ports at Naknek and the Seward Peninsula.
7. Establish a ferry - portage system from Iliamna Bay to Kvichak Bay, via the Pile Bay portage, Iliamna Lake, and the Kvichak River.
8. Establish an independent Alaska Port Authority.
9. Put less dependency on Federal assistance.
10. Establish adequate legislative oversight procedures.

## About the Author

George C. Silides has been a resident of the State of Alaska since 1947, and a Registered Professional Engineer since 1952. He has maintained his own consulting service since 1957 engaged in a varied and widespread practice of Engineering, and as Consultant to industry and government on matters of resource development. As a former State Senator he was active in the establishment of more effective marine transportation development procedures and funding. He is the author and co-author of a number of published reports on the economic and engineering feasibility of marine facilities, as well as a participant in the design of some of those facilities.

## NOTES

# ROAD TRANSPORTATION SYSTEMS

by  
Woodrow Johansen

## HISTORICAL PERSPECTIVE

Prior to July 1, 1960, road construction and maintenance in the District, Territory and State of Alaska was performed by a succession of agencies of the federal government. On July 1, 1960, the State of Alaska through the Department of Public Works assumed the responsibility of constructing and maintaining its highway system. In 1963 the Department of Highways was created by the Executive Order of then Governor Egan and in 1977 Governor Hammond encompassed the organization within the Department of Transportation and Public Facilities.

### Alaska Road Commission

The first organized effort to locate and construct trails and wagon roads in Alaska began in 1885, 1898 and 1899 when expeditions under the War Department were sent in to the District of Alaska to collect data regarding the country and the best national routes of travel. It is interesting to note that the routes travelled by these expeditions are the locations of the principal highways of this State.

In 1901 Congress appropriated \$100,000 to the War Department for roads and bridges in Alaska to be spent on a route from Valdez to Eagle. The funds were sufficient only for the construction of a crude pack trail through sections otherwise impassable and the building of some of the most necessary bridges along the route.

In January 1905 Congress created and funded a formal organization — The Alaska Road Commission — as an agency of the War Department whose purpose was to improve and maintain the system of trails and wagon roads in the District of Alaska and to construct new roads as available funds permitted. This system of some 4,890 miles consisted of wagon roads, winter sled roads and

trails. As the only construction and maintenance organization in the Territory, the Road Commission performed many services not ordinarily thought of as a function of a highway organization. They maintained the national cemeteries and monuments at Sitka, maintained the roads and trails in Mt. McKinley National Park, built and maintained a ferry in Norton Sound, built and flagged winter trails, built shelter cabins for the use of those driving dog teams on winter trails, built and maintained telephone lines, built and maintained flood control works, airfields, and a portage between the Yukon and Kuskokwim Rivers. In addition they operated tramways: one from Dunbar to Logjam on the Tolovana, one from Nome to Shelton on the Seward Peninsula, and one from Chitina to McCarthy in the Wrangell Mountains.

Funding for the operations of the Road Commission was obtained from federal, territorial and other sources:

1. Federal Sources —
  - a. Each year the War Department and after 1932 the Department of Interior presented a budget to Congress to cover the operations of maintenance and construction.
  - b. Reimbursable agreements with the Quartermaster Corps and the National Park Service.
  - c. The "Alaska Fund" was established by Congress to fund the operations of the Alaska Road Commission. It was created by setting aside 65% of the monies collected from taxes levied on liquor and tobacco outside of incorporated towns in Alaska. The amount available from this source varied from \$28,000 to \$242,000 a year.

### 2. Territorial Sources —

Beginning in 1920 the Territory of Alaska appropriated funds for the construction and maintenance of roads, bridges, and trails for specific projects as recommended by the Territorial Board of Road Commission. Over the years this fund amounted to \$6,250,000.

### 3. Other Sources —

These funds were paid to the Alaska Road Commission by municipalities, corporations and individuals as compensation for services performed. The compensation was made in cash or goods and services.

The Road Commission continued as the principal road building agency in the District and Territory of Alaska for fifty-one years. Under the Alaska Road Commission Two Hundred and Three Million, Two Hundred and Thirty-Three Thousand, Five Hundred and Sixty-One dollars were expended to improve and maintain the highway system. When the Alaska Road Commission was transferred to the Department of Commerce on September 16, 1979, there were 1,000 miles of paved primary highway connecting our principal cities, 1,250 miles of feeder roads, 1,350 miles of local roads and 445 miles of trails built and maintained in the Territory. By Act of Congress — The Federal Aid Highway Act of 1956 — the functions of the agency were taken over by the Bureau of Public Roads of the Department of Commerce.

#### **Bureau of Public Roads**

The signing of the Federal Aid Highway Act of 1956 by the President on June 29, 1956, ushered in a new era of road building in Alaska. With the passage of this act, the Alaska Road Commission was made a part of the Bureau of Public Roads. The functions of highway maintenance and construction were continued as in the past; however, the other services previously performed on a reimbursable basis were curtailed.

Alaska, in Fiscal Year 1957, participated for the first time in the Federal Aid Highway Act and received an allocation of some \$2,000,000. The following year the allocation was \$13,500,000. At long last, the Territory was assured of reasonably adequate funds with which to effectively plan and efficiently carry out the improvement and extension of Alaska's highway network.

The Bureau continued to carry out its responsibility as a federal agency until Alaska was admitted as the 49th State on January 2, 1959. They then contracted to carry on the functions for the State until July 1, 1960, at which time the Division of Highways under the Department of Public Works became an operating organization. The

State then took over all the responsibility for planning, constructing and maintaining the highway system.

#### **State Highway Organization**

The Division of Highways organized under the Department of Public Works was the State Division that organized and operated the highway organization from July 1, 1960, until September 1, 1962. The task of organizing and staffing a division of state government between January 3, 1959, and July 1, 1960, was formidable. The organization was staffed with people newly hired from outside coming from many states in the west and mid-west and coming from Highway organizations as diverse as the topography of the states from which they came. You can imagine, therefore, the differing opinions that existed on any subject and the difficulties encountered in trying to resolve those differences. Mr. Downing, then Commissioner of Public Works, and Mr. Sherard, then Director Division of Highways, must be given credit for developing an operating organization in such a short period of time.

As can be expected, problems developed in the organization, projects began falling behind, relations with the public deteriorated and the legislature launched an investigation. As a result, the then Governor Egan issued Executive Order No. 18 dated March 15, 1962, which established the Department of Highways as a department of state government and appointed D.A. McKinnon as Commissioner.

The Department of Highways provided an organization with a logical assignment of functions to four principal divisions in Headquarters and in the Districts. With this basic organization much more authority, accountability and responsibility was given the District Engineers and their staffs. As a result things began to move and the highway program as we know it today evolved. One year after the Department was created, it was handling \$80,000,000 worth of engineering and construction work.

In 1975 some legislators and members of the public began discussing the advisability of establishing a Department of Transportation to encompass all modes of transportation in one department. The federal government had reorganized in this manner and many thought we could work more closely with them if we were so organized. Others thought by so reorganizing there would be

closer cooperation between the various modes. Still others thought an organization formed along functional lines encompassing all modes of transportation would be more efficient. Governor Hammond publicly discussed the proposal in 1976 and on July 1, 1977, by Executive Order No. 30, he established the Department of Transportation and Public Facilities. The new department essentially combined the old Departments of Highways and Public Works and encompassed Highways, Aviation, Buildings, Waters and Harbors, the International Airports, and the Ferry System. The intent was to organize this department on functional lines. It is an intent which is only partly realized at present but it is a goal that will be achieved.

The Department of Transportation and Public Facilities is now two years old with an operating budget of \$150,000,000 exclusive of the Capital Improvement Program. The highway mode including marine transportation accounts for \$92,000,000 of this amount. The Capital Improvement Program funded for highways by the legislature amounts to approximately \$200,000,000 — \$39,000,000 direct appropriation and \$161,000,000 bond money.

### CURRENT STATUS

At this writing there are approximately 6,700 miles of road maintained as a part of the State Highway System. Of this the Federal Aid System accounts for 5,400 miles: 3,000 miles is primary, 2,400 miles secondary and 100 miles is urban. The Marine System accounts for about 1,440 miles of this system. The State Maintained and Local Service Roads and Trails System amounts to 1,250 miles.

In addition the cities, the boroughs and villages of this state maintain 2,600 miles of roads, streets and walkways. Under federal control in the National Parks, National Forests and Reservations, there are 1,750 miles of road being maintained.

To maintain the State System the last legislature appropriated \$42,177,200 for fiscal 1980. Of this amount \$5,500,000 was earmarked for Haul Road maintenance and camp construction. We have, therefore, some \$36,700,000 to maintain approximately 5,300 miles of highway varying in section from a 20 foot dirt road in an outlying area to four and six-lane paved divided highways containing storm drains, sidewalks, utility conduits, lighting, signalization and pavement marking.

To maintain the highway system of 3,600 miles of roads in 1956, the Alaska Road Commission expended \$4,100,000 or an average cost of \$1,100 per mile. This compares with an average cost of \$6,900 per mile we are now spending on our highway system. When one takes into account the depreciation of the dollar over a period of twenty-three years, when one considers the actual amount of resources required to maintain a modern highway section as compared with one of two decades ago, when one realizes that motor vehicle registration in this State has increased from 81,924 in 1960 to 318,217 in 1978 and when one examines closely the work being performed to maintain our highway system; one must realize that the State of Alaska is not committing sufficient resources to accomplish the task.

The projected State Highway Design and Construction Program for the next six years is in an amount of \$96,000,000 in Fiscal 1979 to a high of \$143,000,000 in 1982. The total projected funding for the six year program approaches \$678,000,000 with about \$305,000,000 allocated for the Central Region — the Greater Anchorage Area. The construction cost for this program is estimated at \$568,000,000 and the remaining \$100,000,000 will cover the costs of location, design, right-of-way, and utilities. Right-of-Way and utility costs are of course exceedingly heavy in the Central Region. In this region for the period 1979-1980 these costs are estimated at more than double the total costs for the rest of the state.

### Sources of Funding (Federal)

The sources of funding for road construction in the state are many. Far and above the largest is the Federal Aid Highway Program of construction on the primary, secondary and urban roads, which program also includes funding for the construction and alteration of the state ferries. These funds are administered by the Highway Division, Design and Construction Section, within the Department of Transportation and Public Facilities and amount to approximately \$80,000,000 a year.

Another federal program administered by Highway Division, Design and Construction, is the Safer Off-System Roads Program. These funds are intended to correct safety hazards on heavily travelled roads and bridges not a part of the Federal Aid Highway System. Approximately \$8,500,000 is allotted to Alaska each year.

under this program providing for a total program with state matching funds of \$9,500,000.

A third federal program of significance to this state is the High Hazard and Road Side Obstacle Program. As the name implies this program is intended to eliminate hazardous locations on the Federal Aid Highway System. It is administered by Highway Division, Design and Construction, and amounts to about \$5,000,000 per year including the state matching money. This program gives special emphasis to eliminate or mitigate the hazards existing at railroad crossings, at high volume intersections or at any section of highway where an obstacle or hazard may exist.

As a result of the deterioration of bridges throughout the nation and the failures that have occurred as a result of this deterioration, Congress initiated a program of bridge replacement. Work can be performed on or off the Federal Aid Highway System. This program administered by Highway Division, Design and Construction, will replace three bridges in the state in the next two years. Funding for those two years amounts to approximately \$16,000,000 including state matching funds.



### Sources of Funding (State)

In 1977 the State Legislature initiated a program of road construction titled the Local Service Roads and Trails Program. It also is administered by Highway Division, Design and Construction. Under this program, funded entirely by the legislature, some 530 miles of new and reconstructed road have been built. In addition several hundred miles of foot paths, bike paths, vehicle parking areas, bank protection, board walks, foot bridges and winter trails have been built by the state to be maintained by the local communities. To accomplish the above the state has spent some \$24,000,000 — \$14,000,000 directly in unorganized boroughs and \$9,000,000 allocated to organized boroughs, the Municipality of Anchorage and home-rule cities to be spent on projects of their choosing in accordance with policies and procedures established by the Department of Transportation and Public Facilities.

Each year the legislature will make direct grants to a specific city, borough, village or organization to accomplish roadway or trail work outside the established programs administered by the state. Some of the grants are made to the Department with specific instructions on how the funds are to be expended.

### Maintenance

The law which created a Federal Aid Highway Program in 1916 stipulated that to receive the benefits of the program a state must, among other things, establish a functioning Highway Department and agree to maintain any project built using Federal Aid to Highways Funds.

When the Legislature of the State of Alaska established the Local Service Roads and Trails Program in the 1970-71 Session, the law contained a stipulation that the then Department of Highways would be responsible for the maintenance of any project funded and built under the program.

From the foregoing it is clear that the Department of Transportation and Public Facilities is responsible for maintaining the major portion of the highways in Alaska — approximately 6,700 miles. To accomplish this work the Department operates with a budget approximately \$42,000,000 a year including \$5,500,000 for facilities

and maintenance on the road to the North Slope. This money is a direct appropriation by the legislature funded by general obligation bonds and apportioned to the operating regions in accordance with their road mileage and traffic volume.

All organized local communities (2nd class cities and higher) are eligible for revenue sharing for public roads and streets providing they accept the maintenance responsibility. In Fiscal 1979-80 communities applied for revenue sharing for maintaining 1,350 miles of public road and 166 miles of winter road open to the public. The state will participate in revenue sharing only on those roads that carry licensed vehicles. It will not share the maintenance responsibility for the upkeep of trails not constructed by the state. Revenue sharing can include not only roads built by the state but roads and streets built by others.

#### **Other Roads**

In addition to the 6,700 miles of road maintained by the state, there exists some 1,800 miles of road constructed and maintained by the Federal Government in our National Parks, National Forests and in those areas that were formerly Indian Reservations in Alaska. Funding for these activities is, of course, obtained from congressional appropriation.

There are another 2,600 miles of roads, streets and trails under the jurisdiction of local authorities — Boroughs, cities and service districts. These facilities are constructed and maintained with funds obtained from local taxes and grants from the state.

#### **CURRENT PERSPECTIVES**

The maintenance, improvement and extension of the road system in the State is a subject which is constantly being discussed and debated in our homes, on the floor of the legislature, in the press and on radio and television. There is no activity of state government that directly effects the everyday life of a resident of Alaska as much as the activity of highway maintenance and construction. As a result, any proposal of the Department of Transportation is a proposal that generates interest in the work involved.

The various procedures developed and followed by the State as a

project progresses from inception to completion are procedures which generate participation from the public, other State agencies and Federal agencies. In following the procedures outlined in the "Alaska Plan" for the development of a project, the Department progresses through a procedure of some seventy steps involving the participation of those interested in at least ten public hearings and meetings and requiring written contact and cooperation of some seventy-five government agencies and private organizations. It is the input from this process that results in the final product.

There are no government or private entities whose efforts are directed toward the construction and maintenance of roads other than those agencies mentioned previously. The National Park Service constructs and maintains roads and trails in National Parks and Monuments. The Forest Service constructs and maintains roads in National Forests sometimes with their own forces, but more frequently through agreements with the State or with the logging contractors utilizing the forest products. The Bureau of Indian Affairs constructs and maintains roads on Indian Reservations or on what was formerly Indian Reservation or on land that has been or is being turned over to Native Cooperations as part of the Land Claims Settlement Act. The activities of these Federal agencies maintain some 1,750 miles of road funded with Congressional Appropriations.

Boroughs, municipalities and service districts within the State maintain some 2,600 miles of road mostly funded by local taxes or state revenue sharing.

#### **OTHER PERSPECTIVES**

Most of the government or private entities whose efforts may be directed at times toward highway construction and maintenance are really involved not so much with the idea of getting a road constructed or maintained, but with being able to accomplish this improvement with the least adverse effect on their primary area of concern. Whenever a location hearing on some road project is in progress, some participant will invariably object, not to the idea of the road, but to its location as it may effect their area of concern; not to the need for the improvement, but to its width as it may effect their area of concern. It is seldom, if ever, that the participants object to the idea of a project.

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

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

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

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

#### **Directions**

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

#### **Biographical Sketch**

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

# FUTURE FRONTIERS FOR THE ALASKA RAILROAD

by  
Leslie E. "Red" Swanson

## The Alaska Railroad: A brief historical perspective

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

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

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

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

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

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

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

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

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

#### **The Transcontinental Link: Its current status.**

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

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

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

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

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

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

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

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

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

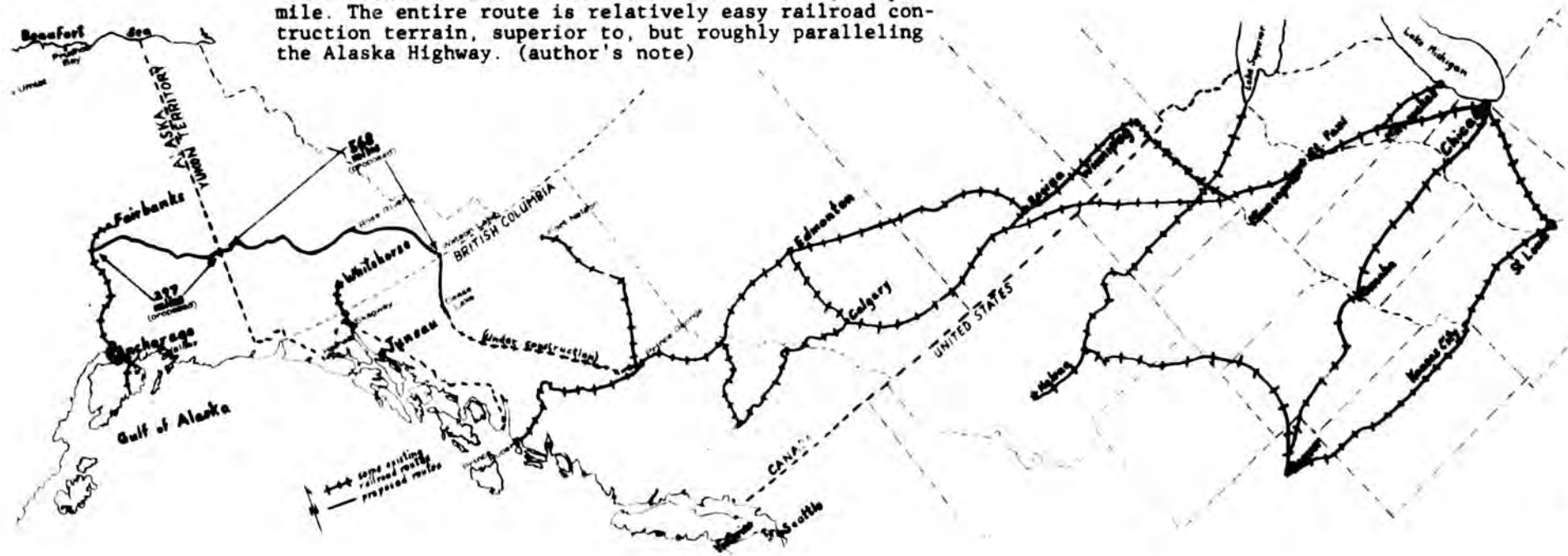
unregulated exploitation. Yet the majority of Alaskans support the logical exploration and development of local resources and the diversification and improvement of the state's economic base. The railroad system would meet both criteria; opening new areas to their full economic potential, while limiting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

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

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

PROPOSED RAIL CONNECTION

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



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

#### **Directions for the 1980's**

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

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

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

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

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

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

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

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

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



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**Biographical Sketch:  
Leslie E. "Red" Swanson**

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

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

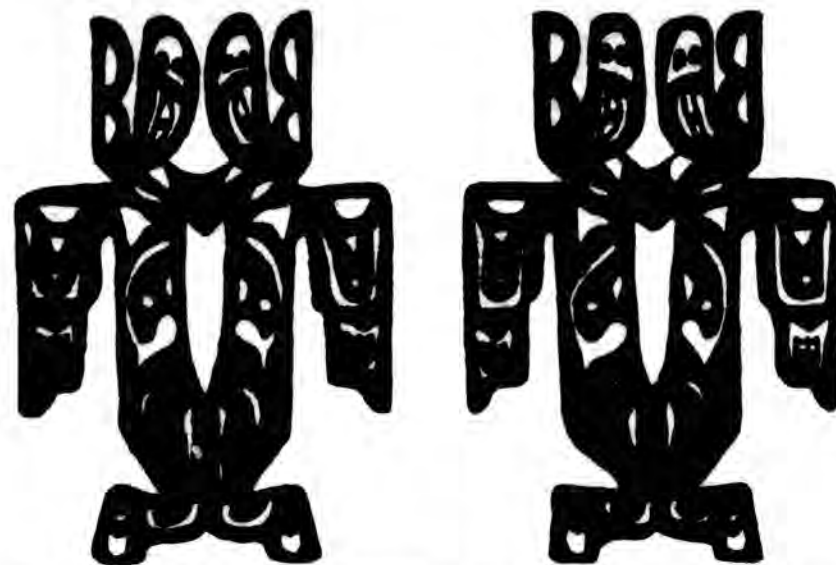
**NOTES**

## ALASKA LAW & JUSTICE 1979

Prepared by  
Robert H. Wagstaff

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

There is a general feeling endemic to the Alaska legal process that certain of what might politely be called the mistakes of other states can't happen here. Notwithstanding, recent findings by the Alaska Judicial Council establishes prima facie that a person convicted of a crime in Anchorage, Fairbanks, or Juneau stands a significant chance of getting a longer sentence if he is Native or Black. The executive director of the Judicial Council, Mike Rubenstein, has waged a courageous battle to bring this information to the public in hopes of redressing this wrong. The most fundamental Revolutionary precept of the American judicial system is equal justice under law. The phrase is found chisled on the facade of the Supreme Court of the United States. There is present and significant evidence that there is not equal justice under law in Alaska. A September 6, 1978, Judicial Council memorandum<sup>2</sup> states that as a result of statistical analysis in Anchorage, Fairbanks and Juneau from August 1974 to August 1976 it is "indicated that Blacks and Natives tended to have longer sentences, other things being equal than Whites." The study shows "that there was a pattern in which Blacks and Natives apparently received longer sentences and were



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

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

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

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

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

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

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

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

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

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

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

allegations have been.

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

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

Former Attorney General Ramsey Clark notes:<sup>9</sup>

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

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

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

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

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

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

Another example of misapplied politics in the criminal justice system is the current "ban" on plea bargaining. The term itself is unfortunate as it has a negative connotation. When there are legal disputes between two parties there is usually, if not always, some middle ground for resolution of the dispute. Non-judicial resolution of any dispute is to be preferred as it is a settlement that both sides have agreed to, thereby creating an independent viability. A settlement of a criminal case is as feasible as with a civil case. Attorneys are familiar with the facts and circumstances of their case to a degree that a judge will never be. If an agreement can be reached as to what is fair, this catharsis of the natural tension in the adversarial process is usually just and reasonable. For reasons that have become even more obscure with the passage of time the Attorney General's office has attempted to severely limit, if not abolish plea bargaining altogether. According to a judicial council study<sup>10</sup> the primary effect has been that sentences for lesser offenders, and particularly for the first time offender, has increased significantly. "Following the ban, 'clean kids' served longer prison sentences and were granted probation less frequently than before . . . Violent criminals, who always received substantial incarceration, did not fare any worse. The ones who really ended up holding the short end of the stick were the relatively minor property offenders, the drug offenders, and the people who wrote bad checks, embezzled, or committed credit-card offenses." Is increasing sentences for the least deserving serving the best interests of justice and the public? Yet the policy persists. The ban of plea bargaining in reality is just another prosecutorial tool similar to the Federal Speedy Trial Act, ostensibly enacted to help the accused, and now appropriately nicknamed the Speedy Conviction Act. The plea bargaining study notes: "Prosecutors, for the most part, found that they like the policy. It in-

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

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

#### Footnotes

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

<sup>11</sup>September 6, 1978 Alaska Judicial Council Memorandum: "Judicial Council Findings Regarding Possible Racial Impact in Sentencing"

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

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

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

<sup>15</sup>Case No. 3899

<sup>16</sup>Working Draft, Department of Law - August 27, 1979.

<sup>17</sup>"The Crime of Punishment", Dr. Karl Menninger (1968)

<sup>18</sup>"Crime in America", Ramsey Clark (1970).

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

#### Biography

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

# JUSTICE

by

John E. Angell

## Introduction

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

## Existing Situation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **Improvement Efforts**

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

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

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

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

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

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

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

### **Directions**

Two of the most fundamental concepts underlying Alaskan

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

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

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

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

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

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

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

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

#### Footnotes

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

<sup>2</sup>Ibid, pp. 32-48.

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

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

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

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

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

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

<sup>9</sup>*Alaska Village Justice*, op. cit. pp. 55-58.

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

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

<sup>12</sup>*Alaskan Village Justice*, op. cit.

<sup>13</sup>Ibid.

<sup>14</sup>*Analysis of Alaskan Jail Situation*, op. cit.

<sup>15</sup>*Emergency Medical and Criminal Justice Communication*, op. cit.

<sup>16</sup>*Alaskan Village Justice*, op. cit.

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

<sup>18</sup>Ibid.

<sup>19</sup>*Alaska Village Justice*, op. cit.

<sup>20</sup>Ibid., p. 63.

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

<sup>22</sup>Article X, "Local Government," Section 3.

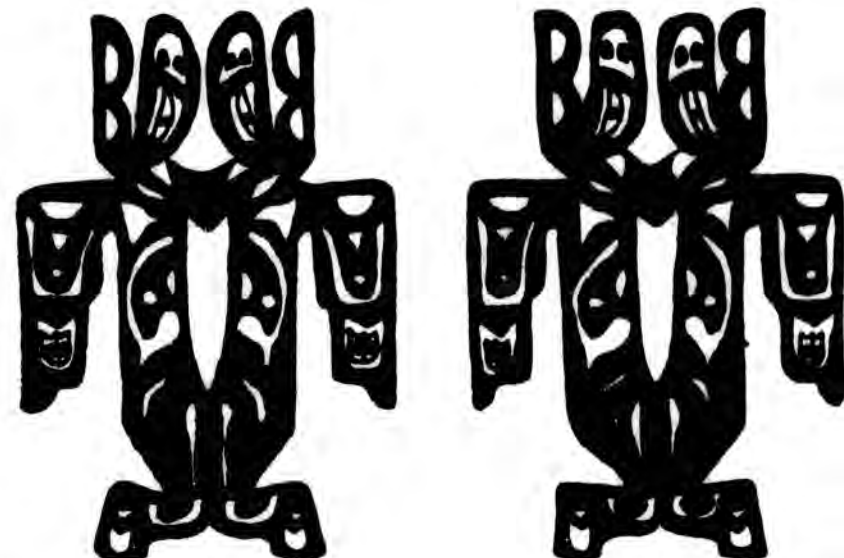
<sup>23</sup>Article X, "Local Government," Section 6.

<sup>24</sup>*Alaska Village Police Training*, op. cit.

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

#### Biographical

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



## LAW AND JUSTICE

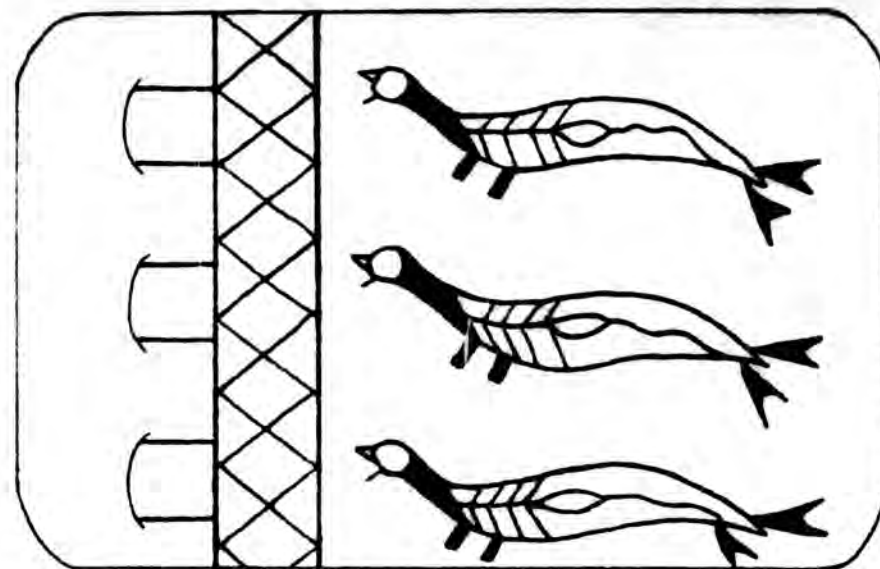
Prepared by  
Avrum M. Gross

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

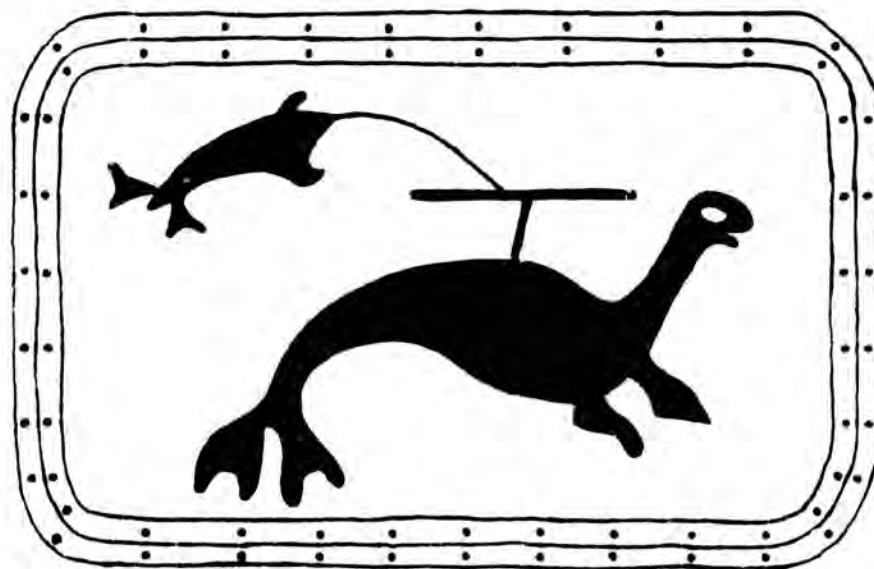
As the police are the first rung on the criminal justice ladder, corrections is last. Because it is the focus of an age-old dispute between rehabilitation and punishment, corrections has been buffeted over time with conflicting policies and attitudes. During the late 1960's and 1970's, rehabilitation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

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

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

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

Avrum Gross is the Attorney General of Alaska



# COMMUNICATIONS IN THE FUTURE OF ALASKA

by  
Walter B. Parker

## Communications

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

rural Alaskan society.

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

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

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

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

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

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

#### Biographical Sketch

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

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

Frederick P. McGinnis

## SUMMARY OF RECOMMENDATIONS

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

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

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

12. All third-party insurance payment mechanisms for health care in Alaska should be required to cover mental illness services in much the same way as they cover physical illness at the present time.
13. Legislative and executive branch decisions should be directed toward more extensive utilization and funding of the community mental health centers; several small regional juvenile residential facilities should be provided for mentally disturbed juveniles; an extensive review of the programs of the Alaska Psychiatric Institute and the Harborview Developmental Center should be instituted in order that their future roles may be determined consistent with changing patterns in delivery of mental health services.
14. That the legislative and executive branches provide for detailed analyses regarding the financial impact of improving the current payment level of \$120.54 per month per recipient under the Aid to Families with Dependent Children Program. (Under AFDC, the monthly payment for mother and child is \$350, versus \$608 for two persons under the Supplemental Security Income programs.)
15. Since \$80 per month per person for certain needy persons in the state is not sufficient to deal realistically with those eligible, a detailed study should be provided to determine the future structure and coverages under the General Relief and General Relief Medical Programs.
16. The legislative and executive branches of government should attempt to influence more strongly the federal Office of Management and Budget in order to adjust the official poverty guidelines for Alaska to bring it in line with financial realities and remove the current discrimination against Alaska's needy made possible by the policies of the federal Office of Management and Budget.
17. That the legislative and executive branches provide for an updated, comprehensive study of the status of Alaska's elderly population, with special emphasis on the adequacies of the financial assistance provided to elderly eligibles, and with special review of the effects of inflation on the fixed income of retired persons.
18. The legislative and executive branches of government in Alaska have recently provided for a comprehensive **Corrections Master Plan for Alaska**. Those portions of the Plan deemed to be acceptable should be strongly supported by the legislative and executive branches in order to improve both facilities and services in urban and rural areas of Alaska.
19. Limited and new programs such as Treatment Alternatives to Street Crime and New Start Center have demonstrated efficiency and adequate rate of success in assisting in the continuing rehabilitation of ex-offenders. It is in the interest of every citizen of Alaska that such ex-offenders be assisted in developing new life patterns free of crime and deserve adequate staff and financial support to assist in that goal.
20. Even though public assistance in the form of money transfer payment programs and social services based on counseling do not have the same goals, human service centers in various communities throughout the state should be co-located in order to serve citizens in a more efficient manner. (Report: Page 57)
21. Since Alaska does not operate any social service child care institutions and only one correctional juvenile institution, revisions should be made in the "purchase of services" statutes by amendment in order to fund those privately operated programs giving care to juveniles whose care has been made a state responsibility more nearly on the basis of **actual full cost of care**. (Report: Page 58)
22. The legislative and executive branches of government should make provisions whereby a reasonable percentage (approximately 1%) of the human services budgets of the state could be utilized by the executive agencies for research and evaluation purposes in order that full data may be available and proper evaluations made to place sound statistical and programmatic bases under all expenditures in the field of human services.

## **Table of Contents**

### **Health Care Financing**

Hospital Expenses

Alaska Area Native Health Services

Military Dependents, Retirees and Alaska Veterans

Revenue Sharing: Health

Third-Party Health Coverage

Private Health Insurance

Medicare

Medicaid and General Relief Medical

Medicaid and General Relief Medical Expenditures

Catastrophic Illness Coverage

Violent Crimes Compensation

Alaska and National Health Insurance

Recommendations: Health Care Financing

### **Public Health**

Tuberculosis in Alaska: Special Consideration

Directions - Public Health

Alcohol and Alcohol Abuse

Alcohol-Related Arrests

Health Consequences of Alcohol Abuse

### **Drug Abuse Treatment Services**

Recommendations: Public Health, Alcohol,  
Tuberculosis and Catastrophic Illness

### **Mental Health and Developmental Disabilities**

Developmental Disabilities Programs

Recommendations: Mental Health

### **Financial Assistance Programs**

Aid to Families with Dependent Children

Medicaid, Catastrophic Illness, Violent Crimes  
Compensation

General Relief and General Relief Medical

Food Stamps

Adult Public Assistance

Federal Poverty Guidelines: Alaska

Recommendations: Financial Assistance Programs

### **Senior Citizens**

Current Policies and Programs

Alternatives to Institutions

Federal Government Programs

Other State Services

Directions

Recommendations: Senior Citizens Programs

### **Reformation of Offenders**

## Correctional Institutions and Programs

Recommendations: Correctional Program

## Social Services

Recommendations: Social Services

Appendix No. 1 - Three Approaches to National Health Insurance

Acknowledgements

Bibliography and References

## Health Care Financing

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

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

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

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

## State Government

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

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

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

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

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

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

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

### Hospital Expenses

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

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

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

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

### Alaska Area Native Health Service

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

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

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

### Active Military; Dependents and Retirees; Alaska Veterans

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

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

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



### Revenue Sharing

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

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

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

\*Over 10 beds

\*\*Under 10 beds

\*\*\*75+ beds

#### Grant Entitlements By Classification of Municipal Services

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

### Third Party Health Coverage

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

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

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

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

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

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

### Estimated Alaskan Population Protected By Specific Health Coverage Programs

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

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

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

### Private Health Insurance

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

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

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

#### Private Health Insurance and Blue Cross

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

December 31, 1976

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

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

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

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

#### 1977 Total Accident & Health Insurance Financial Data For Alaska

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

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

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

### Medicare

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

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

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

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

#### Medicaid and General Relief Medical

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

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

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

#### Medicaid General Relief Medical Expenditures

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

1/ Projected expenditures

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

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

## Medicaid

### Historical Perspective:

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

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

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

### Current Status:

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

### Directions

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

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

### Catastrophic Illness Coverage

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

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

### Violent Crimes Compensation

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

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

### **Alaska and National Health Insurance**

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

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

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

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

### **Recommendations:**

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

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

## PUBLIC HEALTH

### Historical Perspective:

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

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

### **Current Status:**

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

### **Tuberculosis in Alaska: Special Consideration**

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

Today's significant markers include:

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

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

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

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

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

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

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

#### **Other Perspectives:**

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

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

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

#### **Directions:**

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

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

#### **ALCOHOL AND ALCOHOL ABUSE**

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

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

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

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

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

#### **Funding:**

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

#### **Consumption:**

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

#### **Alcohol-Related Arrests:**

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

#### **Health Consequences of Alcohol Abuse:**

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

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

#### **Clients Receiving Drug Abuse Treatment Services:**

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

#### **Recommendations:**

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

#### **Recommendations:**

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

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

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

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

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

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

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

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

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

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

## **MENTAL HEALTH & DEVELOPMENTAL DISABILITIES**

### **Historical Perspective:**

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

### **Current Status:**

In 1962 the State built its own Alaska Psychiatric Institute in

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

### **Directions:**

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

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

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

**Developmentally Disabled:**

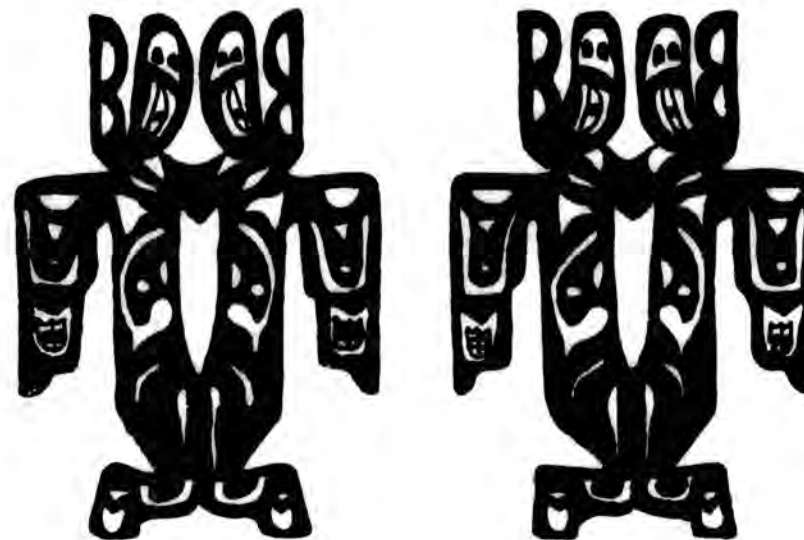
Current services for mentally retarded and developmentally disabled persons whose handicaps are severe enough to preclude the possibility of independent living are directed toward three major areas: institutional services, community residential services, and services that support the client and family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

**Recommendations:**

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

currently exists within the delivery system of such services.

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



## FINANCIAL ASSISTANCE PROGRAMS

### Aid to Families with Dependent Children (AFDC):

#### A. Unemployed Parent Option:

##### Historical Perspective:

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

##### Current Status:

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

#### B. AFDC Concept Levels:

##### Historical Perspective:

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

##### Current Status:

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

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

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

#### C. Eligibility, Caseloads and Current Payment Levels

Families eligible for AFDC must include children who are:

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

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

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

**Caseload total and program payments in September 1979 were:**

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

**Medicaid, Catastrophic Illness, Violent Crimes Compensation:**

Covered in other sections of this document. See Contents.

**General Relief and General Relief Medical:**

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

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

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

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

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

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

**Food Stamps:**

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

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

**Caseload and program payments in August 1979 were:**

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

**Adult Public Assistance:**

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

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

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

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

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

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

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

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

**Federal Poverty Guidelines: Alaska:**

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

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

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

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

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

**Recommendations:**

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

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

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

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

## SENIOR CITIZENS

### I. Current Policy and Programs:

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

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

### II. Provide Alternatives to Institutions

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

### III. Other Perspectives

#### A. Federal Government Programs assisting Alaskan Senior Citizens:

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

#### B. Other State Services

- 1) Pioneer Homes
- 2) Senior Centers

### IV. Directions

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

#### Recommendations

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

## REFORMATION OF OFFENDERS CORRECTIONAL INSTITUTIONS AND PROGRAMS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Recommendations

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

## SOCIAL SERVICES

### Historical Perspective:

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

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

### Current Status:

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

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

### Directions:

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

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

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

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

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

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

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

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

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

#### Recommendations

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

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

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

### THREE APPROACHES TO NATIONAL HEALTH INSURANCE

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

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# ALASKA'S DISPOSABLE REVENUES

by  
Mike Bradner

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

### Statehood: The First Ten Years

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

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

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

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

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

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

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

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

### **The \$900 Million Spending Years**

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

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

with completion of the Alyeska Pipeline.

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

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

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

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

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

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

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

### **The \$900 Million Policy Concepts**

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

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

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

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

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

The net result was that the legislature:

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

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

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

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

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

## The Extended Policy of the \$900 Million

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

### **Present Crossroads of Excess Revenue Policy**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The fact is:

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

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

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

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

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

## NOTES

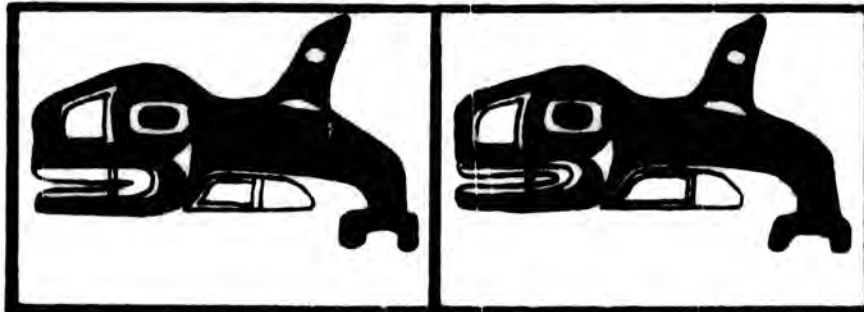
The philosophical fight can be fought to the extreme, and the net result scarred by years of rear-guard fighting. Or, as occasionally happens, a critical minority, while questioning a new conceptual direction, recognizes it is "in fact" going to happen, and therefore opts to help develop and police the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

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

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

### Biographical Sketch

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



## LONG TERM INVESTMENT AND FUNDS LEVERAGING

Prepared by  
David A. Rose

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

### Importation of Capital

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

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

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

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

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



## Investment of State Funds

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

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

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

## Leveraging of Funds

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

## Reserve Funds

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

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

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

#### **Insurance Pools**

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

#### **Subordinated Loans**

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

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

#### **Income Stream Guarantees**

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

#### **Conclusion**

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

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

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

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

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

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## NOTES



# STATE OF ALASKA AND THE ALASKA NATIVE CLAIMS SETTLEMENT ACT

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## Introduction

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

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

## Historical Perspective

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

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

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

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

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

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

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

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

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

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

#### Current Status

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

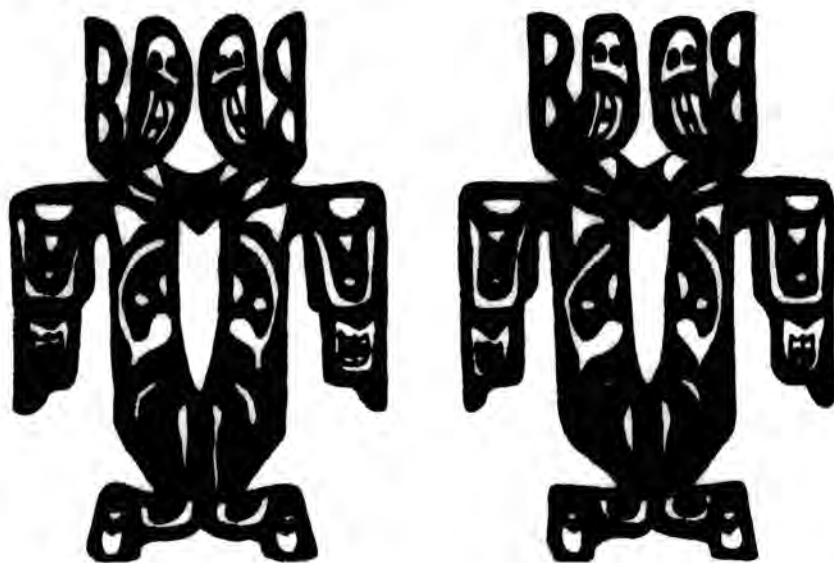
#### A. Structure of the Act

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

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

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

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



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

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

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

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

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

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

reserves or reservations had a separate option to take the surface and subsurface title to the land on the former reserves. As discussed later in this paper, village corporations generally are entitled only to surface rights. Village corporations on a reserve who took this option, would not participate in any of the monetary aspects of the Act. Six villages with a population of 1,522 Natives living on four reserves took this option because the four million acres of land to be received by taking the reservation option was considerably more than what the village would have been entitled to under the regular provisions of ANCSA. In addition, the Metlakatla Indian reservation in Southeast Alaska retained its trust relationship to the Federal government at the request of its residents and to resolve the difficulty which resulted from previous compensation to the Tribe for the loss of aboriginal rights.

**B. Monetary Benefits**

The Settlement Act provides for the payment of \$962.5 million to Alaska Natives. \$462.5 million is appropriated by Congress to the Alaska Native Fund over a period of eleven years.

The other \$500,000,000 in payment for settlement of the Alaska Native Claims come from a 2% "overriding royalty" on all minerals that are subject to disposition under the Mineral Leasing Act of 1920 that are developed in the state of Alaska on State or Federal lands, primarily coal, oil, and gas. The State and Federal governments are required to pay such funds into the Alaska Native Fund until a total of \$500,000,000 has been reached. As of September 30, 1979, \$500,884,000 of the \$962,500,000 has been distributed to the Alaska Native Fund.

The money in the Alaska Native Fund is distributed quarterly to the regional corporations based on the number of shareholders enrolled to the region. The regional corporations in turn are required to make the following distributions: for the first 5 years - 10% to individuals; 45% to villages; 45% remaining with the regions. After the first 5 years, the region distributes at least 50% to the village corporations and retains the other 50%. After 5 years, no mandatory individual distributions are required except to "At-Large" shareholders.

An example of the amount of distribution to individuals can

be seen by reviewing the distributions which have taken place so far. A village shareholder received about \$430 for his share of the Alaska Native Fund for the first 5 years. An "At-Large" shareholder has received about \$4,500, thus far.

**C. Monetary Benefits - Regional Revenue Sharing**

Section 7(i) of the Settlement Act provides that "70% of all revenues received by each regional corporation from the timber resources and sub-surface estate patented to it pursuant to this Act shall be divided annually by the regional corporation among all twelve corporations organized pursuant to this section according to the number of Natives enrolled in each region pursuant to Section 5." The intent of this section is to assure that there is some distribution of resource revenue among regions. Congress felt that it would be unfair if one or two regions became very wealthy because of resource development while other regions suffered because of lack of resources.

Section 7(i) of the Act is probably the most controversial section enacted by Congress both because not all regional corporations are enthusiastic about sharing income from their lands and because there have been strident differences of opinion as to how this provision should be implemented. The difficulty comes in defining revenues. There have already been two court cases on this subject and there is every indication that there will be many expensive legal battles before the courts determine who shares what.

**D. Land**

The land entitlement in ANCSA breaks down as follows:

Section 19 (former reserves)	4 million acres ±
Section 12(a) & (b) village surface, regional sub-surface	22 million acres
Section 12(c) (regional corporations)	16 million acres
Section 14(h) (misc. selections)	<u>2 million acres</u>
<b>TOTAL</b>	<b>44 million acres ±</b>

Villages selected surface land which generally is close to the village. They are required to select all available land within the township in which the village is located and other selections must be compact and continuous to the original township unless broken by third party interest, navigable waters or other land which is unavailable for selection. Villages will receive land under the following formula: 25 to 99 enrolled shareholders - 69,120 acres; 100 to 199 - 92,160 acres; 200 to 399 - 115,200 acres; 400 to 599 - 138,240 acres; 600 or more - 161,280 acres. The villages were to have filed their selections by December 18, 1974 and some conveyances to village corporations have already been made.

In addition to the subsurface estate received under village corporation land selections, the regional corporations have 16 million acres of the 44 million conveyed by Section 12(c) of ANCSA. The major difference between regional selections and village selections is that the regional selections are based on what is known as the "land lost" formula. Regional entitlement is arrived at by determining each region's percent of the land base of Alaska exclusive of Southeastern Alaska which is covered by each of the eleven regional corporations excluding the Sealaska Corporation. (Southeast Alaska is excluded because this region is covered separately in the Act). The entitlement due each region under this section also takes into account the amount of land conveyed to the village corporations in each region as it relates to the 38 million acres to be conveyed under Sections 12(a), (b) and (c) of the Act.

The net effect of all these calculations is that only six regions receive lands under the region selection section of ANCSA (Section 12(c)). Of those six regions Doyon receives over half of the sixteen million acres and Arctic Slope receives another third of the sixteen million.

Because the Tlingit-Haida Indians of Southeastern Alaska received a cash settlement in the mid-60's as a result of the Tlingit-Haida Court of Claims case (Tlingit-Haida v. U.S., 147 Ct. Cl. 315, 177 F.Supp. 452; 182 Ct. Cl. 130 and 382 Fed. 2nd 778), the villages in Southeastern receive land on a different basis than the villages in the rest of the State. Ten villages in Southeastern Alaska will each receive 23,040 acres of land or approximately one township with the regional corporation

receiving the sub-surface rights. The regional corporation is entitled to no regional selection under Section 12, but will receive some land under Section 14(h).

Section 14(h) allocates two million acres of land for special purposes. These purposes are cemetery sites, historical sites, groups of Natives (locations have less than 25 enrolled Natives), land for persons enrolled to Sitka, Juneau, Kenai and Kodiak, individual Natives whose primary place of residence is separated from a village, certain Native land allotments, and a "floating" selection right for the remainder of the two million acres after the specific purposes have been satisfied. Many of the Regional Corporations are using the floating selection right to obtain potentially valuable timber and mineral lands.

It is obvious from the above discussion that the land selection process is fairly complex. Both the Settlement Act and the Bureau of Land Management land selection regulations (43 C.R.R. parts 2650-2654) provide for a number of eligible village corporations, the enrollment to each village corporation and regional corporation easement identification third party rights existing at the time of passage of ANCSA, navigability determinations, reduction of existing federal withdrawals, third party rights established by the State of Alaska on tentatively approved land, and overlapping selections between villages and between villages and the regions. Because of these problems, the Bureau of Land Management has conveyed 9,803,186 acres of land of the 44 million which they are due to convey to Alaska Natives.

Generally, most Native lands will be conveyed initially with an interim conveyance document. This document is comparable to (but probably more secure than) tentative approval of State land selections, for those familiar with that concept. Interim conveyance of land gives Natives all the rights of a land owner. However, the actual boundaries of land are subject to final survey. Surveys of Native lands may take as many as 20-30 years because of the complex survey problems existing in Alaska. After the land has been surveyed, the Native corporations will be issued patent to the land.

Native corporations have the right to sell, lease, or otherwise

commit their land immediately upon conveyance. ANCSA provides on restrictions on the alienation of land. However, Native Corporations, for the most part, are not inclined to sell the land as they consider it a cultural resource which must be protected for future generations. Therefore, most Native corporations will be interested in issuing leases or use permits rather than in selling their land.

#### E. Summary

The Native corporations set up under Alaska corporate law have the same functions and responsibilities as any profit-making corporation. In other words, the Native corporations are in business to make money for their shareholders. They have no legal responsibility to provide health, education social or legal services. The corporation's only legal responsibility in these areas is to pay taxes as do other profit-making corporations.

This does not mean, however, that the Native corporate leadership can ignore social and cultural problems. Because of the structure of the corporation, and the fact that the shareholders are almost entirely Native, there is no question that the regional Native corporations will be more aware of social and cultural issues than are most profit-making corporations in this country. The shareholders of these corporations are primarily low income persons, many of whom do not speak English as their first language. The majority of shareholders live in small rural communities and are dependent on subsistence hunting and fishing for much of their livelihood. Thus, investment and land use decisions of the Native corporations must reflect the concerns of their shareholders, even though many of these concerns are social. Native shareholders want more than just a dividend. They want protection of the subsistence lifestyle, jobs, access to their corporate leaders, enhancement of their culture, and other considerations which seldom, if ever, are discussed in the board rooms of profit making corporations.

It is obviously too early to tell whether or not Native corporations can overcome the complicities of the Act and the economic and cultural conflicts which are inherent in the settlement. Some Native corporations have already experienced un-

fortunate failure while others are off to a somewhat better but perhaps not too secure start. It is abundantly clear to me that Native corporations will need the cooperation and support of the State if they are to survive and prosper. It is obvious that should the Claims Act fail in its goals to increase Alaska Natives standard of living while still protecting their culture, Alaska Natives will become both an economically and culturally deprived people. Such failure would be a major disaster for the State of Alaska and would be extremely costly both in economic and social terms.

#### Other Perspectives

The Department of Interior is the Federal government agency with the major responsibility for implementation of the Alaska Native Claims Settlement Act. Within the Department of Interior, the Bureau of Land Management is primarily responsible for those portions of the Act dealing with land. The Bureau of Indian Affairs is responsible for other activities such as enrollment, certification of villages, and certification of cemetery and historical sites.

Unfortunately, the Department of Interior took a very antagonistic attitude towards the implementation of the Settlement Act in the early years of implementation. This attitude was most notably present in the long and bitter fight over the identification of easements on Native land but also prevailed the entire land selection regulation process as well as many other activities in the Department.

Equally, unfortunately the State of Alaska often participated in the vigorous attempts to undercut the congressional intent of the Claims Act. Some of the State's belligerency is understandable as many State officials felt that the State never should have participated in the Claims Act on either a monetary basis or by having to relinquish certain land selections. It is interesting to note that the attitude towards the Claims Act has changed drastically over the last several years. This is somewhat as a result of the three lawsuits which were brought regarding easement on Native land. Those lawsuits essentially were decided in favor of the Natives, and there was a finding by the court that the Claims Act was to be treated as a piece of "Indian Legislation." Thus in instances where there was a doubt as to the interpretation of an issue, the issue would be decid-

ed in favor of the Natives. It is my belief that both the Department of Interior and the State of Alaska now view ANCSA as a piece of "Indian Legislation" and are much more supportive towards ANCSA.

Evidence of this exists in the thorough review of the Claims Act which was undertaken by Secretary Andrus and his staff early in his administration. Also, under the auspices of the Federal State Land Use Planning Commission a total review of the Claims Act was made to determine what amendments might be necessary to strengthen the Claims Act. Both the State and the Department of Interior were participants in this process. As a result, a whole series of amendments has been proposed to the Settlement Act. These amendments have been included in the various versions of the d-2 land legislation presently before Congress.

The other major outside influence on the Claims Act is the United States Congress. It is important to note that the Congress has been very receptive to making changes to the Claims Act when necessary. Generally, in order to get a change in the Claims Act, the Alaska Natives, the State of Alaska, and the Federal government (usually in the guise of the Department of Interior) must agree to the changes. This receptivity to change is important because, as the government and the Native corporations gain more experience with the Act, it is clear that certain changes are going to be needed if the Act is to be successfully implemented. Equally important is the cooperation of the Federal government and the State government in any process which results in changes to the Settlement Act.

### Directions

The number of areas in which the State might benefit Native corporations is practically limitless. However, I will confine my recommendations to a few major areas of potential assistance.

#### 1. Land Exchanges

Once Native conveyances have been more or less finalized and once the State of Alaska receives full entitlements to statehood land, there should be a number of opportunities to make land exchanges in order to consolidate land holdings. The State may want to review its present statutes regarding land exchanges. One possible area of refinement would be to allow ex-

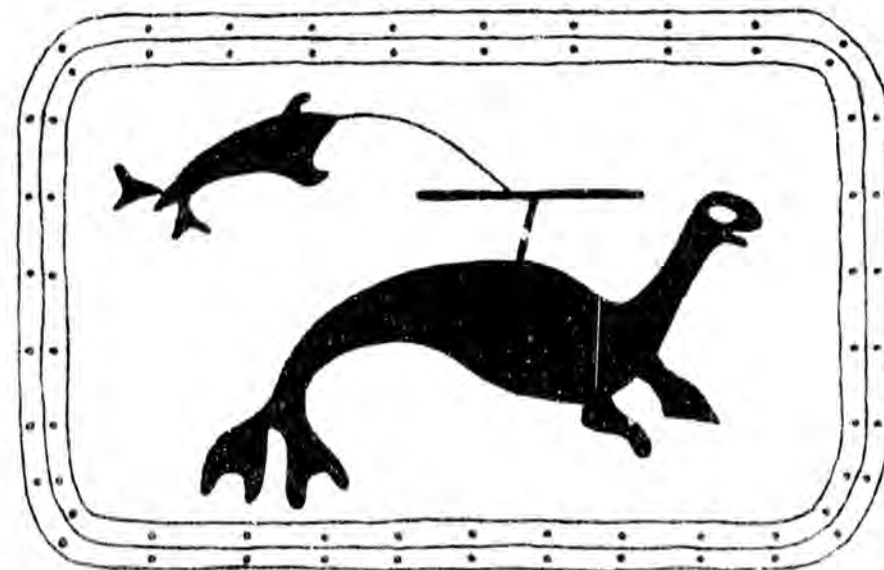
changes on other than equal value basis. In some cases, it might be more beneficial to the citizens of the State to have certain Native lands placed into recreational use while trading away State owned lands with economic potential to be developed by a private corporation. The monetary values here would clearly favor the Natives, but the public interest values might well favor the State.

#### 2. Cooperative Management

There will be a number of opportunities for cooperative management between Native Corporations, the State of Alaska, and the Federal government. The State has considered cooperative management legislation but the legislature has never taken final action on any of the various proposals. If the d-2 legislation passes Congress, there will be a cooperative management section in the bill and the State may want to look at modeling their legislation after the federal bill.

#### 3. Economic Developments

Native Corporations have an important role to play in the economic development of the State. This is particularly true in



the area of renewable resources, although the Natives will be developing non-renewable resources on their lands also. Any State loan programs designed to benefit Alaskans should be tailored so that Native Corporations are eligible. In addition, the State may want to consider special grant programs to Native corporations for experimental development in areas such as agriculture. There might also be grant programs to assist Native corporations in developing businesses which are marginal profitable but which provide employment to people in rural areas. Tax incentives for experimental business development or employment related programs are another possible tool that the State would use.

#### 4. Land Bank

The various versions of the Alaska lands legislation presently being considered by Congress all contain a provision for a land bank for private lands. Placement of lands in the land bank would provide for mandatory cooperative agreement between the land owner and the State or Federal government. In return, the private land owner would receive protection from the imposition of property taxes as long as the land was not developed. The legislation provides that the Federal government will run the land bank program unless the State of Alaska develops comparable legislation. It is my recommendation that the State begin to develop such legislation.

#### 5. Easement Management

Although the Federal government will have the primary responsibility for easement management on Native lands, the State could play an important role in assisting the Native corporations, the Federal government, and the public to understand the various uses of these easements. The major problem the State may have to address is that of trespass. Unless there is proper easement management, there is going to be a good deal of misunderstanding about potential misuse of Native land, and it is clear that the State can assist in the public information program which will be necessary in order to limit confrontations between land owners and land users. In addition, the State may be able to negotiate with Native corporations for some of the recreational easement which the State felt that Natives should give away for free.

#### 6. Education and Technical Assistance

It would seem that the University of Alaska could play a very important role in both educating Native corporation shareholders to take advantage of the many employment opportunities which are occurring because of the Claims Act. The University has already begun some special programs in rural areas to meet these needs. However, the University has only scratched the surface in terms of the educational needs of potential corporate leaders and corporate workers. In addition, the University could provide important technical assistance to developing corporations. This is particularly true of village corporations. The State may want to consider developing a program either through the University or in conjunction with organizations such as the Alaska Native Foundation to increase the assistance available to these young and struggling corporations.

#### Conclusion

This paper was not meant to be definitive either in its discretion of the Claims Act or in its presentation of potential actions that the State might want to consider in order to help implement the Alaska Native Claims Settlement Act in a successful manner. However, the ideas presented here are meant to spark discussion of how cooperation between the State and the Native corporations can be beneficial to everyone concerned.

There is no question that successful implementation of the Act is very important to the State's future. The new direction that the State has taken recently to cooperate in the implementation of the Act is an important one. The positive relationship which has developed between the State of Alaska, the Federal government, and the Native corporations should be continued, nurtured, and enhanced. The State should keep in mind that Alaska Native corporations for the most part invest in Alaska, and the profits go mostly to Alaskans. One of the best investments the State of Alaska can make is to foster the growth and development of Alaskan owned Native corporations.

### Biographical Sketch

John T. Shively

John T. Shively is the Vice President of Operations for NANA Development Corporation, the business holding company for NANA Regional Corporation, one of the thirteen regional corporations established pursuant to the Alaska Native Claims Settlement Act. He is responsible for overseeing NANA's business operations which include a hotel, a construction company, a reindeer herd, a jade mining and processing facility, and a number of services to the oil industry. He is also responsible for working with the State of Alaska, the Department of Interior and the United States Congress. Mr. Shively has lectured to a variety of groups on the Settlement Act and has taught a college level course on the subject. He has a B.A. Degree in Political Science from the University of North Carolina - Chapel Hill. Prior to working for NANA, Mr. Shively was Executive Vice President of the Alaska Federation of Natives.

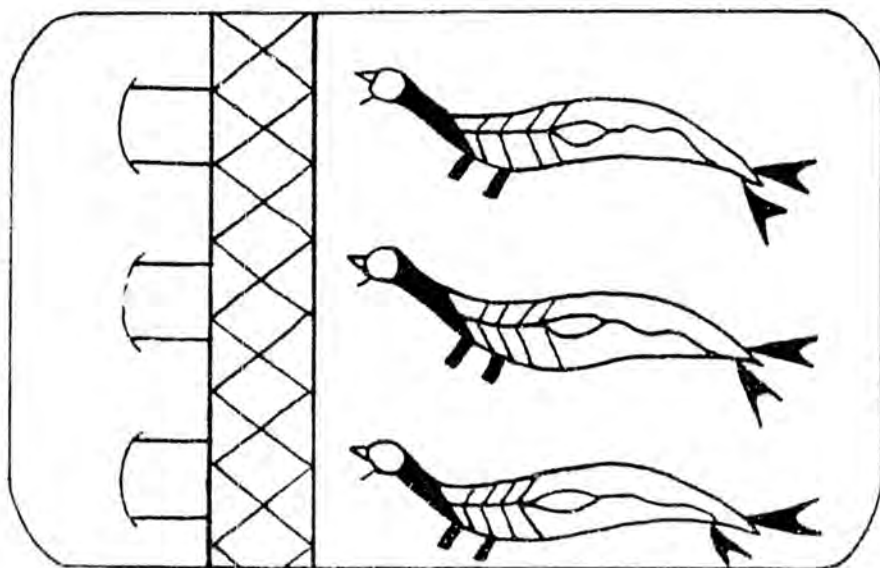
### Acknowledgement

Much of the information and some of the text contained in this paper comes from a paper entitled "Alaska Native Corporations and Native Lands" written in 1976 for and copyrighted by the Rocky Mountain Mineral Law Foundation.

### Dedication

I wish to dedicate this paper to Mr. Joseph Rudd who provided the inspiration and guidance for the writing of "Alaska Native Corporations and Native Lands."

### NOTES



## RURAL ECONOMIC DEVELOPMENT

by  
Michael Deman

Alaska is geographically and psychologically remote from the rest of the United States. Although Alaskans, by and large, like their isolation, they depend upon the "lower 48" for many of the necessities of life and most of the material luxuries as well.

Much of rural Alaska is as foreign to its urban residents as the state itself is to a New Yorker, for example. The distance from eastern portions of the state to western regions are so great that traversing it involves four time zones, four or five hours by plane and great expense. More often than not, Natives and non-Natives alike live in one region and have never seen much of the rest of the state. Just as Alaska is dependent on the rest of the country for supplies, its rural areas are dependent on urban Alaska, e.g., for medical, legal and governmental services, and for consumer goods.

In many ways, civilization has brought something less than advantages to all Natives. For 40 percent of the Native population the White Man's world has brought extreme poverty. Alaska Natives, who for centuries provided for themselves through subsistence living, now see the resources on which they depend seriously threatened. The use of firearms, easier access with power boats and snow machines, and new population growth all contribute to depletion of Natives' precious subsistence resources. The location of schools, public services and medical facilities has altered the settlement pattern of villages, creating the need for year-round housing and sanitation facilities, all of which require cash and all of which contribute to the present conditions of poverty.

The Senate report on the Alaska Native situation presented in conjunction with Native claims legislation, drew the following picture for rural Alaska Natives:

In an economy based importantly in a pattern of life of sub-

sistence fishing and hunting, the large majority of these Alaskans are unemployed or only seasonally employed. Though some of the families have incomes of \$5,000 or more annually, the bulk of them live in dire poverty — the poorest of America's poor. Village family income for those who have any income, averages less than one-quarter of the family income for non-Native Alaskans ... Largely because they lack cash income and because the costs of purchased goods and services are high, most Natives live in small, dilapidated or substandard houses under unsanitary conditions ... Another dimension of the contrast between the Native and non-Native sector of the population is *that of the lack of opportunity for economic advancement among most Natives.*

The sharp contrast between rural and urban Alaska is illustrated by the extent of poverty in these two areas. According to the 1970 census, two-thirds of Alaska's population lives in urban areas, yet of Alaska's 35,614 people classified as poor, 71 percent live in rural areas. Seventy percent of the rural poor, or 17,809, were Alaska Natives. Hence, most of Alaska's poor are Natives living in rural areas.

The conditions presented are not new; they were recognized long ago. The Land Claims Act provided a hope for future change and as an aside, a structure and methodology for a rural Alaska development strategy. The word "strategy," however, inherently implies a unified direction and implementation, which has not "naturally occurred." Alaskans, residents of "The Last Frontier," are highly resistant to the great and benevolent planners in Juneau or Washington, D.C., but central, dedicated support is badly needed to implement this "strategy."

Hope is present in the potential of the village and regional corporations established under the Alaska Native Claims Settlement Act of 1971. Under the terms of that act, profit-making corporations were established in each eligible Alaskan Native village (a total of 206 in all).

The Alaskan Native has been treated somewhat differently under the terms of this act than has any other aboriginal group in the U.S. In all other cases of aboriginal claim, sovereign title has been granted to a portion of the lands occupied by Native Americans. The

balance was placed in the public domain and the aboriginal titles extinguished after payment of "fair" value to the aboriginal group.

"Alaska was not made sovereign, but instead was transferred to private ownership. In return for extinguishing Native Claims, the U.S. agreed to pay Native Alaskans \$962 million and grant them 44 million acres of land (or approximately twelve percent of the State)."

Under the terms of ANCSA, a twenty year moratorium was placed on taxation of any of these lands. The intent of Congress was that during this twenty year period, the corporations established under the act would become economically viable entries in rural Alaska.

This entire notion, however, is a double edged sword. While on the one hand the resources, in the form of cash and land, are provided to achieve economic viability for Native Alaskans, and indeed rural Alaska, the requisite managerial capability does not yet exist within these corporations.

"At the time of ANCSA's passage, Native Alaskans were ill equipped to understand or effectively deal with the many complicated provisions of the Act. Living in remote settlements which had only become permanently established in the last three or four generations, Natives were totally unfamiliar with the concepts of corporations, investments, and other attributes of a modern economy which the Act thrust upon them. Even today, most Native Alaskans do not live in a cash economy as we know it in the Lower 48."

Despite these problems the truth of the matter is that these corporations, taken as a whole, represent the most viable potential for rural Alaska. These corporations possess not only capital, but significant assets, i.e. land. Further, they have access to a vast labor pool: village residents. *No other entities exist in rural Alaska which have these qualities.* The single most apparent lack within these corporations is the technical ability to successfully manage their assets (capital, land, labor) in a way which is consistent with traditional rural Alaska lifestyles and cultures *and* which is economically sound.

Contrast this change with the rural Alaska of only a short time ago. The economy was totally subsistence based. Hunting, fishing

and gathering provided all sustenance. Villages were non-existent. Temporary camps and settlements existed, and changed depending on the season. Only a few short generations ago permanent settlements came into being, mostly at points of white contact. With those permanent settlements came the rapid transition from a nomadic subsistence lifestyle to the current mixed dependence on subsistence activities and cash economy. The transition has been rapid and difficult, and is still in process.

As the villages have moved into a cash economy, they have, in effect, become conduits for this cash. Cash has come from three primary sources: the few relatively stable jobs which are common to most villages (postmaster, school custodian, health aide, etc.), transfer payments, and the income brought home by various types of seasonal, temporary, or sporadic employment opportunities (firefighting, construction of the pipeline, etc.).

Because there is no significant manufacturing or industry in the villages, most of the cash which enters the village economy turns right around and exits: with exception of the few foods, some fuel, and certain clothing materials provided by subsistence activities, everything villagers need must be purchased elsewhere. The school custodian, whose salary brings cash into the village, orders his family's clothing from a catalogue and sends money out of the village to cover the cost of the purchase. The firefighter, who brings his summer's wages home, buys food at the village store - and the storekeeper buys his stock from an urban wholesaler. The examples are endless and the results are obvious: what cash does come into the village goes out again for imported goods and services.

A number of authorities are of the opinion that the rate of out-migration of villagers will continue to increase, in part because of the scarcity of local sources of income. If this occurs, village economies will suffer. Nonetheless, the villages are essential to those who are not willing or able to make the transition to urban life, and a number of recent studies indicate that many current village residents would prefer to remain in their villages. A recent survey conducted by the Alaska Native Foundation in Ruby and Galena found that most residents of these two villages not only want to continue living right where they are, but that they would rather have jobs in the village than to leave for temporary employment

elsewhere. The Ruby/Galena study results have been confirmed by other data indicating that despite the continuing out-migration many if not most village populations have actually increased in size over the last decade.

Assuming, however, that those predicting an increased out-migration are correct, and that (as some fear) the village resident will be primarily the old, the young, and the unemployable, then it becomes critical that some infrastructure be developed to support these people. This possible eventuality presents an even greater challenge to the corporate leadership if they are to avert the potential despair and squalor which could lead to the complete collapse of village Alaska.

Whatever the future holds for the villages, one thing is certain: the village corporations hold the key and therefore must assume the responsibility of stabilizing the village economies.

At the risk of over-generalizing, we can define three types of villages, each of which can respond to the present challenge in a different way. Of course, there are villages which fall into more than one of these categories, and which therefore have greater options.

1. One group of villages will have indigenous resources of one sort or another — resources which are, or will be, in demand outside of the village itself. For instance, it is estimated that as much as ten billion barrels of oil and 19 trillion cubic feet of gas exist beneath the surface of Native-owned lands.<sup>3</sup> These resources, and others, fall into the extractive category, and will be developed primarily at the initiative of big outside businesses who are interested in the particular resource. These villages will most likely develop a rather conventional export-based economy. Their corporations can play some sort of reactive, passive, or accommodating role: they can make land available, can build facilities, and can undertake training programs to enable village residents to take advantage of the local employment opportunities which may evolve as a result of the extractive industry. In such cases, the necessity for entrepreneurship on the part of the village corporation itself is minimal, but the potential for disruption of village life and the depletion of village life and the depletion or destruction of corporate assets is magnified, as are benefits if such development is successfully managed.

2. Another group of villages may be favorably situated, have buildings of particular historic or aesthetic significance, or have a unique and commercially-valuable handicraft tradition. These assets would make such villages of interest to tourists — an industry which will create some employment and will inject varying amounts of cash into the local economy, depending, of course, on how the industry is developed.

3. However, the vast majority of villages are unlikely to ever have a commercial economic base in the traditional western sense: very few will have items which can be exported on a competitive commercial basis and which would therefore create jobs for local people and bring cash into the local economy. The corporate management in these villages is faced with a different challenge, on which can perhaps only be met by the development of cottage-type industries which produce goods and services for local or regional consumption only. This approach would create local jobs and would keep more the cash within the local economy. This approach has been described in the recent federal-state Land Use Planning Commission study, "The Evolving Pattern of Village Alaska:"

"The ideal industry for the region may be described abstractly: it should use local materials, it should produce output with a high value to weight ratio, it should be labor intensive, it should be capable of high productivity at small scale of operations (perhaps even cottage industries), and it should be counter-seasonal, to complement the higher levels of activity in the summer."<sup>4</sup>

We are, of course talking here about import substitution, the residual effects of which are obvious: each dollar not spent outside of the community remains within the community and has a multiplier effect.

"Mathematically, the multiplier is the inverse of the propensity to import, so that if investment can improve the local economy's ability to provide locally what had previously been imported, each dollar that comes in from the outside will cycle longer with in the local economy and provide more local jobs and income. In the developing countries, and economic strategy of increasing the multiplier has been called an import

substitution strategy. If village Alaska cannot devise exportable production, it can probably find ways to increase the local bank from the buck of its outside income by developing its capacity to serve its own population."<sup>6</sup>

The import substitution idea can be applied to labor as well as goods: construction is a good example in Alaska. For instance, the State of Alaska has identified the need for rental or lease housing, overnight facilities, offices, warehouses, and laboratory space in a total of 55 rural villages.<sup>9</sup> No doubt this need will eventually result in contracts for construction, a service which could be provided by village corporations.

In March of 1978, the State Department of Administration let a request for proposals for the design, construction, maintenance and renting of facilities in 11 rural villages. Again, another opportunity for village corporations. Such requests are common and frequently are awarded to contractors from the urban areas who bring work crews in with them. While this has some positive economic effect on the village, it is not nearly as great as it could be. Regardless of the type of village involved, the corporations have only one real choice: they must take full advantage of the opportunities which exist for their village.

The potential is there for the development of a sound economic base in rural Alaska. The possibilities abound. Strategies need not be as grandiose as may be required in the urban lower 48. The problems are different, the people are different and the scale is certainly different. The addition of only a handful of jobs in a rural Alaskan village can have a significant impact on the economy of that village. That theme, repeated throughout rural villages can go a long way to assuring a continued and healthy economy in rural Alaska.

Clearly solutions can be found. And they will be, *if* the new managers of the new village corporations are given the technical assistance they need to help them determine what kind of solution is appropriate to their village.

Finding the proper solution is half the battle. The other half is making the solution into a lasting reality. Management expertise, accounting expertise, planning expertise — all these things can be bought, for a price. But the village corporation management

themselves must at the very least know how to select the right kind of experts, how to direct them, monitor their efforts, and evaluate the results. Given the current lack of experience in such matters, an immense effort is required — management personnel and the corporate board members must be given the kind of training which will make them capable of fulfilling their mandate and meeting the needs and desires of their shareholders — the village residents.

The approach we are suggesting will take policy decisions by the State of Alaska and the Federal government to assist and build the village corporations in basic ways. Other groups, like the Alaska Native Foundation, may serve as the cutting edge of such decisions, but the powerful weight of government must be applied to make a REAL difference. Failure to do so will result in a continuation of present rural Alaskan conditions and will require *public*, not private, development dollars, and that will increase the tax burden on everyone.

The corporate success itself, of course, must be two-pronged. The corporations must provide a return to their shareholders, most of whom are villagers and who therefore will spend at least some of their dividend earnings in the village. This influx of cash will function to bolster the economy in much the same manner as any indirect income transfer. In addition, the corporations have an implicit responsibility to solidify an economic infrastructure if they are to meet both Congressional intent as expressed in ANCSA and the obvious needs and desires of their shareholders. Each prong of corporate success will impact the village economy. In combination, the impact will increase geometrically.

Any use of surplus state income must be used with an eye both to the kinds of investments (renewable, non-renewable) it makes and the uniqueness of the Alaskan development structure, which has been put in place and which must survive if a full measure of benefits is to be gained by the state.

#### Biographical Sketch

Michael Deman is Vice President of the Alaskan Native Foundation. While at the Foundation he has directed the Donner Project, the OCS Management of Change Project, Kellogg Manpower Training Project and Village Management Assistance Project as designer and first director. Mr. Deman presently works on rural economic issues with several state and federal policy groups.

### Footnotes

<sup>1</sup>T.J. Smith. "Native Alaskan Economic Development: Issues and Recommendations;" Economic Development Law Project Report. January/February 1978, p. 22.

<sup>2</sup>*Ibid* p. 27 and 28.

<sup>3</sup>*The Alaska Native Management Report*, June 1, 1977.

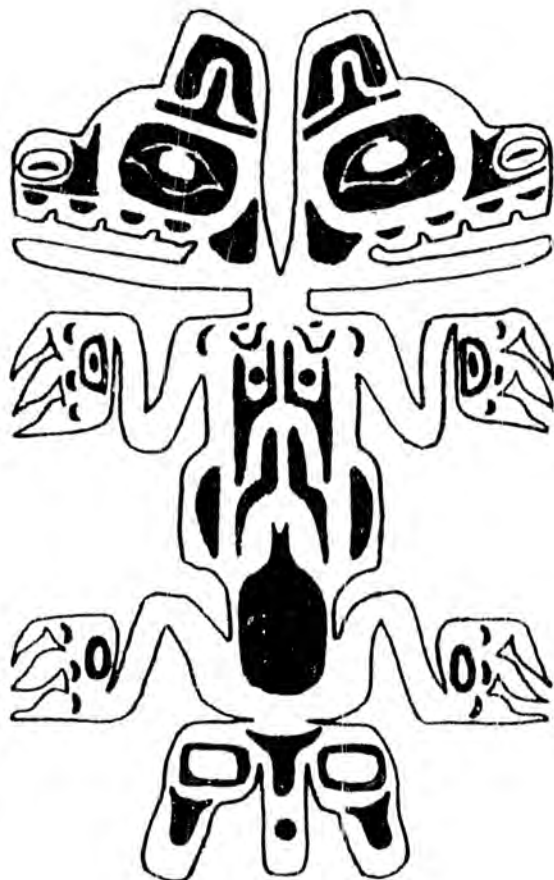
<sup>4</sup>W. Alonso and E. Rust. "The Evolving Pattern of Village Alaska, Federal-State Land Use Planning Commission for Alaska," *A Commission Study 17*: March 1976, p. 37.

<sup>5</sup>*Ibid* p. 39.

<sup>6</sup>Letter from B.B. Allen, Commissioner of Administration, April 5, 1978.

<sup>7</sup>*The Alaska Native Management Report*, July 1, 1977.

### NOTES



# ENERGY EFFICIENT CAPITAL CONSTRUCTION

Prepared by  
Mark Fryer

## Abstract

Alaska's building industry is treated in overview with emphasis on the constraints to reducing energy consumption in new capital construction. Some generic areas of the industry are cited for examination by the conference, specifically, the financial environment and the human resources needed to reduce energy consumption in new capital construction.

## Energy Efficient Capital Construction

Although all capital construction consumes energy, both in initial fabrication and life cost, the greatest opportunity for reducing energy use in capital construction lies in the design and operation of buildings. I speak now on the level of construction. In the planning sphere, the institution may be able to save energy by selecting means other than through constructed facilities to deliver services, but once the decision is made to build, the opportunities for reducing energy consumption appear to be in building design and operation.

This paper is intended to give a brief overview of buildings as energy intensive capital construction and suggest some specific elements of that industry that the people of the State may wish to address in a formal manner.

## A Brief Overview

Over the next 25 years, about 150 million square feet of new buildings will be constructed in Alaska.<sup>1</sup> Two-thirds of this space will be residential, the remainder will be a mix of commercial, institutional, and industrial space. If we construct and use this space in the same manner as we have in the past, by the year 2005 we can

expect this new built space to consume 39 trillion BTU's of space heat and 1.5 billion kilowatt hours of electricity.<sup>2</sup> The *total* energy consumption, combining thermal and electric systems for this new increment of space, is estimated to be about 84 trillion BTU's.<sup>3</sup>

If we make the assumption that all energy sources combined will have an average cost of say 90 percent, the cost of U.S. fuel oil, and further assume fuel oil prices will inflate at an average annual rate of 7 percent over the next 25 years, the annual fuel bill for the new buildings constructed between now and 2005 would be about 2.4 billion dollars (\$16,800 per family per year assuming per capita cost of \$6,720 per year).<sup>4</sup>

It is not the purpose of this paper to make economist's projections of energy costs. The foregoing is but a setting meant to suggest the impact of the energy consumption character of new buildings. Let us, for these purposes, compare 1980 energy costs with 2005 energy costs to the consumer. The most graphic example of this comparison is in Anchorage. If the 1980 average natural gas price to electric producer, residential and commercial consumers is \$1.50 per million BTU's, the annual average per capita bill of energy would be \$355 per year.<sup>4</sup>

Although the dollar at 6 percent inflation will, by 2005, be worth 23 1980 cents, the 2005 energy dollar for the Anchorage citizen will only be worth about five 1980 cents. That is to say, in relative terms, the price of energy will have increased by a multiplier of nearly 5 times. For Fairbanks, the energy cost change will be less dramatic with the 2005 energy dollar being worth about fourteen 1980 cents. This example is not a forecast; it only purports to extend into the future our history of energy use and cost.

## The Building - Time House of Involvement

In the free market place, *today's* economics influence the character of the construction. Builders still use electric heat; 2" x 4" wall construction is still the norm in southcentral and southeast Alaska. The market place sets the standard. To change the criteria for design we must persuade the banker, the builder, the designer, and the owner that they are all better off by reducing building energy use. This is currently difficult because all of these interests are short term:

*The Banker:* The banker, upon financing the building "sells his paper." Within 12 months of longterm financing arrangements, the banker is out of the picture, his job has been performed.

*The Builder:* Obviously he is "out" as soon as the owner accepts the building. Usually within a month or two after completion of the building.

*The Designer:* The designer's job is usually done when construction starts, however, in some cases, he will see the job to final owner acceptance. Although his job is to look after the owner's interest, it is the owner who perceives the place in the economy for the building, sets design goals, goals that relate to his (the owner's) interests. Thus, economics questions related to energy are usually resolved with cost/benefit equations that are quantified in terms of years to pay out. The higher the inflation rate, the larger the investor's expected return on investment, and the shorter the payback period required for a "good" investment.

*The Owner:* The character of "the owner" could not be uniformly simplified. The public owner takes on the character of the administrator whose responsibility it is to get the facility built. Some want as much area as can be squeezed from the budget, some want quality construction, some want only hassel free projects with little regard to the end product. These "owners" are influenced by political and administrative forces rather than market place economics.

The private owners are a mobile lot with time frame of involvement ranging from a year or so, to perhaps five years. Exceptions are the business and industrial people whose buildings house longterm business investments (i.e., hotels, fabrication shops, etc.).

The graphic illustrated in figure 5-1 indicates the different incentives offered by differing time frames of involvement of the owner. A \$5,000 expenditure for energy conservation for the five-year owner (using 12½ percent money) can result in an energy savings of 225 million BTU's per year, while the same expenditure need only be worth 110 million BTU's per year to be a "good deal" if the owner were to take the 25 year view. For the developer (the guy who is "in-and-out" in 18 months) energy conservation can

not reasonably be an issue except as it may affect finance and selling opportunities.

### **Maintenance Aspects of Energy Consumption**

The building, once constructed and in use, starts to consume energy. The rate of that consumption is now, not only a matter of original design, but is affected by use patterns and maintenance and service factors as well. Here again, the time frame of involvement is important. The owner of leased space enjoys tax incentives that minimize his interest in energy consumption. Because of our tax structure, many commercial and industrial building owners work to turn the property over every five years or so. Because of cash flow requirements, the regular maintenance and service costs are usually minimized at the expense of energy consumption and the general condition of the building. Inflation works to increase the value of a property while accelerated tax write-off artificially devalues the building. The net result is the owner takes a tax loss while building deterioration and inflation work so that the dollar value slowly increases (i.e., deterioration is less than inflation). The incentive to spend cash to maintain the facility in new, or near new, condition is mitigated by the tax structure. Thus, buildings of this ownership, together with their energy system deteriorates over the long term.

Maintenance of the housing stock is affected by the economic situation of the owner. In the case of owner occupied housing, psychological factors, not quantifiable in this paper, are at work. Rental residence operation is influenced by economics that govern other commercial lease or rental space.

The institutional owner, as is his habit in designing buildings, is driven by factors political and administrative rather than marketplace economics. Let us use a positive example of what can be done to reduce energy consumption in existing buildings just through the maintenance and operations level. The experience of the University of Alaska - Fairbanks is graphic 7.

In 1973, that institution started a vigorous electric energy conservation program. That program is continuing today. The results to date are:

Peak demand during the winter of 1972-73 was about 3.0 megawatts.

Peak demand projected for 1973-74 was 3.25 megawatts.

Because of their program, peak electric demand *realized* during 1973-74 was 2.4 megawatts.

\* A 26 percent reduction in peak electrical demand.

Total annual electric use since the program was started is about 25 percent below the 1972-73 level, yet services have grown over this period.

Since the University's physical plant system includes a coal fired heating plant, containing electric generation features, they were able to reduce their dependence on the local electric utility. Those measures reduced purchased electricity (generated from petroleum fuels) from 18 million KWH per year to 3 million KWH.

\* A reduction of 83 percent.

The primary conservation moves employed and responsible for the large reduction in electrical use were:

1. Dedication to the program by operations personnel.
2. Changing custodial work from night work to day work.
3. Relamping buildings.
4. Cycling ventilation equipment to match building activities.
5. Improved waste heat utilization.
6. Replacement of water cooled refrigeration with air cooled equipment.

Note: Operating costs were decreased, because of this program, by over \$500,000 per year.

It should be carefully noted that this dramatic example of energy conservation occurred in the institutional setting. Although it was cost effective, the motivations of the people responsible were (and are) not those that control the private market place.

## The Technology

Regardless of our motive and dedication to reducing energy consumption in capital construction, we must not forget that people are required to actually carry out the work of conserving energy. In the case of the University of Alaska, the Director of Physical Plant has degrees in mechanical engineering, engineering management and process engineering. He is experienced with all phases of physical plant operations and directs a staff of highly skilled journeymen craftsmen.

Modern buildings contain computerized controls, sophisticated equipment and are generally one-of-a-kind designs, therefore, knowledge of how one building operates does not necessarily give the operation deep insight into the rationale for design of other buildings.

About one-third of the cost of new buildings resides in the energy consuming systems contained therein. The systems are complex, requiring innovation in design and high skill levels in operation. Even though this is obviously the case, time and again we see "custodians," "building engineers," and "janitors" who have little or no technical training left to operate million dollar physical plants. For example, in the case of fan energy consumption (see note on page 4), 8,000 KWH per year, and several hundred dollars annually, could have been saved had the "custodian" known that he should change air filters regularly.

Acquiring the services of well trained and experienced building mechanics is difficult. The condition and problems of physical plants located in rural Alaska is a case in point. Although the maintenance people may be skilled in some disciplines, energetic and intelligent facilities all too frequently fall into disrepair merely because no one knows how the mechanical and electrical plant was designed to operate.

On the professional level, a similar lack of talent is apparent. My firm, Professional Engineers, specializing in the design of energy systems, has been unsuccessful in its attempts to recruit talented, experienced engineers who specialize in this area of the profession. We perceive a nationwide shortage of such people.

## Summary

1. Energy costs will inflate several hundred percent over the next 25 years.
2. Population pressures will demand a growth in built space at the rate of over 400 square feet of built energy consuming space for every new citizen.
3. The business climate discourages energy consumption through tax structure, entrepreneurial motives, regulation, and the fluidity of our society.
4. Energy consumption in new buildings can technically be reduced by as much as 60 percent with little lifestyle or social impact.
5. Energy consumption in existing buildings can practically be reduced by as much as 25 percent with little or no social impact.
6. There exists in Alaska an acute shortage of energy technicians and professionals. The people are required to do the actual work of reducing energy consumption of new or existing facilities.

## Recommendations and Conclusions

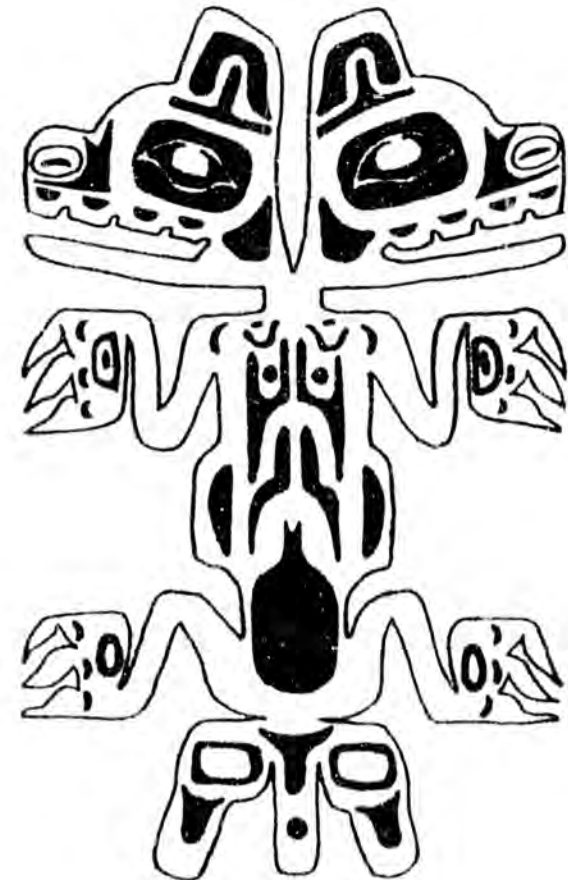
Since the predominate stock of energy consuming builds resides in the private sector, the greatest energy conservation opportunity resides there. Market place economics will be the primary force affecting energy conservation. The steps required to affect this sector could be in the form of incentives that affect:

1. Interest rates.
2. The time frame of involvement of the various professions to building, design, construction, and operation.

Energy machines are, by their very nature, technically sophisticated machines. Since we now lack an adequate stock of energy specialists (engineers and qualified building mechanics) we should undertake a vigorous training and education program aimed at the development of Alaskans capable and willing to become expert in these disciplines:

1. Expand and intensify community schools, colleges, and trade programs to produce skilled energy knowledgeable journeymen.
2. Expand and intensify mechanical and electrical engineering programs with specialty course work deferred in the applied fields of energy systems design.
3. Develop graduate degree programs in applied energy systems design, both in mechanical and electrical engineering disciplines.

Finally, no attempt to alter the direction of the past can happen without the complete dedication and support of the people.



## APPENDIX OF NOTES, REFERENCES AND CALCULATIONS

1. The assumption is made that population will increase at a constant 2½ percent over the next 25 years. Further, each new citizen will require 425 square feet of space to house and support him (this is the figure accepted by the New Capital Site Planning Commission for construction of the Alaska new capital city).

$$\begin{aligned} 2005 \text{ population} &= 414,500 \times (1.025)^{25} \\ 768,500 &= 414,500 \times (1.64) \\ \text{New citizens} &= 768,500 - 414,500 = 354,000 \\ \text{New space} &= 425 \frac{\text{sq. ft.}}{\text{capita}} \times 354,000 \text{ population} \\ &= 15,000,000 \text{ sq. ft.} \end{aligned}$$

2. Refer to table 2-1:

$$\begin{aligned} \text{Electric energy use} &= 0.667 \times \frac{4 \text{ kwh}}{\text{sq. ft.}} \times 150 \times 10^6 \text{ sq. ft.} \\ &+ 0.333 \times \frac{280,000 \text{ BTU}}{\text{sq. ft.}} \times 150 \times 10^6 \text{ sq. ft.} \\ &= 1.5 \times 10^8 \text{ KWH} \\ \text{Thermal energy use} &= 0.667 \times \frac{250,000 \text{ BTU}}{\text{sq. ft.}} \times 150 \times 10^6 \text{ sq. ft.} \\ &+ 0.33 \times \frac{280,000 \text{ BTU}}{\text{sq. ft.}} \times 150 \times 10^6 \text{ sq. ft.} \\ &= 39 \times 10^{11} \text{ BTU} \end{aligned}$$

3. Total Energy Consumption:

$$\text{For Thermal: } \frac{39 \times 10^{11}}{0.6} = 65 \times 10^{11} \text{ BTU}$$

Note: Assuming system efficiency at 60 percent

$$\text{For Electric: } \frac{1.5 \times 10^8}{0.9 \times 0.3} \times \frac{3413 \text{ BTU}}{\text{KWH}} = 19 \times 10^{11} \text{ BTU}$$

Note: 90 percent transmission efficiency.  
30 percent conversion efficiency.

$$\text{Total Fuel} = 65 \times 10^{11} + 19 \times 10^{11} = 84 \times 10^{11} \text{ BTU}$$

4. The cost of hardware, operation, and transmission from energy sources to end use is omitted from the calculation.
5. "Pay Back" examples: If an institution pays 7 percent for bonds of 30 year duration, a \$5,000 investment costs \$402.95 per year in debt services.

A good investment will then be an annual savings of 65 million BTU's<sup>a</sup> per year of 8,000 KWH per year.

The investor in a home that he will keep for the duration of the mortgage at 10-½ percent for 20 years will look at his \$5,000 as \$400 today and \$480.60 per year. If our home buyer has the \$400 in the bank, his investment is really about \$572/yr or equivalent savings of 93 million BTU's or 11,400 KWH.<sup>a</sup>

a. Assumes 85 cent per gallon oil or 5 cent per KWH electricity.

6. A building requiring 8,000 cu. ft. of air per minute of ventilation:

Case 1: Let the fan run 24 hours per day, 365 days per year, with poor air filter change: Electric fan energy = 38,000 KWH/yr.

Case 2: Same as Case 1, but clean filters. Electric fan energy = 30,750 KWH/yr.

Case 3: Same as Case 2, but with automatic fan shut down when building is not in use. Electric fan energy = 10,425 KWH/yr.

Case 4: Same as Case 3, except system is designed variable air volume. Electric fan energy = 5,850 KWH/yr.

7. Personal Communications with E. Staples Brown, Director of Physical Plant, University of Alaska - Fairbanks.



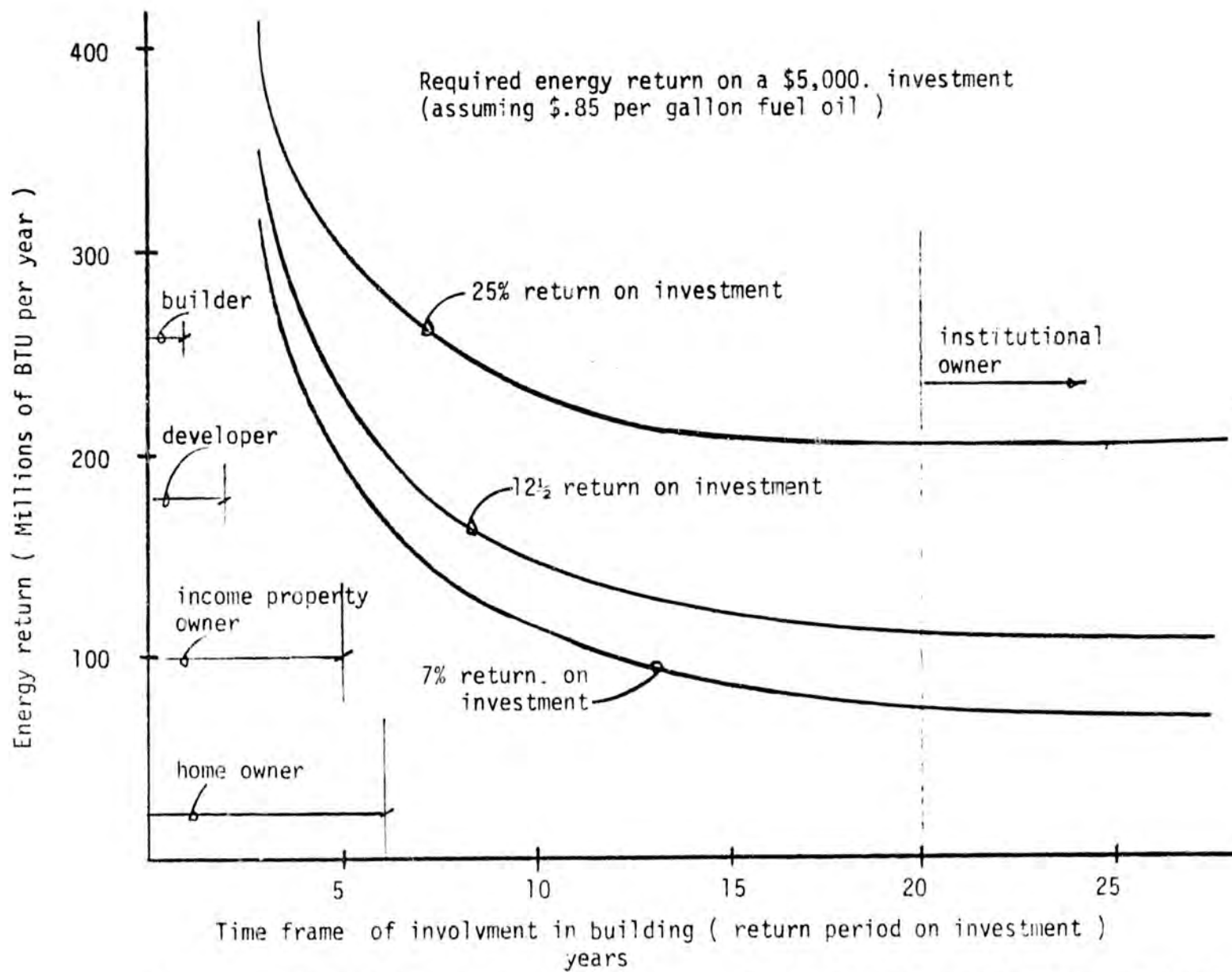


Figure 5-1 The Relationship between required energy savings and time frame of involvement

**Table 2-1**

**Annual Energy Consumption of Buildings — Past, Present & Future**

	<b>Electric</b>	<b>Thermal</b>
	<u>KWH</u> sq. ft.	<u>BTU</u> sq. ft.
<b>Existing Buildings</b>		
Residential	4.0	250,000
Commercial and Institutional	22.5	280,000
<b>Buildings Constructed During the Late 1970's</b>		
Residential	4.0	190,000
Commercial and Institutional	24.5	200,000
<b>Buildings Constructed During the 1990's<sup>a</sup></b>		
<b>Case 1:</b>		
Residential	3.5	110,000
Commercial and Institutional	19.0	90,000
<b>Case 2:</b>		
Residential	3.0	50,000
Commercial and Institutional	15.0	90,000

a. Case 1 assumes market place influence on energy consumption.

Case 2 suggests technically and socially attainable goals for energy consumption.

Mark Fryer is the president of Mark Fryer and Associates of Anchorage, Consulting Engineers.

**NOTES**

# 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.

## Current Status

By 1978 it became obvious that the State would begin accruing 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 affect 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.<sup>1</sup>

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.)

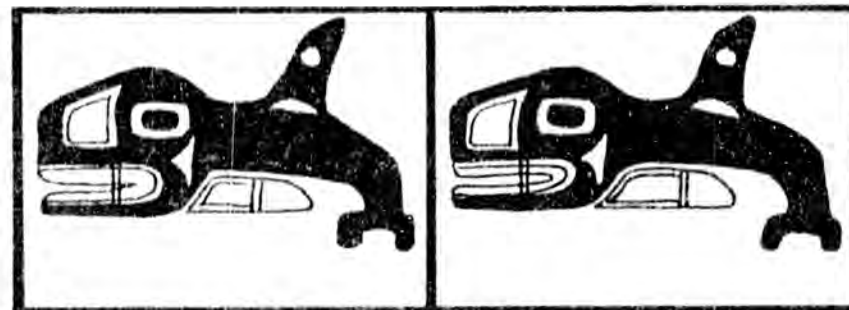
Therefore, when consideration is given to the reduction or elimination of the tax, it is only reasonable the same criteria should be applied.

### 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-



stantial 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 could 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-

residents greatly exceeds the current cost of administering the income tax. In addition, the recommended tax structure will allow the Legis'ature 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.

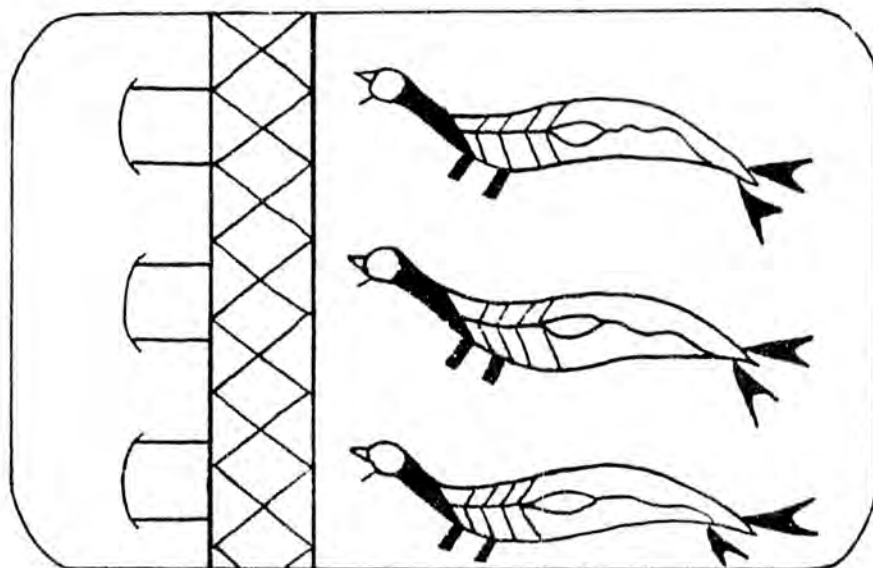
NOTES:

#### Footnote

<sup>1</sup>According 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

good people are being forced to leave the State because they can't be gainfully employed. What is holding us back? 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

to the bad business climate. Lane Kirkland, George Meany's successor as 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.

#### **Have we enough of it now?**

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.

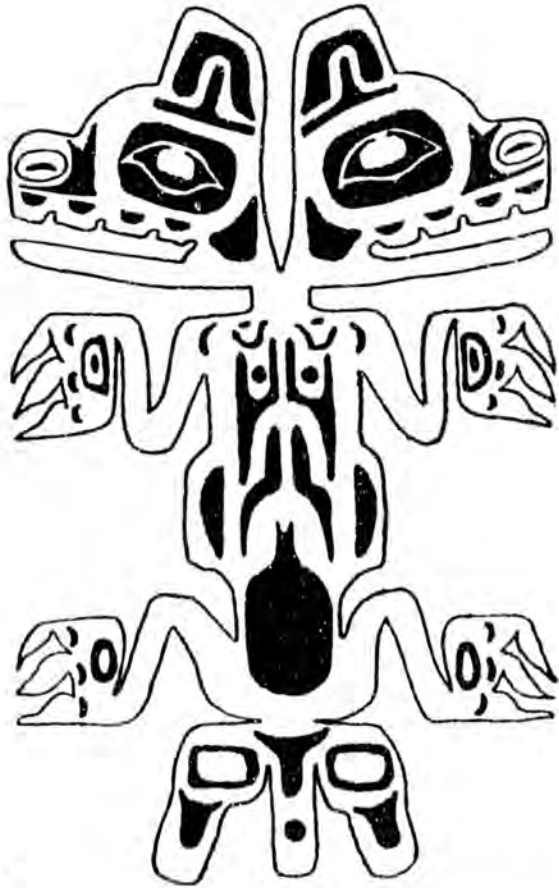
#### **How can we get more of it (economic growth) if we desire?**

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 evidence the professors found that personal income tax cuts in Puerto Rico in 1976 were followed by a drop in unemployment and a dramatic increase in the Commonwealth's surplus. Similarly, the professors noted that in 1962 and 1964 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-

tion, "The condition or state of generally rising average prices for like or equivalent goods or 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

10% bonds, 80% stocks and 10% cash are expecting a rate of return of 11.8% over a five year period. Their "very *conservative*" asset mix of 80% bonds, 5% stock and 5% 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 6.8%.

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 mil's 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.

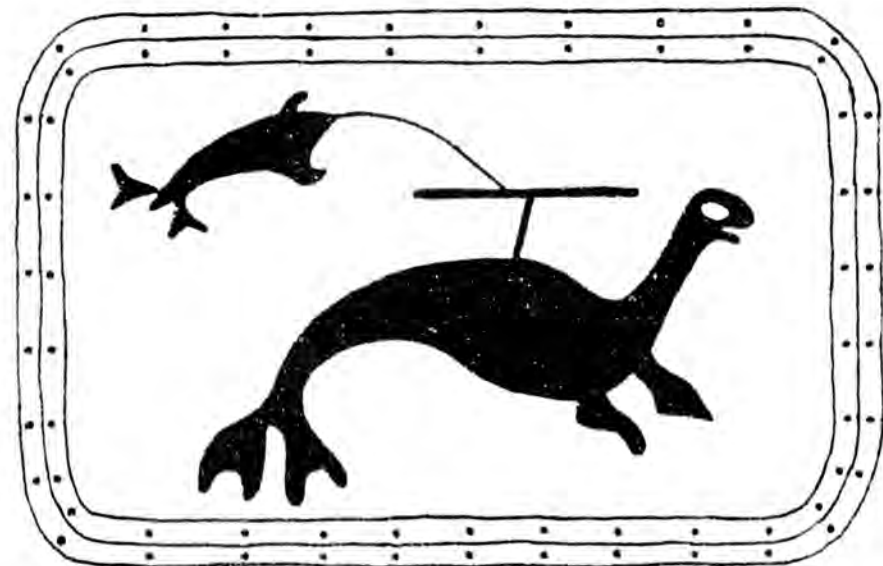
When the rates drop, Alaska could sell its mortgage portfolio or utilize the bond market "to create money," if it wished. In this manner the original funds could be leveraged to many times their original amount.

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.



# ALASKA'S OIL AND GAS POLICY

by  
Chancy Croft

## Historical Perspective

The oil and gas potential of Alaska was known long before Alaska became a State. Oil seeps and their use by the Native peoples of Alaska were recorded prior to the turn of the century. Commercial production in fact was obtained in two different fields in Alaska prior to statehood; at Katalla in the Gulf of Alaska in the 1920's and 30's and at Swanson River on the Kenai Peninsula where Richfield, the forerunner of the present Atlantic Richfield Company, made a major discovery in 1957.

Nonetheless, at the time of statehood, oil was not as important to the State of Alaska as it is today and the attitude of State government reflected it. Until recently, no overall State policy toward oil and gas development existed. A leasing statute did exist, but there was no comprehensive leasing policy. The severance tax of 1% produced little revenue. There was no State authority to regulate pipelines and environmental concerns were for the most part non-existent. Having said all that, though, it must be acknowledged that the State made one great accomplishment. Whatever disadvantages resulted to the State from the deficiencies were probably transitory and the result of the one great accomplishment of the State is more or less permanent. The State did select — as it was entitled to do under the Statehood Act — from the federal government — lands for the most part covering the great oil and gas basins of the State and thus obtained them for State ownership.

While others exist, the best example of the tremendous benefit of this policy is Prudhoe Bay. The State selected these lands in the early 1960s. As an oilfield, Prudhoe Bay was found in 1968. It remains to be produced, not discovered, at least 8 billion gallons of oil are recoverable under the present state of industry technology. An additional 12 billion barrels of oil exist in the reservoir. It is the largest oilfield ever found on the North American continent. Numerous dry holes had been drilled on the North Slope prior to its

discovery. There are those in the industry who say that the discovery well was the last one to be drilled and if it had been unsuccessful, further efforts of North Slope exploration would have been abandoned for years. But now the odds are not 1 in 10 — the industry average for finding new fields; they are 1 in 1. In Alaska we are now dealing with certainties, not probabilities. Of immediate concern is development, as well as exploration.

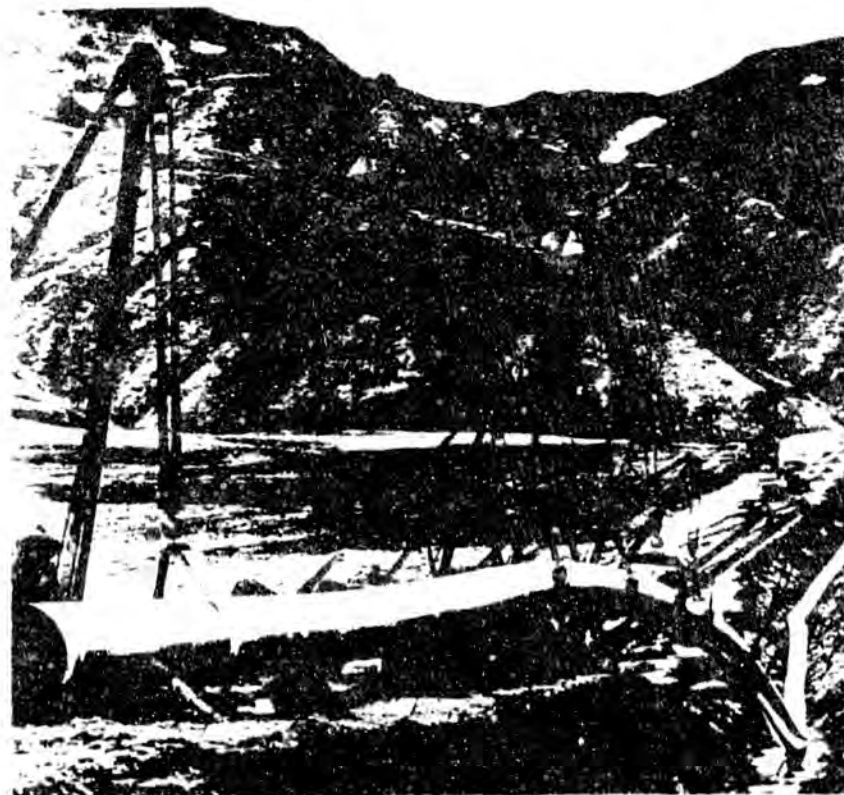
Prudhoe Bay has been leased. The State of Alaska has sold under its leasing program to the North Slope producers the exclusive right to 87½% of Prudhoe Bay production. The State has retained a royalty of 12½%.

In some ways, the history of oil and gas development in Alaska has somewhat paralleled that of other states, but in one very large aspect the State of Alaska is different and the State's policy must be a new and different one from that formulated by other oil producing states because of that factor. Those policies are often irrelevant to the situation in which Alaska finds itself. In Alaska the major areas of oil development are owned by the State. The Native corporations have lands with substantial oil and gas potential but all significant production now is on State owned land and this likely will continue for years. With some exceptions, oil production in the other states is owned by private individuals in those states and not the states themselves. While it is true that such states as Texas have some state-owned production, the vast majority of the production is owned by private individuals. As such, the State of Texas is in a position of deriving whatever benefit it can from a transaction to which it, at least initially, was not a party. Such is not the case in the State of Alaska, which is one of the two parties to the initial transaction. Stated another way, the State of Texas primarily derives its oil revenues from its taxing power; the State of Alaska will derive its oil revenues, if proper policies are followed, primarily from its proprietary power as owner of the oil itself. Because of this fact, the State of Alaska must develop an oil policy which is unique to the other oil producing areas of the United States.

## CURRENT STATUS

Presently the State of Alaska derives the majority of its income from oil and gas operations, the largest single item being the royalty

of 12½% which is the traditional land owners share of oil production. In addition to royalty, the State receives a severance or production tax which varies with the profitability of a producing unit ranging from zero to one which can be comparable to the royalty rate on highly productive Prudhoe Bay wells. In addition, the State has an ad valorem tax on pipeline and transportation facilities and had for two years a tax on oil and gas reserves in place. The 1978 session of the Legislature revised the corporate income tax so that there is a separate tax applicable to the oil and gas industry, even though its purpose and effect is to simply insure that oil and gas companies pay the same corporate tax rate as other Alaska corporations. The Pipeline Regulatory Commission was established in 1972 by the Legislature but was not activated until 1974 by the State administration. The Interstate Commerce Commission — now a part of FERC — is a federal instrumentality created to regulate pipelines for the public interest. It has done a dismal job and is generally considered one of the weakest and worst of the Federal regulatory agencies. The purpose of the State Pipeline Commission was to establish a strong regulatory commission to protect both the Alaska public interest and the interest of the State of Alaska in a realistic wellhead value. Generally speaking State royalty and tax income reflects wellhead value — the higher the value the more State revenue. Transportation charges effect wellhead value since that is determined by deducting transportation charges — tariffs — from the refinery price. Thus the higher the tariff the lower the wellhead value and State revenues. Despite some aggressiveness, the State Pipeline Regulatory Commission has been for the most part ineffective. The State has a good statutory framework with regard to leasing. However, between November of 1973 and July of 1979, there were no oil and gas lease sales in the State of Alaska. Now a major sale is scheduled in conjunction with the federal government in the Beaufort Sea in December, 1979. The State of Alaska has suffered from a lack of technical expertise with regard to the oil industry. Some expertise is being developed in the State government, mostly in the Department of Natural Resources and Revenue. The major handicap towards the formulation of the State's policy has been the absence of any expertise at the University of Alaska. There are two great exceptions — the Institute of Social & Economic Research and the Arctic Environmental Information & Data Center. All major oil and gas producing states have had Universities with first rate people involved in oil and gas matters — Texas, Louisiana, Oklahoma and California — but the State of Alaska does not. We do



have a couple of good vocational programs in Kenai and Seward Alaska.

But any evaluation of the current status of State policies must involve a consideration of several other factors.

The role of the State with regard to oil development is as a seller of a product. This involves a departure from the traditional role of government, which is to provide services or protection for its citizens which they cannot or should not provide by other means. Certainly, in at least one respect, it is no longer the arbiter of conflicting interests within its own citizenry, but is instead the marketer of products owned by it — on behalf of its citizens — to non-citizens.

As the seller of a product it is important to recognize that the State's most valuable product is vast areas of unexplored land with

great hydrocarbon potential; one of the few areas with that characteristic on the North American continent, if not the Western Hemisphere, and certainly the only such area in the United States. In contrast, of minimal value are such traditional governmental economic stimulants as favorable tax rates, industrial incentive, and the like. In short, it is the State's ownership of land and not its ability to use traditional governmental economic regulators which is the State's greatest asset.

Sellers are one-half of the parties to a sale. The direct purchasers of the State's products share some unusual characteristics themselves. In the first place, the Oil industry has enjoyed for a long period of time in the United States a very favored position with regard to governmental policy in general and tax policy in particular. Industry has obtained this favorable position because it constitutes — or at least did until recently — one of the most powerful economic and political interests in the United States. Secondly, the oil industry involves a vertically integrated regime. One company often controls the product from its initial extraction through all of the refining and marketing processes to the ultimate consumer. The company controls the exploration, discovery, production, transportation, refining, marketing and sale of the product; as such, the industry is in an extremely powerful economic position. On the other hand, the industry is, for the most part, undiversified. As such it is, ironically, in a vulnerable economic position.

In the third place, many phases of the product's handling involve monopoly or near-monopoly control of the product — probably the result permitted if not compelled by vertical integration and lack of diversification. No better example is available than the fact that for years to come the transportation of North Slope crude will involve one facility owned by a few companies. In this case the owners of the production and the transportation facility will for practical purposes be substantially identical.

In the fourth place, while the purchasers of the product are in a strong position, that position varies from company to company. Some companies are long on reserves and short on capital, others possess tremendous refining capacity but little production.

The character of the product itself is unique. In the first place, its value is subject to many factors beyond the control of the State. For

example, the value of domestic oil production is probably more affected by OPEC prices than any other factor. While a greatly increased demand for the product is forecast if present trends continue, the whole future of the product as a fuel source is open to some question. In addition, the product is a non-renewable resource, and as such, regardless of vast quantities of oil on the North Slope, the quantity is still finite. The market may be long-term, but is certainly not permanent.

The oil industry must always be viewed by the State of Alaska as the purchaser of a product the State has for sale. As such, it is naive and unrealistic for the State to expect that the industry will voluntarily discuss with candor the value of the product the State is selling and the industry is buying. If the State's information as to the value of the product is limited to the value publicly attributed to the product by industry, the State will never have sufficient information to formulate valid State policy. Only an independent evaluation by the State, coupled with marketing techniques which themselves demonstrate the value, will provide the information regarding value from which the State can formulate a realistic oil policy.

Alaska's task of being an informed seller is a formidable one. The informational sources of the buyers are sensitive and accurate. In addition, while the industry can discuss and decide in private, the State must do so publicly.

#### OTHER PERSPECTIVES

A myriad of other perspectives can be brought to bear in determining the State's oil and gas policy. For example, the current fight between environmental and developmental concerns. Are we failing to take advantage of an opportunity because of fear? Are we losing our values for a fast buck? Probably the truth lies somewhere between the claims of both sides. The oil industry has for the most part operated in a safe manner in the State of Alaska and has demonstrated its ability and willingness to abide by the conditions imposed either by the environment or by government. The State has benefitted from this attitude. But the industry has benefitted as well from the expertise of government and the Trans-Alaska Pipeline will stand not only as a monument to the engineering ability of the American oil industry but to the fact that it was government concern which avoided a fiscal and environmental disaster. Also bearing on

the formulation of State policy is whether development should occur quickly or slowly, whether government should tromp on the gas pedal or apply the brake. Consideration of these factors often causes a discussion to spill over into a question of whether or not the public or private sector will benefit most — or should benefit most — from oil and gas development. A related question is whether the government should use its regulatory or its proprietary powers. Should it act as an unbiased umpire or should it assert its prerogatives as an owner of a resource and can it do both efficiently and fairly? And how is the decision to be made? How does a representative democracy handle publicly its relationship with an industry that makes most of its decisions in private? Is a leasing policy or a tax policy one most likely to produce the greatest long term benefits for the State? What about varying interests between the federal government, the State government and the stockholders of Native corporations in Alaska? Most of the lands suitable for oil and gas development lie under State or Native control, but it is the federal government that is the most desperate to obtain new supplies of oil. To what extent will the interest of all three be better protected and advanced through cooperation rather than an adversary position? A gas pipeline has now been proposed to transport Prudhoe Bay gas to market. The statement has been made that State financing is necessary. Should the State participate? What should the State do with regard to petrochemical development? What about production of both oil and gas from known reservoirs? Other states regulate the rate, should we? Presently it is anticipated that more oil will be left in the ground than produced. Should the State undertake research to increase ultimate production?

#### DIRECTIONS

The result of these factors is simply that economic conflict between the State of Alaska and the oil industry is inevitable. The policy of the State could be developed, should be developed, must be developed, which will allow both the State and the industry to benefit from the State's oil development. If a policy of such a nature is not developed it is quite possible neither will benefit. But the fact that both may ultimately benefit does not change the fact that both will still be adversaries. Certainly, transactions exist — hopefully will exist between the State and the oil industry — in which both the buyer and the seller, because of unique circumstances peculiar to

both, enjoy an extremely profitable transaction. But to assume that this will invariably be the case with Alaska's oil is naive and in most situations increased benefits for one result from decreased benefits from the other.

Considering these factors, what principles will best guide Alaska oil policy in the future?

It should be recognized from the beginning there is no policy the State of Alaska can pursue that is without risk. If we develop now to the maximum instead of later we take the risk that we are selling the product too cheap. If we wait too long, additional energy sources may be found. They may be worse environmentally, they may not exist in the State of Alaska at all. If we lease on a net profits basis, there may be no oil in the ground. If we sell on a bonus basis, we may be disposing of another Prudhoe Bay.

It is absolutely essential that State oil policy be flexible. Because so many factors affecting oil policy are outside the control of the State of Alaska, a permanent irrevocable policy is unsatisfactory. Because the State will never obtain all the information it desires, it can never refuse to change policy in light of new information. Such a policy has its pitfalls. Instability may result in increased cost resulting from maintaining flexibility should be viewed as a cost of securing a far more valuable ability to cope with changing situations as they arise. Such a policy is bound to produce cries of alarm from an industry dedicated to preserving the status quo. But an industry which can successfully profit from a discovery program where its chances are only one in ten can successfully cope with a reasonably flexible policy on the part of the State of Alaska.

Secondly, the actions of the State of Alaska must be governed by the actions of the oil industry and not the industry's attitude. Whether the oil companies love us or not is irrelevant; we're not buying love, we're selling oil. While there are vast quantities of oil to be produced in the state the rigs will run; if the oil is gone the companies will leave. We can hope for no more and plan on no less.

A policy must give recognition to the differing positions of differing companies. A 1969 oil lease sale would have been a disappointment for the State if the participants had been limited to Atlantic-

Richfield, British Petroleum (now Sohio BP) and Humble (now Exxon). Sohio BP holds approximately one-half of the total recoverable resources at Prudhoe Bay, yet its total cash contribution to the 1969 sale was \$3 million — 1/3 of 1% of the total bonus received by the State. Those companies had their production and were reserving their capital to secure transportation. It was the companies without production who made the sale a success. We must be able in the future to capitalize again on a situation in which one company would bid a little and another a lot. In order to insure the viability of such a policy, it is necessary for the State to act in order to maximize the number of potential purchasers. Allowing monopolies to exist at any stage or in any phase of oil development could well jeopardize this policy.

Because the public sector owns the oil, the public sector of the economy will be the primary beneficiary of oil development. For example, at full pipeline throughout annual oil revenues to the State will be double the total yearly payroll to residents and non-residents at the peak of pipeline construction. Doubtless, the private sector will advance as a result of the sale of public oil. But the benefit will usually, if not always, be greater in terms of increased State revenues rather than private economic development.

Since oil is a non-reoccurring resource, our oil policy must be viewed as a means to an end rather than an end itself. It must be the goal of the State to channel the revenue derived from oil development to other social goals; either to permanent social improvements which will outlive the oil supply, or to development and perpetuation of renewable resources which will outlive the non-renewable supply. As oil, the product, is exhaustible, so the economic structure around it is exhaustible as well. In one critically important respect, the brightness of Alaska's future depends on the soundness of the oil policy we develop; the duration on how wisely we reinvest the income that policy produces.

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##### Author

Chancy Croft was a member of the Alaska Legislature for 10 years. He was chairman of the first Legislative committee to address the overall State oil and gas policy. Legislation written and research undertaken by that Committee has set the basic oil and gas policy of the State of Alaska. Mr. Croft was President of the Alaska State Senate in 1975 and 1976.

#### References

The first effort at analyzing the relationship between the oil and gas industry and the State of Alaska began with the Institute of Social, Economic & Government Research at the University of Alaska. In particular, Arlon Tussing and Gregg Erickson pioneered in the field. The 1969 Science Conference at the University of Alaska in Fairbanks was the first major public discussion of oil and gas policy and the papers of numerous participants are highly recommended.

In addition to work done by the Institute of Social, Economic & Government Research at the University of Alaska, the work of the Arctic Environmental Data & Research Center under the direction of David Hickock should be consulted with regard to environmental and technical information.

The Legislature has commissioned or obtained considerable sources of information. Under contract to the Alaska Legislature for approximately 10 years, Milton Lipton of Walter Levy & Associates of New York City has identified areas of concern to the State over a broad spectrum. The Legislative Research Division itself contained some of the greatest expertise in the field and numerous papers prepared by legislative research are recommended.

In the area of leasing, the definitive work was done by Mason Gaffney and in reservoir engineering the works of Professor Doscher of the University of California are recommended. The pipeline impact committee files of the 1971 and 1972 sessions and the work done under the committees headed by John Huber and Chancy Croft in 1975 and 1976 are also recommended.

With regard to the gasoline itself, the work done by Arlon Tusing and Connie Barlow under contract to legislative research, while controversial, is a fine product.

The administration has been responsible for several studies. Particularly the 1977 Department of Revenue study of taxation is a monumental work in that field, and recently the Department of Natural Resources has conducted a study of leasing methods in conjunction with the Legislative Committee headed by State Representative Joseph McKinnon. Ed Phillips' work for the Department in particular should be singled out for consultation. Far and away the most work in the area of petrochemicals has been done by the State Oil and Gas Royalty Advisory Board. Joe Moore, a consultant to that committee, is probably the most knowledgeable person in the area of Alaska petrochemical potential.

The industry has made numerous contributions in the field. Often contributions have been with regard to technical information concerning, say, geology of the North Slope. But they have contributed to the policy discussion as well, and probably the most monumental work that has been performed was the 1977 Arthur Anderson study concerning the profitability and taxation of Alaska operations. This was updated in 1978 and was done for the major North Slope producers. AOGA has done a study entitled *Alaska's Emerging Fiscal Crisis*, and it should be consulted.

## IN-STATE USE OF THE STATE'S PETROLEUM RESOURCES

Prepared by  
Connie Barlow

Thumbing through the reports and recommendations generated at the 1969 Brookings conference, I am struck by the absence of any mention of "in-state use" of the State's oil and gas resources. Nowhere were the prospects for refining or petrochemical development even mentioned. In the aftermath of the \$900 million sale of North Slope leases, oil and gas was viewed almost exclusively as a source of unexpected state wealth. Today, while this conference and statewide discussion in general still center on what to do with the cash windfall flowing from sale of petroleum resources, government officials and business interests are also talking about whether and how something more than money can be squeezed out of our oil and gas royalties — whether Alaska's share of North Slope production might be "used" within the state.

### Recommendation #1.

*My first recommendation is for delegates to refrain from labelling all petroleum processing proposals as "in-state use", and for delegates to urge state officials to do likewise.* That may sound awfully petty, but I believe that sloppy use of the phrase by government officials is, in part, responsible for some of the misconceptions held by Alaskans as to the benefits of certain projects now being promoted.

If, for example, oil is refined in Alaska and the products find their way into our cars, snowmobiles, home furnaces, and electric generators, that certainly qualifies as "in-state use". The Earth Resources facility at North Pole and the Tesoro refinery on the Kenai do process oil for in-state use. However, if light hydrocarbons (known as gas liquids) are turned into basic petrochemicals like ethylene and polyethylene, Alaskans still will have to buy their baggies and pantyhose from Outside suppliers. All but the most optimistic promoters acknowledge that a petrochemical industry in

Alaska will provide only *primary processing* of resources; it will not supply much of anything that can be used within the state.

The timber industry in Southeast Alaska is a good example of this difference. While pulp and cant mills are important sources of local jobs and taxes, they do little to relieve our statewide dependence on Seattle for finished products like paper and lumber. There is nothing inherently wrong with manipulating state resources or even providing outright subsidies in order to bring about primary processing to help out local economies. But it is wrong to subtly suggest that there is something in it for all Alaskans by coining the phrase, "in-state use" — particularly if subsidies are provided from statewide revenue sources. When polled by the Fairbanks North Star Borough in 1978, for example, 58 percent of the borough respondents had the false impression that some sort of finished product would be available locally as a result of petrochemical development.'

The rest of my recommendations target the crying need to bring some realism and responsibility into state policy-making with respect to primary processing of state petroleum resources.

First, it must be remembered that Alaska is not an ideal location for a petrochemical plant. We are far from major markets, labor costs more here than down south, our climate requires expensive construction techniques, and the facility itself must be specially designed to operate at cold temperatures. In addition, most experts agree that now is not the best time to build an ethylene plant anywhere. That's because too many chemical companies did just that a few years ago — in large part, coaxed by local and national governments striving to enter the industrial world. Now many plants are operating well below capacity and the word "glut" is typically used to characterize the current state of world markets for ethylene and ethylene derivatives. True, a foresighted company might believe it wise to start building now in anticipation of an end to the glut in the late 1980's, but lenders are hard to convince.

What all this means is that processing of North Slope ethane and propane into petrochemical building blocks within Alaska is not an inevitable consequence of having an oil and gas extraction industry. On the contrary, petrochemicals will only happen if we make them happen. That should be fairly obvious: Why else would there be so

much hoopla about the State doing something with its royalty gas? After all, EXXON, ARCO, and SOHIO own gas too — but, then, their interest clearly is in making money.

Some third world producing countries with geographic and labor problems similar to Alaska's have managed to attract petrochemical industries. They have accomplished this, however, by offering something special: like free gas feedstocks (which, till then, had been flared anyway for lack of a market) or long-term commitment of precious oil in exchange for a commitment to purchase the output of the petrochemical plants.

Why should our state leaders be concerned about whether or not primary processing of petroleum resources is a realistic strategy for Alaska? There are several reasons.

First, for the past two years and accelerating at a remarkable pace, legislators, top officials in the Administration, and key staff have been devoting a lot of time and creative energy to this topic — not to mention state money. While I am no critic of spending state money to analyze issues that might yield a healthy return or to look for loopholes in promotional efforts that could prove to be real boondoggles, the time and energy of state officials and staff is finite. To the extent that petrochemicals capture their attention and demand their own personal efforts, less time can be devoted to other state needs. There can be no doubt that petrochemicals have captured a good portion of the available state effort. The question is whether that ought to continue.

A second reason to give serious consideration to the feasibility of primary processing is that no matter how safe a contract is negotiated for sale of royalty oil or gas, the state cannot insulate itself from the impacts of a faltering industry once the industry has become an established and vital part of any regional economy. One need only look at the plight of Chrysler today and the Come-by-Chance refinery that went bankrupt in Nova Scotia several years ago. In order to keep thousands of Midwest workers out of unemployment lines, Congress has little choice but to issue a federal loan guarantee of a billion or more dollars; the provincial government, too, was virtually trapped into purchasing a second mortgage at Come-by-Chance. With royalty gas or oil feeding a large primary processing facility in Alaska, the obvious response in the event of trouble would be to reduce the feedstock price —

regardless of what the contract may or may not say.

For these reasons I make the following recommendations:

#### **Recommendation #2.**

*Before any deal for construction of a primary processing facility is cut, state leaders should require the proponent to submit a qualitative and easily understood discussion of how the inherent Alaska disadvantages would be overcome. For example, would the facility employ new technology that is substantially more efficient or less costly than that found in existing plants elsewhere? Would it be cheaper to build in Alaska because pollution abatement is less expensive? Would pre-constructed modules or the advantages of back-haul be used? (It should be noted here that while the Collier Chemical urea plant and the Phillips gas liquefaction plant at Nikiski took advantage of a lack of alternative markets in negotiating a feedstock price of 15¢ per mcf or less for Cook Inlet gas, alternative markets do exist for North Slope gas and oil. The Chevron, Tesoro, and Earth Resources refineries receive a variety of federal regulatory advantages, or "small refiner bias", that would be off limits to a large export refiner.)*

#### **Recommendation #3.**

*State leaders should attempt to make a royalty contract as safe as possible. This would include recognition that contracting to a subsidiary of a large and prosperous firm is safer than contracting to a smaller or, worse yet, "paper" corporation. In the event of a short-term marketing crunch in which revenues fall short of meeting required debt payments, the parent could be expected to make up the difference, rather than necessitating a reduction in feedstock price. In the event of outright default on contract terms a company linked to a large parent corporation would have something worth suing.*

#### **Recommendation #4.**

*Nevertheless, no contract for sale of state royalties, no matter how safe it appears on the surface, should be entered into if the proponent has not provided sound evidence that it can build and operate a viable enterprise. The creation of a few hundred long-term jobs is not worth endangering the financial well-being and credit*

strength of the State. It appears that state leaders today feel compelled to award a royalty contract unless staff can prove the economics are faulty. Even then, the proponents argue it is their right to give it a try. That is a dangerous and backwards approach. Instead, whenever the State's major financial asset is in question, the proponents ought to bear the responsibility to prove the likelihood of project success.

None of these recommendations, however, addresses the most immediate question of whether state leaders ought to continue making a herculean effort to ensure that decisions made by the federal government, the producers, and Northwest with respect to the gasline and conditioning plant don't worsen the prospects for attracting a petrochemical industry. To my knowledge, nobody has criticized the massive State effort now directed at petrochemicals; nobody has expressed concern that the State might find itself trapped by the direction now being taken. A very vocal group of supporters, however, would like the State to do even more — even to the point of making these demands the central (if not sole) bargaining point on which to trade State financial participation in the gasline.

This is where my final and most important recommendation to conference delegates comes in:

#### **Recommendation #5.**

*More than anything else, we need to generate some debate on the question of selling royalty oil and gas for the purposes of attracting large-scale, primary processing enterprises. Right now, the only voices that state leaders hear are those of certain business and local government leaders promoting the concept. How much do Alaskans, in general, look forward to developing a petrochemical industry, if indeed it is something that would be considered an asset? What if it might require a feedstock subsidy and consequent reduction in our royalty revenues? Is it the most important item that the State could bargain for during the upcoming gasline financing negotiations? Is *no* gasline better than a gasline that fails to make gas liquids easily and cheaply available?*

I realize it sounds heretical now to question something that has received nothing but favorable review. We all have read and heard

about the splendors of petrochemicals (even if we still don't know what a petrochemical is). But the lack of debate just isn't healthy — not in a place as diverse as Alaska.

Part of the reason that debate is so muted on this point may be because discussion has been channelled into a very technical level. But the most important considerations cannot be answered by technicians. On the contrary, most any Alaskan should be comfortable venturing his or her opinion on such matters, providing he or she has been given an opportunity to understand what the development would entail.

I'm not suggesting an anachronistic debate of the environment versus development, although that issue certainly could and should be a part of the discussion. At least four other questions, however, merit attention:

(1) Should the State encourage entry of an industry whose prospects for success are questionable, yet by the very nature of its size would link a region's economic well-being to its own? Should the State allow its financial nest egg (i.e., its royalties) to become tied up in the industry's operations?

(2) Why is it that our leaders talk about broadening Alaska's economy and becoming less dependent on oil and gas production, yet fail to mention that petrochemicals and petroleum refining will do just the opposite?

(3) Why is it fashionable to deride the boom and bust syndrome of large-scale construction, yet promote actions that will only add to the inevitable construction boom surrounding the gasline? If a petrochemical plant is built in Alaska for processing North Slope gas liquids, construction of the plant (and maybe a separate liquids pipeline from the North Slope or products line to tidewater) almost certainly would occur at the same time as construction of the Northwest gas pipeline, the conditioning plant, and a waterflood facility. If one also considers the employment required to build a second gas liquefaction plant at Nikiski (proposed by Pacific-Alaska LNG Associates) and maybe even an Alpetco oil refinery, simultaneous construction could present real problems.<sup>2</sup>

(4) Finally, what about the whole question of encouraging heavy

industrialization? Ten years ago delegates at the Brookings conference were highly skeptical of bringing industry to Alaska. The overall tenor at that time was for Alaska to do things differently than they do it down south. Well, if bringing in heavy industry is okay, what *don't* we want from Outside? What do we plan on doing differently? Is there any practical application of the rhetoric we all still spout about valuing our differences and maintaining our supposedly unique lifestyles? There is something ironic about Alaska trying so hard to attract reluctant industries when many lower 48 communities are fighting to keep them out. The question isn't pollution, nor even growth in a direct sense. It's a question of power: Who will be the citizens of Alaska, entitled to guide our State ten years from now? What will have brought them here, why will they stay, and what will they value in life? The type of jobs we choose to encourage in Alaska will make a difference. Whether employment grows in a way that tends to further urbanize Alaska will make a difference too.

I'd like to close with an anecdote that illustrates my point about power and employment.

The Alaska Royalty Oil and Gas Board held a meeting in Valdez in the fall of 1977 to discuss several proposals for the sale of royalty oil. The town turned out in force. Those who spoke extolled the merits of locating a petrochemical plant or refinery in their town. Those who filled the seats nodded their heads in agreement. But those who gathered along the back wall said nothing — their intent easily discerned, nonetheless. A police officer discreetly warned the state officials of potential "problems". No problems, in fact, arose; the fishermen left after a short time. There was really no reason for them to stay. Valdez, after all, was no longer a fishing town.



#### Footnotes

<sup>1</sup>The "Fairbanks Petrochemical Study" report was issued by the Institute of Social and Economic Research in March 1978, and prepared through a grant from the Fairbanks North Star Borough.

<sup>2</sup>Round figure estimates of peak direct construction employment are:

Northwest Alaska gas pipeline	-	9,000
Gas conditioning plant	-	1,500
North Slope waterflood facilities	-	1,500
a small ethylene complex	-	1,500
a liquids or products pipeline	-	2,000
Pacific Alaska LNG plant	-	1,000
Alpetco oil refinery	-	3,500

These projects total 20,000 short-term jobs, compared to a peak TAPS oil pipeline workforce of 22,000.

#### Biography

Connie Barlow is vice-president of Arlon R. Tussing Associates, and co-author of a series of reports for the Alaska Legislature: "Financing the Alaska Highway Gas Pipeline: What Is To Be Done?" (April 1979), "The Alaska Highway Gas Pipeline: A Look at the Current Impasse" (January 1979), "An Introduction to the Gas Industry" (November 1978). Previously, she served as a special assistant on oil and gas matters to the Commissioner of Natural Resources during the negotiations leading to the sale of royalty oil to Alaska Petrochemical Company (Alpetco). She filled a similar role in the office of the Senate President and provided staff support during consideration of the now defunct North Slope royalty gas contracts and changes in the state's petroleum taxation laws.



## **ALASKA PETROLEUM AND ITS PEOPLE SOME PERSPECTIVES ON OIL & GAS POLICY**

Milton Lipton  
President, W.J. Levy Consultants Corp., New York

1. Ten years ago the Legislative Council's "Conference on the Future of Alaska" was convened hard on the heels of the \$900 million North Slope lease sale. This year's conference on "Future Frontiers" is convened barely a week before the scheduled Beaufort Sea lease sale. The timings are fortuitous but obviously not accidental.

2. The problems and prospects of Alaska, the concerns and choices of its people have been fundamentally and irreversibly changed by the discovery and development of major petroleum resources within the State. The pace and purpose of continuing oil/gas exploration/production will surely be pivotal in shaping Alaska's future, from whatever perspective the future is regarded -- societal, industrial, financial, personal. Hence the critical importance to all Alaskans of State oil/gas policies; and inevitable conflict of values in the shaping of those policies.

3. The ten years just past have been fateful ones for Alaska with difficult decisions having to be taken relatively quickly and with little prior exposure to options or consequences. The ten years ahead will afford Alaska the benefit of past experience. But they will also confront Alaska with a distinctly different world in which issues of oil/gas policy will have to be resolved.

4. Looking back over the decade between conferences, two facts stand out above all others.

Not a barrel of oil, hardly an mcf of gas has been added to Alaska's known petroleum reserves.

The value of Alaska's oil at refineries in the Lower 48 has escalated from less than \$3 per barrel to over \$25.

The contrast is striking, and meaningful.

5. In an energy-straitened world, our nation is vitally interested in an optimum contribution from Alaska's petroleum potential. For Alaska, that will involve hard choices between accelerated exploration/development and concomitant social/environmental costs.

6. Meanwhile, the sharply rising value of Alaska's oil and gas production not only enlarges the opportunities for financing desired objectives, but poses an enviable problem of balancing current revenues against conservation.

7. A few words about the very changes that have taken place in the world oil environment and how these will bear on issues of Alaskan oil and gas policy.

8. Ten years ago energy supplies world-wide still looked to be reasonably ample; oil prices, reasonably stable after having been depressed through the decade of the Sixties. Looking ahead from the vantage point of 1969, there was reason to be concerned about longer-run trends -- about the pressure of rapidly rising world oil consumption on future productive capacity and hence inevitably higher real energy costs. But these were distant concerns.

9. Petroleum issues in Alaska reflected in perceptions of the time. Oil tax policy for example. There was then, as also now and doubtless in the future, debate over the State's appropriate share of the value of its energy resources. But with oil values lagging and Alyeska costs soaring, there was superimposed serious concern over the "adequacy" of the State's projected oil revenues. In response, there was introduced a cents-per-barrel floor to Alaska's severance tax. Subsequent escalation and external indexing of severance tax rates were enacted against the background of disappointing crude price and hence oil revenue trends.

10. The same relatively unfavorable external environment confronted efforts to use the State's oil and gas resources as a basis for downstream investment -- investment that hopefully would generate jobs and income and help to reduce the comparatively high costs of various products in Alaska. Inhibiting those efforts were the ready availability and competitive pricing of alternative supplies in export markets.

11. One more example. Whether on matters of taxation or leasing policy, a balance had, and has, to be struck between the State's desire to maximize and the danger of seriously impinging on incentives to further exploration and development. That's been an especially difficult balance owing to the combination of relatively low market values and relatively high production/transportation costs of Alaska's energy resources.

12. The turn-around in world oil balances and even more dramatically in world oil pricing has to affect significantly Alaska's future directions. This is likely to be true not only of narrow questions of oil/gas policy, but for the complex of revenue/spending decisions that more than elsewhere in our country bear intimately on the State's social, cultural, and economic evolution.

13. That the distant concerns over world oil supplies and prices emerged so frighteningly in 1979 is owing to a combination of circumstances. As in 1973-74, political interdiction of foreign oil supplies was an immediate cause. But now, as then and over the years ahead, it is an increasingly tenuous world oil balance that makes us susceptible to political interposition. So we are at once exposed to the shortages that political interposition may bring; worse still, our very exposure is itself conducive to political adventure.

14. But underlying it all, and basic to the energy environment of the decade ahead, and beyond, is the progressive encroachment of world oil consumption on the resource base. It's getting harder and harder to replace the reserves that are used up each year. Conservation will help; so too will substitution, and in time, development of alternatives.

15. Withal, *real oil prices* will be in a distinctly rising trend -- reflecting both the increasing costs of looking harder and farther, and the increasing scarcity value of remaining reserves.

16. Coming back then to Alaska. Two perspectives. There are the various questions of oil and gas policy to be considered. There are also the various guises in which the State itself appears on the scene.

17. With respect the latter, the State starts out playing a major role as *landlord*, reflecting the importance of state lands to the exploration effort. As landlord *per se*, Alaska would want the fullest possible evaluation of its resources potential and optimum rental payments for access to its resources.

18. Increasingly it appears that the State will end up as *investor*, reflecting the timing and prospective accumulation of surplus oil and gas revenue receipts. Whether subscribing capital to a natural gas pipeline, gas conditioning plant, or other undertakings, as investor *per se*, Alaska would want maximum security for its capital and optimum return on its investment.

19. Meanwhile, the exercise of State *sovereignty* impinges on the petroleum sector in a wide variety of ways -- including but hardly limited to regulation and taxation.

20. To some extent, there may be conflict of interest among the several guises in which the State appears. More important is simply the necessity to understand the interrelations among overlapping decisions as Alaska acts out its multiple roles in the course of settling upon diverse policy issues.

21. More on this in the context of policy questions.

22. We neither presume to be exhaustive in our references to policy questions, nor definitive in discussion of issues. We try only to set these against the shape of the decade ahead.

23. Among questions of policy are the pace and conditions of ongoing *exploration* of State lands. Here the pressures for rapid and facilitated exploration will come largely from outside -- reflecting the critical contribution than Alaska's oil and gas potential could make to our nation's energy balance. Alaska's own circumstances will be conducive to more deliberate evaluation of competing interests.

24. Little need be said about the importance of Alaska's prospective contribution to U.S. oil/gas requirements. By now it's obvious. Within the year, financing the natural gas pipeline looked to be a tough nut at best; it's hardly less so now, but it's reasonably well

assured that the pipeline will be built -- by the run-up in competing oil costs and the political/economic price of undue dependence on imported energy.

25. On the other side of the equation, there is first that rising real energy prices will open up still wider the potential for development of Alaska's high-cost energy resources.

26. Second, the margin of decision between exploration incentives and standards of environmental protection has probably become a more realistic one.

27. Third, the societal concomitants of exploration/development -- coastal zone management, land use, current versus deferral revenues, etc. -- ought to be able to be debated and compromised in a less pressurized atmosphere than heretofore.

28. Nonetheless, pressures will be intense. And if Alaska's options are enlarged, decisions will probably be even more difficult precisely because the decision may no longer be constrained by the otherwise intractable circumstances of State Government.

29. Another area of policy. State *revenues* from leasing, taxation. In a perfect world of complete foresight, no problems. All leasing alternatives would bring down the same present value of future rents. All taxation alternatives could be translated into a straightforward projection of development/production/revenue at the margin. But the real world is beset by Byzantine unrealities.

30. It was not in the past a matter of indifference to Alaska whether lease revenues accrued early via bonus or later via higher royalties/net profit. It was not a matter of indifference whether tax alternatives bought in less earlier or more later. In a crucial year of threatened budgetary deficit, one alternative was a Beaufort Sea lease sale; if so, immediate bonus income would have been its objective. Alternatively, recourse was had to a *reserve tax*, in fact bringing forward (at no interest costs to the State) revenues that would otherwise have accrued later via severance tax.

31. Today, Alaska can take a more relaxed position with regard to leasing/taxation alternatives. Choices may not be more clear, the ideal no less illusive, the alternatives still subject to conflicting interests, but budgetary compulsion is hardly the constraining

factor it was in years past.

32. Similarly, in almost every aspect of *resource-based development*, Alaska should be able to apply more exacting criteria, more carefully define its objectives and apply its stipulations than heretofore. When royalty oil was first held out as a fulcrum for downstream investment, it had virtually no leverage. When later, four projects -- energy refinery or petrochemical facility -- were put into the hopper, the comparative evaluation revolved around tenuous and uncertain comparisons. The Alpetco contract emerged, fraught with conflicting opinions and interpretations.

33. Whether it's a review of a restructured Alpetco project, LPG availability and use, NG pipeline, or whatever, Alaska's position is strengthened by the sheer importance of physical access to petroleum supplies in investment decisions. What's happened in the world outside has moved Alaska ten years ahead.

34. A final point, and one that's apt to affect Alaskans more directly at least than other policy questions.

35. Petroleum is more needed in Alaska than in other areas of the United States for heating and for transportation. Simply put, a lot of oil (or gas) has to be used in the home, be it city or village. Whether on the ground or especially in the air, it takes a lot of oil to move Alaska's ton/miles of traffic, be it people or goods.

36. In the past, because Alaska is remote from where petroleum products were refined, transportation added substantially to cost of oil for Alaska's consumers.

37. In the present, because Alaska is remote from where its crude is refined, transportation subtracts substantially from the value of Alaska's production.

38. To what extent should Alaska, as a matter of policy, seek conciliation between costs and prices of its internal petroleum production/consumption? If so, how? Given a rising trend in real oil prices and the relatively heavy weight of energy consumption in Alaska's households and in its economy, the impact on future costs of living and of doing business could be substantial. And State policy could make a big difference.

## **THE NEW PERCEPTIONS ABOUT ALASKA'S FISCAL 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...<sup>1</sup>

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 the Prudhoe Bay producers for additional revenue to support the government, raising the field's taxes 900% with eleven tax increases in as many years. Given 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.

To the extent that there was a perceived need to diversify the revenue base in 1969, 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."<sup>2</sup> 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 as well. Sohio's contribution to this conference would appropriately be 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.

To match petroleum revenue expected by the Department of Revenue in 1979 (\$709 million):

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.<sup>3</sup>

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.<sup>4</sup>

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."<sup>5</sup> 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).<sup>6</sup>

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 1969 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, Alaskans have a vital interest in this matter.<sup>7</sup>

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.<sup>8</sup> 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."<sup>9</sup> 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 support service companies. As to the use of innovative 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.<sup>10</sup>

**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.

Thus, rather than extremist measures such as the March 31 drilling 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 LeResche) 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."

NOTES:

#### Footnotes

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

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

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

<sup>4</sup>Tussing, 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.

<sup>5</sup>*Ibid.*, p. 2.

<sup>6</sup>*Ibid.*, p. 5.

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

<sup>8</sup>Bank, 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.

<sup>9</sup>Tussing, *op. cit.*, p. 2.

<sup>10</sup>Starratt, *op. cit.*, p. 12.

<sup>11</sup>The 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.

# FISHERIES MARKETING IN JAPAN

Prepared by  
John B. Martin

## Introduction

The marketing of seafood in Japan is an art developed through centuries of dependence upon seafood as a staple in the Japanese diet. The Japanese dependence upon seafood for protein is a direct result of the limited land mass in Japan and the even more limited amount of land suitable for agriculture. It is estimated that the amount of arable land in Japan is less than 14 million acres<sup>1</sup> and industrial and other uses for this land increase every year. Japan is well situated, though, for seafood production and the Japanese diet reflects this reliance on the sea for protein.

Seafood has been important in the Japanese diet from the time the Japanese islands were initially inhabited. In recent years, consumption of protein from all sources has been on the rise due to increasing income levels in Japan. Although consumption of meat, poultry and dairy products is growing faster than seafood, the Japanese currently consume approximately 4½ times more seafood per capita than Americans. According to the National Marine Fisheries Service (NMFS), in 1965 the Japanese consumed 164.7 pounds live-weight per person, while the average American consumed 35.1 pounds of fish and shellfish.<sup>2</sup>

As an industrialized nation with limited land area and natural resources, Japan has traditionally depended upon imports for raw materials and semi-finished products. These imports are financed by subsequent manufacturing and export of finished products throughout the world. Alaska has been a logical source of raw materials for Japan due to the geographical proximity and relatively undeveloped resource stocks available. Japanese capital, as well as the Japanese market, has played a vital role in the development of two of the major industries in Alaska — forest products and seafood products. The objective of this paper is to describe the

development of markets for Alaska's seafood products in Japan and discuss the ramifications of depending on this one market for disposition of much of the seafood produced in Alaska.

## Historical Perspective

In 1968, a little over eleven years ago, a distinguished group of Alaskan economists and international trade specialists published a report entitled *Alaska Japan Economic Relations*.<sup>3</sup> Several of the recommendations of this work focused upon the opportunities for increased trade between Alaska and Japan, particularly in the area of seafood products. Indeed, as Table 1 indicates, fisheries exports from Alaska to Japan totaled only \$1.5 million in 1965, \$4.2 million in 1966 and \$2.8 million in 1967. The benefits from increased trade were predicted to be additional employment, increases in federal, state and local tax revenues and a positive impact on the U.S. balance of payments. By 1978, seafood exports from Alaska to Japan had increased to \$201.4 million, an impressive increase, at least in nominal terms. In addition, these export figures do not reflect Alaska seafood products transhipped through the state of Washington to Japan. It is reasonable to assume that an additional \$200 million worth of Alaskan seafood was exported to Japan from Washington in 1979. In short, the Japanese market has become extremely important to Alaskan seafood producers. It might be useful at this point to discuss how this complex market functions and how Alaska's seafood products have become so important.

## Trade Practices in Japan

Trade practices and institutions in Japan often appear hopelessly complex and intertwined to American businessmen. A large number of processors, wholesalers and distributors are typically involved in the handling of most consumer products, including seafoods. Although manufacturing has become more concentrated in recent years, leading to increases in productivity, the distribution sector still consists principally of many relatively small enterprises.

The most obvious aspect of seafood trading in Japan is the presence of large international Japanese trading companies. Most of the trading companies got their start during the modernization of Japan in the late 1800's. Many of these companies are vertically and horizontally integrated and involved in trading, banking, manufac-

turing, transportation and marketing. In a country as highly dependent on foreign sources of raw materials as Japan, the large traders play a key role in Japan's development. Their diversity and huge financial resources allow them to organize ventures overseas for procurement of raw materials. Indeed, Alaskans familiar with either the timber or seafood industry have witnessed this capability.

There are three types of trading companies in Japan. The large, often multi-national, general trading companies specialize in foreign trade and represent essentially the nine largest wholesalers in Japan. According to the Japan External Trade Organization, these nine companies handle over \$227 billion worth of goods and services, an amount which far exceeds the national budget of Japan.<sup>2</sup> Specialized trading companies comprise the majority of the 78,000 trading companies in Japan and typically concentrate their sales in a limited number of items. Finally, there are the "captive" trading companies, which perform foreign trade functions for particular manufacturers and are usually export-oriented.

Gaining entry into the Japanese market generally requires a long-term approach. Negotiations are often lengthy and the initial costs high. For example, negotiations regarding size, grading and product quality for seafood products can be very extensive; however, once established, a producer has entered one of the most advanced and growing industrial economies of the world. Seafood producers seeking to establish markets in Japan must recognize that most Japanese firms are anxious to establish a long-term relationship rather than merely buy on a spot basis. Importers will often examine a five-year production statement of the exporter, recognizing that annual production fluctuates, in order to determine whether the exporter represents a potential long-term source of supply.

Two fundamental options exist for gaining entry into the Japanese market. The first is to utilize the existing network of large trading companies described above. These companies handle about 80% of all imports of all commodities and, as such, can offer economies of scale in distribution, warehousing and marketing. These companies are familiar with import procedures and documentation, have foreign language capabilities and can often provide financing to the exporter. An alternative strategy for entering the Japanese market is to establish one's own distribution

system. In order to undertake this commitment, a firm must have adequate knowledge of the target market size as well as substantial financial resources. In actuality, several Washington processors of Alaska seafood products do maintain sales and distribution offices in Japan.

### Seafood Marketing in Japan

The supply of fish in Japan comes from three principal sources: 1) fishing cooperatives and associations; 2) fishing companies; and 3) trading and processing companies. The cooperatives and fishing companies supply fish both from domestic landings and imports, while the trading and processing companies rely mainly upon imports for raw product. While most of the imports go directly to processing and cold storage facilities, the bulk of domestic landings are sold by auction at markets in the producing areas, primarily in Northern Honshu and Hokkaido. Following purchase by a wholesaler in the producing area, the products will either be processed and stored in cold storage or shipped directly to a market near a major consumption center such as Tokyo, Osaka or Sapporo. One such market is the Tsukiji Fish Market in Tokyo, the largest seafood market in the world. An average of more than five million pounds of seafood is auctioned daily, six days a week, at the Tsukiji market. The auctions begin around 4:00 a.m. and by 10:00 a.m. the 52-acre central wholesale market is devoid of activity. Within the Tsukiji market itself, a product may change hands as many as two or three times, which helps to explain the large mark-up between wholesale and retail price.

As local supplies of fresh seafood have declined due to intense fishing pressure, a greater percentage of frozen product is reaching the wholesale markets in Japan. As can be seen in Table 2, the percentage of frozen product in the six largest wholesale markets in Japan has increased from 20% in 1965 to 37% in 1979. Due to the difficulty of shipping fresh seafoods to Japan, the increasing percentage of frozen products in Japanese wholesale markets is, of course, to the advantage of seafood exporters in Alaska.

Upon purchase at wholesale, seafoods are then handled by distributors and jobbers, who subsequently move them to retailers and restaurants where they are ultimately purchased by the consumer.

Table 1

ALASKAN SEAFOOD PRODUCTS EXPORTED DIRECTLY TO JAPAN,  
1965-1978, VALUE IN THOUSANDS OF DOLLARS

Product	1965	1966	1967	1968	1969	1970	1971
Salmon, fresh & frozen	21.0	51.0	208.3	547.6	2,069.5	2,858.9	2,414.9
Fish roe <sup>1</sup>	359.0	3,369.0	1,042.1	5,584.8	4,952.5	5,053.4	7,115.9
King crab, frozen <sup>2</sup>	---	---	---	---	---	---	---
Snow crab, frozen <sup>2</sup>	---	---	---	---	---	---	---
Other fish & shellfish	<u>1,117.2</u>	<u>747.0</u>	<u>1,593.4</u>	<u>834.8</u>	<u>1,282.1</u>	<u>1,304.6</u>	<u>1,001.1</u>
TOTAL SEAFOOD EXPORTS, JAPAN	1,497.2	4,167.0	2,843.8	6,967.2	8,304.1	9,216.9	10,531.9
TOTAL SEAFOOD EXPORTS, ALL NATIONS	---	---	3,609.0	7,182.8	10,695.2	9,838.3	11,322.2

Product	1972	1973	1974	1975	1976	1977	1978
Salmon, fresh & frozen	814.5	2,317.3	2,197.9	945.4	459.7	4,004.7	38,823.4
Fish roe <sup>1</sup>	4,170.9	1,606.8	2,277.2	5,578.5	9,300.2	25,182.7	52,534.0
King crab, frozen <sup>2</sup>	---	---	---	---	---	7,202.1	74,249.5
Snow crab, frozen <sup>2</sup>	---	---	---	---	---	---	27,644.4
Other fish & shellfish	<u>1,435.3</u>	<u>2,576.6</u>	<u>497.6</u>	<u>1,341.3</u>	<u>3,036.6</u>	<u>13,060.6</u>	<u>8,194.5</u>
TOTAL SEAFOOD EXPORTS, JAPAN	6,420.7	6,636.6	4,972.7	7,865.2	12,796.5	49,450.1	201,445.8
TOTAL SEAFOOD EXPORTS, ALL NATIONS	6,543.2	6,824.0	5,911.7	8,251.1	13,376.2	52,106.3	205,707.1

<sup>1</sup>Prior to 1978, Fish Roe included in category entitled Cured Fish, Not Canned. For purposes of comparison, it was assumed that this category consisted entirely of roe exports.

<sup>2</sup>Except for years indicated, included in Other Fish and Shellfish category.

Source: 1965-1966, U.S.-Japan Trade Council; 1967-1978, U.S. Department of Commerce and Alaska Department of Commerce and Economic Development.

**Table 2**  
**Arrivals at the Wholesale Markets in the Six Largest Cities in Japan**  
**By Product Form, 1965, 1970, 1975 and 1978**

	1965	1970	1975	1978
Arrivals at six big markets	156	191	211	216
	-----10,000 tons-----			
Frozen product (%)	32	57	76	79
Fresh product (%)	20	30	36	37
Fresh product (%)	79	72	62	61
Frozen product (%)	50	38	29	28

Source: Ministry of Agriculture, Forestry and Fishery, 1978. "Annual Report on Fishery Trends in Fiscal 1977." Foreign Press Center, Tokyo, Japan.

### Characteristics of Seafood Demand in Japan

The Japanese consumer is extremely conscious of the appearance and aesthetic appeal of seafood products. The principal reason is that a high percentage of seafoods are eaten raw or cooked whole, which means the end user often sees the product in an unprocessed state. As stated by one exporter of frozen salmon to Japan, "The Japanese buy 70 percent with their eyes." As a result of these strict demands by Japanese consumers, Japanese importers of seafoods pay very close attention to product quality. Although price is often important in seafood negotiations, importers are not reluctant to pay a higher price if superior quality can be guaranteed. During the years when the supply of a particular seafood product is limited, Japanese buyers are naturally less critical of product quality. However, during times of abundant supply, importers are noted for emphasizing subtle distinctions in skin color and general appearance and will pay a price as determined by the lowest quality portion of a shipment. When the market is down, importers use a variety of ways to reject a shipment, including poor quality, improper glaze allowance, inaccurate gross and net weight measurements and improper markings on the shipping container. In short, for an exporter to maintain a long-term market relationship with a Japanese importer, he must produce consistent high quality.

### The Current Status of U.S.-Japan Seafood Trade

In 1978, a total of 210.9 million pounds of seafood valued at \$513.6

million was exported from the United States to Japan. Also during 1978, the United States imported \$256.8 million worth of seafood from Japan, for a net export balance of \$256.8 million. The value of seafood exports to Japan from the U.S. reached an all-time record in 1978, aided considerably by favorable exchange rates. Table 3 lists Japanese imports from the U.S. from 1973 to 1978, clearly depicting an upward trend. The record exports to Japan in 1978 consisted of \$220.9 million worth of frozen salmon, \$142.5 million worth of frozen crab and \$96.3 million worth of salmon roe -- all products which came from Alaskan waters.

**Table 3**  
**Japanese Imports of Marine Products from the U.S.**  
**And From All Countries Combined, 1973-1978**

Year	United States		All Countries	
	Million Lbs.	\$ Million	Million Lbs.	\$ Million
1973	79.11	90.3	1,448.4	1,019.3
1974	31.7	59.9	1,329.0	1,113.9
1975	53.3	72.9	1,562.7	1,296.6
1976	46.4	96.0	1,791.9	1,900.2
1977	142.1	234.9	2,290.6	2,446.5
1978	207.0	531.8	2,227.3	3,259.6

Source: Japan Marine Products Importers Association, 1979. *Japanese Imports of Marine Products, Calendar Year 1978*. Tokyo, Japan.

The record quantity and value of imports to Japan in 1978 is due to factors other than favorable exchange rates. It has been estimated that about 40 percent of the total Japanese catch in 1977 came from within 200 miles of foreign nations' shores.<sup>4</sup> With the advent of extended jurisdiction worldwide, Japan now faces catch quotas on pollock, herring, flatfish, crab and other species which were previously harvested freely by her distant water fleets. With very few unexploited stocks of fisheries resources remaining in the world, Japan will clearly turn increasingly to imports to satisfy the demand for seafoods.

### Alaska-Japan Seafood Trade, 1979

As is evident from Table 1, nowhere is the increase in seafood exports to Japan more evident than in Alaska. Not only is Japan the

sole market for certain products, such as salmon and herring roe, but the Japanese market has contributed significantly to the increase in price of frozen salmon and king and snow crab from Alaska. The total ex-vessel value of seafood landed in Alaska exceeded \$558 million in 1978, compared to \$351 million in 1977 and \$241 million in 1976. This marked increase in landed value is due in part to increased harvests, but mainly to the strong Japanese market.

Through the end of 1978, few would deny that much of the prosperity in Alaskan fisheries was due to healthy markets in Japan. However, it is now obvious that the Japanese market alone is not sufficient to support our expanding seafood industry. The frozen salmon industry in Alaska in 1979 is a good case in point. According to preliminary statistics of the Alaska Department of Fish and Game, fresh/frozen salmon production in 1979 exceeded 140 million pounds valued at approximately \$154 million to the fishermen. Of the fresh/frozen production, frozen sockeye accounted for 60 percent by total weight and 69 percent of the total value. Record prices were paid to fishermen as a result of anticipated wholesale prices to Japanese buyers equaling or exceeding 1978 levels. In actuality, Japanese buyers are offering only \$2.25-2.35 for frozen sockeye in 1979, down 15 percent from 1978. Currently, alternative well-developed markets do not exist for this product either in the U.S. or Europe. Consequently, Alaska processors are either selling at a loss to a glutted Japanese market or holding in inventory. According to NMFS, cold storages in Washington, Oregon and Alaska held approximately 39 million pounds of frozen salmon on August 31, 1979, compared with 26.5 million pounds on the same date a year ago. There were also large quantities of product in Alaska which had not been shipped to Seattle by that date. In addition to sluggish sales and high inventories, the DF&G is predicting a run of 52 million sockeye for Bristol Bay in 1980, with a harvestable surplus of 34 million fish. The Japanese market can be expected to absorb only a portion of next year's expected record salmon harvest in the state, leaving producers in a precarious position.

The Alaska frozen salmon industry is thus faced with high inventories, large anticipated 1980 production and weakening prices in the only currently full-developed market — Japan. At the same time, sources of supply for the Japanese market are increasing. First, production of chum salmon from hatcheries in Hokkaido is increasing.

Also, according to the NMFS, the Japanese have reached an agreement with the U.S.S.R. to harvest Russian chum salmon. Third, the Japanese are also assisting Chile with development of salmon hatcheries in that country. Finally, the high seas catch of salmon by the Japanese mothership fleet is anticipated to increase in 1980. Clearly, new markets must be sought and developed in order to maintain a viable salmon freezing industry in Alaska.

The dependence on the Japanese market extends to the frozen king and tanner crab industry as well as the frozen salmon industry. In 1978, frozen king crab sections were selling at \$3.30/pound to Japanese buyers. This year, due to large inventories, the price has fallen to \$2.50/pound, a reduction of 25 percent. This has precipitated a decrease in ex-vessel price from \$1.23/pound to \$.86/pound. Again, when the Japanese market weakens, the effects are felt through the entire industry in Alaska.

The market for frozen tanner crab sections from Alaska is almost exclusively Japan. Therefore, it is unsettling to note that the Japanese have recently agreed to a joint venture with the U.S.S.R. to harvest 4,530 metric tons of tanner crab (*C. bairdi*) at \$.41/pound. Given high inventories of frozen tanner crab currently in Japan, the market for tanner sections appear weak in 1979 as well.



The objective of the foregoing discussion is to show our dependence on Japan as the sole fully-developed market for much of Alaska's seafood production. From the standpoint of the stability of the industry, it is simply imprudent to rely so heavily on one market area. The consequences of this reliance are being felt this year by processors of salmon and crab. The impact on the developing bottomfish industry is deleterious due to the fact that profits from salmon and crab are necessary to finance investments in bottomfish harvesting and processing equipment. Without economically healthy high-value fisheries, bottomfish development simply cannot occur among existing Alaskan processors.

Alaskan seafood processors in 1979 are experiencing difficulty due to an overdependence on the Japanese market and an inaccurate assessment of what prices the market in Japan will bear. The former problem is addressed in the final section of this paper. The weakening Japanese market for seafood products, however, could have been anticipated by a more detailed analysis of seafood market trends in Japan as they relate to Alaska production.

There is reason to believe that the "golden age" of seafood price increases in Japan is waning. The per capita intake per day of protein from fishery products increased from 16.4 grams in 1965 to 16.6 grams in 1970, peaked at 18.1 grams in 1975 and decreased to 17.9 grams in 1976. The reason, of course, is due to rapid price increases. The total quantity of seafood purchased in 1977 in Japan was down six percent from 1976 and real consumer expenditures were down by ten percent for the same period. Prices for salmon and crab peaked in 1978, causing further consumer resistance in the marketplace. Consumer prices of seafood products have risen faster than prices overall during recent years. Between 1965 and 1970, consumer prices overall rose an average of 5.4 percent while prices of fresh fish and shellfish rose 12.1 percent. Again, between 1970 and 1975, prices overall rose 11.5 percent and seafood prices 15.6 percent. Finally, between 1975 and 1976, consumer prices rose 9.3 percent while fresh seafood prices rose 16.1 percent.<sup>4</sup>

Table 4 lists the relative prices of protein substitutes in Japan in 1965 and 1976. The relative prices of fresh fish and shellfish have increased 40 percent during the period, whereas the relative prices of pork have decreased 20 percent and the relative prices of chicken

have fallen 34 percent. Clearly, Alaskan seafood exporters cannot expect seafood prices in Japan to increase in the future as rapidly as they have in the past ten years. It is important that this factor be taken into account in future production and sales planning.

Table 4  
Relative Prices of Protein Substitutes  
In Japan, 1965 and 1976\*

Protein Source	1965	1976	% change
Relative prices of fresh fish & shellfish	70	98	+ 40%
Relative prices of pork	173	139	- 20%
Relative prices of chicken	157	103	- 35%

\*100 = average unit price of principal protein foods

Source: Ministry of Agriculture, Forestry and Fishery, 1978. "Annual Report on Fishery Trends in Fiscal 1977." Foreign Press Center, Tokyo, Japan.

#### New Dimensions in Seafood Marketing

A considerable effort has been expended to portray Alaskan seafood processors and exporters as being too dependent on a single market - Japan. This dependence ties a significant portion of the Alaskan economy directly to swings in the economy of Japan. One solution to this problem is to expand and diversify; the markets for Alaskan seafood products.

The markets for Alaska's seafoods in the U.S. and Europe are currently underdeveloped. In 1978, the per capita consumption of salmon in the U.S. was a mere 12 ounces, product weight, of which fresh/frozen salmon comprised less than two and one-half ounces.<sup>5</sup> Currently, fresh/frozen sockeye is not an established product in Europe or the U.S. and a large-scale marketing effort will be required to introduce this relatively new product. The same holds true for many of Alaska's other seafood products.

The task of expanding and diversifying markets for Alaska's seafoods is a large one. It is very difficult for an individual firm to break into new market areas and essentially increase seafood demand overall. This task could be most effectively accomplished through the formation of an industry-wide market promotion organization. This organization could consist of firms currently in

the seafood industry and promote all seafood products from Alaska. The principal function of this organization would be to expand the marketability and consumption of Alaska seafoods through generic promotion programs targeted, initially, at consumers in the U.S. and, ultimately, at consumers throughout the world.

Generic promotion consists of nonbrand advertising to raise the overall level of consumer consciousness of seafoods from Alaskan waters. Specific programs can include magazine and television advertising, printing of seafood recipes for distribution by retailers and publication of materials for institutional users to assist in selling the Alaska seafood concept. It is also likely that an association will develop a symbol to identify the products of member companies as quality seafoods produced from Alaskan waters.

The success of industry-wide promotion associations is well documented in other industries and in the seafood industry in other states. The Massachusetts Seafood Association and the Florida Seafood Association have both proven successful in promoting seafood products in those areas. In Alaska, a highly successful example of industry cooperation and promotion is the Alaska Visitors Association. A similar organization of seafood producers can prove equally beneficial to the vital and growing Alaska seafood industry. The proposed organization would not interfere with the functions of existing industry groups whose scope is more specific than generic market promotion. The organization would complement, rather than compete with, the marketing departments of seafood firms, as brand names would not be used in the generic promotion programs.

Another vital function of a marketing association would be to develop new product forms and conduct test marketing programs to assess the potential for the new product. Market penetration studies conducted by the association would assist in setting future priorities for promotional efforts of the organization. Finally, consumer education programs would be conducted to stress the nutritional value and quality of Alaska seafood products. Alaska seafoods are an important source of protein as well as high quality cuisine; the task at hand is to begin to market them in a manner commensurate with their importance to both the U.S. and the Alaska economy.

### Future Prospects for Seafoods Marketing in Japan

As discussed in the previous section, in this author's opinion the future of seafood marketing for Alaskan producers lies in countries other than Japan. However, this is not to say that opportunities do not exist for marketing additional species and product forms from Alaska in Japan. There is currently an import ban on minced pollock, or surimi, in Japan. However, should this trade barrier be eliminated, Alaskan processors can be expected to market this product form in Japan to utilize our abundant resources of Alaskan pollock. There are also abundant resources of squid in Alaskan waters which are currently not harvested. Canadians have recently begun marketing a similar species of squid in Japan and Alaskan processors can presumably do the same as this fishery develops. Additionally, there are large quantities of sea urchins in Southeast Alaska which are not currently utilized. When the unique processing problems related to this product are solved, valuable sea urchin roe can be marketed in Japan. The opportunity also exists to market various other high-value products from Alaska in Japan as resource knowledge and processing technology is developed.

In conclusion, it is obvious that Japan will continue to be a Major market for Alaska's seafood products. Of paramount importance to Alaskans exporting seafood to Japan is product quality. A market for premium quality salmon, crab and other species will always exist in Japan; however, Alaskan processors will be able to establish long-term relationships with Japanese buyers only if they produce consistent high quality.



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### NOTES

## BOTTOMFISH DEVELOPMENT FOR ALASKA

by  
David L. Allison

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 abot 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\*

- (5) Department of Education
- (6) 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

commissioned by the bottomfish coordinator, the legislatures' interim committee on Bottomfish 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 longline fisheries, hand filleting of bottomfish and operation 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-

mately 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

to 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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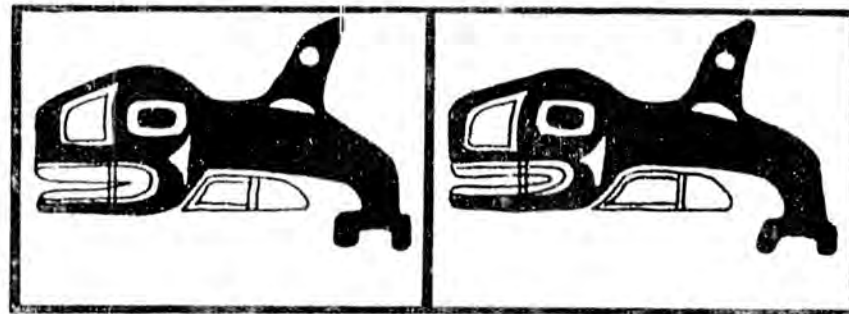
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#### Biographical Sketch

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 Juris 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.



# ECONOMIC ISSUES OF ALASKA BOTTOMFISH DEVELOPMENT

Presented by  
Frank Orth

## Introduction

The bottomfish resources lying off the coast of Alaska represent an immense development opportunity.<sup>1</sup> There are roughly 1.5 million metric tons of sustainable harvest requiring somewhere between 200 and 500 harvesting vessels (converted and new), and numerous shore-based and floating processing facilities. Direct investment in harvesting and processing facilities alone will run to between \$2 and \$3 in 1979 dollars. Heavy investments in direct support facilities,<sup>2</sup> support-sector businesses,<sup>3</sup> and indirect support facilities<sup>4</sup> will also be required.

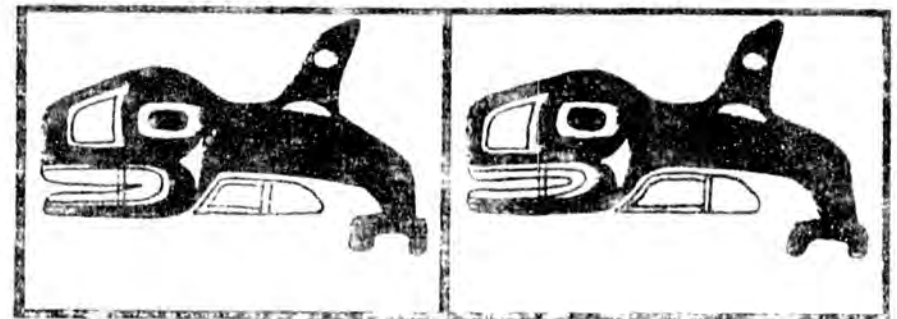
To most Alaskans, the development of these fisheries is synonymous with substantial benefits to Alaska residents in the form of profitable new business opportunities, employment opportunities, and, most of all, growth opportunities for existing seafood harvesting and processing businesses. Unfortunately, economic realities and the limitations of state jurisdiction suggest that the realization of these expectations is far from assured. Proper inclusion of the probable costs of state facility investments and programs for bottomfish development in a social benefit-cost calculation might further dampen enthusiasm from Alaska's point of view.

The theme of this paper is that if Alaska policymakers attempt to complement rather than ignore market forces, and if they view more realistically the contributions that governments can make, bottomfish may provide net benefits rather than net costs to Alaska. Actual development will be carried on by private businesses and individuals responding to technological alternatives, market prices, and market quality requirements, as well as to physical and technical constraints imposed by the resources and their environment. This should go without saying and Alaska's policies should reflect these realities.

As with other major potential economic developments in Alaska a wide range of controversial policy issues are debated. In fact, the entire subject has become politicized to a degree that is unhealthy to the formulation of sound policies. Some of the leading controversies are state vs. federal involvement, shore-based vs. sea-based operations, Japanese vs. U.S. investment, and Alaska resident vs. Seattle and other nonresident participation. Less frequently discussed, although more relevant in the long run, is how the established industry is likely to respond to the development opportunities, what kinds of other entrants can be expected, what types of state support will most complement market forces, and what programs and incentives can the state use to help those Alaskans who want to participate in the development.

This paper will develop policy recommendations for bottomfish development which the author believes are consistent with technical, economic, and political realities and at the same time sensitive to the state goal for resident participation. Before presenting these recommendations, supporting background information needs to be provided. For the most part, the discussion will be brief and general in nature due to the number of items and the overall space restriction. The following background items will be discussed:

- history of Gulf of Alaska and Bering Sea bottomfish utilization
- resource, physical and environmental considerations
- technological alternatives
- availability and costs of inputs
- market requirements and constraints
- potential entrants into bottomfish
- present federal development policy
- present state development policy



Together, these items constitute the economics of bottomfish development. There is substantial uncertainty concerning several of the items; this derives either from a rapidly changing environment, the absence of basic research, or both. Where a high degree of factual uncertainty exists, it is a barrier to assessing the economics of bottomfish development for investors and policymakers alike. It follows that efforts to reduce uncertainty should be considered with other policy alternatives.

### History and Current Status

Bottomfish resources in the Gulf of Alaska and Bering Sea have been more or less fully utilized by foreign fleets for many years. With the exception of black cod, domestic utilization of these resources has been almost exclusively for bait. Pollock and Pacific ocean perch stocks have been overutilized and are in the process of being rebuilt. Countries which have utilized bottomfish resources off Alaska have included Japan, U.S.S.R., Republic of Korea, and Poland; Mexico has recently become involved through a joint venture with the Republic of Korea.

The Fishery Conservation and Management Act (FCMA) of 1976 was intended to establish strong regional management for conservation purposes and to give domestic fishermen priority in access to the resource. A recent amendment to the FCMA has extended this priority to U.S. processors as well; foreign processing is now permitted only to the extent that U.S. processing capacity is not sufficient to handle all U.S. caught fish. Overall, domestic harvesting and processing capacity, as well as resource allocations by the NPFMC, have been growing slowly since the enactment of the FCMA. Foreign interests have been successful in maintaining direct access to bottomfish resources. Japanese interest are attempting to insure future access by investing directly in domestic processing companies while the U.S.S.R. and South Korea interests hope to maintain their access through joint ventures with domestic fishermen.

### Resource, Physical and Environmental Considerations

Each of the many species of fish within the term "bottomfish" has its own complex life cycle and productivity characteristics. Each has peculiar migration, schooling, growth, mortality and

predation characteristics. For even the most experienced harvesters, success rates vary considerably over time and space.

From the utilization perspective each species has its own flesh characteristics and within species these vary seasonally (particularly as flesh quality relates to the reproductive cycle). Thus, successful fishing requires proper timing and targeting on only those species with the flesh characteristics most desired by the market.

An especially important variable is the preservation and on-board handling characteristics of a species and how these characteristics vary over time and space. Other things being equal, these factors determine, in turn, how far from shore the resource may be harvested without processing at sea and how they must be handled aboard the vessel. The location of stocks from existing or potential shore-processing sites, in conjunction with on-board preservation characteristics and market quality requirements, determine the feasible distance from shore-based operations. Pollock, the most abundant resource, is least amenable to shore-based operations. Other species have roughly 100-150 mile operating distances and five-to-seven day shelf life on board in iced, round form. However, *effective economic distance* from a shore site is likely to be less than *effective technical distance* due to the loss of fishing time and fuel costs associated with shore-based operations. Given the distances of fishable concentrations from shore in the Bering Sea and in the Western and Northern Gulf of Alaska, the opportunity for selecting shore-based operations is constrained to a relatively small percentage of the total available resource. Weather, of course, is another important physical factor with which a bottomfish operation must contend. The number of days of actual fishing time realized in a year can vary considerably due to adverse weather conditions. A range of 150 days to 250 days appears to be realistic depending on mode of operations, distances from shore-based processing or resupply points, ability to find target species in fishable concentrations, and, as mentioned, the weather.

### Technology

Realistic technological alternatives are directly influenced by the resource, physical, and environmental factors previously discussed. The following alternatives appear to be the most applicable to the range of available resource opportunities as constrained by these factors:

- a shore-based day fishery
- a shore-based processing, offshore harvesting wetfish fishery
- an offshore fishery with primary processing at sea, with delivery to a shore plant for reprocessing
- a totally sea-based harvesting and processing operation

There is little doubt that all of these alternatives and others will appear. Of importance is which alternatives will be selected most often and in which situations. The most probable selections by industry will determine whether and to what extent public sector investments are useful. Premature commitment to particular sites or types of facilities without adequate study and planning could result in the creation of wasting assets and/or cause high priority needs to go unmet. If this is the case after having spent tens of millions or even hundreds of millions of public dollars, resident Alaskans will have every right to be displeased.

#### Availability and Costs of Inputs

Financial capital will be readily available to economically feasible projects with sound management. Adequate financing mechanisms and institutions for providing equity, subordinated debt, and debt have already been created and refinements are under consideration. Alaskans may have to pool equity for large scale operations. Likewise, entrepreneurial and management skills, upon which financing depends, will be in short supply. The cost of capital and its availability are not as likely to be a constraining influence in the long run as they are today.

The cost and availability of labor are definitely important considerations. Substantial training costs face any major development. Premiums will have to be paid for a remote site labor force and for sea-based operations. Housing, transportation, and other necessities will also add to labor costs. These factors suggest that most operations will be capital intensive and that they will require highly skilled and well-trained workers.

The cost of physical capital will be high but there should be no major problems with availability at either the harvesting or processing level. Construction time for a fully-equipped catcher/processor, for instance, is nine to fifteen months. And, while the cost of most items of physical capital is high in an absolute sense, their high pro-

ductivity per unit of time is a compensating factor. A good example of where capital is absolutely more expensive than labor but relatively cheaper (i.e., per unit of output) is provided by high-speed filleting machines.

Management skills necessary to efficiently manage major operations are apparently not all that plentiful. The cost of managerial inputs is not likely to be an impediment, however, at least no more so than in other industries.

Infrastructure is an important complex of inputs whose availability is definitely a constraint. However, it does not follow, as some analysts appear to believe, that infrastructure investments are in themselves sufficient to induce development or a particular pattern of development, e.g., shore-based operations. Many of the other factors discussed above, and several remaining to be discussed, also have a significant influence on developmental decisions. Nor does it follow, as some appear to believe, that the benefits of major infrastructure investments are so obvious and of such magnitude that normal project-evaluation procedures should be abandoned. Indeed, a rigorous social accounting should be made of all major infrastructure investments to insure to the extent possible that benefits exceed costs. To the extent that Alaska finances such investments, the analysis should adopt an Alaska perspective. Such analyses are never easy or inexpensive; however, they are almost always necessary to an informed decision.

#### Market Requirements and Constraints

Because of product diversity, market specialization, and obscure marketing channels, seafood markets are complex in the extreme. However, certain basic facts and principles are known and are pertinent to the economics of bottomfish development.

- Major markets for Alaska bottomfish (or species with comparable flesh characteristics) exist in the United States, Asia and Europe.
- Existing markets for frozen blocks are sufficiently connected to form a world market.
- Quality standards on the world market are high and gradations of quality exist. Buyers will reject low quality or inconsistent-quality shipments. Alaska presently has a poor market reputation for quality.

- Buyers require consistent, year-around suppliers, not operators looking to supply only during periods when high-valued species are unavailable.
- Competitive price levels on the world market are sufficiently close to costs of production that entry into Alaska bottomfish will be denied to all operations except those which employ the most efficient production techniques. Black cod is the major present exception to this generalization.
- Because countries presently producing Alaska bottomfish compete directly or indirectly with potential Alaska producers, the market provides only marginal incentive for the latter group to invest. This situation is not likely to change until either (1) world demand exceeds world supply by major amounts<sup>5</sup> or (2) NPFMC schedules the removal of foreign users over a definite and relatively short period of time. Such action by NPFMC would create favorable price signals to U.S. producers and would reduce the uncertainty under which present investment decisions are made. The Council would have to place greater emphasis on "social and economic factors" than they do presently to justify the schedule approach.

#### Potential Entrants into Alaska Bottomfish

Just as the mix of resource, physical and environmental factors suggest a range of technological responses, the range of alternative types of development opportunities suggest certain organizational responses by industry. The response which is most appropriate to a particular situation depends on the economics of that situation and the existing business activities of potential entrants. The following categories appear most likely:

- Fringe expansion into bottomfish by those who seek minimal modification to existing vessels, gear, and plants but who desire to obtain off-season use of their capital assets.
- Expansion from existing operations through major conversions of vessels and plants or through the addition of vessels and plants.
- Major new entrants from the food manufacturing industry. The form of entry could be through internal expansion or acquisition of existing companies.
- Major new entrants from the manufacturing and extractive industries via internal expansion or acquisition.

A bias toward large scale, capital intensive operations is apparent in markets, technology and physical constraints. This bias suggests that companies in the latter two categories will have an advantage in entering bottomfish. In particular, major food manufacturing companies that presently have subsidiaries in Alaska fisheries (categories two and three above) would appear to be the most likely potential entrants. Examples of such companies are Del Monte, Castle and Cook and AMFAC. There are a number of other large, diversified food manufacturing firms having fish processing operations which are likely candidates for some form of direct involvement in Alaska bottomfish development.

#### Present Federal Development Policy

In May of 1979 the Administration announced for the first time a national fisheries development policy and program. The main thrust of this policy is to correct for market failures<sup>6</sup> where they exist and to allow private (industry) decision makers to invest in response to market forces. This policy is being implemented through the creation of regional fisheries development programs. Industry, and local, state, and federal governments, are participating in these programs to create environments conducive to development. In the Alaska and Pacific Northwest region, examples of federal involvement are the Economic Development Administration/National Marine Fisheries Service (EDA/NMFS) and Alaska Fishery Development Corporation (AFDC) efforts. The EDA/NMFS effort is focused on coordinating federal agencies with jurisdiction and/or expertise in coastal infrastructure development. The AFDC effort is now focused on projects which demonstrate fish harvesting, preservation, handling, processing, and other methods. The purpose of these projects is to provide information to investors interested in harvesting and processing bottomfish. Future AFDC projects could supply information on other aspects of fisheries development.

Other examples of federal involvement are the NPFMC and ongoing activities of the NMFS. As mentioned above, resource allocations by the NPFMC could have significant implications for the mode and pace of domestic bottomfish development.

It is clear that the federal government is not prepared to provide massive subsidies to the fisheries industry. Rather, the government will modify existing programs and legislation and add and delete

programs and legislation to provide a favorable climate for U.S. investment in the fisheries industry.

### **Present State Development Policy**

In July of 1978, Governor Hammond formed a Bottomfish Task Force composed of various state legislators and agency commissioners. The Task Force was directed to define specific goals for the State and to design a work plan for industry development. In June, 1979, the Bottomfish Task Force published *The State of Alaska Program for Development of the Bottomfish Industry*. The purpose of this document is to present a plan for the State's role in bottomfish over the next twenty years.

The Alaska plan is organized towards the accomplishment of five development goals. These are:

- To develop an efficient, competitive, quality bottomfish industry which will be able to enter freely and profitably in domestic and world markets.
- To develop within a period of approximately 20 years the domestic utilization of Alaska bottomfish resources to the fullest optimum yield.
- To establish permanent onshore processing facilities with adequate port/harbor and community infrastructure.
- To encourage the maximum participation of Alaskan workers and entrepreneurs in the bottomfish industry.
- To conserve and manage the resource for a long term, sustainable fishery and processing industry in Alaska.

These goals are clearly stated and comprehensive enough in scope to recognize the many faceted subject areas of bottomfish development. Utilizing the goals as a base, the plan is structured into five component program areas each containing specific projects for implementation. The program areas are:

- Resource Management and Environmental Protection
- Development of Support Infrastructure
- Providing Industry with Data, Experience and Technology
- Encourage Alaska Entrepreneurship
- Providing Industry with a Favorable Institutional and Legal Climate for Development

In spite of the substantial planning effort to date performed by the State, it appears that additional refinements to the Alaska Plan are still necessary in order to provide policymakers and investors with a complete planning structure. This effort will primarily be needed in three areas. The first concerns possible inconsistencies in the planning goals. Technological and economic research to-date has still not determined whether shore-based processing is indeed the most efficient method of harvesting the Alaska resource to OY in a manner which is economically competitive on world markets. The second area where more planning effort is needed is in the development of more complete budgets and schedules. Presently, detailed planning has concentrated on only the first several years of the twenty-year plan. Finally, a third planning element which would help to clarify the plan is the performance of benefit-cost analysis for program areas or major projects. Benefit-cost analysis could greatly assist the state in identifying strengths and weaknesses in its development program.

### **Policy Recommendations**

In this section, policy recommendations for promoting bottomfish development are offered to Alaska policymakers. These recommendations are made in light of Alaska policy goals and the economic realities as discussed in the preceding sections. In reviewing these recommendations, the reader is requested to consider and distinguish the following situations from which benefits might accrue to Alaska from bottomfish development:

- direct investment by and employment opportunities for Alaska residents in shore-based facilities and their secondary income and employment benefits
- direct investment by and employment opportunities for nonresidents in shore-based facilities and their secondary income and employment benefits
- direct investment by and employment opportunities for residents in sea-based operations with secondary shore-side effects
- direct investment by and employment opportunities for nonresidents in sea-based operations with secondary shore-side effects
- direct investment by and employment opportunities for Alaska residents in sea-based operations without shore-side effects
- direct investment by and employment opportunities for nonresidents in sea-based operations without shore-side effects

The reader is challenged to rank these categories from the perspective of an "average" Alaska resident. In doing so you will find that the mode of bottomfish development is not strictly a resident vs. nonresident controversy. Indeed, the potential resident investor or employee will probably want to devote his or her financial capital and skills where they will yield the highest profit or wage income, even if the mode of development required to maximize returns is sea-based. On the other hand, another resident who has an established service business in a coastal community might strongly prefer that the development mode be shore based. To complicate matters further, are Alaskans made better off from a shore-based project which is owned by and employs mostly nonresidents than a sea-based project owned by and employing residents?

The point of all this is that Alaska policymakers should recognize that in the area of fisheries development even the interests of its residents are divergent to a significant degree. Investors' incentives will be to choose the mode of development (for each particular resource opportunity) which promises the highest (risk-adjusted) return. In many instances, the combination of resource factors, physical and environmental factors, input constraints, marketing constraints, and regulatory constraints will make the best mode sufficiently clear that state policy preferences will not affect the investor's decision. For instance, most black cod harvesters in Southeast will select a shore based mode of operation and most pollock harvesters in the Bering Sea will choose a sea based mode of operation independent of state policy preferences.

With this background, the recommendations implicit in the analyses in this paper are presented below.<sup>7</sup>

- Determine to the extent possible the most probable patterns of industry investment response *before* committing to major state programs intended to support the industry. This determination will require the categorization of specific opportunities according to the most probable mode of operation as defined by the factors which define and constrain the opportunity — resource, physical aspects, environment, technology, availability and costs of inputs, and market requirements. This understanding of specific opportunities and how the industry will respond to them will put the state planning effort on a sound factual footing and identify priority areas for additional research. It will also provide

the basis for determining *how* the state can be of greatest assistance to the industry and *how* to best satisfy the state's policy goals.

- Formalize the state bottomfish program into a systematic long-range planning process. The discipline of the process itself will encourage those formulating, authorizing and implementing the plan to: (1) logically sequence projects, (2) develop long range budgets, (3) develop detailed task schedules, (4) develop and use a formal system of project evaluation, (5) monitor project implementation and performance, and (6) periodically reevaluate plan structure and content.
- Develop a major state supported program for providing *practical* fisheries education and vocational training. A planning effort should be initiated as soon as possible under the direction of a select steering committee working under specific goals established by the Legislature. The planning process should be directed by the steering committee which would have representatives from industry (majority) and appropriate programs of Alaska educational institutions. It is recommended that the program focus on technical subjects useful to operating vessels and plants, and applied managerial subjects useful to managing marine businesses. Finally, it is recommended that the program be offered on a highly competitive basis with substantial economic incentives for remaining in Alaska and/or applying the training acquired in a manner consistent with state goals. The purpose of this program, of course, would be to create within the Alaska resident population a skilled work force for bottomfish development and to augment the supply of entrepreneurial ability and managerial skills necessary to own and manage such businesses. This program would complement the financial programs already established by the state.
- Financially support the technological-transfer projects of the Alaska Fisheries Development Foundation (AFDF) and other Foundation projects which are consistent with state goals for bottomfish development (as defined in the formal planning process recommended above). It is recommended that the support be provided on the following basis: (1) the grant would be administered by the AFDF Board of Directors, (2) the grant would be for five years, released annually in equal installments, (3) the grant would be accompanied by a statement of legislative intent and require an annual reporting of fulfillment of intent, (4) the grant would be unconditional except that release of installments

in years two through five would be contingent upon industry matching in increasing 25 percent increments (25 percent in year two, 50 percent in year three, etc.), and (5) the grants should be in significant amounts (i.e., a minimum of \$500,000 to \$1,000,000 per year.)

## NOTES

There are additional justifications which can be provided for these recommendations. Unfortunately, space limitations require that these and the details associated with mechanics of implementation be developed elsewhere.

### Footnotes

<sup>1</sup>The term "bottomfish" is used here to refer to black cod, Pacific ocean perch, rockfishes, Pacific cod, pollock, and flatfishes (flounders and soles).

<sup>2</sup>Ports; harbors; roads; airfields; plant site preparations such as water, power, and sewerage; and crew housing.

<sup>3</sup>Equipment and gear sales; repair facilities; recreation facilities; wholesale and retail establishments; and service businesses.

<sup>4</sup>Schools; communications; family housing; medical care; transportation; police and fire protection; and social services.

<sup>5</sup>Newly developed or developing production areas for whiting make this unlikely for the near or intermediate term.

<sup>6</sup>Situations where the market is not efficient in allocating resources to the highest valued use. For example, overcapitalized fisheries have resulted from investment decisions made in response to a market imperfection — the absence of ownership of the resources. The government has stepped in to correct for this market failure by limiting access.

<sup>7</sup>They are based on the presumption that Alaska policymakers share the same basic goals for bottomfish development: (1) to maximize economic benefits to Alaskans, (2) to maximize private-sector participation and minimize public-sector involvements, (3) to avoid public sector expenditure commitments which exceed the dollar value of benefits created by the expenditure, and (4) to avoid undesirable environmental, cultural, and social effects.

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## ALASKA'S FISHERIES OUR RENEWABLE PIPELINE

Prepared by  
Larry Cotter

Alaska is richly endowed with an abundance of natural resources, and greatly dependent upon the utilization of those resources for economic stability. However, Alaska is also the land of "boom and bust", where the incidence of occupational seasonability is severe. Economic stability is nothing more than an illusion based upon non-renewable resource exploitation. This, of course, is an unfavorable situation for our state, and regardless of the fact that we are currently experiencing an unparalleled abundance of petro dollars we must move Alaska in a direction of constant, stable, full employment.

False economies inevitably collapse, just as economies based on non-renewable resource exploitation eventually wither away as the resource exhausts itself. Accordingly, the number one priority of the state in the next decade should be the establishment of a year-round economy based on renewable resource utilization, consistent with the philosophy, the needs, and the nature of Alaska.

Fortunately, within 200 miles of Alaska lie one of the greatest concentrations of renewable protein resources in the world — seafood. Recent National Marine Fisheries Service figures indicate nearly 90% of the total fisheries catch within 200 miles of the United States comes from within 200 miles of Alaska. Yet, as is commonly known, only an infinitesimal amount of that catch — (as little as 10% taking into account the annual domestic harvest of salmon, crab, and halibut) — is currently harvested by American fishermen. Arthur D. Little, Inc., estimates that in June of 1978 there were 8,700 employees aboard 327 Japanese harvesting, processing, and support ships operating within 200 miles of Alaska. That estimate does not take into account the Russian fleet, the Korean fleet, the Polish fleet, or the Taiwanese fleet. It is these fisheries which hold the key for the future economic stability of Alaska.

The seafood industry in Alaska, already the state's largest private

employer, is certainly not an infant. At the peak of the summer salmon season as many as 10,000 processing workers may be employed in over 90 processing plants, more than 20,000 fishermen on the grounds, and a few thousand support personnel on shore. It is, potentially, a lucrative industry as well. The value of the King Crab harvest to fishermen alone in the Dutch Harbor/Unalaska area this year was \$110 million — greater than the combined catch value of all species in any one port in the rest of the United States.

However, it is not necessarily a healthy industry. Vessel costs can easily surpass \$1 million. The amount of up-front capital required by processing companies to buy the catch is enormous. The rising price of fuel, high interest rates, a shortage of available "domestic" money, fluctuating foreign exchange rates, all combine to greatly compound industry costs. Add to that foreign domination of the marketing structure and we have an industry which, in itself, is the perfect example of boom and bust.

It is acutely important for us to stabilize this industry. We can no more afford market collapses than we can afford the atrocious seasonality of processing worker employment. We can no more afford foreign domination of our economic structure than we can afford boom and bust fishermen. We can no more afford our entrance into the bottom fishery than we can afford to ignore the central problems of the industry as they now exist. It boils down to making sure the foundation of our house is stable before we throw up the frame.

Of the 10,000 processing workers at the peak of the salmon season at least 50% are non-Alaskan residents. Minorities are heavily concentrated in the industry, and easily make up the majority of the workforce. Racial segregation in relation to housing and discrimination in relation to jobs is common. The average annual income of seafood processing workers is the lowest average annual income of any income group in the state. Fringe benefits, such as health insurance, are usually poor, if at all in existence. Working conditions consist of torturously long hours spent in cold, wet surroundings. Many of the processing plants are located in extremely isolated areas bereft of recreational conveniences. The seasonality of employment is severe — among our members employed in the industry, I estimate 70% are unemployed 40% of the year.

While it is fashionable to complain about the large number of non-Alaskan residents employed in the industry, and while there is some merit to that complaint, the simple fact of the matter is that most Alaskans are either too sensibly greedy, too lazy, or too alternately occupied to pursue a career as a cannery worker. And they will continue to be reluctant until the "lot" of the cannery worker improves substantially. Such improvements will occur as a combination of the results of increased labor organization of the workforce and greater concentration on the non-economic problems of the industry by the state — such as health and safety and the seasonality of employment. However, as this process takes place, and more and more Alaskans become involved in the industry, the industry itself should expand beyond the labor-fulfillment means of in-state hire. We shall, in essence, have achieved the betterment of the core of the industry, but we shall still have significant non-Alaskan employment. What is important is not so much the eradication of non-Alaskan employment, but the maximization of Alaska resident employment. In order to achieve the latter, we have to improve the conditions of the former.

Aside from increased wages, which will occur as a result of labor organization, there is much the state can and must do in order to improve the employment aspect of the industry. Immediately pertinent are steps to alleviate the extreme seasonality of employment. Although we can project an eventual year-round industry as a result of development of the bottom fishery, such a fishery appears to be at least a few years away even in a partial sense. We should not wait for its development in order to achieve what we already have the means to largely achieve now — an extension of employment. This can be accomplished within the industry as it currently exists through two techniques:

#### Directions:

##### *1.) Management of the Resource Geared Toward the Maximization of Employment.*

Although the salmon industry is one in which the fish are immediately destination prone (if they aren't harvested before they reach the stream, they're gone) other seafood species are in a position to be more easily regulated as affects the harvest. These harvests should, and could, be regulated in such a way as to prolong employment in the processing sector without adversely affecting

the harvest result.

In the Bering Sea king crab fishery, for example, a total of 120 million pounds of crab were harvested in 5 weeks this past fall. Processing worker employment in that area for that period reached an estimated 3,000 workers — for one month. Following the fishery closure, processing employment decreased substantially, and will hopefully maintain itself at the 700 level until the tanner crab fishery starts up this winter. That fishery, in turn, will create and experience basically the same type of employment increase/decrease prior to the eventual arrival of the summer salmon season — when the same cycle will repeat itself.

These crab fisheries should and could be managed in such a way that the individual harvests would last 3 - 5 months. This would result in a continuity of harvests and employment which would greatly stabilize the industry in that area.

##### *2.) The Establishment of a Primary Processing Policy.*

A huge amount of Alaska seafood products are minimally processed in-state and exported either down below or overseas for final processing. The most obvious example is roe herring.



The roe herring fishery is one of the most lucrative, wide-spread fisheries in Alaska. The herring roe (the eggs) are greatly prized abroad as a delicacy. The fishery takes place in the early spring — a time of acute processing worker unemployment. The processing of the product is simple: the herring are either boxed and frozen, or salted and boxed. In either case, the vast majority of the product is exported overseas — primarily to Korea — where the roe is extracted and shipped to the Japanese market. Given the value of the product, and the consumer demand, there is absolutely no reason why total processing of the product should not take place within Alaska. In British Columbia, as a matter of fact, there is a law forbidding the export of herring with a roe content greater than 5% (roe herring is not commercially harvestable until a roe content greater than 8% occurs in the fish). The result of the British Columbia law has been an extraordinary increase in both the number of employees and the length of employment in that particular industry — without a decrease in the value of the fish.

In addition to roe herring, other processing aspects which need to be reviewed are the halibut and crab fisheries. Although virtually all of the halibut harvested and frozen in Alaska is exported down below in a whole state, when was the last time you saw a whole halibut for sale in a super market? They are not sold in that manner — they are steaked first. If Alaska were to forbid the export of halibut unless steaked, the level of processing worker unemployment would decrease significantly.

In the crab industry, a few companies are beginning to freeze the crab raw and export it to be cooked somewhere else as opposed to cooking the crab, then freezing it, and then exporting it. As crab cannot be eaten unless it is first cooked, there is, again, no reason why we as a state should allow the exportation of a minimally processed product when that product could very easily, and to our benefit, be completely processed in-state.

The establishment of a series of primary processing policies would have to be implemented in stages over a period of years, and in accordance with the region, the product, and the processing capacity of the region. It would be detrimental to the people and fishermen in the Togiak/Bristol Bay area, for instance, for the state to forbid as of January 1, 1981 the export from Alaska of herring with a roe content greater than 5% — the roe herring harvest is just too

large and the processing capacity too small to comply with such a regulation. However, such a regulation would not be impractical at all for the rest of Alaska by 1981.

It is only logical for the state to pursue maximum processing of a product in-state, particularly when we are dealing with luxury products and a needlessly over-seasonal industry.

### *3.) Upgrading the Quantity and Quality of Fisheries Employment.*

When projecting the future picture of the industry in Alaska, it is important to note the employment ratio of fishermen to shoreworkers. At present, the nature of the Alaskan fishing industry is one in which we are focusing on comparatively low numeric yield/high profit species. This has resulted in an employment ratio of roughly 2 fishermen to every 1 shoreworker. As we move into the bottom fishery a large segment of the industry will begin to focus on high numeric yield/low profit species. This is currently the case in Scandinavian countries where the employment ratio for that type of fishery emphasis is 1 fisherman to an average of 5 shoreworkers.

Translating the Scandinavian ratio into the emergence of an Alaskan bottom fishery we can project an eventual reversal of the present Alaska ratio of fishermen to shoreworkers. How rapidly this will occur is anybody's guess, however it should be noted there has already been a substantial increase in employment in the Aleutian area through the development of the Bering Sea crab fisheries alone. The significance of this, and the Scandinavian ratio, is in the accretion of more shoreworkers, and thus, assumedly, an increase in employment problems as they relate to wage and hour violations, discrimination, and health and safety problems. Dealing with these problems will require large increases in state funding to those agencies charged with the responsibility to enforce pertinent laws and regulations. While expansive bureaucratic spending should be discouraged, it has to be recognized that a miserly approach to funding of certain regulatory agencies would be detrimental to the participants in this industry — and as a result, to the industry, and Alaskan desires for Alaskan employment, as a whole.

Violations of Alaska laws and regulations as they relate to processing workers are all too common. Both the Alaska Department of Labor and the Alaska Commission on Human Rights need to have

their funding substantially increased in order to assure the reasonable application of the law. Neither agency at this time is adequately funded. Neither agency can respond promptly and efficiently to the wide range of employment related problems in this industry as it currently exists, much less in an expanding future. For example, the employment boom in the Dutch Harbor/Unalaska area has resulted in significant wage and hour violations, return transportation violations, workmen's compensation problems, discrimination, and health and safety problems, yet there is no funding for the Department of Labor to open an office in that area for constant on-sight enforcement and assistance. Likewise, the Alaska Commission on Human Rights needs to be funded in such a way that it can adequately respond to allegations and occurrences of discrimination. Anything less is to continue the second-class citizen status processing workers in Alaska have labored under throughout the history of this industry — and that is not going to achieve anything close to real "Alaskan" participation in the industry.

In relation to health and safety, the state needs to approach the Federal Government for jurisdiction over all domestic factory ships operating within Alaska Territorial Waters. Currently the state has jurisdiction *only* on the shore. The difference in safety and health regulations between the state and the Federal Government can be significant with the state's regulations more expansive. The situation becomes ludicrously bureaucratic when you have a shore plant under Alaska jurisdiction connected to a factory ship permanently moored to the shore under Federal jurisdiction with the workforce commonly interchanged between the two different sets of regulations. To make matters ever worse, neither the state nor the Feds appear to have adequate funding to enforce either set of regulations.

Health and safety, discrimination, wage and hour violations are all part of the very important "work environment". If the work environment is lousy, it is not going to be conducive to employment desirability. This is an area where the state can very definitely make some advancements — an area where the state has to make advancements if the industry is going to become Alaskan.

#### 4). *The Health of the Alaskan Industry.*

The emphasis of this paper has been on the relationship between

processing workers and the industry. Without departing from that emphasis it is logical to note that processing workers have a great vested interest in the overall health of the industry. To a large degree, that health is dependent upon the successful marketing of the products we produce. That success, in turn, is dependent upon the quality of the processed product, consumer identification, and demand.

While I do not intend to delve into the realm of marketing — which is a serious problem itself — I would strongly advocate the establishment of a quality assurance board for all Alaskan seafood products, the creation of an "Alaska" seal of quality, and a steady media campaign geared toward consumer identification of Alaskan seafood products. Successful marketing is tangibly related to the economic stability of this industry — even more so in the future — we should spare no effort to etch in the mind of the consumer the quality and desirability of "Alaska" products. However, in order to achieve this we first have to be able to *assure* the consumer of quality. Given the diversity of the industry, its expanding nature, and the entrance of many new, small processing operations we have no real base at this time for such assurances. The creation of a set of industry-wide quality standards, coupled with the issuance of the "Alaska" seal to those companies who comply with the standards, would be a first important step in securing priority consumer acceptance of Alaskan products.

#### 5.) *Taxation, Politics and Foreign Fisheries.*

As it stands now, the preeminent amount of fishery resources within 200 miles of Alaska are being harvested and utilized by foreign countries virtually free of charge. Given the economic difficulties of domestic entrance into these fisheries (a large portion of which is due to the comparatively low overhead cost of foreign production in relation to the domestic cost of labor, compliance with EPA standards, OSHA regulations, and FDA requirements) it is only fair that foreign countries pay an equitable fee for the right to harvest what amounts to a resource belonging to the people of the United States.

There are precedents for fees. Japan and the Soviet Union, for instance, have recently entered into an agreement whereby Japanese fleets will be allowed to harvest and process 10 million pounds of

tanner crab within 200 miles of Siberia — for \$0.49 per pound. Although Japan also fishes tanner crab within 200 miles of Alaska they pay only an insignificant fee to the Federal Government for the product. If the Japanese are willing to pay the Soviets \$0.49/pound for tanner crab, why shouldn't they be willing to pay the U.S. the same amount?

## NOTES

A further example of sorts, is the standing Korean offer of \$0.06/pound for pollack harvested by Alaskan fishermen and delivered to Korean processing ships. If the pollack is worth \$0.06/pound to the Koreans when buying from our fishermen, it is only reasonable to expect Korean fleets to be willing to pay \$0.06/pound to the American government for the same specie.

The use of such an "exploitation tax" would not only be fair and reasonable, but would decrease the competitive advantage foreign countries harvesting fishery species within 200 miles of Alaska have over domestic companies attempting to enter into the same fisheries. Additionally, the exploitation tax would generate sorely needed funding revenue to encourage domestic entrance into these fisheries as well as to insure the necessary funding for adequate U.S. enforcement of foreign fleet allocations.

The problem with instituting this type of tax is one of securing the necessary political clout to convince the Federal Government to enact it. Regardless of the logistical problem of achieving Alaskan political clout in Washington, the state should, nevertheless, attempt to secure such legislation.

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Alaska is in a very unique position as regards other states, indeed, other countries. We have petro dollars falling all around us, and we have a massive renewable resource at our doorstep. The proper utilization of petro dollars blended with the proper utilization of the fishing industry can provide to us a long range, secure, indefinitely stable economy. We should take every advantage of our resource windfall.

### Biography

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# THE PROSPECTS FOR AGRICULTURE IN THE NORTH

By Wayne C. Thomas

## Introduction and Historical Perspective

Alaskans throughout the state are involved in agriculture from backyard gardens and indoor house plants to large grain or dairy farms or reindeer herds with several thousand animals. However, as with most areas of the United States, recreational and subsistence agriculture predominates. Alaska's commercial agriculture is not only small, but the smallest of any state in the country. Why this is the case is tied, for the most part, to Alaska's history.

The first significant agricultural effort was established by the Russians in the latter part of the 18th century in small coastal areas particularly on Kodiak Island, where success was limited by wet weather (Thomas, 1976). The discovery of gold and the establishment of Federal agricultural experiment stations in Alaska at the turn of the 20th century provided for a substantial increase in agricultural development. Grain crops, potatoes, and dairy products were produced in the Interior to supply the mining industry. Nome, site of the 1902 gold rush, provided the impetus for rapid expansion of the reindeer industry. In the 1890s, reindeer was brought from Siberia by the U.S. government in the hopes that it would reduce the dependence of Alaskan Eskimos on the cyclical nature of game harvest. The discovery of gold resulted in the migration of miners to the area by the tens of thousands. As the gold fields either petered out or were mined by large mining companies driving toward mechanization, agriculture declined. This first affected the cropping-type agriculture found in Alaska's interior. Later on, particularly during the early 1930s, the reindeer industry became severely depressed, and numbers declined from over 600,000 in 1932 to 250,000 in 1940. Shortridge (1976) argues that one element, evident in earlier migrations of Americans from east to west, was lacking in the movements of large numbers of people to Alaska during the gold-rush period. This was an overriding pioneering spirit to stay and till the land through many hardships in Alaska.

Farms under cultivation were increased again in the mid 1930s through activities in the Matanuska Valley which could be classified a "depression-inspired experiment." Destitute mid-western farmers were moved to an area 40 miles from Anchorage by the federal government (Atwood, 1966). Agriculture expanded from this activity, particularly with the coming of World War II and the stationing of large numbers of armed forces personnel in Alaska.

The U.S. government increased its efforts in applied research just after World War II. This was in response to cold war fears necessitating keeping military personnel in Alaska and supplying them over a long and vulnerable transport route from the 48 states. Farming, particularly dairy, forage, grain and vegetable production increased. During this same period, reindeer herders did not have easy access to the export military markets in the territory and herds continued to decline. By the early 1970s, the reindeer industry bottomed out somewhere around 24,000 animals.

Agriculture in the Matanuska Valley began to decline in the 1960s. Farm size was one factor — the average farm in the valley in 1967 was only 79 acres. High production costs were related to this small, inefficient size (Alaska Power Commission, 1970). During this same time, the marine transportation system connecting Alaska with the other states was substantially improved. This more efficient transportation system made it difficult for Alaska's small, poorly developed agriculture to compete with the massive, cheaper importation of agricultural products from the lower 48. In essence, Alaska's agriculture was in another downward spiral.

## Current Status

In the beginning of this decade, the passage of the Alaska Native Claims Settlement Act (ANCSA) by Congress had a powerful effect on the reindeer industry. Through the creation of regional and village corporations, native Alaskans were able to expand their economic and social influence in the state. The reindeer industry has seen one major modification in its structure in that a regional corporation has gained control of the largest herd in the state (Naylor et al., 1979). Little has changed with other types of agriculture in the sense of land in production, although, in fact, the timing of ANCSA and the creation of projects on newly available lands can be related directly to an exogenous factor: petroleum.

Prudhoe Bay was discovered in the late 1960s but the transportation system to market was not completed for another ten years. In the interim, the largest privately financed project in U.S. History was changing the economic face of Alaska. Actual location of the line also influenced agriculture in that the pipeline, on its way south from the North Slope, passes first through Fairbanks, then 100 miles to the southeast through Delta Junction. Many old and new residents in the Delta area worked on the pipeline. This first provided jobs and, then earnings to invest. Local support for agricultural development occurred in part because the jobs available during pipeline construction were less plentiful after completion. Also, farming had already become somewhat established in the area. If more jobs were created between pipeline construction projects (a natural gas pipeline construction project is being planned through Interior Alaska during the 1980s), the community would not go through the boom-bust cycle so characteristic of many of Alaska's communities and in Alaska's economy in general.

Two studies underscored this rekindled interest in agriculture. Reiger (1974), Soil Conservation Service, U.S. Department of Agriculture, has identified more than 15,000,000 acres of lands within Alaska which could be cultivated for agriculture. Next a study group comprised of local citizens and state and federal government personnel conducted a planning effort sponsored by Alaska Department of Natural Resources, Alaska Division of Lands (1976-77), entitled "The Delta Land Management Planning Study." The outcome was identification of approximately 125 to 140,000 acres of agricultural type soils (Class II and III) with the possibility of another 60,000 to 75,000 acres which could be classified after completion of exploratory soil surveys.

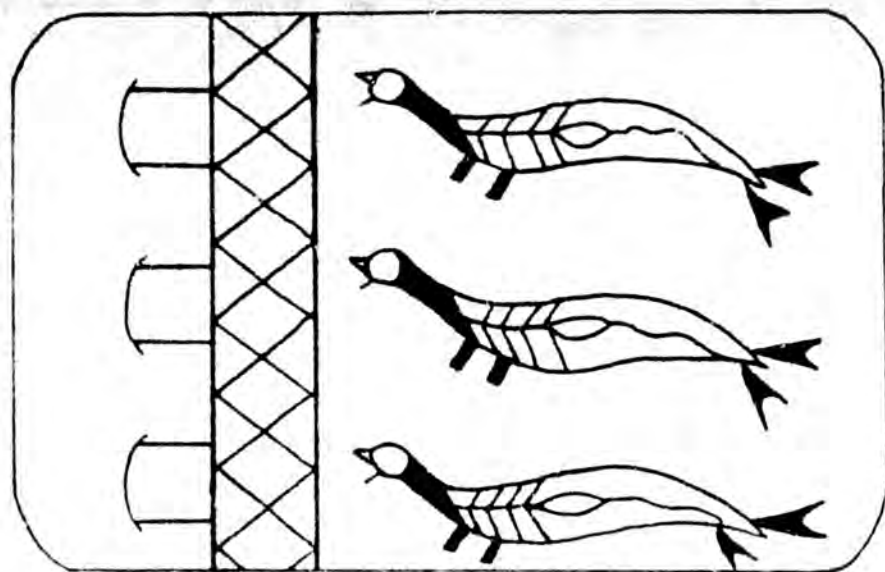
In 1975, during the latter stages of the Delta area planning study, the Federal-State Land Use Planning Commission for Alaska commissioned a study to consider the relationship of land and agricultural development. One outcome of this effort was a recommendation that an agricultural development project of sufficient size, at least 50,000 acres, be attempted to determine the potential for success of large-scale agriculture in Alaska (Faris and Hildreth, 1977).

Shortly after the Planning Commission's report was completed, the Office of the Governor organized a group of representatives of both the public and private sectors, with either interest or expertise

in agriculture to determine if such an agricultural development project was reasonably feasible. The major component of this ad hoc group's effort was an economic analysis. Location was first considered. The only organized agricultural area with sufficient state lands of good agricultural quality and an extant planning group recommending land classification for agriculture was in the Delta Junction area. After this determination was made and with completion of the economic feasibility study (Thomas et al., 1977), a recommendation was made by the ad hoc group to undertake an agricultural development demonstration project near Delta. A 60,000-acre block of land was identified as the project area.

This recommendation was acted on by the state legislature in 1978. Provision was made to sell the land by lottery in 22 tracts averaging approximately 2,600 acres each. One precondition for the lottery was that each applicant must be reviewed by a selection panel. Just over 100 people were found eligible to participate in the lottery on the basis that each was an Alaskan resident and a U.S. citizen, had some management background, and had access to at least \$35,000 in investment capital. On August 5, 1978, all of the tracts of the project were sold at an average cost of \$51 per acre. The land title was fee simple with two restrictions: subsurface rights and all other development rights except for agriculture were retained by the state.

Both the Delta lottery process and agricultural rights title has come under criticism. A report from the state's ombudsman's office determined that some errors were made in the lottery process (Flavin, 1979). These included, among other items, lack of adequate information on application criteria and on land-clearing costs. However, the ombudsman's report concluded that a second land sale should be conducted in order to get additional agricultural land in the hands of more people. The conveyance of agricultural rights only was based on the desire by the 1975 state legislature to prevent agricultural lands from being subjected to speculation. This aim was manifested in the issuing of title which limits the use of the land to agricultural purposes only. The major argument against this approach is that the land lacks "clear" title required by financial institutions in making farm loans. This charge seems somewhat spurious because banks in most, if not all, agricultural regions of the United States lend money for agricultural activities on leased land, the use of which the farmer has even less permanent control



After completion of the lottery, each successful farmer could borrow funds from a state loan program to begin clearing each farm in the Delta Agricultural Project. By November, 1979, the clearing process was approximately 25 per cent complete. Project farmers have until 1982 to clear and make ready for tillage 90 per cent of their Class II and III soils. In round numbers that should be slightly over 54,000 acres which will be ready for production. What will these lands produce? Until 1985, title holders are not required to do anything with their land except clear it, at which time they must begin repaying the clearing costs with interest.

The project feasibility study considered two major crops. The first was barley, a cereal grain used as a livestock feed in the United States and as both a livestock feed and human food in Northern Asia. Barley has been grown in the Delta Junction area since the 1950s. Both commercial production and applied research point to this crop as the basis for expanded agriculture.<sup>1</sup> An economic analysis of the project was completed indicating that barley was a good crop as long as in most years the price received by the farmer was not depressed (Thomas et al., 1977). To overcome the concern that a one-crop agriculture was more susceptible to both poor agronomic as well as economic years, a second crop was sug-

gested: rapeseed, an oilseed which yields cooking oil after a crushing process. Rapeseed's primary market is in Japan, the world's leading importer. Generally the seed is shipped in a raw state, the oil to be extracted in Japan.

Rapeseed can be produced using basically the same farm production equipment and handling facilities as barley. It also appears to be a good rotational crop with barley. Rapeseed has one additional advantage — it has a substantially higher market value. The project benefit/cost analysis was broadened to consider a barley/rapeseed rotation on project farms (Thomas and Lewis, 1979). The results indicated that project feasibility was enhanced by the addition of rapeseed. It was also determined that interest rates as high as 12 per cent did not make the project unfeasible either with barley along or with a barley/rapeseed rotation. It appears, however, that at interest rates above 12 per cent the project would generally be unfeasible in the long term without rapeseed in the crop mix.

The major source of loan funds for Alaskan farmers is the state Agricultural Revolving Loan Fund. This agency's interest rate for farm loans is currently at 6 per cent, well below that available in the private sector and within the limits required to make the project feasible. Additionally, the lower rate reduces project risk, especially in the early years when most development costs are heaviest.

Market and transportation issues were also considered. The export market was analyzed in a study by Carney and Thomas (1978). The Japanese market was viewed as the strongest because of its highly developed nature and dependence on foreign sources for much of its feed grain and oilseed. The Taiwan market was viewed as a strong feed grain market. Marketing is facilitated by transportation and other infrastructural components. A study, just completed and addressing in substantial depth the transportation and grain elevator requirements for the project (Thomas et al., 1979) determined that port elevator development and the associated transportation is dependent on volume movements. Investment, particularly in the port elevator component, can be repaid in a reasonable time period only if all the volume produced from the Delta project is exported. Even then, port investment would have to be viewed as a long term, low-payback situation which would probably be acceptable only to a public funding agency.

The problem is that local market considerations will most likely preclude the 100 per cent export criterion. The local market tends to have a higher payback to the grain farmer due to lower transportation costs. Interest in feeding livestock has been increasing ever since the Delta project was announced. Some may wonder why local consumption was not considered in more depth with the original feasibility analyses or even the ensuing market and transportation studies. This decision was made early by the ad hoc committee to plan as simple a project as possible, based on the concern that problems during creation of an agricultural system were many and some were probably not identifiable in the planning phase. Overall planning of an entire system, if it is kept simple, allows for more margin of error. If the project could work for the export market, and if a more complex local market developed, all the better for project farmers. Processing, in the case of barley, implies livestock feeding, yet 98 per cent of the red meat consumed in Alaska is imported from other areas. To meet the local market for red meat requires development of sophisticated slaughter facilities (Stephens et al., 1975).<sup>2</sup> A simpler local market does exist in that grain can also be sold to in-state feed mills to be processed into cattle and horse feed and into dry dogfood. This market is presently small, but growing. Rapeseed is another matter: it is much more valuable in the export market than as an additive for livestock feed. As a result, over a period of time, an increasing percentage of the barley will probably go to local markets, whereas all the rapeseed that grades number 1 (probably about 80 per cent of the annual crop, on the average) will be exported.

A potential problem is implied in the proposed export program, however. We have learned that in order for the export elevator to operate within a margin of economic feasibility, all of the project output that meets grade must be shipped through it. What happens if this volume is reduced due to increased local marketing? Two possibilities exist: the port elevator will have insufficient cash flow to repay investment costs or substantially more land must be made available for agricultural production in Alaska.

#### **Additional Perspective**

It appears that the second alternative mentioned above has been selected by those government officials and private individuals responsible for agricultural development in Alaska. The 1979

legislature created a five-member group (three public, two private) called the Alaska Agricultural Action Council which has the responsibility of overseeing existing state agricultural development projects including that at Delta while suggesting new ones to the state legislature. It should be made clear at the time of this writing that no new projects have been recommended. However, in early December, the economic feasibility report for the proposed Point Mackenzie agricultural development project is to be completed. This project, if submitted by the council to the legislature, will emphasize dairy production. Located in southcentral Alaska, across the Knik Arm from Anchorage, the original disposal will probably include approximately 20,000 acres divided into 640-acre or smaller parcels. State loans, disbursed through the Agricultural Revolving Loan Fund and administered by the Alaska Division of Agriculture, will probably be the chief source of financing. A lottery system and land-clearing requirements similar to those used for the Delta project will probably be used. Project implementation should nearly double the amount of milk produced in Alaska. Preliminary economic analyses indicate that the dairy farm operations appear highly feasible. The major variable that must be overcome in this proposed project is rapidly raising land values. Farm land in the Matanuska Valley has gone into other uses because of this pressure. The agricultural-rights-only nature of the proposed Point Mackenzie project, as for the Delta project, will prevent other land uses and any associated land speculation.

Another agricultural development effort under serious consideration by the Alaska Agricultural Action Council is an expansion of the Delta Agricultural Project. Soil surveys on state lands adjacent to the existing Delta project have recently been completed and indicate that as much as 75,000 additional acres of Class II and III land are available. If farms were developed on this land, producers could use the existing infrastructure being developed for the Delta project. Crops already in production could be expanded, which would solve one difficulty already mentioned: the necessity to increase volume through the export elevator. Efforts are currently underway by the Agricultural Council to classify this tract of land as agricultural. A project expansion may then well be proposed to an upcoming state legislature.

Red-meat production and processing are currently being considered by several groups. The impetus has come from the farmers

themselves. The Agricultural Council is considering funding a small task force to study in depth the development of a specialized pork production and processing industry which would provide products to both domestic and foreign markets. Remember, red meat production must be based on the creation of a feed base. In this case, the original Delta project would be the grain source. Beef production has been carried on in the Matanuska Valley, the Kenai Peninsula, and Kodiak Island for many years. Some believe that young cattle from Kodiak and Kenai may in time be shipped into the Matanuska Valley, combined with valley cattle and fed grain produced in the interior of Alaska. Only time will tell, but interest in this possibility is high.

The last major project on the horizon is near Nenana. As many as 300,000 acres may be of adequate quality for row-crop agriculture. This area is viewed by many agricultural specialists as some of the best potential farm land in the state. It lends itself to wheat production, perhaps more strongly even than Delta. In fact, its development could foster the construction of a flour mill which could find an outlet in both domestic and export markets. Nenana's major advantage, other than its excellent latent agricultural land, is that it is situated on the Alaska railroad. Long-distance transportation of bulk agricultural commodities is most often more economical by railroad than by truck.

Nenana's major problem is land title. Most of the agricultural land is in a transition situation wherein Native groups will become the owner of some lands, the state others, and the federal government will retain the rest. Until some final resolution can be made, little will happen at Nenana. However, it appears interest is expanding to speed up the land title process. If so, Nenana may be in the planning stage within the next two to three years.

Let's turn away from the Interior and consider again the reindeer industry, particularly on the Seward Peninsula. As we mentioned earlier, the industry had gone through a long period of decline. However, several factors have changed the outlook of the reindeer industry. First, native peoples have been concerned about declining numbers in the Western Arctic Caribou Herd. This unreliability of game-meat sources has increased the attractiveness of domestic reindeer herding. A regional native corporation, NANA, has taken control of several reindeer herds in response to this heightened in-

terest in local meat production. NANA's approach to production is to attempt full-time herding, while the norm for the industry is part-time herding mixed with subsistence activities. NANA's plans for increasing meat production are still in very early stages. Their combined herd, now numbering over 7,000 animals, is going through a restricted harvest cycle to facilitate herd expansion. It is possible that NANA alone will increase its herd to as much as 30,000 head, depending on winter range availability and range restrictions placed on the corporation by the U.S. Department of Interior. Whatever the outcome, herd numbers above 30,000 head for the industry (17 different herds) should be achieved soon.

The major impetus for this expansion from 24,000 animals to over 30,000 is not to increase meat production but to respond to the Asian market for reindeer antler (Thomas, 1978). In a recent paper, Arobio et al. (1979) indicate the economic importance of herd management for antler production in contrast to other management approaches. Net income to the herd owners, both as large as NANA, and as small as 1,000-head operations, were many thousands of dollars higher if antler production were emphasized. In all cases meat production was lower, but if herds were expanded for the antler markets, the peripheral outcome would be greater aggregate meat production available for local and even export markets. The price of antlers has increased dramatically from less than \$8 to a possible \$50 per pound in the last three years. However, trouble may be on the horizon for this product. Competitors, particularly red deer producers in New Zealand and reindeer herders in Scandinavia may soon enter the antler market with large quantities. If so, it is unclear whether the Alaskan price can be maintained. How possible price reductions may effect management decisions by herders is also unknown. However, aggregate herd expansion for at least the next ten years seems inevitable.

Native interest in agricultural production other than reindeer is beginning to expand. Village gardening projects are underway in several rural localities throughout the state. In one area, the lower Kuskokwim Valley, the commercial possibilities of potato and other vegetable crops have been evaluated (Lewis and Lewis, 1979). Using the findings contained in this report, vegetables were produced near the village in 1979 and were marketed both locally and in other villages, including Bethel. With increasing fuel costs, village agriculture may be further stimulated to help offset rising living

costs. Therefore, the outlook for greater production and an improved food source is promising.

### Directions

Increased agricultural production in Alaska will require substantial investment of capital. Much of this investment will probably come through the next ten years from state government loan programs. Agriculture is especially fortunate in that substantial funding will be available from petroleum royalties and taxes accruing to state government. But is it a good investment?

We know that state government has already allocated over 13 million dollars to the Delta project, over 80 per cent of this which is repayable with interest. The benefit/cost analysis indicates a reasonable chance for success, which means the debt appears repayable. The state might make a higher rate of return on its investment in other industries in the state, but these opportunities are limited.

With this investment, will agriculture succeed in Alaska? There is no sure answer to this question. In the major agricultural exporting countries, indications are that the agricultural facet of the economy is increasing at a rate greater than that of the economy as a whole because the aggregate world demand for food is increasing at a rate faster than aggregate supply. This is represented by the upward price pressure seen with food, especially in the developed nations. There are other factors, including the general inflationary situation, but shifts in food demand relative to supply seem to predominate.

Where does this put Alaska? We are generally seen as an area wherein production costs are high. Historically, lands near large world population centers are developed first. Then, more remote, less economical, areas are brought into production later. It is my contention that Alaska has arrived at the edge of this latter situation.

One additional perspective might be helpful in understanding the importance agriculture may bring to Alaska. By the middle 1980s, gross sales from Alaskan agriculture could increase to over \$35 million dollars from just \$7 million in 1978. Land in production could top 180,000 acres. As to employment, the number of permanent jobs

created could exceed 500. Total investment cost for this industry could approach \$100 million dollars by 1985. One interesting aspect will be the expected reduction in the role of government and the increasing private-sector role in the providing of agricultural loans for needed investment capital. As agriculture becomes established with the development of many large and small farms, the initial high-risk nature of the industry, given its unproven Alaskan track record, will become of less concern, thus attracting private capital. In this event, Alaskan agriculture could be described as a growth industry for the state while providing a lifestyle which is deemed attractive by many Americans.

Every development has attendant costs. Development of an infrastructure containing grain elevators, processing plants, electrical power, even a possible railroad extension, is an integral part of agricultural development. In most cases, because of processing requirements, more development is required for local consumption than for export marketing. Agriculture in this state entails more risk than established agriculture elsewhere because it is relatively new. Front-end investment costs are generally high, and payback in many cases must be spread over an extended period of time. Support of Alaska's agriculture by its people will be necessary if state funds are to be used in the needed loan programs.

A second need is for land sufficient for agriculture to grow in Alaska. The land should be sold in both large and small parcels. This would provide for those who wish to attempt commercial full-time farming as well as those who wish either to have a subsistence lifestyle farm or to be part-time farmers.

I am particularly concerned that state and Federally owned rangeland in areas such as the Seward Peninsula continue to allow reindeer grazing. Federal monument status could disallow or limit grazing at well below carrying capacity levels. State land action could place the leased land cost to the herder at levels beyond his ability to maintain the herd.

My final comment relates to concern about farm management. Historically in the United States, the Extension Service at Land Grant universities has provided the on-the-farm training required to improve farm-management practices. I believe the University of Alaska needs to expand its efforts in this area. This educational effort could do more to ensure agricultural success than almost any other activity carried out by state government.

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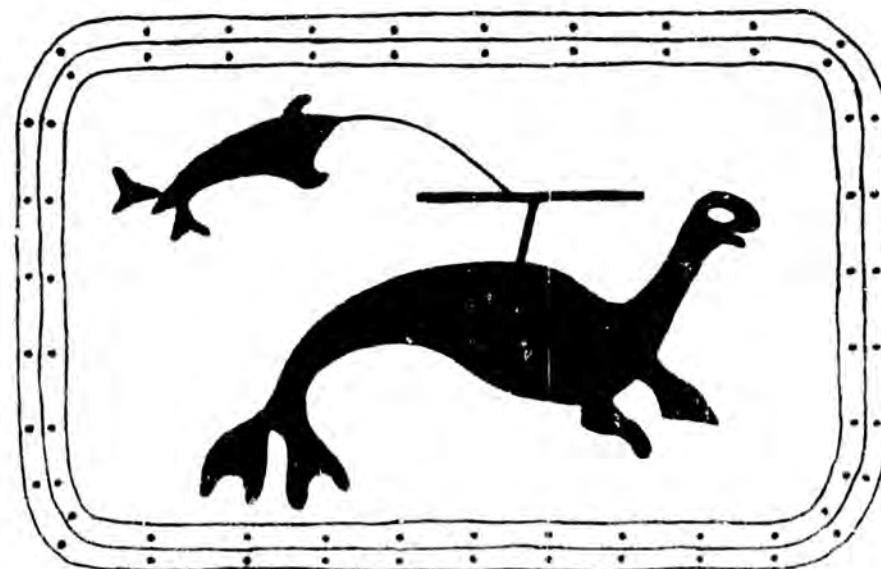
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## Biographical Sketch

Dr. Wayne Thomas has a research and teaching appointment in the Agricultural Experiment Station, School of Agriculture and Land Resources Management, University of Alaska. Dr. Thomas received undergraduate and graduate degrees at California State Polytechnic University and the University of Nevada. In 1971, he graduated with a Doctor of Philosophy degree in agriculture economics from Washington State University. Since joining the University of Alaska faculty in 1971, he has conducted research in land management issues, the economics of red meat including reindeer, and the role of government in the agricultural development process. Teaching areas have included resource economics and natural resource policy. Since 1976, he has acted as an advisor to several state agencies and to the office of the Governor on agricultural development matters. Recently, Dr. Thomas was named a Senior Fulbright Scholar in economics and has been invited to be a visiting professor at the University of New England in Australia during most of 1980. He will be studying government involvement in agricultural development by contrasting United States and Australian approaches. Thomas is married, has one child and lives in Fairbanks.

## AGRICULTURE IN ALASKA — PAST, PRESENT AND FUTURE

Presented by:  
W.I. "Bob" Palmer  
Special Projects Coordinator  
Office of the Governor

Our knowledge of Alaska's agricultural past begins with some of the first Russian settlers who transported cattle and goats from Siberia to Kodiak Island in the latter part of the eighteenth century. These early settlers also grew such vegetables as potatoes, cabbages, radishes, and lettuce, although with limited success because of a wet climate.<sup>1</sup>

After U.S. purchase of the territory in 1867, there was little agricultural activity beyond the food that the small white populace grew for their own tables. In 1884, U.S. officials had been led to believe through erroneous reports that the Alaska climate effectively ruled out agriculture. Such thinking changed during the next few years, however, and by the late 1880's, the U.S. Government had established agricultural experiment stations at Sitka, Kenai, and Kodiak to conduct research toward adapting certain grains, vegetables, fruits, and livestock to Alaska conditions.<sup>2</sup>

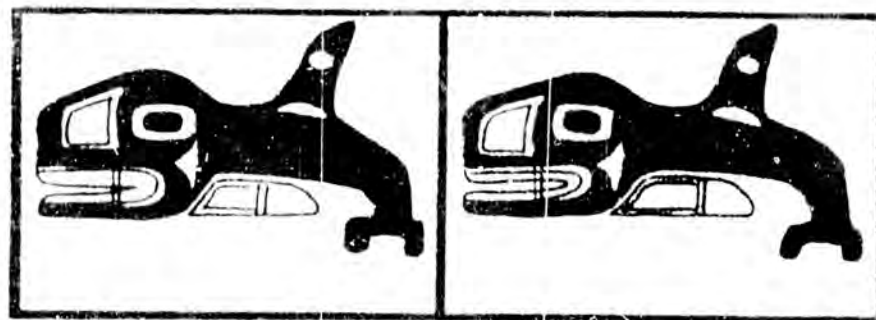
The gold discovery near Nome in 1900 brought thousands of prospective miners to that area, and this new market gave a boost to a fledgling experiment in Alaska animal husbandry — reindeer. Reindeer were first imported by the U.S. Government from Siberia in the early 1800's to be used as a subsistence resource for the Natives. But when the gold rush created the nearby market, Natives and others began to sell reindeer meat to the miners. After the gold rush population subsided, the reindeer population in Alaska continued to increase, being used both for local subsistence and commercially for local as well as import markets in the United States. Reindeer herds increased steadily until they peaked in 1932 at approximately 640,000 animals. After that, for a variety of economic and other reasons, their numbers decreased precipitously. Total number in 1968 were estimated at only 30,000 head.<sup>3</sup>

The 1902 discovery of gold in the north Tanana Valley led to

development there of a significant market for agricultural products. A small agricultural industry developed in response to the growing numbers of gold seekers, and local farmers produced grains, vegetables, livestock, and poultry products. In fact, in the 1910's, a flour mill operated in Fairbanks, using locally grown wheat and producing flour for the local market. However, as gold production diminished and the boom population decreased, agricultural activity also decreased.<sup>4</sup>

A depression-inspired experiment in the mid-1930's renewed agricultural interest in Alaska when U.S. Government transplanted an impoverished group of farmers from the midwestern United States to the Matanuska Valley to develop agricultural production in that region. This experiment was a success to the extent that today, this valley produces the largest volume of agricultural products in the state.<sup>5</sup>

During the late 1940's, the U.S. Department of Agriculture (USDA), in response to U.S. military concern for the vulnerability of Alaska's food supply, increased its efforts to make the territory less dependent on other states. The USDA increased its agricultural research, expanding on-going programs and introducing new ones. In addition, the military increased its purchases of locally grown products. As a result, partly of this and partly because of a growing population, Alaska agriculture grew steadily from that time until the early 1960's. By the sixties, however, because of an improving transportation network between Alaska and the lower U.S., Alaska's small-scale, inefficient agriculture simply could not compete with the massive, cheaper output of its lower U.S. counterpart and the U.S. subsidized freight rates to ship those foods to Alaska. Thus, agriculture in Alaska stagnated during the 1960's (Table 1).<sup>6</sup>



**TABLE 1**  
**Summary of Alaska Crop and Livestock**  
**Sales 1960-1974**

Year	Crops	Livestock	Total
1974	\$1,987,000	\$3,654,000	\$5,641,000
1973	1,980,000	3,318,000	5,298,000
1972	1,343,000	3,040,000	4,383,000
1971	963,000	2,871,000	3,834,000
1970	903,000	3,112,000	4,015,000
1969	624,600	2,948,000	3,572,000
1968	1,031,000	3,060,000	4,091,000
1967	920,000	3,197,000	4,117,000
1966	1,025,000	3,299,000	4,324,000
1965	989,000	3,255,000	4,244,000
1964	1,332,000	3,025,000	4,357,000
1963	865,000	3,148,000	4,013,000
1962	1,139,000	3,265,000	4,404,000
1961	1,090,000	3,315,000	4,405,000
1960	1,020,000	3,116,000	4,136,000

SOURCE: Alaska Crop and Livestock Reporting Service, Palmer Alaska

Since 1974, sales of livestock, poultry and crops have increased. (See table 2.)

**TABLE 2**  
**Summary of Alaska Livestock, Poultry and Crops**  
**Sales 1976-1978**

Year	Crops	Livestock/Poultry <sup>1</sup>	Total
1976	\$3,051,000	\$3,831,000	\$6,882,000
1977	2,946,000	3,937,000	6,883,000
1978	3,131,000	3,595,000	6,626,000

<sup>1/</sup> Reindeer not included

Today, it appears as if a new era has dawned for agricultural development in Alaska. For the first time in Alaska's history, ag development is underway on a scale designed to make it competitive on the world markets, and thus insulate it from the boom and bust cycles of domestic consumption.

This new day for agriculture in Alaska began with action by the Federal-State Land Use Planning Commission. Under a contract with that Commission, two ag economists, Dr. R. J. Hildreth, Farm Foundation in Chicago, and Dr. J. Edwin Faris of Clemson University in North Carolina, analyzed the agricultural potential in Alaska. Their report (February, 1975) concluded that small grain production, especially barley, was not only agronomically feasible in Interior Alaska but appeared to be economically feasible also if farmers were allowed to produce on a scale comparable to small grain farming in the United States and Canada and if at least 50,000 acres were put into cultivation at approximately the same time. This acreage was thought to be the minimum "critical mass" needed to support the infrastructure of an economically feasible crop-producing area.

Their report said in essence that to become feasible, the grain would have to be produced at a competitive price to meet conditions and standards, both for quality and quantity on the world export market and that insufficient demand existed within Alaska to provide the market necessary for economical production. They stated, however, that from a technical basis, previous research indicated that barley was well adapted to conditions in a number of places in Alaska, that costs and yields were such that it appeared feasible to produce for the export market, and that while costs of producing an acre of barley in Interior Alaska were approaching 200 percent of similar costs in Nebraska, yields were more than twice those of Nebraska, and quality was better.

In accord with his oft-expressed views and those of much of the public that "non-renewable resource wealth (oil) should be used to stimulate *renewable* resource industries," Governor Hammond issued instructions to his Special Projects Coordinator to determine the feasibility of implementing the recommendations of the Faris-Hildreth report.

As a result of those instructions from the Governor and the very

extensive efforts of agricultural experts across the State, approximately 62,000 acres of agricultural lands were sold by lottery to 22 residents of the state in August of 1978. Complying with state law, agricultural lands only were sold, with the state retaining the development rights. This policy assures that the land will remain in agricultural production and that the farmers can only be taxed on the agricultural value of the land — not on artificial "subdivision" value. An economic analysis done by agricultural economists of the University of Alaska and critiqued by agricultural economists of the USDA concluded that family farm units of approximately 2,000 to 3,000 acres were needed to be economically competitive on the world market, and therefore produce grain for the domestic market at a price that would stimulate the development of a red meat industry within Alaska.

Today, approximately one year after the disposal of those agricultural lands under the project proposal submitted by the Special Projects Coordinator and approved by Governor Hammond and the legislature, 45,000 acres have been at least partially cleared; 3,000 acres are now ready to be planted in the spring of 1980; and several thousand additional acres are expected to be prepared by planting time in 1980. In fact, crops were harvested in September of 1979 from 290 acres of the project that were still virgin timber on permafrost soils in February of 1979.

Eighteen miles of good roads have been built to service the farmers; an elevator-dryer complex has been constructed; the first 3,000 tons of barley have been produced, dried and are now in secure storage; and initial sales in Alaska have been completed. Overseas markets for surplus grain have been located and under a small-scale test marketing program approved by the legislature, the first 1,000 tons of high-quality barley will be exported to Taiwan in early 1980.

Recent developments involving the Delta Project are many and varied. A study by the Battelle Institute, not yet published, indicates that the biomass from agricultural development can be used in a number of beneficial ways, including the production of methanol and heat for steam-generated electric power and others. If so, the problems caused by the on-site burning of thousands of acres of forest residues may be avoided. It is worth remembering, however, that the value of mineral elements returned to the soil when black spruce timber is burned in place approaches \$140/acre. This value must be

considered when contemplating other uses of the biomass.

Japanese corporations have expressed great interest in purchasing Alaskan-grown rapeseed for processing into a highly flavored cooking oil. Since the crop is widely grown in the northern agricultural areas of Canada and appears to be well adapted to production in Alaska, its potential value to the Delta Project seems highly significant. The same equipment is used for planting and harvesting as for barley; it fits well in a crop rotation with barley; and in Canada, at least in some years, produces much more profit per acre than does barley.

In addition, rapeseed production can benefit significantly by the utilization of two hives of honey bees for pollinization per acre of rape. The honey produced (75-300 pounds per hive in Canada) is of extremely high quality and a ready market exists in Japan for any surplus.

With the expectation of perhaps 10,000 acres of rapeseed production by 1982 and the opportunity for 20,000 colonies of honeybees producing, perhaps, 2,000,000 pounds of honey at a minimum of \$1.50 per pound, the potential for a new industry worth at least \$3 million annually becomes apparent.

Trading companies in Japan have expressed the desire to have produced under contract 50,000 tons annually of buckwheat. This is another major honey crop, grows well in northern climates, and may fit quite well into the crop production alternatives for Interior Alaska.

Nugget bluegrass and Arctared fescue seed production appear also to offer very profitable crop alternatives for Interior Alaska.

Increases in the livestock industry appear to be taking place at a more rapid pace than earlier expected. Several substantial proposals involving production of beef, pork and dairy products based on the utilization of Delta Project grain are under serious consideration, although details are not yet available.

It is well to note that the entire philosophy of the Delta Project has been based on developing a proposal that (1) is economically sound and able to exist, when mature, unassisted by subsidies, and

(2) government involvement should be withdrawn as quickly as the private sector can take over.

A second major harbinger of an emerging agriculture in Alaska's future is the Alaska Agricultural Action Council created by the 1979 State Legislature in Senate Bill 14. This council, composed of three state government and two private sector members and chaired by the Special Projects Coordinator, Office of the Governor, is mandated by the law under which it was created to report to the legislature annually with recommendations:

1. for one or more ag development projects;
2. proposed legislation identifying the tasks of various state agencies necessary to accomplish the development project;
3. proposed legislation granting "to the council sufficient authority to insure cooperation of all state agencies involved in the implementation of the agricultural development project."

The AAAC in its report to the 1980 session will recommend a 15,000 - to 40,000 - acre ag project in the Point MacKenzie area near Anchorage. It will probably recommend an additional 60,000 acres to be added to the existing Delta Project and may lay the groundwork for a project of perhaps 100,000 acres in the Nenana area.

While the original focus of the Delta Project was the production of small grains, the primary focus in Point MacKenzie will be on breathing new life into the dairy industry while providing additional lands for vegetables, forage, and livestock industries. As Matanuska Valley agriculture shrinks under the never-ceasing encroachment of Anchorage bedroom community subdivisions, the number of dairy farms declines. If the transportation, marketing, and processing infrastructure of the existing dairy industry is to survive, the aforementioned trend must be reversed.

State-owned ag lands in the Point MacKenzie area, well-suited for dairying and available at relatively low cost on an "ag right only" basis, appear to be the solution. According to statements of Matanuska Maid officials, even now \$175,000 per month flows out of Alaska to purchase Grade "A" milk from the Pacific Northwest to be processed by Alaska processors. Existing dairies in the Mat Valley, operating in the black, furnish strong evidence that with reasonably priced land, Alaskan dairies can compete for Alaskan

markets with "South 48" production.

Only time will discern whether the crystal ball is flawed or whether its visions project a somewhat accurate forecast of things to come.

Be that as it may, those visions — based on the fact of 15 to 20 million acres of land suitable for agriculture in Alaska and the importation at present of 95 to 98 percent of the red meat consumed in Alaska — include:

1. Small grain production (including wheat and rapeseed) on at least 500,000 acres of land by 1990.
2. Native regions utilizing substantial acreage for cash crop production to assist their peoples in the transition to a cash economy without moving from their tribal lands.
3. Extensive vegetable production emphasizing a minimum of chemicals and the highest of quality for shipment to "South 48" markets sensitive to the increased concern of carcinogenic materials in food.
4. Large-scale pork production under "controlled environment" conditions for local consumption and shipment to Asian markets.
5. Greenhouse production of roses and other flowers, utilizing heat from the gas pipeline compressors and competing in price and quality on world markets.
6. A very rapidly developing beef industry, utilizing cow-calf operations, vealers from the dairy industry and feeder stock from Canadian producers.
7. Production of beef animals and dairy beefers in the more favored areas of the Alaska Peninsula and the Aleutians for shipment to Asia.

My crystal ball presents a very strong vision of a robust agricultural economy emerging in the next 10 years that will, within the next 20 years, provide:

1. a significant portion of the food required for Alaskans at lower cost and higher quality than is produced "outside."
2. a stable, renewable resource-based industry employing thousands of people.
3. a quality of life for many, unsurpassed by any other available.

## NOTES



### Footnotes

<sup>1</sup>Wayne Thomas, "Agriculture in Alaska: 1976-2000 A.D.," *Alaska Review of Business and Economic Conditions*, XIII (June, 1976), p. 1.

<sup>2</sup>Ibid.

<sup>3</sup>Ibid., pp. 1-2.

<sup>4</sup>Ibid., p. 2.

<sup>5</sup>Ibid.

<sup>6</sup>Ibid.

### Biographical Sketch W.I. "Bob" Palmer

August 7, 1926	—	Born in Hutchinson, Kansas
1944-1946	—	Naval Aviation Cadet
1947	—	Graduated from Michigan State University with a B.S. in Zoology
1948	—	Homesteaded near Ninilchik
1949-1952	—	Instructor at the University of Alaska on the Kenai Peninsula; Subject: Agronomy
1960-1974	—	Teacher at Ninilchik School; Subjects: Math and Science
1964-1975	—	Commercial fisherman at Cook Inlet
1974	—	Obtained a Master's Degree in Educational Administration at the University of Alaska
1966-1975	—	State Senate Chairman, Senate Resources Committee Chairman, Special Senate Fisheries Committee Chairman, Rules Committee
1975	—	Chief of Staff, Office of the Governor
1976-1979	—	Special Projects Coordinator, Office of the Governor Project Coordinator, Alaska Fisheries Council
1979	—	Chairman, Alaska Agricultural Action Council
Permanent Home	—	The original homestead near Ninilchik, which is now a profit-making farm

## **TOURISM — ALASKA'S LEADING RENEWABLE RESOURCE**

by  
**William Sheffield**

One of the reasons economists have difficulty measuring tourism is the difficulty in defining the subject. Therefore, for purposes of definition, let us describe the Alaska visitor as a person who travels to or within our state, for a minimum of at least 24 hours, and primarily for the purpose of pleasure.

If we accept this definition, we automatically exclude many thousands of visitors to the great land. However, the definition permits us to measure with great accuracy the number of visitors, the amount of money they spend in Alaska, where they spend it, and what the result of that spending is. As a representative of the visitor industry, I am naturally most anxious to see that if state funds are made available for support of various segments of Alaska's economy, that the visitor industry be given close attention, because even though our industry is now second only to petroleum, it is my contention that we have barely scratched the surface, and the benefits of a healthy and expanding tourism industry will accrue to Alaskans everywhere in our state.

Before we explore the future of tourism in Alaska, we should take a look at its past.

Back even before Alaska was granted territorial status in 1912, there was a small but flourishing visitor industry in Alaska. This had been fueled by the worldwide attention focused on the territory during the great gold discoveries — and the tales of incredible beauty of the land brought home by the stampeders.

But there is now doubt those early day visitors had to love their Alaskan trip, because it was often short on creature comforts. Since everybody arrived by steamship, visitors were pretty much restricted to the coastal areas. But once the Alaska railroad was built it permitted the movement of relatively large groups of people

into some of nature's most spectacular country. And just as the steamships had early opened Southeast Alaska to visitation, so too did the railroad open South-Central and the interior.

Tourism's biggest boost, however, came with a lot of involuntary visitors during World War II. Not only did 140,000 Americans get their first look of Alaska as members of the Armed Forces -- but the support structure installed for them by the Federal Government provided the foundation upon which Alaska's tourism future would be built.

I am talking about the airplane.

Before World War II, airfields were few and far between — and pretty primitive at that. But the military built airfields that could accommodate heavy aircraft — and it also produced a new generation of pilots experienced in Northern flying, to supplement the handful of early bush pilots.

The airplane made mass travel of groups of visitors feasible. Air travel prompted Alaskans to start to build the infra-structure necessary to support a more sophisticated brand of tourism.

Modern tourism started in 1950 when a few key figures like Chuck West and Jim Binkley organized the first Alaska Visitors Association. The purpose of the association was to function as a trade organization in nurturing Alaska's tiny visitor industry, to promote tourism actively and to assist transportation companies, hotels and lodges and ground attractions in "packaging" visits to Alaska. They also worked hard to sell these packages to travel agents outside. One other objective of the AVA was to aggressively promote government spending through the Department of Economic Development to help build the visitor industry. With those first joint promotion efforts, tourism started to take off in Alaska — and it has rarely faltered since. As an example, the number two industry not only in terms of dollars contributed to our economy, but also in the number of Alaskans employed. Just in the last ten years, the number of Alaskans employed in our industry has increased from 7,000 to 17,000. And the homes they build, the services they buy, the purchases of durable goods, and the taxes they pay, have had a great stabilizing effect on Alaska's economy. It's no secret that the last couple of years have not exactly been bell-ringers for most of

Alaska's businesses. Think what it might have been, had not the visitor industry been experiencing healthy growth.

Speaking of taxes, our industry last year contributed nearly \$40,000,000 in direct contribution to state government. And this does not include additional tens of thousands going to local governments. I contend that \$40,000,000 is a very healthy return indeed on the approximately \$900,000 spent in tourism promotion.

That \$900,000 was matched in part by the private sector -- the hotels, such as my own, the airlines, the Alaska travel wholesalers, and in fact virtually every element of the travel industry. These participants contributed anything from \$1,000 to \$100,000 each, into a common pool which resulted in heavy concentration of dollars to be used for promotional efforts. This promotion, which is carried out by the Alaska Visitors Association Marketing Council is unique -- there is nothing else like it in America.

That brings us to the subject of the future of the visitor industry. We have come a long way, from very modest beginnings, but I believe we still have a long way to go before we reach anything close to a saturation point. Just consider in all of the years we've been promoting tourism, far less than 1% of the U.S. population has actually visited Alaska. It used to be our prices were considered high -- but that's not the case any more. Our Hotel rates compare favorably with most major cities in the "lower 48", and we are a positive bargain when compared to the leading cities of Europe and Asia.

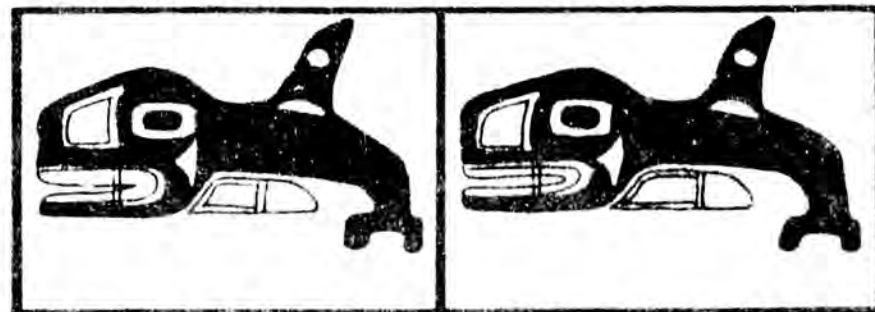
We now have a large and sophisticated tourism plant in place, and it is expanding every year. In fact, this brings us to the number one problem that must be addressed if we are to achieve the type of future growth in our industry we would like, and that problem is our short season.

We are attempting to build a tourism industry on the strength of a 100 day season -- and it's just not possible. This is why I am so enthusiastic about the proposed new climate controlled city at Tokositna on the south side of Mt. McKinley.

This one addition to Alaska's tourism scene, can do much to overcome the seasonal problem.

Imagine if you will, high on the slopes of North America's mightiest mountains, a city of people -- built for people. A covered city, with comfort controlled temperatures summer and winter. A city created to attract and support visitors. From the city itself can be seen unparalleled vistas -- including the massive bulk of Mt. McKinley, which because of much more favorable weather is much easier to view than from the present northside location. Two-thousand hotel rooms will be available to house the visitors, and there will be cultural exhibits, auditoriums, theaters -- everything to make one's stay exciting. From the gates of the city, a network of trails permit hikers to prowl through some of the world's most spectacular country. Aerial tramways lift passengers to the face of the mountain on the peaks of the Tokoshas and to the edge of Ruth Glacier. This is Denali City -- a city that could and should be a part of Alaska's vibrant future. Because you see Denali City is not a dream -- it is a reality that simply awaits construction. In the winter, Denali City would provide excellent skiing and winter sports areas, to complement the outstanding facilities already in place at places like Alyeska. And off-season visitation -- including winter -- is what our industry requires. Alyeska now competes with Vail and Aspen, Austria and Switzerland, but in those places, skiers can "ski the circuit" of a variety of resorts. In Alaska we could use half a dozen Alyeskas -- and Denali City could well provide the impetus to start development of additional ski areas by the private sector. Because, you see, the best part about the development of the city project is that most of it will be paid for with private sector financing.

The Clubs, Hotels, Restaurants -- all will be built and operated under the free enterprise system.



What is necessary to generate this type of activity? In my opinion, it would be something along the order of an expanded tourism revolving loan fund. I consider myself to be the father of the existing fund, since I helped to introduce this concept and lobby it through the legislature about ten years ago. This concept has proved to be fantastically successful. Not only has the default rate been very, very low — practically non-existent — but the availability of these funds to the tourism industry permitted dramatic expansion. Newer hotels were built in communities like Bethel - Barrow - and Sitka — communities which were desparately in need of hotels, and dozens of other facility improvements also took place in all corners of our state. Also planned is a Hotel in Ketchikan and expanded additional facilities in other cities. Much of the credit for nearly tripling our employment in the visitor industry during the past decade can be attributed to the presence of the tourism revolving loan fund.

But as originally conceived, this fund is totally inadequate for building needs of the future. The limits of the loan are too low and the percentage of bank participation is too high. That's why I'd like to suggest that any windfall returns which the state may have, might be used to fund a greatly expanded revolving loan fund. It's proven to be an excellent means of investing state capital.

There are other ways in which an infusion of capital would be of great help to our clean, non-polluting renewable resource industry. One is improvement of our transportation system. Just as those first airfields gave us our great boost, we too, could have expansion and upgrading of our surface highway system giving us another boost. Further expansion and modernization of the Marine Highway system could provide new and exciting gateways, as well as new stopover and destination points to the Alaska traveler. And airport improvements, too, would help the visitor to not only see more of the great land, but would do a better job of distributing the visitor dollars around the state.

In Anchorage, one of the prime means of extending the season has been the convention business. This business can usually be booked in the fall and spring, where it will supplement, rather than interfere with, normal tourist activities. But to successfully attract conventions, you need convention facilities, and a special loan fund should be set up to permit all those communities in Alaska that

would want convention centers a means to get them. This would be from a state guaranteed pool, with bank participation — but also with community participation.

Remember, we are not asking for a handout for our industry. We intend to operate under the principles of the free enterprise system. We ask only that the state assist us in obtaining the financing necessary to encourage greater private investment to build an industry which, because it is labor-intensive, helps Alaskans to achieve greater self reliance, and less dependence in the future on government for their support.

You know, it's been a quarter of a century now since S.A.S. landed that first trans-polar flight in Anchorage. And of the millions of international passengers who have transited Anchorage in that time, only a relative handful have gotten out of the quarantine area. Well maybe in 1984 we'll give them so good a reason to get off, they can't refuse. I'm talking about Alaska 1984. I'm sure you're all aware of it, but to bring you up to date, a group from around the state is working to stage a World Class Exposition in Alaska in 1984. And the momentum is beginning to grow. The Municipal Government of Anchorage has agreed to put up seed money, and many groups and individuals are already stepping forward to help. There has been great interest from Alaska's native corporations because tourism is a labor-intensive industry, and provides many jobs for native Alaskans. Something like a World's Fair would seem to be a logical investment. Particularly to those corporations which are already involved in motels or other segments of the visitor industry.

For those of you who may have visited Seattle or Spokane before and after their expositions, you realize what a profound effect a World's Fair has on a city and state. And believe me, a World's Fair in Alaska will yield financial, social and cultural benefits to every corner of our state.

We think Pacific Rim Countries, and the nations of the North, will focus on Alaska during this exposition. And we think the interchange will be of great value, over and above the visitors who will come to enjoy the fair.

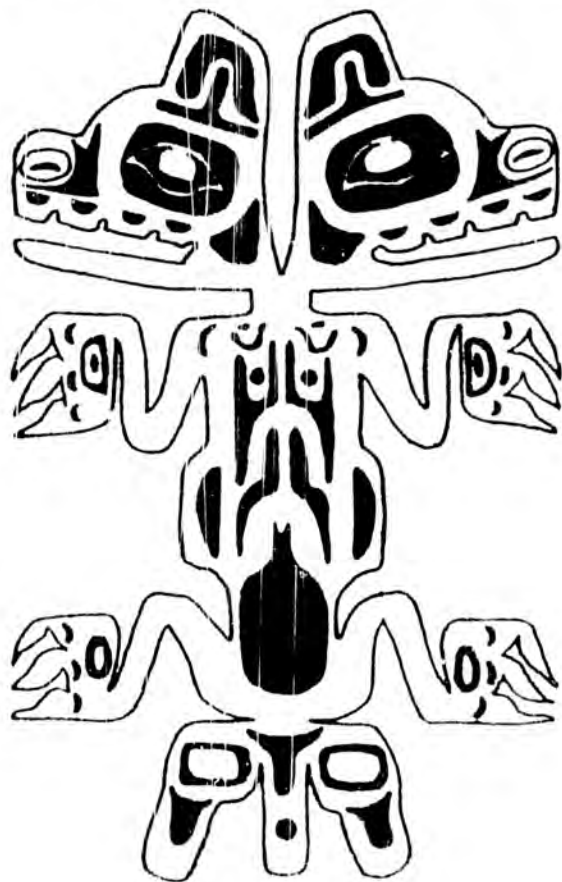
The book "1984" by George Orwell presented that year as the ultimate in government's "Big Brother" ability to control its sub-

jects. Well, a lot of us see 1984 as a year to present Alaska — the land of the *individuai* — to the world. Alaska 1984 will provide the forum to do this.

## NOTES

We've set our touristic goals high for the next five years. Can we reach them? We're confident we can. When you look back at past projections, you'll see we were almost always too modest. In 1960 we estimated that we'd have 75,000 visitors by 1970. As it turned out, we had 120,000. In 1970 we projected 325,000 visitors by 1980 — and a lot of people thought we were crazy. Well, we passed that figure in only five years. So what do we estimate the total number will be in 1990? I'm not foolish enough to stand here and guess. But I'll say one thing. I've got more hotels for Alaska on the drawing boards. And that should tell you something.

William Sheffield is the owner of the Sheffield Hotels and is active in tourism promotion in Alaska.



## 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 few agencies of state government which has decreased its personnel since 1975. In 1975, 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

in that no single sector of the visitor industry is given preference 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	699,000	94,000	1,266,300
FY 77	1,415,300	679,000	557,500	1,972,800
FY 78	1,411,700	693,600	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	4,240,300	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 division'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.

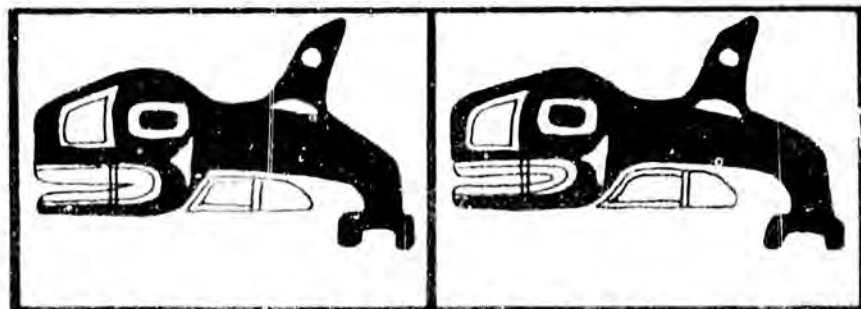
**"Worlds of Alaska:"** The media advertising campaigns funded through cooperative marketing have essentially focused on promoting the availability of the state's tourism information brochure, *Worlds of Alaska* through coupon response advertising. Readers of the cooperatively funded advertisements in 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

is to place in the hands of thousands of pre-qualified Alaska-bound 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 Media Respondent Requests (Number of Responses = 298,394)

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%
<b>Interest Category</b>		
	<b>Information Requests</b>	<b>% of Total Response</b>
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

reflection 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 demonstrably "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 (DATCO) in Washington, D.C.

# LOOKING AHEAD TO THE 1980's ALASKA'S ENERGY FUTURE

BY  
BOB SPEED

## INTRODUCTION

The decade of the 1980s will be a period of major transformation for the nation as a whole, as our society begins haltingly to wean itself from its dangerous addiction to petroleum, especially imported petroleum.

The 1980s could mark a historic turning point in Alaska, too, in a way that would be an example to the rest of the nation. Alaska could lead the rest of the nation in development of an economy base primarily on renewable energy resources — hydroelectric, wind, solar and geothermal power, and transportation fuels derived from biological sources: alcohol and methane.

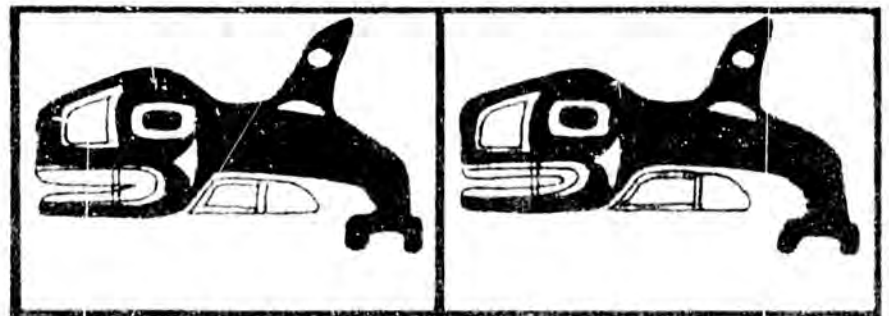
Although Alaska still will probably rely on petroleum fuels in 1990, there is little question that Alaska must start quickly a transition away from petroleum. Some of the energy sources Alaska will start relying on more and more during the decade we are about to enter were considered science fiction not so long ago, or at least futuristic. Yet wind power has been used for at least 800 years in European mills. Passive solar energy has been used since earliest times by peoples from the American Southwest to Arab countries: Eskimo people of Alaska knew and used the principle long before the White man arrived. Windmills dotted the American plains and were a primary source of energy until rural electrification put windmill manufacturers out of business, while the use of geothermal energy to generate electricity dates back to 1905 in Italy. Geothermal power today supplies 20 percent of San Francisco's electricity and is a primary energy source in Iceland.

Alaska currently has an unhealthy dependence on petroleum as its primary fuel source, as well as its main economic force. As we enter the winter when the 1970s become the 1980s, Alaska depends on oil and natural gas for 85 percent of its fuel needs, and 70 percent

of the state economy is fueled by petro-dollars. In a world that has seen an 800 percent increase in the world price of oil since 1971, and in a world economy that can be made to shudder by the irrational whim of a Khomeini, such heavy reliance on petroleum is nothing less than dangerous. While Alaska is a major producer of black gold, it need not be pointed out that the state does not have the refining capacity to supply its demands; our fuels are mostly imported and reflect world price increases.

As much as Alaskans like to think of themselves as self-reliant, they are not when it comes to energy. Alaskans are already being financially strained by the economics of global oil; but they are also worried about a potentially worse problem of availability of supply, and rightly so. As we enter the last winter of the 1970s, Alaska also encounters the most critical energy problems it has faced. Current events tell us to anticipate worse.

The future is hopeful, though, and that hope rests on using state revenue generated from petroleum sales to finance the transition to "alternative" energy sources. What is an alternative energy source? Anything that works, if the need is defined as being to "get Alaska off the oil fix." Realistically, Alaska should be looking at a 10-year phase-out of oil for in-state use, making more extensive use of the resources that are ready to be tapped to supply the need. While most of this paper will deal with the need to establish an economy on renewable sources of energy, it should be emphasized that the state's extensive coal deposits will probably also play a leading role in Alaska's energy future. Coal presents a number of potential environmental problems related to mining and burning it. Assuming that those can be resolved, coal is a very versatile fuel source burned directly, gasified or converted into liquid synthetic fuels.



Ultimately, however, coal itself is a nonrenewable resource which should be carefully conserved for the best purpose. As industrial nations such as Japan convert from oil for their economic base, the best use of easily accessible Alaska coal may be as an export sale item, again with part of the revenue generated used to finance the transition to a renewable-energy base economy.

### THE RENEWABLE ENERGY BASE

But will renewable energy be enough to fuel Alaska's economy? to answer that question, it is necessary to take a look at the resources available. Remembering that 85 percent of Alaska's energy consumption is based on oil and gas, we should first take a look at where the remaining energy comes from and what it is used for. In addition to oil, Alaska uses coal for six percent of its energy needs, and another two percent comes from hydroelectric power. The remainder is "other," a significant portion of which is wood used for residential heating and for industrial processing in the timber industry.

Of the energy consumed in Alaska, 49 percent is transportation related; one-fifth of which is for aviation fuel. In comparison, the Lower 48 uses about one-third of its total energy for transportation. Obviously to make a heavy dent in Alaska's dependence on petroleum, transportation fuels would have to be a major goal. Of the remaining 51 percent used for other purposes, 19 percent is used for space heating. The remainder is used for utility electrical power, residential generators, and other functions.

As noted, hydroelectric power accounts for merely two percent of Alaska's current power output. Hydroelectric power is one of the most promising energy sources over the long term. It is estimated that the hydroelectric potential in Alaska is equivalent to that of the entire Lower 48 states. The two major problems with hydroelectric power are that it is very capital intensive, with financial commitment all up front; and it takes years to get individual projects on line. These two factors will mean that it will be a number of years before hydroelectric power in the form of large dams can make much of an inroad into the supply problem.

During the past couple years, there has been more talk of "micro-hydro" systems that often require no dam, or at most a small em-

poundment. With power generally defined as five megawatts or less, and measured as low as into the kilowatts, micro-hydro plants could easily supply the needs of many Bush villages.

The capital outlay is small, and judging by experience in other countries, payback for the total initial outlay could be achieved in three to five years. Payback of traditional larger dams is generally over 30 to 50 years with much of that going to interest debt service. For the immediate future, micro-hydro is very attractive as a solution to part of the Bush energy problem, as larger communities consider larger hydroelectric projects. Hydro has traditionally been the least expensive power source because the energy supply is free.

Geothermal potential in Alaska is also considerable, estimated to be some 350 times the current energy use in Alaska. The major questions will be whether it proves technologically feasible and also economic to use. To be economic, a geothermal resource must be relatively hot and near the surface. Resource exploration is similar to oil exploration, drilling being the most important way to determine the quality of the resource. Geothermal resources exist everywhere if one drills far enough into the ground, economics dictate that geothermal resources be relatively close to the area where the energy will be used. Some communities have nearby geothermal sites which might be economic, such as Kotzebue and Nome, Unalaska and some Interior communities, to name a few. The state may want to plan future development in relation to known geothermal sites.

Wind is also a significant resource, especially along the Alaskan coast. There are no estimates on how much power wind could supply, but the principal is the same as for hydroelectric generation. Wind tends to be less stable a resource than water, so power storage is a major consideration; much research is being done into the storage aspect, but the major storage medium being used now is batteries. A very promising storage medium for the future may be hydrogen electrolysis, or in mineral salts or metal oxides. Storage is a minor problem, however, and wind is a long established technology. The primary hurdle will be to produce machines that can withstand the Alaska climate over an estimated service life of 20 years. Boeing Corporation is under contract with NASA on prototype wind generators which they hope will produce 2.5 megawatts of power, maximum, at a cost of \$1,000 per installed kilowatt. They

expect an efficiency of 40 percent because the wind cannot be expected to be constantly capable of producing the 2.5 MW capacity; even at that, wind generators might easily be competitive with hydroelectric power in the future in Alaska. Current cost of hydroelectric projects in Alaska ranges between \$2,500 and \$4,500 per installed kilowatt, and it is often years before a community uses all of a dam's capacity.

Tidal power may or may not be feasible in the near future, but some of the newer technology may some day prove both technically feasible and economic in Alaska. If so, tides could potentially produce 75 times as much energy as the state currently consumes. Realistically, however, tidal power should be considered a technology for the distant future on the grounds of economics.

Solar energy, simple as it is, is one of the least understood potential power sources in Alaska. Many people tend to downplay its importance because of our northern latitude; yet solar power is being used today in Alaska and has potential even during the darkest days of winter.

Another source of confusion is that solar energy is defined very broadly in some quarters. Since the federal government has adopted the broad definition, which includes wind, sun and biomass energy forms, the definition bears some discussion. Virtually every energy form on earth results directly or indirectly from the sun itself. Oil and coal were formed millions of years from life forms that grew because of the sun; nuclear power derives from solar and universal forces. Those aren't included in the current definition of "solar" because they are not being renewed, at least not at a rate that keeps up with demand. They are being depleted. The winds that blow, the tides that rise and fall, the sun that shines and the rains that fall to fill our rivers are all considered solar from the standpoint that the sun yields the energy that derives the processes; and the processes that started them moving millions of years ago are still working and will work as long as the sun shines and the earth rotates. They are relatively constant and predictable, and they are therefore renewable. Biomass energy is that which can be derived from vegetable and animal sources, and are a major solar energy resource. When Alaskans burn wood or whale oil, they are therefore using a form of solar energy. The federal definition of solar energy includes direct use of the sun, as well as wind energy

and biomass fuels and experimental water-based energy forms, such as tidal power and ocean thermal power. It does not include traditional hydroelectric power for convenience; since it is already so widely used, hydroelectric is considered separately.

Solar power defined as direct use of the sun has a variety of forms and uses. Its forms are generally divided into "passive solar" systems and "active solar" systems. Passive solar power is simply direct use of the sun's warmth to heat an enclosed space or to heat water. Passive solar design in housing has been around as long as civilization. It has been determined that the ancient Pueblo cliff dwellers in Arizona knew their solar technology when they built their dwellings; temperatures inside the dwellings vary only a few degrees between summer, when the sun is blocked by overhanging cliffs, and winter when the lower sun strikes the walls of the dwellings, radiating warmth.

Solar design will become increasingly important in Alaska, as contractors and homebuyers become aware of the energy savings that can result. South facing walls will become the topic of much discussion in the construction industry and building trades as people discuss the pros and cons of large southerly windows, heavy, heat-collecting concrete walls or solar greenhouses. All are solar collectors. Passive solar energy will also be a major contributor for heating water; this will be a significant factor since hot water heaters can suck as much as one-third of total residential energy needs.

Active solar energy also has a future in Alaska that will become more evident as the coming decade progresses. The potential of active solar power is an unknown at this point, and one of the first priorities should be to install photovoltaic systems in various regions of Alaska to determine the costs and benefits of this method of energy conversion. Solar technology is a very volatile area of investigation, and costs are coming down dramatically. Chances are good that some time in the 1980s, solar panels will be as common on roofs as shingles, producing electricity to heat water, or to store in some medium for use in cold periods; other types of panels will heat water directly as it flows through a piping system for hot water and space heating. Other solar applications will be in agriculture, remote electronics stations, and some industrial uses as well as for residential and commercial use. Lawmakers will have

to grapple with the new legal issues of solar rights, and local and state planning agencies will deal more with solar design in subdivisions. Solar subdivisions will be designed to ensure maximum solar access that geography and human factors will allow, and also take into account how to buffer energy-stealing prevailing winds.

Biomass is a term people may recall from biology classes; in terms of energy production the term deals with the available energy from burning or breaking down animal and vegetable products into alcohol, methane or oils. Vegetation presents to most promising forms of fuel, but a few people are experimenting with energy production from waste materials from fish and crab processing by generating methane gas.

Most people are familiar enough with the use of wood, so the only point to make in that regard is that larger communities may sometime in the future have to balance wood use with air quality needs; Fairbanks with its ice fog problem is already having to deal with this issue, following a probable ten-fold increase in the amount

of wood being cut for home heat in the past year.

Alcohol could be the fuel tomorrow, and the 1980s will be the period when that era will begin in earnest. More and more states are jumping on the "gasohol" bandwagon and there is no reason to think that Alaska won't be far behind. The potential for alcohol production in Alaska is significant. One expert has estimated that the slash left as waste from logging operations in Southeastern forests could economically produce as much as five million gallons of alcohol every year. In the Delta area, grain alcohol production could in the near future produce enough alcohol to supply the needs of the entire region, and ultimately much more than that.

One of the advantages of alcohol fuel production from grain is that the "mash" left over is a high-protein concentrate (20 to 28 percent protein, according to experience in the Lower 48) useful as cattle feed or for export; some alcohol producers have found the high protein dry feed more salable than grain, and less expensive to ship.



SITKA  
ALASKA

## FOOD: THE ENERGY CONNECTION

During the 1980s, Alaskans will find that there is an intimate connection between food and fuel. For one thing, fishing boats and tractors run on fuel; but that is only part of the picture. Fishing boats and tractors, as well as cars and trucks, can run just as well on alcohol fuels — whether it be gasohol or diesehoh or straight alcohol — as they can on traditional fuels. Airplanes are the only exception; alcohol doesn't produce the BTU needs of traditional aircraft and the last petroleum used will be reserved for aircraft. Using gasohol in internal combustion engines doesn't require any engine modification at all, and actually increases the octane rating of the fuel; it burns cleaner and saves gasoline. Straight alcohol can be used in the same engines with minor retuning of the engines. Henry Ford ran his first cars on alcohol, and Thomas Edison predicted a future based on alcohol fuels. He may be right after all.

It could be that one of the best uses of Delta barley during the 1980s will be to produce alcohol for local consumption as fuel for vehicles; spin-off industries might result if a beef industry could be established for in-state markets. Not only would this produce jobs and transfer our energy resources to local or regional self-sufficiency, it would staunch part of the flow of cash out of the state to pay for imported fuel and food products. Also, if the proposed cattle industry were centralized, their manure could be collected and digested to produce methane, which could be used to heat barns or dry the next year's barley crop. Of course, the digesters and alcohol stills would have to be heated by solar or geothermal or wind power, or most of the product would be used as fuel in its own creation.

The state has already embarked on a project with local and regional leaders to help villages become more self-sufficient in food and dietary needs. The rural energy crisis will be an opportunity to fuse energy and food needs in villages. Solar greenhouses are an example of the dual systems villages can look forward to. All greenhouses, of course, are essentially solar. A solar greenhouse, however, is one which also heats water either for domestic purposes or to be channeled through a piping system to heat nearby soils. This would allow earlier planting, better and healthier growth of plants throughout the season, and longer growth into the harvest season. A solar greenhouse on a south-facing wall of a residence serves several purposes. First of all, it produces food; but it also in-

ulates and helps warm the house itself and is a good use of solar residential design. The result could be lower food and fuel bills for the occupants, as well as better local diet.

## EMPLOYMENT

It should be assumed that the transition to renewable energy systems will result in increased local employment, without creating an influx of outside people to compete for those jobs. Renewable energy technology, whether it is a regional fuel alcohol distillery or a windmill maintenance facility, results in jobs in the skill areas where Alaska most needs solutions. Wind generators, for example, are no more complicated in their mechanics than an automobile; anyone who can be trained to fix a car engine can learn to maintain wind generators. Alcohol distilleries are no more complex than existing pulp mills or refineries in the state. Part of state bidding specifications should be that final assembly of new energy technology must be performed in the state. This will create both permanent jobs and trained talent in maintaining and repairing the energy systems selected for use in the state.

To a great extent, the jobs will be in existing communities, benefitting the resident unemployed because this isn't the type of work that is likely to attract massive Outside migration into the state.

## EDUCATION

From grade school to the university system and vocational institutions, education will be an essential factor in making the energy transition. Schools could help teach tomorrow's energy users, and also help indirectly to teach parents through the information youngsters would bring home. High school shop classes and post-secondary vocational schools could help train a work force in installing many of the new technologies discussed. Proper installation from the beginning will be an important factor in public acceptance or rejection of new technology. Our university system should engage in "hands-on" research that will produce research directly applicable to Alaska. University participation in regards to energy should be directed at adapting proven technology to Alaska uses. "pure" research in fisheries may be appropriate in Alaska, pure research in energy physics is not. Alaska will never produce the

ideal automobile or the energy efficient airplane; that is something for Ford and Boeing or Cessna to do. Alaska may, however, produce the world's best wind generator because we need the world's best wind generator to stand up to Alaska's climate. Part of the education process will extend to the existing construction and building trades industries and contractors and labor unions will need to work with their people to keep them abreast of the changes which are going to come in the decade of transition we have before us.

### ALASKA'S ENERGY FUTURE: THE STATE ROLE

Elected leaders in Alaska are going to have to establish the policies that will make Alaska self-sufficient in energy needs by the year 2000, or perhaps by the year 1990. The first objective of that policy should be a determination to wean Alaska from its dependence on petroleum for in-state energy needs; the corollary to that should be that the state shall use part of its income from nonrenewable resources to invest in renewable energy projects. The Permanent Fund as a back-up, the Renewable Resources Corporation and Fund, as well as well placed annual appropriations should be used as seed money to get started in that direction. Communities, individual homeowners and the private sector of the economy will all have parts to play, and part of the state effort should be directed at a well-thought-out program of tax incentives and other inducements and mandates to get the process moving.

Alaska could be the shining example for the rest of the nation. We now have the finances to do it, we have a small population by comparison with the Lower 48, we don't have the institutional and capital barriers they have — and we have the critical need to do it. Alaska's energy future should be a renewable energy future.

### ALASKA'S ENERGY FUTURE HOW DO WE GET THERE FROM HERE?

At the time this is being written, many of the links which will be necessary for the transition to a renewable energy future in Alaska are already being forged. Forward-looking people in almost all walks of life are preparing the foundation on which the transition will be built. Alaskans are historically an innovative people, combining the best of Yankee ingenuity and the strongest will to survive in a sometimes hostile land.

Each of those people is a link in the chain that can and should result in energy independence for Alaska.

The first link is absolutely essential is a commitment on the part of the Governor and Legislature, and the state government in general to establish policies from which Alaska's self-sufficient energy future will emerge. Demonstration projects are in progress in others. We need more of both so intelligent choices can be made on a community-by-community basis, according to resources available locally. The foundation of legislative policy must incorporate the following broad concepts:

- It is in the interest of national security to lessen national dependence on foreign energy sources, especially petroleum.
- It is in the state's interest to lessen the population's dependence on petroleum used for generation of electricity, space heating and transportation.
- It is in the state's best interest to develop its renewable energy resources for in-state use, looking toward energy self-sufficiency.
- It is in the state's best interest to use its revenue from non-renewable resources to invest in rapid development of renewable energy resources.

The Legislature and Governor's Office are both working on development of the necessary legal groundwork that will result in a broad renewable energy policy. Through a Department of Energy grant, expert national help is available for this essential work. The goal is to ensure that state policies are ready for rapid licensing and regulatory procedures, financial assistance for communities and state residents, and well coordinated general policy supportive of renewable energy.

#### Biographical Sketch

Bob Speed is currently working as staff to a joint legislative committee working with the National Conference of State Legislatures to develop a comprehensive renewable energy policy for Alaska. The first part of that legislative package will be introduced during the 1980 session of the Alaska Legislature, and will deal with hydroelectric and geothermal energy policies, as well as incentives and assistance for Alaska residents and communities to convert from petroleum to other appropriate sources for heat and power. The package will include recommendations for financing the transition. Concurrently, a House interim committee is working on a comprehensive energy conservation bill also to be considered in 1980. Mr. Speed has been administrative assistant to Rep. Terry Gardiner for the past two legislative sessions, and is a resident of Ketchikan. Mr. Speed holds a Bachelor of Science degree from Huxley College of Environmental Studies, where part of his studies were aimed toward "alternative" energy systems. Prior to working for the Legislature, Mr. Speed was a reporter for the Ketchikan Daily News.

# FUTURE USE OF STATE LANDS

by  
Ted Smith

In order to make rational assumptions or suggestions about the future use of state lands in Alaska, it is necessary first to try to get a basic understanding of the present chaotic condition of state land ownership and management. Accordingly, we shall look first at the historical perspective of acquisition and use of private, federal, and state lands, in the order, and then evaluate the current status of ownership and use, also in those same categories. Finally, we will look at some possible directions and policy options that will bear on use of state lands in the future.

## A. Historical Perspective

### 1. Acquisition and Use of Private Lands

Acquisition of private lands from the federal government became possible in the late 1800s when the mining laws and homestead laws were extended to the territory. Prior to statehood, these laws, plus the Bureau of Land Management offerings of townsites and small tracts, were the only method of acquiring land available to the private citizen. In all, about one million acres passed into private ownership by these various methods.

Use limitations on this private land were nearly absent. Only a few home rule cities exercised any zoning power.

### 2. Federal Lands

The federal government purchased the Russian title to Alaska in 1867. The question of federal acquisition of aboriginal title was not finally settled until the passage of the Alaska Native Claims Settlement Act in 1971. This act (ANCSA) transferred title to 44 million acres to various native village and regional corporations and made a cash settlement of \$955 million in

return for extinguishing all native claim to title. Federal decisions on management and use of federal lands resulted in the establishment of national forests, national wildlife refuges, national parks, military withdrawals, and the Navy's petroleum reserve in the Arctic. By statehood, these various withdrawals for specific federal management purposes totaled about 70 million acres. Use restrictions on these lands were those imposed by the federal managers and were generally such as to encourage the specific use for which the withdrawal was made.

### 3. State Lands

Prior to statehood, the territory of Alaska had an opportunity to acquire lands from three sources: school lands granted by the federal government for the support of public schools, university lands granted for the support of the state university, and mental health lands granted to support the Territory's mental health program. These lands were collectively called trust lands and, because of the early date of acquisition, constitute some of the more valuable lands in state ownership. They were granted to the State on the condition that the proceeds from their management be used to support their respective functions. All together, approximately 1.2 million acres of land were granted the territory under the provision of these acts (100 thousand acres of school land, 111 thousand acres of university land, and 1 million acres of mental health land).

The major source of state land is of course the statehood grant which amounted to about 103.5 million acres to be selected by the State from federal holdings. This included 400 thousand acres to be selected from the national forest and another 400 thousand acres to be selected from the public domain for community grant purposes. The new state proceeded very cautiously with its land selection process. The costs of ownership were quite high for a state that did not see its first \$100 million budget until 1963. These costs included not only the salaries of the state managers, but the cost of fire protection which was pegged at two cents per acre by contract with BLM, and loss of income in the Federal Highway Trust Program which amounted to approximately \$15,000 per township selected. Nevertheless, the State did proceed with selecting the more valuable lands and by the late 1960s, the selection

process led to conflict with aboriginal claims to the land. Accordingly, in 1968, then Secretary of Interior Stewart Udall issued an order freezing all federal lands against state selection. This freeze stayed in effect until the passage of the Alaska Native Claims Settlement Act, at which time it was continued in Section 17(d)(2) authorized withdrawal of 80 million acres for inclusion in national parks, wildlife refuges, forests, and wild and scenic rivers. Section 17(d)(1) authorized unlimited withdrawals for study as national interest lands.

Management of state lands was a matter much in the mind of the framers of the state constitution. Article 8 of the Constitution sets out the statement of policy as follows: "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." Article 8 also authorized the Legislature to establish special purpose sites and to set up a program of lease and sale of state lands. Reflecting the emphasis of the Constitutional Convention, the first state Legislature passed a comprehensive law establishing procedures for sale and lease of state lands. The first special use sites established by the Legislature were wildlife refuges and sanctuaries established in 1960. These were followed later by various bills establishing state parks and recreation areas as well as the Bonanza Creek Experimental Forest. It was not until the passage of the Land Policy Act, by the 1978 Legislature, that legislative direction was given to the process of giving preference among competing uses for a given area of land.

The first active management tool applied to state lands thus was the sale and lease of lands. The original method established was to offer such lands at public auction. Appraisals were made to determine the minimum bid acceptable and ten years was established as the payment period. Leases were sold the same way: at public auction with a minimum bid based on the lowest acceptable annual rental. Leases were subject to reappraisal to fair market value every five years.

In 1968, the Legislature established the "open-to-entry law." This provided a means of acquiring unsurveyed lands. The cost and time involved in surveying, by this time, had become a ma-

ior impediment to the rapid disposal of state land. However, in the eight years preceding the open-to-entry law, the State averaged approximately 6 thousand acres per year transferred to private ownership. The open-to-entry law was in effect for approximately five years until it was closed on August 15, 1973 by administrative action because of various abuses and administrative problems. In this period of time, about four thousand entries were made on state unsurveyed land. Because the maximum parcel allowed under this program was five acres, slightly less than one township was transferred to private ownership through this program during the five years it was in effect. In 1975, the new administration adopted a policy of lease instead of sale of state lands. Accordingly, only 1500 acres were sold in 1975 and no land was made available for sale in 1976. By the end of 1976, a total of approximately 100 thousand acres had been transferred to private ownership by the State since statehood.

In 1977, the "no sale" policy was reversed and the first sale inaugurated by the present administration was held in Ketchikan. Also, in 1977, the Legislature passed the sweeping revision of state lease laws which, rather than having reappraisals based on fair market value, fixed the lease rental for a 25-year period and limited any increases to no more than 50% of the prior lease rate.

The absence of state land in the market place contributed to the populist demand for distribution of "free land." The 1978 Legislature reacted by mandating a disposal program amounting to 30 thousand acres of homesite and open-to-entry lands and 20,000 acres of other lands. The Legislature provided sufficient funds to survey this amount of land and required a statewide public information campaign to obtain a list of individuals interested in acquiring state lands. The administration responded by meeting the 50 thousand acre mandate plus making a 60 thousand acre agricultural disposal in the Delta Area. The 1979 Legislature made a sweeping revision to all state land disposal laws repealing the open-to-entry program and making acquisition of state land more difficult by requiring construction on the land and, in some cases, prohibiting subdivision. The Legislature also funded a disposal level for Fiscal Year 1980 of 100 thousand acres, and included a letter of intent specifying locations where land should be offered.

The Municipal Selection Act is also a significant method of acquisition of state lands. In 1964, the Legislature provided that incorporated municipalities could acquire 10% of the vacant, unappropriated, and unreserved land within their boundaries. This was seen as a revenue generating measure to complement the Mandatory Borough Act effective that year. Originally, the municipalities entered into agreements with the Division of Lands which provided that the State would administer the land with the boroughs receiving the revenues. This proved unsatisfactory and, in 1978, a bill was passed by the Legislature which made specific grants of land to eligible municipalities. Because the selection process which was established tied up 150% of the allocation to municipalities while they made their final selections, the 1979 Legislature shortened this period of time to have the process completed by October 1, 1980. This was seen as a step in accelerating disposal of state land to private individuals. The Municipal Selection Act will result in the transfer of 870 thousand acres of state land to municipal ownership.

The 1978 Legislature also cancelled the trust status of school and mental health lands. In exchange for the cancellation of the designation on specific tracts of land, the Legislature authorized establishment of a fund for support of these institutions with the revenues from all state lands being deposited in that fund in accord with the percent of ownership of all state lands represented by the trust lands. The University was offered the same opportunity, but the Board of Regents elected to continue retention of designated university lands.

The designation of special use sites authorized by the Constitution and first implemented in 1960, continued with the designation of critical habitat areas, game refuges, and game sanctuaries where management of these lands would be consistent with the principle purpose of protecting fish and game. The establishment of state parks and recreation areas began with the approval by the Legislature of the Nancy Lake Recreation Area in 1966. The heightened environmental awareness of the late 1960s and early 1970s led to the establishment of a number of other park and recreation areas so that the system total reached 1.5 million acres by 1974.

This same environmental concern put many use restrictions on both state and federal lands. The 1976 Legislature restricted the sale of land suitable for agriculture to the sale of agricultural interest only. The Homesite Law, passed by the 1977 Legislature, directed the State to zone lands both inside and outside the borough for a specific use. These two acts for the first time put the State into the business of zoning private properties.

The Mandatory Borough Act of 1964 established planning and zoning as one of the mandatory powers of the borough. Most boroughs, however, have been very slow to implement this authority. Most areas of the larger boroughs are zoned as "unrestricted." Therefore, the principle restriction on use of lands outside the cities continues to be state and federal laws having to do with air and water pollution and protection of fish or wildlife habitat.

#### B. Current Status of Ownership

##### 1. Private Lands

About 10.5 million acres have passed into private ownership from the operation of the Alaska Native Claims Settlement Act. Approximately another one million acres has gone into private ownership since the Alaska purchase through the operation of various other federal land laws. Since statehood, the State has transferred approximately 200 thousand acres into private ownership. Another 100 thousand acres will be offered during the fiscal year ending June 30, 1980. Management of these private lands must be consistent with state and federal laws regarding air and water pollution. If they are in the coastal plain, management must be consistent with the Coastal Management Act. Additionally, the forested lands must be managed in accord with the State's Forest Practices Act passed in 1978. In general, government has said that there is a wide public interest in how the private landowner manages his land. Numerous agencies have been set up to oversee various aspects of this and, as a consequence, there has been a widespread move towards deregulation. In particular, Congress has just approved an Energy Mobilization Board to provide a "fast track" for approval of energy projects. In the House version, the Energy Mobilization Board would have the right to waive federal and local laws under certain circumstances.

## 2. Federal Lands

The Alaska Land Bill, presently being shaped in Congress, will be a principle determinant of the extent of and management for federal lands for some time in the future. It seems likely that either through congressional action or administrative withdrawals, permanent federal holdings in the State will amount to approximately 200 million acres.

The main question that the (d)(2) bill will answer is, "How will the federal holdings be managed?" That is, will they be managed as single use or multiple use areas and what portion of them will be in wilderness? Wilderness is the most restrictive category of management of federal lands and management by the Bureau of Land Management or U.S. Forest Service for multiple use is the least restrictive category. In between are National Park Service and Fish and Wildlife Service management. The major controversy arising from the (d)(2) settlement is how the 200 million acres of federal land will be apportioned among various management systems.

## 3. State Lands

To date, the State has received either patent or tentative approval to about 36 million acres of land. BLM transfers under the Statehood Act are expected to average about 14 million acres per year for the next several years until the statehood grant is completed. Of this 36 million acres, slightly over three million has been designated as state parks and recreation areas. About 1.4 million acres is currently included in wildlife refuges or critical habitat areas. Another two million acres has been identified for addition to these retention categories. About 3½ million acres has either been disposed of or placed in the land disposal bank created by the 1979 Legislature. The State's disposal program has been legislatively mandated at 100 thousand acres for fiscal 1981.

The Land Policy Act, passed in 1978, established a system of resource analysis and classification which is intended to identify needs for resources and provide a systematic method of transferring them into appropriate ownership. However, the legislative mandates for disposal have effectively shortcut this

process by eliminating the time necessary to plan for land use. The Department of Natural Resources anticipates that its first regional plans giving a broad brush analysis of land allocation will not be completed until the end of June 1980.

Several use decisions have come under legal challenge recently. The largest long-term timber sale made by the State to date has resulted in a request for an injunction being filed by the Southeast Alaska Conservation Council. The University of Alaska has entered a comprehensive suit aimed at establishing its right to management of the trust lands granted the state and territory for the University. Additionally, a private citizen has sued to invalidate the cancellation of the school trust lands. In Kenai, a borough assemblyman has entered a court challenge to the borough's residence requirements in a proposed land sale.

## C. Future Directions

Management of both federal and state lands are at a crossroad. Many of the questions surrounding the management of federal lands will be answered by the passage of a (d)(2) bill or, in the absence of such a bill, by executive action which will place additional federal lands in established management categories. Many major decisions, however, remain to be made about the management of state lands.

One of these decisions is, how much, and what land should be made available for private ownership. Obviously, land must be made available for homes and businesses throughout the state, but how much of this land should come from state ownership? About two million acres of the best and most accessible land is already in either municipal or private ownership through the operation of federal/state land laws and the Municipal Selection Act. Much of this land is vacant. The Matanuska-Susitna Borough, for instance, estimates that there are 40 to 45 thousand parcels of land which are currently vacant in the borough. Undoubtedly, there is a price scarcity there, i.e., prices are so high that land remains unsold. Some people accuse the State's failure to dispose of land and/or its public auction process for driving land prices sky high. However, at least one prominent realtor claims that the price of raw land has not changed since the early 1970s. He says that the increase is due to

higher standards demanded of subdividers, required development of facilities, and provision of amenities. There are also many uses which private owners cannot realistically be expected to accommodate. Public recreation is obviously one of those uses as is preservation of wildlife habitat and protection from geophysical hazards.

There are also some economic activities that are best conducted on public lands. For instance, a proliferation of small ownership can make it uneconomic to prospect for subsurface minerals because it would be necessary for the exploration company to buy out the improvements prior to any subsurface development. Additionally, the large land base necessary for growing timber will generally make it uneconomical for a private landowner to hold sufficient land to provide a base for a wood products industry.

Public cost of private ownership must also be considered. Many municipalities are fearful that state subdivisions within their boundaries will lead to excessive costs for the future provision of services such as roads and utilities. Additionally, the establishment of subdivisions which require year-round residence in order to gain title (as under the Homesite Act) can lead to a demand for schools in remote areas.

Protection from wild fires is also an expensive proposition. The state and federal governments combined spend about \$20 million per year on wild fire fighting. As the proportion of state land changes from federal to state, the State's share of this annual expenditure will increase. Additionally, as residences are established in rural areas, the intensity of protection required will increase and the likelihood of ignition from brush fires will also increase. All of these factors will mean higher and higher state expenditures for this purpose.

Another major question is how lands should be transferred to private ownership. At present, all sale methods (except auctions) have a residence requirement. Varying periods of residence within the state are required in order for an applicant to be eligible to acquire lands. All sale methods except sale of homesites require fair market value payments and all sales are subject to discounts based on residency which, for a veteran, can be up to 75% of the sale price. Award of a homesite or a remote parcel requires construction

of a habitable dwelling prior to title and (for homesites) requires the applicant to live on the site a specified period of time. Neither method permits conveyance of the title until the entry terms are completed (for homesites) or for ten years after a sale contract is entered (for remote parcels). These provisions are probably intended to do two things: to give preference to Alaskan residents in acquisition of land and to limit speculation in land. However, the lack of title even for mortgage purposes and the requirement to construct and/or live on the site coupled with the exemption of state subdivisions from compliance with borough access road requirements will throw substantial development costs on the people whom the preference is intended to benefit. There are also some constitutional questions involved, i.e., are the various residency requirements legal? Should a resource belonging to all the people be granted to some of the people at less than fair market value?

The last major question that needs to be answered is: How is the public's interest in land use protected subsequent to transfer of the land to private ownership? There are several options here, all of which have been used in varying degrees. Local zoning is, of course, the major one. State zoning either directly or through the Coastal Zone Management Plan is also a possibility. Grant of restricted or limited title has been used in many cases, most notably in the agricultural interest transactions. Also, regulation of activities through water pollution controls and other environmental acts are an existing method of controlling private land use. All of these mean more future operating expense to the State because these laws must all be policed by various agencies. Strict application of these various controls may actually result in inverse condemnation of private property. In any event, both the controls and the administrators thereof are politically unpopular.

Thus Alaska stands at a crossroad. Before she can move into future decisions on land use, there are three major steps which must be taken. First, all planning procedures established by the Land Policy Act of 1978 need to be implemented. This act established a process of inventory and evaluation state lands and assessment of needs of resources that will lead to rational decisions in land management. Unfortunately, this takes both time and money. To date, the legislature has not provided the money for inventory and has denied administrators the time necessary to evaluate disposals by mandating acreages. Two steps are essential; funding

for resource evaluation must be considered as an investment in state land, and capital appropriations therefore made commensurate with the need; and the Legislature must not pre-judge the level of demand by setting arbitrary levels of disposal. These steps will permit land use designations to be made after a full evaluation of costs and benefits to the State.

Second, the Legislature must define a rational policy dealing with conveyance of lands to private parties. Present laws must be examined to first define the objectives they are designed to achieve and then see if in fact they achieve these objectives. Unrealistic requirements such as building a house and living on the land without title or access should be eliminated, and waiver of local laws should be possible only when there is a clearly overriding state interest. The policy of disposing of public resources at less than fair market value needs to be reexamined (especially in the case of lease law) in order to see if the public good is being served, or if there is a better way to provide the desired social benefits.

Finally, we need an acceptable method of identifying and furthering the public interest in the private use of state lands. An acceptable method must yield the desired results and be onerous neither to the private owner nor the public at large. This is a problem that most likely has no ultimate solution. Land is not an infinite resource, and as population densities increase, the greater the impact of your neighbors actions becomes. "Quality of life" means different things to different people. For some, it means wilderness living where seeing the neighbors is a matter of choice involving travelling many miles. For others, it means paved streets, flush toilets and regular garbage collection service. For most, it means access to the special things that they love about Alaska — scenery, wildlife, camping, hunting, outdoor activities of all types, clean air and clean water. Alaska has space enough to provide these things and still allow use of natural resources, but the experiences of other states indicates that this won't happen without imposition of some controls. The appropriate place for zoning controls is the local level. State use of such controls should be limited to the unorganized borough or those cases where there is a greater good to be served. Retention of lands in public ownership is an obvious method of land use control and one that should be used unhesitatingly. Controls over private land to preserve environmental quality is undoubtedly necessary but has become needlessly com-

plicated. The Legislature should undertake a major overhaul of laws dealing with such controls in order to reduce overlapping jurisdiction and simplify the procedures.

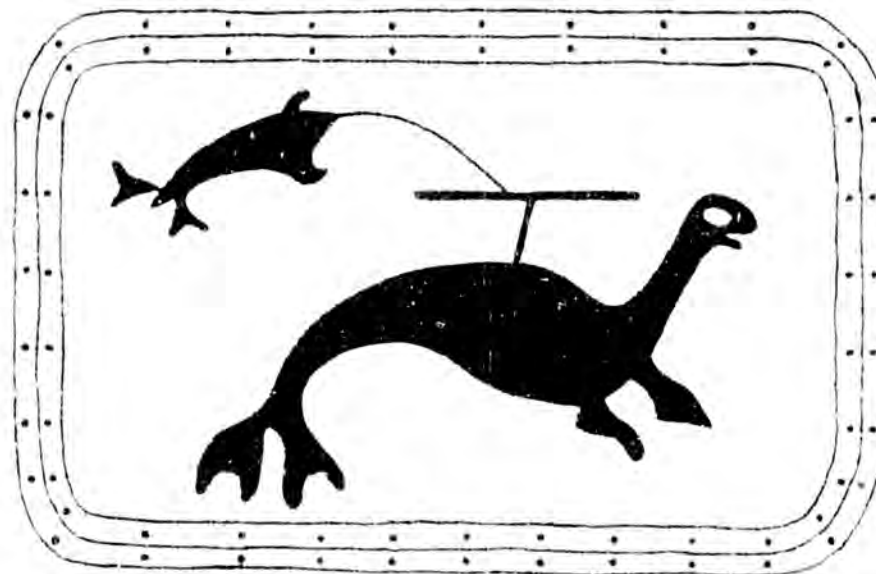
Future use of state lands must be responsive both to the needs of Alaskan society and the national interest. The (d)(2) bill will provide a framework for the national interest. We now need an equivalent framework on the state side.

#### Biographical Sketch

The author is (since December 1976) Director of the Division of Forest, Land and Water Management in the Department of Natural Resources. He served in the Alaska State Legislature in 1975-1976 and from 1970-1974 was Director of the Division of Parks, also in the Department of Natural Resources.

He is a professional forester, graduating from the University of Washington College of Forestry in 1956 with a major in Logging Engineering. He has worked in forest inventory for Northern Pacific Railway; Alaska Lumber and Pulp, Sitka; and the State of Alaska.

Opinions and recommendations in this paper are those of the author and do not necessarily reflect the position of the administration.



## LIFE QUALITY, LAND AND COMMUNITY

Prepared by  
Janet McCabe

I feel I should start by stating that I have no illusions about what is meant by the term "quality of life". It is a phrase with as many meanings as there are people. For some, the standard of life quality is inward, having to do with personal feelings; for others, the measurement lies in outward circumstances. For some people, life quality is very much a matter of immediate family relationships; others seek an extensive web of human contacts. Some people love cities and towns and to them life quality is the man-made environment; others must have contact with the natural world. A cold beer in front of the TV is quality for some, for others, it is the suffering necessary to scale Mt. McKinley.

In these remarks, I want to deal only with a very small segment of the infinitely varied spectrum of factors that make up the quality of human life. I want to talk about the relationships between people, the land around them, how these relationships appear to be changing and what these changes indicate in terms of the direction of governmental action.

My remarks are from the point of view of an urban dweller. I will not presume to talk about relationships to the land from the point of view of the person who subsists directly from the land. That is a very different and special kind of experience of this land, affecting life quality in different ways. I hope that this conference will include the views of Native people who subsist from the land.

For all people and over all of time, land has had a meaning and significance that is much larger than its physical reality. To be able to use land has meant security and often life itself. To own and control land has long symbolized power and wealth. Free access to land is associated with happiness and joy.

In Alaska, land has acquired special symbolic meanings. As "The Great Land" our State's character and unique quality are identified

with its vast expanse and the scenic grandure of its land.

Since Territorial days land in Alaska has symbolized the relationships between people and government and many people in Alaska have come to view ownership and control of land as the acquisition of power by one group or another. In the 1950's the Statehood movement was argued as a means of giving the people of Alaska control of their own destiny through control of lands. The Statehood land grants were supported before congress as a means of strengthening the fledgeling State so it could stand on its own feet as an equal among other states in relation to the federal government. The State adopted the same approach in relation to its own local governments and, hence, municipalities were granted ten percent of the unappropriated, unreserved State lands within their boundaries.

Later, the Alaska Native Claims Settlement Act conveyed land and, in actual effect, political power to the Alaska Native Corporations. During the creation of the Settlement Act, conservationists saw a need to protect the national interest in Alaska's remaining federal estate, and the "d-2" issue was born. Again, during the debate over this issue land has often been viewed as the currency of power. Rightly or wrongly, many Alaskans have seen the "d-2" issue as a reassertion of federal power in Alaska.

It is not surprising, given this history, that the individual Alaskan citizen has concluded that he also should have a piece of the pie. This conclusion was reinforced by the fact that rampant local inflation has also inflated the price of privately owned land, at least, the price of land that is located where it can be used. Thus the Homestead Initiative was supported and, last year, the Alaska Legislature passed House Bill 66 which set in motion a massive conveyance of State land to private ownership.

In retrospect, I believe that this series of massive shifts in land ownership and status has had a much deeper effect on Alaska's people and society than is evidenced by the recent drive for more private land ownership. Land status changes are contributing to changes in our social attitude, changes that we can expect to affect the quality of our lives as we move toward the year 2000.

Alaska is in part an island unto itself and, in part, it joins the rest of the nation, sharing in national trends and influences. Throughout

the nation people have expressed a growing feeling that government, in general, is too big and too complex to be influenced or dealt with by the individual citizen. However, in Alaska the rapid shifting of land status has intensified this sense of mistrust and powerlessness in relation to government. Rural villages feel that the national interest lands will limit their ability to subsist; urban people tend to view the land withdrawals as an economic threat and a cause of unemployment. They feel cut off from the land by the conveyances to Native corporations and by the federal governmental withdrawals. Though many of these concerns may be unfounded, they are, nonetheless, a real and substantial force influencing the relationships among people of different cultural backgrounds and between people and government. When people feel threatened the anxieties, hostilities, and divisions which have been heightened by land status changes must be addressed and dealt with by people in government and disassociated from government, they adopt a variety of defenses. We are seeing many of these in Alaska. The most negative kinds of defenses are a general public apathy and a lessening of interest in voting and participating in government decisions. Special interest groups tend to form and adopt intensive, single purpose platforms. The concept of the general public interest is diminished, and there is a loss in willingness to compromise and sacrifice for the good of the whole. We see a rise in single-issue politics and leaders are condemned or praised for their stand on one issue, rather than for the overall quality of their leadership.



Some forms of defense are positive and constructive. When people feel they can't deal effectively with big organizations, they tend to create their own more human-scale communities. The past decade has seen a revival of grass-roots movements and efforts to strengthen and develop community organizations that people can relate to. Throughout the nation, as well as within Alaska, neighborhood community councils have been formed and community schools are being established to create neighborhood centers where people can meet, study and recreate. Instead of calling on government, people are turning more to themselves. The later 1960's and 1970's have seen a revival of voluntarism. People seem more willing to come forth to help each other as individuals. There has been a revival of minority pride as ethnic groups are reidentifying their cultural heritage. These are healthy trends — trends that contribute to the quality of life of our society — trends that people in government should recognize and support.

What do these trends say about the relationship between people and the land around them, between people and their surrounding community? Clearly, people are looking for the community environment that recognizes and reflects the human scale. They want a sense of neighborliness, a sense of involvement with their surroundings. Cities that are too big and impersonal, or suburbs that are too vast and uniform are negative influences on the quality of life.

James Roase, the successful developer of the new town of Columbia between Baltimore and Maryland, and a leading figure in the revival of Baltimore's downtown has talked about what people want from their surrounding environment, saying:

"All the forces of the forties, fifties and sixties worked towards disintegration of the center city and toward the growth of the suburbs. Almost all those forces are in reverse today, beginning with transportation. The old federal government bias toward the building of highways. Now it's toward the support of public transportation, and that's going to express itself in all kinds of new ways. . . . We are coming to a point in America where the growth of cities will be accommodated in communities rather than in subdivisions. . . . There will be increased interest in the rationally developed new community, the old small town, the smaller city, and the downtown. All these have

in common the diversity, the convenience, the sense of community that's missing in the suburbs."

These trends and changes have a great deal to say in terms of governmental priorities and programs. Government needs to build its credibility as an entity designed to serve people by recognizing societal trends and helping people achieve their concepts of life quality. In terms of governmental management of public lands, these trends say that the lands that are of most significance in the every day quality of people's lives are those that are close to home, within the neighborhood or within easy reach of the places where people live and work each day.

The recent emphasis on millions of acres in Alaska has tended to obscure the fact that it is the *location* of lands, not their quantity, that determines their significance in people's lives. The sheer size of Alaska and of its acres that are being shifted between governmental managers and between government and private owners have given us a distorted notion of the amounts of land that people are actually able to use and occupy. To keep a sense of proportion it is helpful to note that less than 200,000 acres of Alaska have been cleared, built on or otherwise directly altered by man, either by settlement or resource development. In comparison to the 375 million acres which comprise the total area of the State, the settled area amounts to less than 1/1000 of a percent.<sup>2</sup>

The developed area of the whole Anchorage bowl is under 70,000 acres. Though we may talk of millions of acres, man's extent over the State's surface is very small. The frictions and costs of traversing distance are great and becoming greater as energy costs increase. Access and location are the prime factors which determine the value of land surface for settlement purposes.

Unless we recognize the importance of location, it is easy to overestimate the impact of the forthcoming state land disposals on people's lives. The annual acreage to be converted to private ownership is equivalent in size to more than half the currently developed area of the whole state. However as the State administration readily admits, most of the lands that the State has in stock are the left-overs remaining after homesteading and other private land acquisition and municipal selections. They are generally so far from places of employment and so inaccessible that they cannot be reached

without considerable cost and inconvenience. People may gain the rewards of a sense of ownership, some may be able to build and enjoy cabins for occasional recreation use, but because of access difficulties many people will probably never set foot on the State lands they seek to acquire.

These realities, together with our society's growing emphasis on improving communities and neighborhoods at an everyday human scale indicate that it is time to pay more attention to the few remaining public lands in Alaska that are located close to home. In some areas it is still possible to design land disposals and subdivisions so that natural open spaces are interwoven with a group of private lots and all residents have easy access to natural lands; not necessarily developed parks that require expensive up-keep, just natural wooded areas. The State's "Muskox Subdivision" near Fairbanks is a good example of how this can be done. The State, municipalities and private subdividers should dedicate a significant percentage of all subdivided lands to public use and open space in locations indicated on a comprehensive open space plan. This requirement is common practice in many other states.

The emphasis on neighborhood quality should be extended to our cities' downtown areas. Anchorage, like cities at a similar latitude in Scandinavia, could benefit from an urban forestry program. Clusters of evergreens on widened downtown sidewalks would be attractive in winter as well as summer. A downtown arboretum or greenhouse could display the Anchorage municipality's special talent for gardening throughout the year. A winter garden of this type would provide a focal point which would contribute significantly to the quality of the downtown neighborhood.

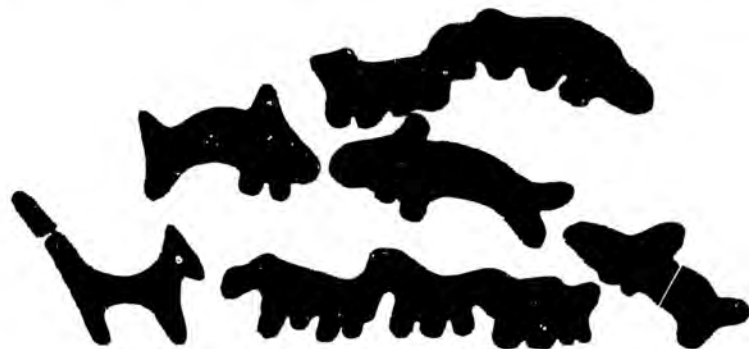
Government could reinforce and encourage the trend to improve small communities and neighborhoods by use of land for neighborhood centers. Anchorage's proposal for neighborhood recreation centers has much merit. We should continue to build and improve community schools and we should give more emphasis to neighborhood walkways, bikeways, and trails — the low acreage public lands that contribute significantly to everyday life.

There are many other ways of using lands to help people improve the quality of life in their immediate community. The examples I have used are mainly from Anchorage. I hope that conference par-

Participants from other Alaskan communities, villages as well as large communities, will add to my list.

## NOTES

In short, I am arguing for governmental actions that recognize the human scale of everyday life, actions that build neighborhoods and strengthen individual identity with communities. In turn, action of this type will help reaffirm the tie between people and their government.



### Footnotes

<sup>1</sup>James Rouse in *Planning*, AIP, Sept. 1979.

<sup>2</sup>Statistics compiled to Federal-State Land Use Planning Commission for Alaska, May 1977.

### Biographical Sketch

Janet McCabe directs the Alaska Area Office of the Heritage Conservation and Recreation Service, the Department of Interior service responsible for providing federal assistance and funding for cultural, recreational and resource related programs. The agency has a special mandate to coordinate federal, state, local and private parties to accomplish common interests relating to the quality of life.

Prior to joining the CHRS, Ms. McCabe was a Land Management Planner with the Federal-State Land Use Planning Commission. In this capacity, she directed the Commission's staff work pertaining to state land policy, and handled topics of federal-state coordination. As one of Anchorage's Bicentennial Commissioners, Ms. McCabe initiated the Anchortree Program, through which private and public efforts have been mobilized for annual tree planting. A land planner by training and profession, Ms. McCabe has a master's degree in urban planning from Harvard University and experience working in planning with numerous communities throughout Alaska. She and her family have lived in Alaska for eighteen years.

# COMMUNITY FIRE PROTECTION PROGRAM

By  
Robert R. Shirnberg

The Alaska State Firefighters Association and the Alaska Fire Chief's Association, at their respective annual meetings in October of 1979 in Petersburg, Alaska, were presented a program entitled, "Community Fire Protection Incentive Program".

Both the Alaska State Firefighters Association and the Alaska Fire Chief's Association submitted to their respective memberships a resolution calling for support in the preparation of program material to enact the Community Fire Protection Incentive Program during the 1980 session of the Alaska State Legislature. Both bodies passed unanimously this resolution.

A joint AD-HOC committee was formed, comprised of members of the ASFA and the AFCA to prepare the necessary material and to carry out the legislative program presentation.

The State of Alaska has the honor of being No. 1 in many categories. We are by far the largest state in the Union. Our fisheries and resources from the sea are No. 1 in value. Our resources on oil and gas production are approaching No. 1. Our mineral potential is the greatest of all states.

Our state also has the dubious honor of being No. 1 by some margin in the loss of life per capita by fire and the property dollar loss per capita. It appears that the growth of our state is assured with projections of ship building facilities, processing and support facilities for a bottom fishing industry, oil and gas production with related petrochemical industrial plants, mineral development, etc. With the population and construction that will come with this growth and with our present methods of providing fire protection, we will retain the dubious honor of being No. 1 in per capita loss of life and property damage as a result of fire.

We in the fire service recognize that a new approach in providing for both public and private fire protection needs must be developed. We recognize that the Community Fire Protection Incentive Program does offer the method to redirect fire protection systems and combine the best features of both public and private fire protection in a manner that will improve and better the community against the ravages of fire. It provides a method whereby the costs for public fire protection can be controlled as the community expands and grows.

The Community Fire Protection Incentive Program provides a method whereby the private property owner and businessman will have the incentive and support necessary to provide for the installation of private fire protection systems in their property. This incentive is created through a three part program as follows:

## Permanent Revolving Loan Fund

This loan fund will provide loans to private property owners and businessmen at an interest rate and such terms that will create an incentive to install private fire protection systems such as hydraulic sprinkler systems.

The terms of the loan will be such that the direct insurance saving received for the installation of the sprinkler system will be calculated in the repayment schedule. It is the intent that the property owner will realize a real dollar return on the installation of the sprinkler system. An example would be that if the net insurance saving was \$6,000 annually, the loan terms would require a \$4,000 annual payment, resulting in a net return to the property owner of \$2,000 annually until the loan has been paid off, at which time the property owner would receive the entire \$6,000 benefit.

## Tax Incentive

Remove from the property tax rolls the assessed value of the private fire protection system. There is no question of the roll that the private fire protection has in supporting the public fire protection system. It is taken into consideration in the I.S.O. rating schedule, it has a decided effect on reducing the overall insurance rating of a community's fire defenses. It protects the community's tax base. It protects the jobs and the economy of the community.

With our present policy of taxing private fire protection systems, we discourage the property owners from installing such voluntary systems.

Again, the private property owner and businessman will be encouraged to install private fire protection systems if we remove the tax burden that is placed on such systems.

#### **Water Standby Surcharge for Sprinkler Connections**

Some water utilities have placed an excessive standby water rate to property owners that have installed hydraulic sprinkler systems in their property. In many cases these special rates have eliminated or exceeded any dollar saving the property owner may have enjoyed because he has installed a sprinkler system.

In some cases the owners of property equipped with sprinkler systems have shut the sprinkler system down and discontinued its use and accepted the higher insurance rate because there was a dollar saving between the water standby rate and the increased insurance premiums.

As can be seen, the excessive water rate charge is a direct attack on the incentive to install private fire protection systems.

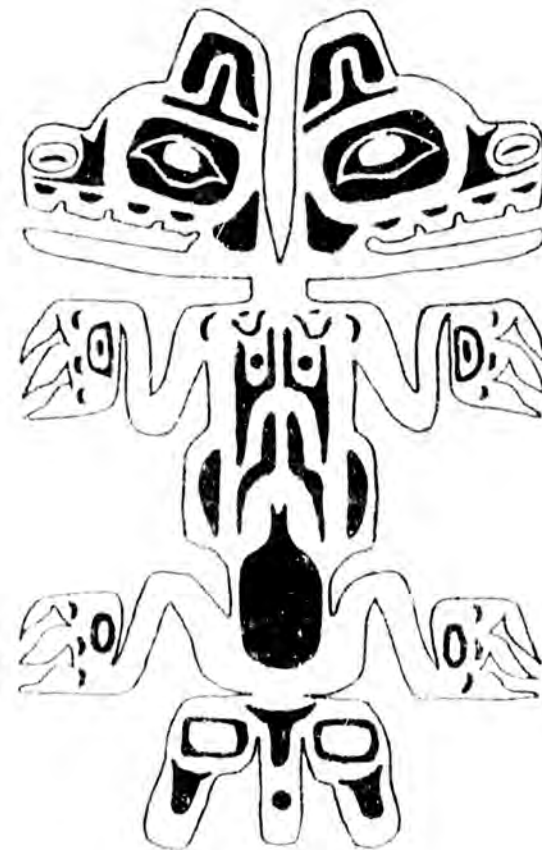
Therefore, it is necessary that special water rates for properties equipped with sprinkler systems be reduced to a very nominal fee or eliminated altogether.

This program intent is to provide for the property owners and businesses the incentive and assistance to install fire protection systems. The program is to be made available to property owners in all areas of the State of Alaska, from the larger municipalities to the smaller communities and very rural areas. To those communities with full time paid fire departments to those with volunteer fire departments, and also those areas without any fire protection at all. The program makes assistance available to areas that are isolated, such as remote cannery locations, and a method to provide for fire protection of such facilities.

With such a program in effect and within a few short years, we will see a decided reduction in our property fire loss and loss of life

from fire. We will realize a direct saving in the cost of our public fire protection systems. We will be able to better meet the fire protection needs of our expanding and growing communities, and be able to control the costs of this expansion.

Fewer jobs will be lost through catastrophic fires, the economy better protected, the tax base of the community better assured, and those public programs that are supported by the tax base better protected.



# A PAPER ADDRESSING THE ISSUE OF UNEMPLOYMENT AND THE CALCULATION OF UNEMPLOYMENT STATISTICS IN THE STATE OF ALASKA

By  
Human Resources Company

This paper is written to address the issue of unemployment in the State of Alaska.

## History

The Human Resources Company, a private post secondary business education institute has, for the last five years, been active in the educating and placing of individuals with entry level secretarial and bookkeeping skills in the job market. These programs have been conducted in Anchorage, Fairbanks, and Barrow. Additionally, individuals from the Mat-Su area have been enrolled in the Anchorage programs.

Students eligible for program participation must have been unemployed for a period of one week (in some cases) up to fifteen weeks (in other cases). Therefore, it can reasonably be assumed the frequency of applications for the programs could be used as one reflection of the unemployment image in a community. It is important to note that confounding variables such as publication of program availability and the neutrality of the application process, variables which could affect application frequency, are not affecting the data. This assumption is supported by the fact that Job Service does all the publication and the primary application activity. These processes are, by regulation, culturally fair.

The application process is two fold:

1. The applicant must meet CETA requirements of unemployment for one to fifteen weeks.
2. The applicant must meet CETA familial poverty income guidelines.

Therefore, it can be assumed a significant portion of unemployed individuals are not represented in this cluster of Alaskans. This non-represented group includes unemployed individuals for whom some member of their family is employed in a position with a salary above the poverty level and/or individuals whose unemployment is of a shorter duration than fifteen weeks.

Regardless of this non-represented cluster, in every instance there have been significantly more applicants for each training program than space available in the program. Additionally, the ratio between the number of applicants and the number of spaces available had increased within the last year. This datum point is true despite the fact that the number of programs has increased five-fold in the last year. Unfortunately, a strict data point for the above information is not available because Job Service is not required to keep such information. The point to be made is that in the observation of the Human Resources Company, these indicators of unemployment tend to show a significant increase in unemployment.

Observation of the labor market from the opposite viewpoint, availability of jobs for qualified applicants tends to support this view. Using the last four years of HRC placement activities, job counselors have observed three significant shifts:

1. Employers are increasingly requiring more experience and higher skill levels in the secretarial and bookkeeper occupational clusters.
2. Salaries for said skill areas are decreasing significantly since 1975.
3. Fewer entry level jobs are available in the clerical fields.

## Issue No. 1

These informal indicators of unemployment increases do not tend to be supported by the Statewide unemployment rate, which is at 6.7 for 1978. Therefore the issue to be investigated is as follows:

"Why does there appear such a discrepancy between aforementioned informal indicators of unemployment and the formal statistical data point of the unemployment rate?"

At this point, HRC suggests three factors to consider in the development of unemployment statistics:

1. In one form of the unemployment statistical calculations, the Department of Labor uses the unemployment insurance recovery rate. This statistic does not include:

a. Unemployed individuals who do not have unemployment insurance.

b. Unemployed individuals who have used up all of their benefits.

2. In another form of the unemployment statistical calculation, the Department of Labor conducts a door-to-door survey. Due to a definitional problem, the door-to-door survey does not count the following individuals:

a. Unemployed individuals who are discouraged and therefore not actively seeking work.

b. Unemployed individuals whose historical employment has been seasonal. This group is found largely in the bush. It is in the bush villages where seasonal work is the only work available.

3. In all forms of the unemployment statistical calculation, the Department of Labor has no indicators as to the number of unemployed Alaskans who leave the State due to unemployment. It is important to note that Seattle's healthy economy may be attracting many unemployed Alaskans.

#### Recommendations Re: Unemployment Statistics

1. It is recommended that unemployment statistical calculations draw information from non-traditional sources such as:

a. Application rate for CETA programs.

b. Applicant flow through Job Service.

c. Labor Union hiring hall statistics.

2. It is recommended to expand the nature of the unemployment statistical calculation in order to include:

a. Discouraged job seekers.

b. Seasonal job seekers.

c. Skilled laborers who are union members.

3. It is recommended to develop dialogues with private employers in order to determine the frequency and nature of available jobs, and the wage rate and qualification levels. This information should be compared with the Job Service Job Bank statistics.

4. It is recommended to develop dialogues with Labor Union Officials to gather hiring hall statistics.

#### Issue No. 2

Making the assumption that the rate of unemployment in Alaska is significantly higher than the statistics indicated, the second issue to consider is as follows:

"What are the immediate and modifiable causes of the increased unemployment rate?"

Certainly, the most immediate and modifiable cause of unemployment may be traced to the recent and dramatic shortage of loanable funds. This shortage has dried up activity in the construction industry. This in turn affects a plethora of other job producing industries.

Secondly, a widespread apprehension regarding Alaska's economic future has tended to make Alaska's private enterprises much more cautious in terms of expansion. This caution has depressed the job market.

Obviously, there is a myriad of other causes of unemployment; however, the two aforementioned causes are containable and modifiable.

## Recommendation

1. It is recommended that the State actively seek to deposit its reserves in smaller, construction-oriented financial institutions such as credit unions, and savings and loan associations.

2. It is recommended the State of Alaska develop dialogues with all financial institutions across the State. The purpose of the dialogue would be to develop monthly financial flow information. Such information could be published quarterly in an effort to clarify the economic "pulse" of the State (loan rates, etc.). Business caution is not necessarily based upon a poor economy, but rather on an unpredictable economy. Making the economic future predictable would tend to encourage business persons to at least "trust" the future.

3. It is recommended the State of Alaska actively seek to do business with Alaskan firms of all potentials. Money generated from the State into the private market does not benefit Alaska or Alaskans if it does not stay in the State. Such contracting practices as:

- a. Sole source contracts;
  - b. Personal services contract;
  - c. Automatic contract increases without an invitation for bid, or request for proposal
- should be terminated as swiftly as possible.

## Summary

The author of this paper does not propose that the aforementioned issues and recommendations would define accurately or solve Alaska's unemployment problem totally. The author does believe, however, that accurate reflections of unemployment and economic flow would produce a more predictable labor/financial future upon which Alaskans could make reasonable business, individual and social decisions.



## ALASKA COUNCIL ON SCIENCE AND TECHNOLOGY

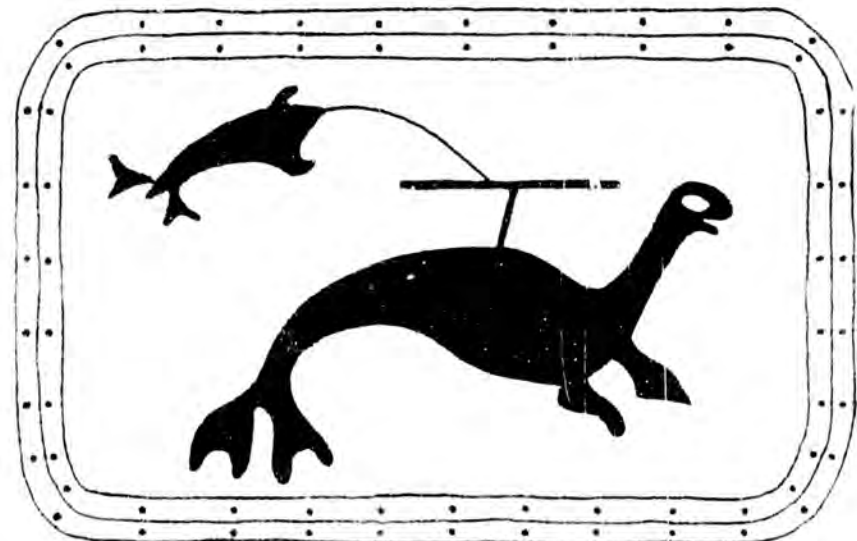
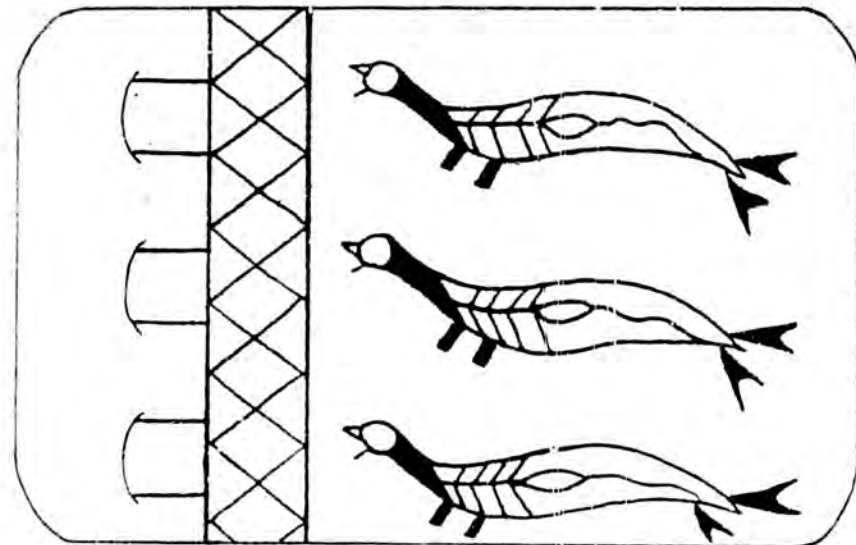
By  
Ronald K. Inouye

I would like the Alaska State Legislature to consider broadening the scope of the current Alaska Council on Science and Technology and to provide sufficient annual funding to meet more of the unique research needs of the state.

I would urge that the scope of the current Council be broadened, inclusive of the social sciences, the arts and humanities. The Council on Science and Technology was created to meet the unique research needs of the state in science and technology, as such information is indeed necessary for guiding the public policy and assisting the state's decision-making. I believe there are research questions in the humanities, the arts and social sciences which are of equal and vital importance to the state and which should be state supported.

As one who is involved in education, I am aware of the disadvantage researchers from our state encounter when applying for national research funds. Even when the national funding coffers are full, Alaska researchers have a difficult time justifying research expenses to proposal reviewers who know little of the state's needs nor of the costs of doing business in this part of the world. Nationally funded research is presumed to benefit large numbers of people directly and at little cost; these conditions, while appropriate in Lower 48 settings, are virtually impossible for us to meet in a state with a small population and high costs. Additionally, the benefits of research in Alaska are oftentimes unique and not applicable to the other states, diluting the possibilities of federal financing.

I believe that our state could benefit from according the social sciences, the arts and the humanities with the recognition as areas of importance in state-funded research.



## RENTS

By  
Gloria Thompson

What constitutes a "month's rent" for a rental apartment? Is it a half month's rent—the deposit—part of the deposit or the full month? Can three kids under 18 years of age move into a \$350.00 a month apartment, paying \$100 only and remain in the apartment with the protection of the police against the house owner? The answer is, unfortunately, yes. Because of the looseness of the prevailing rental laws here in Alaska, actual crimes are being perpetrated against landlords and much cheating owners of their due payment exists. Once the renters obtain **any kind** of a receipt at all (even for the \$100 which was **part** of a deposit) they cannot be put out without much expensive legal work, i.e., obtaining an eviction notice, serving them and then waiting out the 10 days for them to vacate—also an attorney must be hired to write the letters and set all of this in motion.

While I was in Florida during the months of April and May, 1979, I instructed my son to advertise (I wrote the ads) the nicer upper apartment of my duplex and try to get suitable renters. The ad read, "\$350 a month, \$150 deposit, furnished." A girl 16 and a boy 17 answered the ad and said that they only had \$100 but would come up with the rest after they had moved in on June 1st. My son, 18, didn't know how to handle this and he got a friend, 58, to come over and this friend accepted the \$100 and made the girl, 16, sign a note saying they would pay the rest by June 8th. He gave her a receipt for \$100. They said they were sister and brother but the boy was Jewish. **Two** young men, another kid of 15, moved in at the same time as these two. They in turn, accepted some rent money from three other young people and put down mattresses in one of the two bedrooms of the apartment—sublet it, if you please.

I came back from Tampa on June 11th after a very long trip and many hours. I asked my son, "Did you get the rest of the rent?" He said, "No, they are sleeping up there." This was 4:00 p.m. I went up,

knocked on the inner door and much movement ensued. There were four of them resting in order that they might be able to perform much activity during the whole of each night that they were in my home. I asked if they had the rest of the rent money, \$400. They said they hadn't. I very calmly told them that they had enjoyed 11 days of free rent for six people and would they now just pack up and leave. The girl said, "We have a receipt." She got some counselor on the phone who screamed at me that "**You can't throw them out, do you hear!**" I told everyone that they had not really **rented my place at all..**that it did not constitute a real rental. I called the police to bear me out. They sided with the kids and said, "No, you will have to go down and get an eviction notice" and then serve it and they can be evicted 10 days after serving this notice. I told them I did not have the money for any of this action. No matter, that was the way it had to be.

The police let me remove some fine books, afghans, Beethoven records, books, linen, pillows and quite a few nice things that had been left up there. This big moving business up and down the basement stairs I performed with asthma making my lungs ache and very short of breath, up and down, while the kids laughed.

They said they had paid \$200, not \$100. In two days time, I obtained the real receipt that this friend had them sign. It read they would pay the \$200 more on June 8 (which date had come and gone) and that they would have the entire \$500 paid "by June 31st". So, they had lied about having paid more than the \$100 for which they had a receipt. When I got home, I told them the news, ringing the front door bell and standing courteously outside on the porch. They excitedly told me that I had to get an eviction and that I could not turn off the hot water and heat and that I had to let them use the laundry room. They told me how I was going to run things or else. I called the police again. I stayed outside and did some weeding in the front yard and it needed it.

The police came out to tell me that they could not be evicted without the whole legal megilla and "don't turn off their heat and hot water either". I said, "Could I go in and get that large painting from over the couch, it does not go with the apartment?" "No," said Officer Shambaugh. I said, "You come with me, we'll go in there together." He proclaimed, "Don't go in that apartment, don't touch that painting, put down that painting," and with that last statement,

he handcuffed me and put me under arrest, strong arming me and shoving me back and forth in front of seven strangers. The girl's father and uncle had come over to see that this mean old landlady did not harm their amateur prostitute.

Officer Shambaugh rushed, shoved and dangled me outwards towards the door and in so doing my foot struck the uncle. "Oh," cried the arresting officer, "Assault and battery," and lo and behold, he took me to the station, I was before a woman judge there, who said, "It seems as if the kids paid **part** of the deposit and **none** of the rent." This zealous officer said, "There was a promise to pay" and I was taken to the woman's prison and booked and fingerprinted, the whole thing. It was an exhausting, humiliating and physically abusive experience. I was released in custody of my 26 year old daughter who has her own apartment on Barrow Street.

Officer Shambaugh turned my duplex and all my possessions over to these strange and wayward kids. There was no relative of mine present during all this. He made large black and blue bruises on my arms which lasted for over two weeks. My thumbs were so numb that I could put pins in both of them (or either of them) and not feel it and this condition lasted over a month.

Socially I have suffered more than emotionally. Friends of my two boys have taunted me with, "Well, I have never been arrested." People tell me, "You can't be such a good Christian, I saw your name in the paper for assault and battery." One so-called friend said, "A lot of people saw this in the paper." I replied, "And a lot of people didn't." Besides shame there was expense as I saw two lawyers. Mr. Charles Tulin who said it was about the rottenest thing that could happen to a woman alone, that it would **not** have happened if I had been a couple or a man. The other attorney charged me \$97.50 for writing a letter, using strong terms to threaten the kids to move, which letter I never used with them.

I endured their nightly party noises for six nights thereafter—so much banging and fighting going on that I called the police two more nights. I was alone (my young son stayed in West Virginia) in the basement apartment and afraid of them and of their condition. I've had no experience with any of this sort of person before. The police came once after two hours and the second time did not respond at all. They told them to "quiet down" on the first call and then left.

They moved, in part, the following Monday, June 18, leaving so much behind that I was afraid to go in and begin to clean up. They did not turn in a key **but passed it around to anyone who needed a place to go for the night.** I would hear footsteps at night, either one person or two persons, and they would bed down. This also frightened me plenty. Finally, I changed the locks on the two front doors and packed up their things. A man, 24, came to get the boxes on June 24. He had to come down and ask me to gain entry. He said he knew nothing about the whole thing, but had given the kids money to sleep in the apartment. He was not the same type as they were.

I have not rented the place again and have done without this extra money. I was a widow who remarried in 1970. This husband went to work on the pipeline and did not return after April 10, 1977. We had a complicated three day divorce trial where he claimed half of my home here and other land. Therefore, I am not well off, but live mainly on my late husband's social security death benefits as my youngest son is 15. I could use a little financial help from a renter, but am too scared to rent any more.

It is up to the State Legislature to spell out and think it through "just what constitutes a renter". The present law does not answer the question.

Please be advised that I had rented to others, off and on, since November, 1977 and received as much as \$400 for the apartment and it is worth this. However, never did I run into anything like this last adventure. It goes without saying that had I been in command of my home these renters would not have moved in at all. But, with apartments empty, there are many no goods who are pulling this same stunt.

Please take it under consideration in the 1980 legislative session.

P.S. Officer Shambaugh was named "Officer of the Year" much to my consternation.

## INSTITUTIONAL HEALTH CARE

By  
J. B. Barry

The State of Alaska taxpayers could save a minimum of \$10,000 a month if the resident population of each Hope Cottage and Harborview were reduced by ONE. This is a minimum of \$120,000 a year. These figures reflect only the basic cost of care.

The \$10,000 does not include Medicaid, (another taxpayer expense) the burgeoning bureaucracy deemed necessary to administer to a handicapped individual or the special education expenses incurred by students from other school districts being placed in Anchorage or Valdez.

Currently at Harborview Developmental Center in Valdez, the State operated institution for the mentally retarded, 92 clients are served. In FY 78-79, 156 positions were funded for Harborview at \$5,566,800! That is over \$60,000 in salaries per client!

The \$5,000,000 is above and beyond the daily amount charged for the care of each resident, funds derived from Supplemental Security Income, Aid to the Disabled (more taxes) or any of the other extras listed (still more taxes).

Additionally, Hope Cottages, Inc. maintains 14 cottages. These cottages need houseparents. Two additional cottages require houseparents and twenty four hour nursing care. There is also an administration building on Bering Street. To provide a more "home-like" atmosphere, Hope is constructing two new 10 bed intermediate care facilities to replace an existing 20 bed facility.

Who pays for the upkeep, maintenance, the purchasing and building of all these physical plants? WE DO. Either by taxes or direct contributions, it's all coming out of the same pocket.

A good example to consider is the Satellite Home Program. They place only moderate to severely handicapped individuals presently residing in institutions. They pay \$1,075 per month to foster

parents. Fantastic savings to the taxpayers compared to the tremendous cost of institutionalization. Sounds too good to be true, doesn't it?

It is true, but there is a major flaw. The program has been in operation for three years and has placed only three individuals. Three in three years!

It is safe to assume the level of payment to foster parents has remained constant in three years. Want to bet the administrative costs of the program have remained the same?

When I mentioned the possibility of giving the \$1,075 to the biological parents to enable them to take their child out of the institution, it was greeted by the administrators with an abundance of silence. However, assurances were made that as soon as the foster network was perfected, the very next step would be home placements. At the rate they have established in the last three years, not many of us will still be on this earth to see it happen, nor will the royalty oil payments be here.

### Why is caring for the handicapped so Lucrative?

Like too many aspects of government or welfare programs, the situation concerning the retarded and handicapped and its terrible consequent costs to the taxpayers, families, children and society evolved from the humanitarian ideal to provide care for the disadvantaged.

Follow the ludicrous evolution. First, lacking support services for the family, the child must be placed in an institution. Level one is created. The institutions are filling up.

Create a network of mini-institutions and call them "group homes". The public has an impression of the handicapped in a cozy home-like setting and they just "eat up" that idea. Level two is created.

Now the bureaucrats are really getting somewhere. If "group homes" went over so great with the public, let's try foster homes. Take people out of "group homes" and put them in "for real" homes. One child per home. What a novel idea! John Q. Public falls all over himself applauding the concept. The bureaucrats are

delirious! Level three is created.

Now they sit back and maintain nothing could possibly be missing from this plan of total and complete care for the handicapped.

### THE IMPACT OF OUT-OF-HOME CARE ON THE FAMILY UNIT

Oh yes, the family. That pesty group of folks that have given hard working bureaucrats headaches and ulcers from day one. This very same group even has the audacity to demand the needs of their child take precedence over form filling and paperwork. Therefore, a plan must be perfected to put these pests in their rightful place—out of our hair!

First we place the institution so remote physically that it will be a real hardship to drive or fly to. (e.g., Valdez) The hotel rooms in the town would be \$56 a day. Of course, in the winter the rooms are only \$48 but that would be no major problem. The drive in the winter would be so hazardous, few would ever attempt it.

For those hardy souls that do make it to the institution on a winter weekend, we will make sure only substitute administrative personnel will be on duty. These people would know nothing of the weekday activities of the child and would write down all the parent's questions for us to answer by mail in due time.

To further discourage these family ties, there would be no private room available at the institution for visits. If they want to be alone with the child, let them take him or her to their hotel. If their room happens to be on the second floor of a hotel without an elevator and their child is 105 pounds and non-ambulatory, that's their problem, not the administration's.

They are welcome to visit in the resident hall. These parents realize what personal contact means to their child or else they wouldn't be there making pests of themselves. Why should they, of all people, begrudge the other twenty residents of that hall pulling, shoving and clamoring for their attention? Those other children need affection too, you know.

By really trying, we can make these parental visits so stressful they will soon cease altogether. The State cannot bother with parental feelings of guilt, frustration, loneliness or anxiety. We have our priorities. We must make sure an increase in funding makes it

through the Legislature this session.

Disgusting scenario, isn't it? It happens every day across the United States. Alaska is no exception and may very well be the leader.

The dehumanizing effect of institutions transcends the family to the child. The child is rewarded for following the "pack". Any individuality becomes "unacceptable" behavior. Children must fit the molds established by the institution. The change from the child the parents knew to the "institution child" adds to the stress and sense of failure to the parents. All their work with their child ends up with "proper, regimented institutional behavior".

Some parents turn to alcohol to ease the pain. Others block emotionally all reference to the child ever having been in their lives. Still others, unable to stand the combined strain any longer, get divorced.

Oh, but wait, you say! What about "group homes" close to the parents? That way the parents could have the child on weekends and holidays. How would you like such visitation rights with your child? Ask the thousands of divorced parents with these very rights about their frustrations. How many eventually stop the visits and the monthly checks usually stop shortly thereafter. Anyone can check the welfare rolls for verification.

The child has become a visitor to the life they once lived, confused and disoriented by two sets of people and two different locations.

What to do then?

### THE MOST COST EFFECTIVE SOLUTION TO OUT-OF-HOME CARE

It should be fixed in the mind of every taxpayer that institutions and "group homes" are outrageously expensive and definitely deficient alternatives to home care and not vice versa.

The absurdity of foster placements must be made absolutely clear. How can money and support services be given to complete strangers for care of a child without even the slightest thought given to the parents?

No amount of training can teach a foster parent the subtle nuances of a child's behavior that signal an impending ear infection, the cutting of a new tooth or the beginnings of discomfort with a too snug orthopedic brace. The parallel would be a new baby's cry. The parents can tell if the baby is wet, hungry, scared or just lonely. To the outsider, it all sounds like squalling.

Perhaps all families are not able to care for their child in the home. No one knows. No one has ever cared enough to ask. It has become "against the system" to keep the family intact. Out-of-home care has become the first, not the last, alternative.

The following is a true story of what happened to an Anchorage family.

After 12 years of struggle in a system that harks you to "Walk For Hope", give to the less fortunate, support this, support that, etc., etc., ad infinitum, there comes a day you can no longer cope. To reach this point you can no longer do it alone, emotionally, physically or financially.

You call Hope Cottage. The only person who can help you with your questions is out of the office. He will return your call.

A very nice man tells you he will send a packet of forms to fill out and return. He then asks you about your child. You hear yourself reciting the terms you have heard and used for 12 years.

A 105 pound, 12 year old Caucasian female, multi-handicapped from Rubella Syndrome, including mental retardation, cerebral palsy, seizure disorder in the right hemisphere, non-ambulatory without the aid of orthopedic appliances.

No matter how many times you have used this description, it always strikes you as an odd way to describe your beautiful, loving daughter whose one misfortune in life was being born of a mother who contracted German measles.

The nice man expresses surprise that you have kept your child in the home for such an extended period of time. However, since your daughter is non-ambulatory, there are only two cottages that could help her but—those two are full, of course. You will be placed on a waiting list. The waiting period? Six weeks to two years.

In desperation you cry out at this complete stranger. You tell him you can't make it another six weeks or two years. You need help **now** or you wouldn't be calling. One doesn't plan two years in advance for the day of desperation to set in!

He suggests the foster home program run by Clyde Farrington and Harborview in Valdez. You thank him quietly and hang up. You feel like a fool for breaking down to a complete stranger. You mentally kick yourself for losing control and pick up the phone again.

You call Clyde first because you have known him for a long time. Your daughter was his first student when he came to Alaska on a Vision and Hearing Impairment Grant your organization had helped to secure. When a parents group was formed for the V.H.I. children, you were the first one called to lead it. You attended conferences on leadership, coping, advocacy and assertiveness on behalf of the group. Your home was the overnight hotel for out-of-state conferees to Anchorage workshops, parent advocates and special education people. Your relationship was expanded and ongoing with Clyde, not just the typical parent-teacher one.

He comes on the phone and expounds on the Satellite Home Program. Being such a fantastic program, there is a waiting list of 35 at that time. When you express shock at the program being around for three years and you never hearing about it the reply is simple. Their thrust is to get children out of institutions and into homes. You reply your thrust is to keep your child out of the institution and in the home.

Impasse established. No precedent for operating in such a logical manner. Not enough public support salaries will be generated if this revolutionary idea of home care catches on.

Out comes the phone book again. You call everyone in town who has been to or knows anything at all about Harborview. The opinions vary: never been there, too far away, better than it used to be, it's clean, an insane asylum, good school program, and nice place to visit but—.

The people you have spoken to are parents, legislators, advocates and medical professionals. The questions take on new meaning to all of them for they have witnessed your struggle all those years. So they answer your questions and they express regret

that no alternatives are available.

You make the trip to Valdez already feeling the loneliness. You hold your daughter close, stroke her hair, memorize her every move and you cry.

But none of this prepares you for the trip home. The uncontrollable weeping as each mile takes you that much farther from your little girl. The opening of the door to a house that used to be a home. The bed she slept in two nights ago. Scattered toys. An idle rocking chair. Stuffed animals awaiting her return.

You take it a painful day at a time, knowing eventually the pain will have to lessen. The confusion on the faces of friends not knowing what to say when they realize she is gone. The stammering of the person who says, "She's better off there with her own kind" when they see the crushed look that lightly tossed remark has caused. So you see, the real cost of institutionalization and the destruction of a family unit does indeed become most expensive to everyone concerned.

Let's put the astronomical waste inherent in this system aside. Take the \$1,075 a month presently being given to strangers and offer it to the parents of children in institutions, group homes or on waiting lists. Let them purchase the services required to keep their child home. The money will be spent more efficiently by a caring parent than a paper pushing bureaucrat.

The most expensive institution care is for a multi-handicapped, non-ambulatory child. This care tilts the cash register at a minimum of \$36,000 a year for basic costs excluding medical. There is at least one family in Anchorage that would use the money to purchase a van with a hydraulic lift, drive Thompson Pass in the dead of winter and bring their child home. That one purchase by this family would save the taxpayers of Alaska over \$23,000 that year. The other benefits speak eloquently alone.

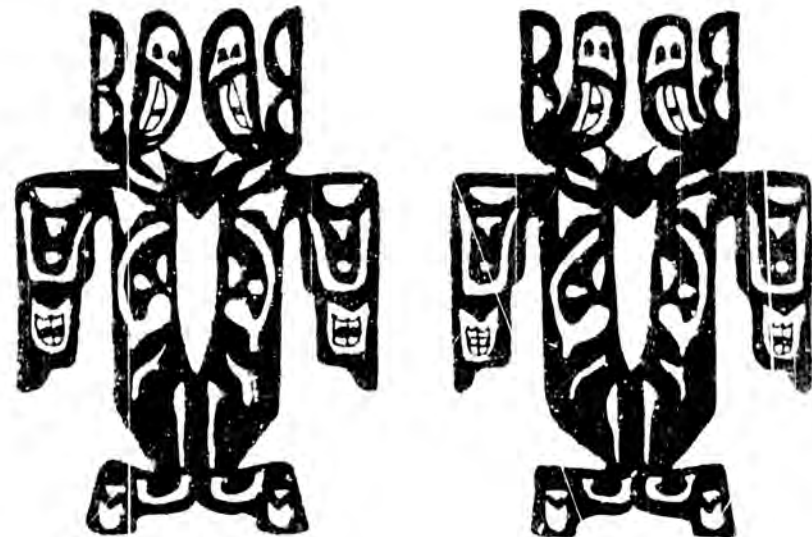
For the parents of the marginally or moderately handicapped, this money might provide enough income to allow a parent to stay home without wrecking the family budget. This in turn would provide the continuing support and encouragement needed for their children to become young adults with the self-confidence and

abilities to hold jobs in our community. These young adults break the cycle. They become taxpayers instead of tax burdens.

We don't need high priced consultants to figure out how to do this or to tell us "it should be done". There is a wealth of free talent here in Anchorage. The parents of the handicapped are doctors, attorneys, accountants, insurance agents, labor leaders. They have volunteered their time before and will be glad to do so again.

## CONCLUSION

We can no longer afford to allow institutions, "group homes" or foster programs to flourish behind the banner of "Helping those unable to help themselves"! Preying on the sympathies of the public has been too lucrative for too long. This vicious cycle of waste for out-of-home care must be stopped. The taxpayers can no longer be over-burdened with three layers of bureaucracy to support an unwieldy system that will never be as cost efficient as the good old American family.



## FRONTIER CHILDREN, 1979

By  
Margaret Fischer, Ph.D.

Alaska is a vast expanse, one-fifth the size of continental United States with a population less than that of the State of Nevada. It is the largest and least inhabited per square mile of all the states. The weather varies from mild 50- to 70-degree temperatures in the long days of summer to frigid subfreezing temperatures in winter which drop as low as 60 below zero in the Interior. Coastal winters are comparatively mild. In such year-round ports as Valdez, as much as 26-feet of snow may fall during a season but the temperature rarely falls below freezing. The population of approximately 400,000 is comprised of Eskimos, Caucasians, and the Indian tribes, primarily the Aleuts, the Tlingits, and the Athabascans. The Native settlements are located on inland rivers or along the 26,000 miles of coastline of the Arctic Ocean and Bering Sea. The Caucasians typically live in urban settlements such as Anchorage, Fairbanks and Juneau. Russian, French, Norwegian, and English ancestries predominate; however, because of its close proximity to Russia (55 miles at the nearest point) the United States military forces account for a sizable number of the Non-Native populace. The remainder are private entrepreneurs, government employees, oil pipeline workers, and Sourdoughs of various persuasions. Salmon, halibut, and crab fishing, lumbering, gold and copper mining, and tourism are the leading industries. One of the most striking aspects of Alaska's population is its relative youth. The average age for Alaskan citizens is about 26. Nearly 50 percent of the population consists of persons under age 18. Nineteen year old citizens have the right to vote.

The styles of life, the standards of living, and the social systems which prevail among Alaskans differ measurably. The modern and the primitive co-exist within comparatively short geographical distances. In the Native villages an ancient social system prevails.

A common misconception is that people in the polar regions live in igloos which are dome-shaped shelters made from blocks of ice. The igloo is only used as a temporary shelter during travels or by Eskimos on hunting trips. In areas where timber is available, homes are made of wood and turf. As no trees grow in the northern Arctic, houses are made of flat stones, driftwood, and peat. Windows are made from the intestines of seals if glass is not available. The house consists of one large room seldom more than 15 feet in diameter by 9 feet high. A wide platform is the family's sleeping bunk. At times as many as 12 persons may live in such a dwelling. The impossibilities of washing clothes in the low temperatures of the north along with the fact that Eskimos may rarely have a second set of clothes, make it necessary to go naked inside their houses while their clothes are being dried or cleaned of lice. It also allows them to get fresh air for their bodies. Therefore, from their childhood Eskimos are used to seeing men and women in the nude, and no shame is connected with the human body and its needs.

A hunter may have more than one wife or may borrow a friend's wife to help with the cleaning of skins or with home-making chores while on a hunting expedition. Eskimo and Arctic Indian women as a group demonstrate a striking fecundity with a birth rate more than double that for the United States as a whole (53 per 1,000 pop.). The high birth rate is more than offset, however, by the fetal and infant wastage evidenced by the high fetal, neonatal, and post neonatal death rates of the infants which is more than four times the United States average. Prematurity is the single most important factor associated with mortality in the neonatal period, which may in part result from widespread anemia and iron deficiency in the maternal group. Postnatal infectious diseases play a major role in contributing to the infant mortality rate. Tuberculosis, otitis media, and meningitis are epidemic; however, there has been close to a 75% reduction in the Alaska Native infant death rate over the last twenty years. In 1976 the expectation of life at birth was 62%. Compared to the United States total population the life expectancy for Alaska Natives is about ten years behind at birth and nine years behind at age one. At age 65, however, they show the same life expectancy as for the total population. The median age at death is 62.5 for males and 73.0 for females.

Native women who breast feed their babies do not wean them until the child is three or four years old, often later. While Alaskan Natives generally cherish their offspring, male babies are con-

sidered more desirable than female babies. A physically or psychologically handicapped child may be viewed as an embarrassment to relatives. The baby is seen as "broken" and rejected by the mother. The rule of survival of the fittest has unfortunate connotations for the handicapped child. Because of the high incidence of consanguinity and incest in the small villages, hereditary defects transmitted genetically should be greater than the norm, yet only a few are identified. For example, there are less than 100 severely/profoundly retarded children who are institutionalized in the State facility for the developmentally disabled when ordinarily that group represents about one percent of the population. The dearth of media may account for the low rate of referrals as many Native parents may be unaware that help is available. It also appears possible that an unwritten law of the Arctic that everyone should contribute to the struggle for food and clothing is an important factor. Those who do not or cannot are despised by all, and feel themselves beyond the pale of the community -- the most terrible punishment to any Indian or Eskimo. People who are handicapped are not looked upon favorably and are apt to meet with "accidents."

Health services for the Bush communities are delivered presently by 100 public health nurses who schedule visits four times a year. There are ten native hospitals in Alaska with satellite health stations and village-built clinics throughout the State. Primary health care is provided by Community Health Aides. Hospital and dental care and medicines are free to all Natives. The leading health problems are ranked as alcohol abuse, accidents and injuries, chronic otitis media, and influenza and pneumonia. Epidemics of meningitis and tuberculosis have disastrous consequences on the young. Alcoholism, rampant among Native youth and adults, is a problem of immense magnitude. Alaska ranks fourth among 50 states in per capita alcohol consumption and first in the nation in alcohol-related deaths. Among Alaska Natives, the alcohol-related death rate is approximately five times as great as that for non-Natives.

For the child in the Alaskan Native village, the school is a focal point of his life. To counteract poverty and malnutrition schools provide breakfast, lunch and a snack. The schools are often open in the evening to allow children to take showers or they may serve as a refuge in case of heavy drinking or battering by one or both parents.

Since 1972 the schools have attempted to enhance the abilities of the Native children in both English and their native tongue. The lack of materials for the 23 native languages with their many dialectical variations causes English to be the main vehicle of instruction. While many Alaskan Natives speak both best and most often in their native tongue they write in English because they have never been taught to write in the native language. Non-English speaking Alaskans are limited in learning as the media (newspapers, radio, and television broadcasts, when they are available) are in English. The National Bilingual Materials Development Center of the University of Alaska under a Title VII grant develops materials in Native languages in a variety of subjects from music through literature. Finding trained teachers is a problem. In some villages no one can write.

Welfare programs seem to have created as many liabilities as they have benefits. It has given the Alaskan Native time for leisure activities and yet he does not have the options for recreation available to him that people in large communities have. If he cannot read or understand English broadcasts the long hours of dark and cold of winter are often spent drinking, and a vicious cycle ensues.

A comprehensive services network has been developed by the Department of Health and Social Services and by private Native associations to help the children of the Last Frontier and their families to develop to their highest potentials and to function effectively by making needed improvements in community support services on an ongoing basis. The primary objectives are to foster pride in the heritage and traditions of the Native cultures, to preserve their customs, folklore, and art and to promote physical, economic, and social well-being of the Alaskan Natives. It may take a prodigious effort but it is worth that effort to make the dream a reality.

### Recommendations

An Epidemiological Survey is proposed to assess the incidence of developmental disabilities including mental retardation and mental illness among the Native and Non-Native populace in the State of Alaska.

## Purpose

1. to obtain accurate data on prevalence.
2. to ascertain the etiological make-up of the disabled.
3. to identify high risk populations.
4. to assist in ameliorative and preventative planning.

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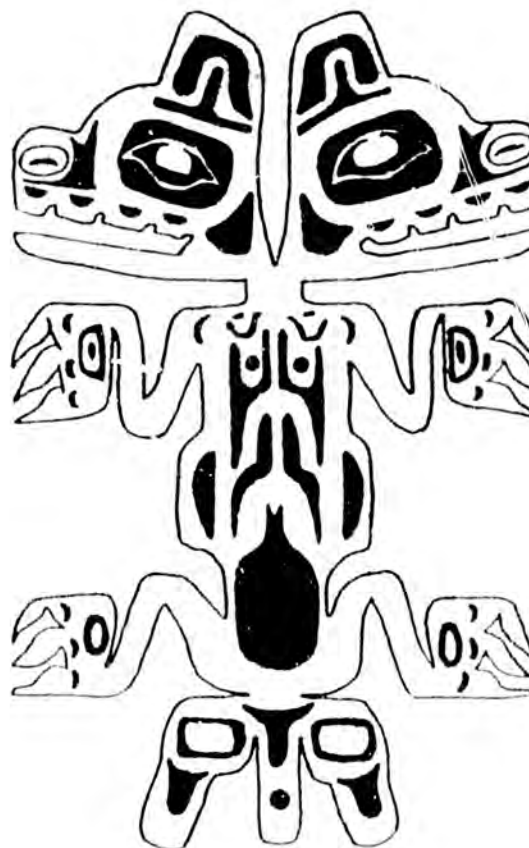
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## PROBLEMS OF RE-ENTRY AFTER INCARCERATION

By  
Natalie Brooks

I have been involved with prisoners for the past five years because of the following activities: founder of a Visitation Ministry to Eagle River Correctional Center by the United Methodist Church of Chugiak, chairman since its inception of the Citizen Advisory Committee at Eagle River Correctional Center, and music teacher in the Arts in Prison Program at Eagle River Correctional Center and Ridgeview Correctional Center. As a result of these activities I have become involved in the lives of many prisoners and have experienced with them their difficulties in re-entering society upon release. I have become acutely aware of the near-impossibility of "making it" on the outside. The roadblocks in their way are nearly insurmountable and I am always amazed when someone is able to overcome the odds. What is being done in Alaska to help newly released offenders only scratches the surface of the need. The following programs are a sampling (some of these are not just for ex-offenders):

Glenwood (Halfway House) - Can only take a small percentage of those released on work or school release.

Studio Club (and other alcohol and drug abuse programs) - can take only a small percentage.

Jaycees Helping Hand Project - small

New Start Center - tries to find jobs for ex-offenders, but it is difficult.

National Alliance of Businessmen - provides a few jobs.

Bean's Cafe - provides food and a warm shelter for Anchorage's street people during daytime hours.

Criminal Justice Center TV Ads for hiring ex-offenders - Excellent in giving the public a different perspective and have helped the job situation.

Office of Vocational Rehabilitation - helps a limited number of handicapped individuals in job training.

Volunteers in Corrections - Has established one-to-one relationships with many prisoners and may carry over when they are out.

Probation and Parole - Don't seem to have much impact on ex-offenders' lives; have large case loads; not all ex-offenders have to report to them.

Prisoners who do not go through other community residential programs (like Halfway House) are typically released with little or no money, no job, no skills or training, no place to live, no appropriate winter clothing. They often have no family to go to, no friends on the outside, no social connections. They have been totally dependent on the state for all their needs and suddenly they are expected to cope with meeting all their own needs. Imagine yourself in this situation: you are taken to a city in a foreign country where you know no one; you can't speak the language very well and you have only \$20.00; the customs and culture are strange; when people find out you are an American they refuse to have anything to do with you; you don't know your way around the city and must walk; no one will hire you and you can't find a place to sleep. That is the kind of situation many ex-offenders find themselves in. It's no wonder that many do something that will return them to security (i.e., jail) as soon as possible.

This may seem like an exaggeration, but it is an accurate picture of many ex-offender's situation. I have experienced the frustrations, anger, fear and pain right along with several ex-offenders in this situation. And because of the high cost both in money and human suffering, I would like to explore some of the causes of the problem and offer some suggestions.

I see at least eight reasons why people fail in their attempts to re-enter society. The first two are the most basic, with several relating to No. 2:

1. Lack of money - None of us could survive very long in our society, particularly in Alaska, without cash, credit or collateral. Why do we expect ex-offenders to be able to do it?

2. Poor self-image - This is the root cause of many problems ex-offenders face. Subconsciously, many feel they deserve failure (or only limited success).

3. Loneliness and Broken Connections - Often the only acceptance an ex-offender gets is from his peers. If he has been in jail long or if the jail is remotely situated, his family and friend connections are often broken. Humans need social contact to survive and he may get this only in bars, from "street people", and from other ex-offenders.

4. Cultural Shock - Some kind of decompression and experience is needed to make the transition from regimentation and dependency to a free society (which may be very different from the one he left on entering jail).

5. Reverting to Script - Also known as force of habit, or the familiar. Without strong support in changing behavior patterns or reinforcement of changes made while incarcerated it is almost inevitable that he will revert to his previous life script.

6. Despair, Depression, Giving Up - Only a very strong person could endure the rejection and hostility that come to an ex-offender daily. And it is my experience that none feel good about themselves to begin with.

7. Society's Refusal to Mark the Debt "Paid" - People convicted of crimes never stop paying for it. Our society is extremely stingy with forgiveness.

#### 8. Miscellaneous Character Defects

Underdeveloped value systems, hostility, lack of coping skills, alcohol or drug dependency, etc. - the things that put him in jail the first time.

### SOLUTIONS

There is no one magic answer. It is a highly complex problem which may be ultimately unsolvable unless prisons are eliminated (except for those who are a clear danger to society and probably wouldn't be re-entering). The problem exists because prisons exist. Accordingly, it follows that anything which keeps individuals out of

prison is a solution. There are a number of alternatives to incarceration. One of the most sensible is restitution, which not only helps the victim, but relieves the victim and his fellow taxpayers of the \$30,569.00 a year cost of maintaining an inmate in an Alaskan prison. Several others exist, such as probation, drug and alcohol treatment centers, and community service.

Another sensible solution is shorter sentences. It is axiomatic that the longer a person is incarcerated the harder it will be for him to adjust upon release. Incarceration by its nature is psychologically destructive, so no matter how good the program within an institution it can't counteract the harm that being isolated from society does.

Anything that works to prevent dehumanization within an institution is helpful. When security is a major emphasis and people are treated like dangerous wild animals, they tend to fulfill that expectation. And of course when people are caged they tend to want revenge on the society that does this to them. When institutions are adequately staffed, when policy is consistent and not capricious, when trust exists and people are not labeled, then prisoners are able to have some dignity and feeling of worth.

Anything that gets the community into an institution and the inmates into the community will be a help in the adjustment process.

Some specific suggestions, some long-range and others more immediate, follow:

1. Child abuse programs. Studies show that a large percentage of prisoners were abused children; child abuse repeats itself, generation after generation. Alaska has one of the highest rates of child abuse in the country, and yet our legislature doesn't give funding enough to scratch the surface of the problem.

2. Family sponsor program. Several states have similar programs. A prisoner is assigned to a volunteer family before release. They can visit him and he can visit them on a furlough. They provide assistance in job hunting, perhaps lodging briefly, moral support, someone to turn to, a sort of "family connection". I tried to start a program like this four years ago but gave up when necessary legislation died after the *Anchorage Times* labeled it "the prisoner vacation bill". An example of the power of the media and the lack of courage of elected officials.

3. Money upon release. Alaska is one of only 4 states that gives no money to released prisoners. This is surely the hardest state to survive in without money. This is scandalous and incomprehensible to me.

4. Halfway Houses. Anchorage's halfway house doesn't begin to meet the need. Several are needed. If people must be locked up they need a place to adjust gradually to freedom.

5. No remote prisons. If any new prisons are built (which I personally am against) they should be in Anchorage when inmates can keep in touch with their family and friends. This is crucial to keep connections unbroken. It is even more important for the women, many of whom have children, that they not be moved to Palmer. There is no public transportation there and few prisoners' families can afford any other kind.

6. A chance to earn money while incarcerated. Inmates are presently limited to a maximum wage of \$3.00 per day. That amounts to slave labor in a country that abolished slavery quite awhile ago. Inmates should be paid decent wages for work they perform and be given more opportunities to earn money. Some form of prison industry would seem to be the answer, but this could also be achieved by much wider use of work release. Prisoners could be a good source of manpower of state park projects but they should be paid adequately. A percentage of wages would go for room and board (as it does now), but decent wages would keep some prisoners' families off welfare and enable others to save for release.

7. Volunteer programs. There are many creative, successful projects with prisoners across the country. If the Division of Corrections were more cooperative, less concerned with rules and red tape, and had a Coordinator of Volunteers position, I'm sure several programs would develop here. Some of the best work done with prisoners comes from volunteers who are not hampered by cynicism, worries of job security, bureaucracy, etc. Volunteers bring enthusiasm and idealism and have been lifelines for some prisoners. The more "straight" people an inmate knows, the better his chances of success on release.

8. Family Support. A program to help families of prisoners is desperately needed. Their needs fall into two categories:

(1) Basic survival - warm clothes for the kids, how to get food stamps, how to get to the jail to visit, medical aid, emergency food, rent money;

(2) Emotional support - how to cope with having a family member in jail, teaching the kids how to cope with being teased about having a father in jail, feelings of shame, someone to talk to.

9. Peer Support Group. These could function something like AA: people who've been there helping each other. This could not be possible unless the law against associating with known felons is changed. This has the potential of being one of the greatest helps an ex-offender could have.

10. Public Education. Better communications (not just PR) from and within all Criminal Justice agencies is needed. The public must be educated about the realities and the possibilities of the Criminal Justice system. The Criminal Justice Center has had a good start in this area. If the public were better informed it would be easier for legislators and administrators to make good decisions and to stick with a philosophy that works. As it is now every time there is public (or media) pressure the Division of Corrections changes course.

11. Education for legislators and key state officials (including governor, attorney general, commissioner health and social services, commissioner public safety). These are the people who make the decisions and often act from ignorance. The Criminal Justice Center could provide a good two or three day training, even that would vastly expand perceptions on criminal justice issues.

12. Advisory committees. Each major state correctional center should have a citizen advisory committee and there should be a statewide committee with a member from each center committee. These people could function effectively as liaisons between the public and the institutions and assist in developing good relationships between them.

The constitution of the State of Alaska specifies that the purposes of imprisonment are protection and rehabilitation. It does not mention revenge or punishment. If we followed the direction pointed by the constitution we would have far less re-entry problems, a much lower recidivism rate, and a more crime free society. In Alaska it is not too late to do it right!

## ALASKA REPERTORY THEATRE LOOKS TO THE FUTURE

### A Statewide Cultural Institution For All Alaskans

#### STATEMENT OF PURPOSE

Alaska Repertory Theatre was founded in 1976, as the State's first non-profit professional performing arts organization. It is our goal to make professional theatre accessible statewide. We aim to provide theatre productions and services to residents from the smallest bush villages to the major population centers. Alaska Repertory Theatre strives for artistic excellence in its productions and works towards upgrading cultural opportunities for all Alaskans. We will continue to be a resource to other arts organizations and will encourage the development of other Alaskan cultural institutions and facilities.

#### Brief Statewide History

Alaska Repertory Theatre is about to begin its fourth season as a professional non-profit theatre in Alaska. Conceived as a statewide company, Alaska Rep has been working to achieve the goal of providing professional theatre services for the entire state from the smallest bush communities to the largest population centers.

*Over the past three seasons Alaska Repertory Theatre has performed for 150,000 Alaskans in nine communities throughout the State. Given the unique population distribution in Alaska, the theatre has two home cities, Anchorage and Fairbanks. During the first three seasons, the company has produced twelve mainstage productions (twelve in Anchorage; four of the twelve were later moved to residency in Fairbanks).*

In October 1978, Alaska Repertory Theatre completed its first statewide tour of a mainstage production, THE FOURPOSTER, which toured seven small Alaskan communities. The production

was presented in Kenai, Seward, Valdez, Gienallen, Juneau, Petersburg and Ketchikan.

The 1979 season was a milestone for Alaska Rep. The Theatre produced its first production outside the mainstage season. A CHRISTMAS CAROL was presented as a special pre-season event. The production proved to be a highlight of the holiday season playing to over 13,400 people in Anchorage.

During the 1980 season, A CHRISTMAS CAROL will be presented in a six-week residency in Fairbanks (December 1979). This will be our largest commitment to date in that community. Local people have been cast in the show and rehearsals are being held there. The show will run for two weeks of performances at the University of Alaska Fine Arts Theatre.

*The scope of Alaska Repertory Theatre is much broader than mainstage productions presented in Anchorage, Fairbanks and the 1978 Statewide Tour. The Theatre has produced seven school performances of major productions, a children's improvisational show titled *The Fantasy Factory*, and *Scenes From the Classics*, a sampler of classical theatre pieces for high school students.*

*Alaska Repertory Theatre is structured to be a resource to the entire Alaskan community. For three years the Theatre has conducted a professional training program for young Alaskans who wish to pursue careers in theatre. Alaska Rep has also conducted scores of workshops throughout the State on many aspects of theatre production and management. We have provided theatre consultants for projects in many communities including Fairbanks, Kenai and Seward. Since the first season we have administered a cultural enrichment program which provides tickets to Alaskans who might not otherwise be able to attend the theatre. Among the recipients of this program have been handicapped citizens, senior citizens and juvenile offenders. Last season, we had our first program for deaf persons which provided a sign language interpreter for our production of CHRISTMAS CAROL. (From October 1978 through October 1979, Alaska Rep provided over 1200 hours of in-kind services to other groups in the areas of administration, education and technical assistance.)*

## **A Statewide Cultural Institution For All Alaskans**

Alaska Repertory Theatre is unique to the regional theatre movement. Our statewide commitment puts us in the national limelight because of the scope of our operations. We are fast becoming a major cultural institution and are looked to as a model for other statewide theatres. Richard Coe, drama critic for the Washington Post calls Alaska Rep "America's most adventurous, professional regional theatre."

During the next ten years Alaska Repertory Theatre proposes to expand its programs throughout the State. It is the goal of the Theatre to enrich the quality of life in Alaska, and to provide cultural opportunities which will develop audiences and enhance the education of our young people. The expansion of statewide services will take place in three major areas: 1) production; 2) education; and 3, community resources. Outlined below you will find our ten year projections in each category.

### **1. Production**

Alaska Rep is committed to providing productions of the best in classical theatre, modern American works, musicals, children's theatre, new plays and adaptations of native Alaskan folklore. In order to provide productions statewide we will have bases in several communities throughout the state which will be coordinated at the Anchorage office. We propose to provide quality performances to Alaskans by:

- Producing mainstage seasons in Anchorage, Fairbanks and Juneau which will be sold on a subscription basis.

- Touring productions to communities throughout the state.

- Producing performances for television which could be transmitted to the bush via satellite.

- Producing Children's Theatre to tour schools statewide.

- Presenting and producing arts programming on Cable television.

- Fostering an opportunity for Alaskan playwrights to develop their works for the stage.

- Fostering the development of Alaskan native folklore for theatrical presentations.

- Presenting productions from other national and international companies.

- Developing a "sound state" for the presentation of experimental and developmental works.

### **2. Education**

It is Alaska Rep's goal to develop and expand its current Educational program offerings by:

- Providing school shows of mainstage productions of major works.

- Offering statewide workshops in theatre management, production and history.

- Providing seminars, audience discussions and backstage tours to help identify, examine and discuss the humanistic side of drama.

- Expanding the Professional Training Program which trains young Alaskans who wish to pursue a career in theatre.

- Providing credit to university students who wish to expand their knowledge of theatre by working with professionals (theatre practicums).

- Developing an interest in theatre by seeking funding to provide tickets to those people who may not be able to afford to attend the theatre, i.e., senior citizens and handicapped persons.

### **3. Community Resources**

It is the intent of Alaska Rep to encourage the development and expansion of other Alaskan arts organizations. In the future we expect to reach out to other groups throughout the state by:

- Expanding our statewide lending library of theatre scripts, anthologies, technical manuals and audio/visual materials.
- Providing administrative, artistic and technical consultants to communities and organizations statewide.
- Loaning production equipment and costumes to other arts groups.
- Assisting with the development of performing arts facilities throughout Alaska.

#### SUMMARY

Alaska Repertory Theatre will continue to lead the development of cultural institutions in the "last frontier." The arts will play a major role in *the development of Alaska*.

With the development of the state and its resources will come a population increase. A factor in the establishment of new businesses will be the lifestyle that will be provided for their employees. Skilled workers will be attracted by the quality of education for their children and the availability of recreational and cultural activities. The arts will be considered important indicators of the caliber of the Alaskan lifestyle.

Tourism is a renewable resource which is fast becoming a major source of income for the State. Alaska Repertory Theatre will offer programs of interest to tourists. The variety of activities available for travelers will help promote the growing tourist industry.

Alaska Repertory Theatre has been recognized throughout the United States as an exciting and innovative arts institution. In the future the increasing visibility of this theatre company will serve to create a new and positive awareness of Alaska.

As Alaska is no longer isolated from the rest of the world, we are fast becoming a focal point for the economic future of the entire United States. Too, Alaska is establishing its viability as a major crossroads for international trade, tourism and commerce.

Alaska Repertory Theatre will be a leader in the cultural development of the state. As a statewide performing arts institution we will strive to enrich the future of this great frontier by upgrading the quality of life for all Alaskans.



# AN ALASKA CITIZEN INFORMATION SYSTEM

By  
Donn Hopkins

## Abstract

Citizens commonly do not further their own best interests when voting or making other civil decisions. One major cause of poor civil decisions is a lack of adequate information. Without better informed citizen decision-making there will be continued waste of available resources or increased loss of citizen control over government, or both. A statewide citizen information program can best meet the need for better information. The citizen information program should afford each citizen the opportunity to directly help select the kind of information to be obtained. Basic financial support for the program should come from state funds. The information program should permit use of the best available research and information services. I propose a specific Alaska Information Program, which incorporates the above four objectives. There are alternative means for establishing the proposed Alaska Information Program.

## Introduction

I asked to be included in this 28th Alaska Science Conference because I would like your help with a specific proposal. The proposal is for an information program to meet the citizen information needs of all Alaskans. I offer it now for your consideration, possible modification, and necessary support. I call the program, simply, Alaska Information Program.

## Definition

Let me explain, first, what I mean by "citizen information needs". Citizen information needs are the information needs of each individual citizen as a whole personality: not as an educator, not as a scientist, not as a government planner or private developer, and not as a legislator or other government official. The information needs

of citizens are the various and changing needs each person has for information that permits him to act in his own best interests whenever he votes in a public election or makes any other civic decision.

## Existing Conditions

Citizens commonly do not further their own best interests when voting or making other civic decisions. There is ample evidence in our social and economic trends of their political impotence: a weakening of the United States' international position, increasing crime, increasing waste of human and natural resources, increasing centralized control over individual actions, and widening personal doubts about self-worth and competency. All of these trends are contrary to the perceived best interests of most citizens. If we were furthering our own best interests when voting and making other civic decisions these trends would be reversed.

## Lack of Effort

A large portion of Alaskans do not try to have a significant civic, or political, effect. Is this really due to apathy? Not likely; most people do care about their own well-being. Is it laziness? Probably, to some extent. If not apathy or laziness, then why do most of us not exercise our political rights to a greater degree? I think the main reason is because the potential rewards for doing so appear to be not worth the effort. This condition, of course, is widespread. I think the vast majority of all Americans believe they can have little or no effect on the functioning of their governments or on the course of their civilization. With such beliefs it is little wonder that most citizens fail to further their own best interests through the political process.

I disagree strongly with these beliefs. My own is that every citizen can have an important political effect if he will only try. The proposed Alaska Information Program would make it much easier for all Alaskans to try, and to become politically potent.

## Lack of Information

One major cause of poor civic decisions is the lack of adequate information. Most people do not have the information they need to

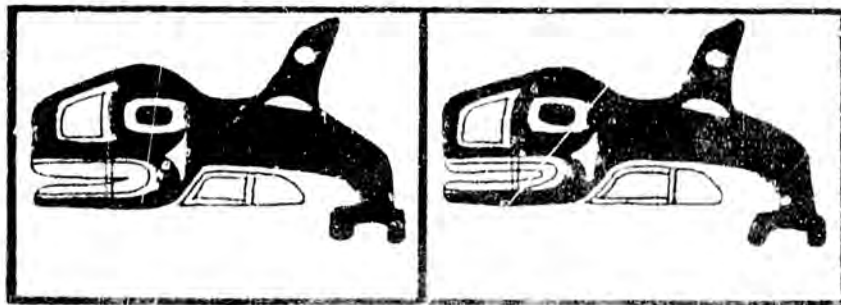
be politically potent, and they do not know how to get it. They need two general types of information: 1) information about their existing political rights within the mechanics of their own governments, and 2) information about the public policy issues of concern to them.

### Other Causes

Other major causes of poor civic decisions are: 1) current lawful restrictions on citizen participation in the making of government policy decisions, 2) readily available diversions or escapes from personal and civic concerns, and 3) a general belief that Americans are better off than all other people and, thus, are doing about as well as is possible in today's world.

### Information Needs

There are three general kinds of information that a citizen needs about a public policy issue before he can politically represent his own best interests in that issue. (And, on average, no one can represent his interests as well as he can.) First, he needs to know the significantly different alternative policies relative to that issue. If he is not aware of all the major options he may be beaten before he starts. Second, he needs to know the probable costs and benefits to himself and to others of each alternative policy, including direct and indirect, and immediate and future, costs and benefits. Third, he needs to know the chances of getting his preferred policy on the issue adopted and successfully pursued. He needs to know what other citizens want before he selects a policy to support in order to get the most of what he wants.



### Expected Trends

Without better informed citizen decision-making there will be continued waste of available resources or increased loss of citizen control over government, or both. If we keep on doing what we are now doing, as citizens, the existing trends will continue. If we wish to change the trends we must do something different from what we are now doing. If we wish to change them for the better we need better information.

### Waste of Resources

Our resources are being wasted through overuse, non-use, and careless or destructive use. We must re-assess the means available to us for ensuring personal security, freedom, and happiness from the available resources, now and in the future. Then we citizens must act through our governments to make the best possible use of the available resources.

### Public Planning

For those persons who abhor government planning because it commonly results in more government regulation, let me try to reassure you that it need not be so. Planning is, essentially, the assembling of information needed to make wise decisions. Government planning by citizens can result in less government.

### Public Policies

The hard truth is that there is always a public policy on every human activity. It is part of the nature of government. The policy may require very little or a lot of government regulation or other activity. The policy is either explicit in a constitution, charter, law, or regulation, or it is implied in these statements.

Often there are contradictory public policies which create confusion, waste, and stress within a society. Even in these cases the relevant contradictory policies constitute a single policy on each identifiable issue, but, because of the internal contradictions the policy cannot be successfully pursued. As the amount of government regulations increases so does the possibility for internal policy contradictions and stress. The resultant internal stress tends to break down the society.

The stress is manifest in problems which are usually sought to be solved by more government regulation, which causes more stress, and so on. The end for the United States from following this procedure is not pleasant to anticipate: first, a dictatorship and, the, defeat by a larger dictatorship because we shall have lost the creative advantage which is enjoyed by a free people.

My observations of governments, from both within and without, have convinced me that almost all government officials want more power, and usually the more they have the more they want. They can only get this power by either taking it from other government officials or from citizens. Ultimately, of course, they get their power from the citizens, who -- willingly or unwillingly -- give up their inherent physical rights to government in exchange for certain real or imagined benefits.

### **Planning by Citizens**

When a problem occurs within a society which its members cannot cope with, governments are called upon to provide a solution. After all, that is the purpose of government: to do for citizens what they cannot do for themselves. The basic error is made when only government officials, often advised by special interest groups, formulate the solutions to the problems. The solutions are designed to give both the officials and the special interest groups more of what they want, including more power for the officials.

If individual citizens want to recover some of their natural, inherent physical power, or rights, then *they* must start formulating the solutions to their common problems. The solutions must not be left up to the officials. To do this, all citizens must have easy access to information about the problems and the alternative solutions, or policies.

### **Statewide Scope**

A statewide citizen information program can best meet the need for better information. A citizen information program could function at any level of government; and, initiating such a program at the local level might be easier than at the state level. However, the local governments derive their powers from the state, and the state exercises substantial powers which have not been delegated. Also,

there are large parts of the State of Alaska which are not served by a local government. For these reasons I believe the entire state should be included in the program and all state citizens should have an equal opportunity to obtain additional information as made possible by the program.

Another reason for a statewide information program is that each major region of the state has some concerns that are different from the other regions. By ensuring that all regions may investigate their special concerns the needs of the entire state can be more thoroughly considered when statewide policies are formulated.

There are advantages relative to the national government which result from a statewide information program. The most important immediate advantage to Alaskans is that the state can formulate citizen-based policy positions to be presented to the Congress and the President relative to national policies affecting Alaska. We will also be in a better position to go to the people of the United States with recommendations as to the best use of Alaskan natural resources.

If a statewide citizen information program is successful in Alaska then it could serve as a model for other states and nations to use. The ultimate benefit from the program could be a secure, free, and happy world.

### **Direct Citizen Participation**

The citizen information program should afford each citizen the opportunity to, directly, help select the kind of information to be obtained. Each citizen should be able to help select the existing government operations and the public policy issues to be investigated.

The most direct system for selection would be an information voucher to be issued to each citizen. He could spend it in concert with as many other citizens as he wished, to obtain their commonly desired information. It would be up to one person or a group to convince others to join in supporting a specific investigation.

Another possible system for selection of topics would be for the entire state to be divided into small districts, with each district being allotted an information budget. The amount allotted could be

based upon the number of votes cast in the latest general election or the number of citizens residing in the district. The main advantage of having the funds allotted to small districts instead of individuals is that there is a ready-made group of people in which information needs can be discussed. The main disadvantage is that the majority of votes in each district would decide how its allotted funds would be used, and minority concerns might not be investigated. Several districts could join together to support a given project.

A third possibility is a statewide system of voting on topics for study. The available funds would be allotted in proportion to the number of votes cast for each topic. Funding limits could be set for each topic that would ensure a useful and efficiently produced report. This system would require that the program be administered by a statewide office of information, and the benefits of direct citizen participation would be reduced to a minimum.

### **State Financing**

Basic financial support for the information program should come from state funds. The program, however structured, would result in more efficient and responsive government. The expenditure of state funds is therefore justified. It should be possible for supporters of specific investigations to utilize, in addition to state funds, any local or national government or private funds that are available. The amount of state funds to be allotted in support of the program could be set as a percentage of the total state operating budget. In any event, there must be enough funds available to encourage citizens to participate in the program and to produce useful results.

### **Best Available Services**

The information program should permit use of the best available research and information services. The hiring entity would be an ad hoc citizens group, one or more districts, or a state agency. Whichever it is it should be free to select whatever research or information organization it thinks can do the best job for the money that is available. Included would be both public agencies and private organizations, with offices inside or outside of the state.

Work should be accomplished under a fixed fee contract. There

should be a complete written report on the work and findings of every contract, with copies of the report made available to the public for the cost of printing and distribution.

### **Proposal**

I propose a specific Alaska Information Program, which incorporates the above four objectives: 1) the program be statewide, 2) each citizen may participate directly, 3) the state provides basic funding, and 4) use of the best available services, as follows:

1. The state appropriates, annually, an amount of money equal to two percent or more of its operating budget to fund the program.
2. The total amounts appropriated are divided equally among all persons who vote in the biennial general election.
3. The payments to the voters are made in the form of two annual vouchers which may be used to purchase stock in eligible corporations.
4. Eligible corporations are non-profit corporations which have been established to undertake a specific investigation of certain existing local, state, or national government operations or certain public policy issues, or both.
5. The corporations, alone, are responsible for the expenditure of their respective funds.
6. The state redeems the vouchers from the corporations.
7. Voting stock in the corporations is secured, only, by the payment of vouchers.
8. Vouchers are not transferable between individuals.
9. Vouchers expire, if not redeemed, within three years of their date of issue.
10. The state requires annual independent audits from the corporations.

## Advantages

The two principal advantages of this proposed program over other possibilities are: 1) it returns the most power to individual citizens, and 2) it is very simple.

The proposed Alaska Information Program gives a concerned voter real political muscle. He can find out what his governments are doing and tell them what he wants them to do, and how to do it. Not only does it return tremendous power to the voters, it also puts them to work -- thinking and talking about ways to get better government. With this kind of power more people will vote, and also become active in other government affairs.

The proposed program is so simple that it can be initiated quickly and easily, and it requires no new bureaucracy. The only major effort that might be undertaken by an existing state agency is the printing and distribution, at cost, of reports on the investigations. This can be done by the Alaska Division of Policy Development and Planning in the Office of the Governor.

## Establishing the Program

There are alternative means for establishing the proposed Alaska Information Program. The easiest would be for the Legislature to enact it into law. However, some legislators or the Governor might be unwilling to return that much power to the people. Now, they set the policies, and only those investigations are done which they want done. Another possibility is to enact the program into law by initiative, but it could be hard to get the necessary appropriations. The Administration might even find some reason why the proposed program is unconstitutional. In this case it is likely that a constitutional amendment would be needed.

To be sure, if a program such as this is to become a reality there must be strong citizen support for it. Everyone at this conference and in the science community can help by considering the alternatives and then recommending to others the kind of citizen information program that you think is best to further your own interests, and theirs. Please help.



# ALASKAN NATIVE EDUCATION

by Lucy Jones-Sparck

## Introduction

The subjects in this paper have been discussed informally and formally many times and in many places and in many ways.

The paper tries to deal with what happened to the native process of life education when the Western education was introduced. The goal being that the reader may come to appreciate its real existence. That it is understood that this Western education was well meaning yet failed to make provisions for the possibility of identity crisis which eventually happened.

It is hoped that material under **curriculum**, will help a reader to come to look more closely at the need for creating a more positive native self-identity to build a more confident person so he may be a more productive citizen. That where ever possible the cause can be supported and/or initiated.

It is not the intent of the paper to put those existing or past institutions down in their educational efforts, that when one is aware of other ways, or facts, one may take steps to do better. Also, efforts that have been made are not totally unnoticed nor unappreciated. This paper in its limited way is intended to give support to the native studies cause, particularly, to some aspects of determinants to be considered in planning curriculum development for schools who serve the native student.

## SOME INFORMAL ANALYSIS OF THE EFFECTS IN ALASKAN YUP'IK EDUCATION

The Yup'ik, in essence, had the real competency based education with real Humanistic objectives.

Imagine, before the white man came, the Eskimo family had the real sense of educating their offspring stretching cooperatively to the extended family and to the whole village. They had the basic confidence because they had the support from the village through reinforcements in village affairs such as men's Qaygig (men's big fire bath house) also used for men's various activities and initiating young men into manhood. For the girls, the arts of living were ongoing in the house by women in the house. This way of life was not complicated by any presence of another culture to confuse the formation of self identity.

A child was taught to do things gradually from infancy. They were not set to do things by themselves unless they had been taught and seen to, that teachings were learned with competence. The price to be paid for inadequacy was, harm to oneself or to another or in some cases, an embarrassing situation of being ostracized, depending on the incompetence.

Each period of motor development had with it, the concurring teaching of social competencies appropriate for that age or period. The education in sociology and psychology was ongoing throughout life for everyone.

The Russian Period 1786-1867 with its first recorded school at Kodiak taught arithmetic, language and religion of Graico-Russian Church. Notice where the educational system of the natives was not explored. For the first time, the Aleuts and the Indians were taught by a foreign educational system. They learned "basic skills" in a different language, with examples visualized in a foreign setting. Their lives were touched in which they had no say on the process of the education nor on the process of the introduced employment/economic system.

The skills of living, traditionally taught personally to survive physically and emotionally were replaced by impersonally mass education to speak in a foreign language, to form new concepts of right and wrong in relation to the religion being taught. The subjects were isolated and taught to be learned within these isolated units. When the student "graduated" they learned some language and arithmetic, but they also had not gained real competency in the native ways nor the total western ways because these ways were not included in these new school curricula.

The American schools did little or less when they took over. During these times most villages particularly the now AVCP area, were not greatly influenced by these educational developments.

The missionaries who came to the areas started the instruction in religion on informal basis to the villagers. Some missionaries and the missionary schools started to advocate some changes in the outward appearances of fashion and housekeeping. In addition, the foreign etiquette was introduced as was the religion and language. When one does not have an accepting field to practice such learning, one can and does get discouraged, nor does one get an adequate learning. Imagine, this foreign culture coming into an existing culture that had its intricate and functioning ways already, yet go out to develop a whole curriculum in its own way without consulting the people. As Sr. M. Stella said, "Education was not limited to the 3R's and the 4c's, (Christianity, character, culture, and cleanliness). It embraced all that goes into making of better homes, and good homemaking and of better living conditions and higher standards and ideals, the aim always being, to keep the best of the native culture, while initiating to European standards and usages." p.12 As reality would have it, once those students finished their schooling, they had no where to go with the newly acquired education. True, a few could be and were used by the invading employers as laborers. But unfortunately the schools had no real curriculum for the "native" studies. The schools never really have known the ways of the natives, except to interpret for themselves the "tangible" ways of the natives: the everyday survival activities, arts and crafts and some interpretations of acts according to western psychology. And now since their children were absent from the home and from the usual activities, the native parents no longer had the opportunity to teach the life skills to them. The parents were also asking to reinforce this new way of things by cooperating. If the parents did not know what to do, they kept quiet and let things happen and hope for the best. Again, as reality would have it, the students had no where to go with these newly acquired foreign social ways; they did not quite make it in the "white" world and were somewhat confused in their own culture.

Close to one hundred (100) years later a young native man voiced many others publically, "... the schools did not prepare me to enter either culture successfully ... I did not belong in the white culture and when I went back to my village, I did not know how to subsist

like my parents because I did not learn how."\* Sr. Mary Stella, S.S.A. whose quotation is above of the 3R's and 4C's and best of the nature culture, was referring further to the beautiful arts and crafts that were native. While this is appreciated, any educators, professional or otherwise, must realize that arts and crafts nor learning the motions to an Eskimo dance is *not teaching a student a total healthy self-identity in which to build his self confidence*, if emotional, social, and intellectual background that these are derived from, are missing.

The state and BIA efforts toward bilingual and bicultural education have not gone unnoticed wherever they are tried. The people working on the projects seem to believe in it. It is a start toward-forming native self-identity.

It is for many students who have missed what their background is that many native parents are crying for native studies. In many instances the parents are also desiring native education for themselves.

For the past few years many natives of Alaska have started to realize that, as they get education to the Western world they have lost a part of themselves, and even those who were not educated to the Western world have come to realize that they also have not been educated in the native way also.

## CURRICULUM

Since most native persons (especially if the features are distinctly native or Indian) are still not readily and totally accepted in the total white culture, there ought to be efforts made to include in the regular funding to teach the native ways. Such natives would do better if they felt comfortable with themselves first as natives before they can take on the ways of the white culture. If one is truly comfortable in accepting what he is, he can better survive any unpleasant treatment he may receive because of his origin, and unless he knows of his background as noble as it had been, he will remain, in many instances, hollow and ashamed.

1. Some facts to be considered.

The positive self-identity and thus, self-confidence of an in-

dividual is crucial to his well-being and productivity as a citizen, and in order to achieve this, a person needs to understand himself and how this is related to his race and culture. As educator John Holt said in his book *How Children Fail*, "The intelligent person, young and old, meeting a new situation or problem opens himself to it; he tries to take in with mind and sense everything he can about it; he thinks about *it*, instead of himself or what it might cause to happen to him; he grapples with it boldly, imaginatively, resourcefully, and if not confidently, at least hopefully; if he fails to master it, he looks without shame or fear at his mistakes and learns what he can from them . . . clearly its roots lie in a certain feeling about life, and one's self in respect to life."<sup>5</sup> Without self-confidence, this type of boldness gets hard to attempt.

The educational process could help the Alaskan Native discover who he is. In most villages, there are still those men and women who remember being taught the ways of the native. This means, not just ways of survival, arts and crafts, or Eskimo dancing, but also how to face psychological and emotional problems, as well as to face any social situations in traditional ways. Included also are concepts which our "present" education system recognizes as history, education, philosophy, government and religion, to name but a few. This is not necessarily to go back on these practices, but the knowledge itself can enhance respect and knowledge of heritage.

There is an urgent need for the educational systems to recognize the real existence of these facts even if they have to be presented to students only as history. Another reason for the urgency is the fact that much of these facts are contained, not in textbooks, but with the older people themselves; and time may run out before we utilize them.

In curriculum planning, more than lip service needs to go into the Native studies or heritage. If the humanistic education is seriously taken, then the Native Studies should be initiated wherever appropriate and implemented adequately wherever needed. The only persons who can truly help to plan these studies are the Native peoples who have proven themselves and recognized in their own communities to be responsible in this field whether they are certified or not. The educational systems also need to accept the fact that these native persons should be given the exception to the certification requirements. They hold the knowledge that no other cer-

tified person really has in depth.

Normally, when the native studies are attempted to be placed in the curriculum, it has been pre-planned with outlines that make sense only to the school system. In this way a native person is asked to come into a class and speak about *this* subject or tell a legend in this time frame. (This tends not to work too well in the long run for several reasons, among which is, the ambiguity of the goals.) They may not have been involved in the planning of the course and therefore are uncertain as how to please the employer, which usually is the case of learned behavior of "uneducated" natives when they are employed.

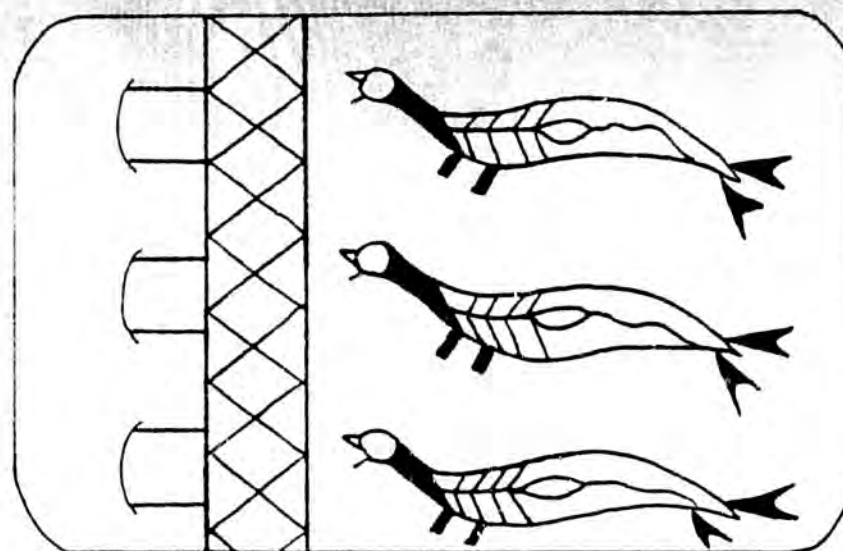
The formal educational systems also need to recognize the facts that the traditional native educational system was never really divided into sections to be learned; rather it had been "on-the-job" type life education to survive and to live with oneself and relate to the environment and society under many situations, and in all levels. And since there are schools operating in a somewhat different manner, the natives need to be involved in all levels of their heritage studies curriculum planning.

Tools of survival have changed; so has the subsistence way of life. In some cases it has become an alternate choice of lifestyle. Most villages now have to try and survive under the monetary economic system. With no previous experience in this system they are asked to manage the corporations created for them. The native peoples need to have a meeting point of how they view the changes. The older people's views have been too long silent; so much so that the educated have created a gap (generation gap?) especially between the young and the "uneducated". This becomes more than a generation gap as it is a cultural difference gap. When this happens, a person can lose out on the strengths to build on his positive self-identity, thus, self-confidence. It is time that the educational system take steps to correct this unintentional by-product.

It is important that not only should the curriculum plans be made to accommodate the native education in native studies, but the attitude and motivation of those responsible for its delivery should be looked at. If neither is positive in the administration, then the studies may never get started nor be given a fair chance to succeed.

and also, as Saylor and Alexander put it " . . . we should also note that an important product of curriculum planning can be the changes in attitudes and motivations of teachers."<sup>6</sup> This can be implemented by well-constructed workshops, staff development and the like.

In closing, the educational authorities need or have to recognize and accept the facts of the foregoing and decide to put into effect the plans to develop curriculum so that we may together take the steps to educate the Alaskan native to know and accept himself and go on to live his life the way he chooses to.



#### Footnotes

<sup>1</sup> Personal communication with father and other older people.

<sup>2</sup> William R. Cashen, ed. "Russian Period", in *Teaching in Alaska* (ASRTA, 1976), p. 5.

<sup>3</sup> Sr. M. Stella, "The Sisters of St. Ann", Op., p. 12.

<sup>4</sup> Peter Galila, Alaska State Policy Growth Forum, Bethel, Alaska, March 16, 1977.

<sup>5</sup> Jon Holt, *How Children Fail*, (Dell Publishing Co., Inc., New York 1970) p. 205.

<sup>6</sup> J. Galen Saylor, William M. Alexander, *Curriculum Planning*. (Holt, Rinehart and Winston. 1966) p. 39.

# ADVENTURE BASED EDUCATION

By  
Beau Bassett

I am pleased to submit for this conference's consideration a paper entitled, "Frontier Challenges in Juvenile Justice". This paper documents the need for and traces the history of adaptive Outward Bound programming for adolescents in Alaska. It strongly supports the intent of Senate Bill 12 to develop adventure education programs in order to promote the growth and maturation of our youth.

As an attorney, educator, and former Outward Bound instructor who is working to improve youth services in the State, I urge you and the delegates at this conference to continue to explore this frontier in juvenile justice. We have much to learn but more to gain.

I am currently Director of the Alaska Wilderness School which is developing an adaptive Outward Bound program in South Central Alaska. I am also a member of the Steering Committee on Adventure Alternatives in Corrections, Mental Health, and Special Education, a professional group within the Association of Experiential Education.

## FRONTIER CHALLENGES IN JUVENILE JUSTICE

### BACKGROUND

#### **Adaptive Outward Bound Programming: A Brief Historical Perspective**

During the past ten years, a movement to develop adventure alternatives in corrections has gained momentum throughout the lower 48 states. In their search for rehabilitative strategies that are more effective than traditional institutional methods, states are increasing their use of adaptive Outward Bound programs for juvenile

and young adult offenders. These programs, numbering close to one hundred across the country, form the largest single professional group within the Association of Experiential Education.<sup>1</sup>

Outward Bound, the model for many adventure-centered programs, uses the challenge of wilderness training and service activities to give people a greater sense of their own potentiality, and opportunities for group interaction and leadership, to strengthen their commitment to society and a sense of themselves in a religious or universal perspective.<sup>2</sup>

Most programs have a similar structure. The programs last approximately three weeks and have four phases: basic skills training; a long expedition; the solo, a three-day period of solitude; and the final testing events. In basic training the skills necessary to survive and travel in a wilderness environment are taught. This is followed by a long expedition that has clear objectives -- to climb so many peaks, to canoe so many lakes, to explore so many islands. There is a sense of purpose, a fixed destination, clear-set goals. Solo, usually three days alone in a remote setting, with minimum of food and shelter, provides a period of contemplation. And finally, there are experiences that test fitness, skills and teamwork, such as small groups without an instructor expeditioning through unfamiliar terrain. A long-distance marathon event is the final personal challenge.<sup>3</sup>

Certain program principles are common to all programs. Activities are planned that provide stretching experiences. The difficulties become progressively greater; success is built upon previous success. The small group is the prime social unit, nine to twelve members living together, acting as a team, needing to develop cooperative efforts and group decision-making abilities in order to succeed. Team activities are programmed, such as the wall, which is a 13-foot obstacle that must be scaled by all members -- an impossible task without teamwork. Morning readings, evening discussions, group sessions, underline the purpose of the activities, emphasize the values and bring conflicts to the surface. The activities are not an end in themselves, but merely the vehicle through which personal growth and self-awareness can take place. They provide the opportunities for value-forming experiences.<sup>4</sup>

One of the central concepts behind the program is Stress-Challenge. The *Stress-Challenge Concept* was originally conceived by William James, who in an essay titled "The Moral Equivalent of War" observed that stress in war developed moral character, especially pride and dignity. He viewed this as being due in part to the interactions and interdependence of the members of the small military group. James saw an educational application of these observations. Nature, from which man had become alienated through the process of civilization, could provide the stress in peacetime situations. A confrontation with nature in small groups would bring man's latent physical and psychological strengths and weaknesses to the surface. James believed that an educational program based on this premise would satisfy man's primitive longing to belong to a common cause, and would foster order, discipline, physical fitness, responsibility, and an understanding of the environment.<sup>5</sup>

Dr. Kurt Hahn utilized this concept to develop a model to educate the "whole man". Hahn believed that what lasts from an educational experience is not necessarily the enhancement of memory, but the enhancement of being. He felt it was important to learn the relevance of personal contribution, group pride, and trust in the ability and judgment of others in reaching a common goal. He believed that physically-challenging and stress-laden activities would help promote the development of character and persistence. From this belief, Dr. Hahn established the first Outward Bound School in 1942. Since that time, Outward Bound, and a number of adaptive programs based upon the principles of Outward Bound, have successfully reintroduced man into society.<sup>6</sup>

The stress-challenge concept which is fundamental to adventure education, has been applied to juvenile programs because it presents juveniles with value forming experiences which can serve as a *catalyst* to allow them to make changes in their patterns of behavior. The Program's purpose is not primarily to teach outdoor skills to individual youth, but rather it is to affect behavior modification and to strengthen the youth's relationship to his family and his community. The concept of juveniles working in teams and attempting to overcome predesigned challenges to achieve short-term goals can have the effect of improving a young person's peer relations and help break the failure pattern that he has had to cope with for many years.

The second concept which is crucial to the adventure education program is *Follow-Up*. Follow-up is the continuation of a program of supportive services to a population of students who have recently completed a 3- to 4-week wilderness challenge experience. While the wilderness component is designed to provide a successful experience that sparks the desire to change, the goal of follow-up is to provide a network of support to enable students to make positive changes in their lives. Learning to take responsibility for oneself, incorporating increased self-knowledge, pride, respect and ambition in one's life is an evolutionary process. It is a process of trial and error, a process of movement backward and forward. A student needs to feel that people do care, that he is a unique human being, that he can succeed, and that someone will stand by him each step of the way. Students graduating from a wilderness challenge experience will usually go through an adjustment period upon returning home. This period may be characterized by continuing family difficulties, school problems, drug and alcohol usage, and emotional problems. Because of the potential recurrence of problems for a student, a follow-up program can significantly reinforce the benefits derived from a short-term adventure experience.

At the 1978 Conference on Experiential Education in St. Louis, Gordon Cardwell presented a paper on *Research and the Fallacy of Recidivism Studies on Wilderness Programs for Troubled Youth*. In this paper he made the following statement:

... If the wilderness/adventure experience is identified as a *continuum of experience* rather than an isolated activity, then parole or aftercare services must adapt to the unique needs of students graduating from this type of program to the community.

The program components of a wilderness/adventure school can improve 100% or 1000%; however, the key to the future for the child lies with the adoption of his changed attitudinal values to the community. Therefore, it is the writer's contention that recidivism studies on a wilderness program are meaningless unless those wilderness programs have a *definite follow-up plan*, and the follow-up plan involves personnel who have been trained in the process of the wilderness/adventure experience.<sup>8</sup>

## PRESENT STATUS

### **The Case For Alternatives: Troubled Young People in Alaska**

Considerable effort has been made in the last four years in Alaska to examine the circumstances surrounding troubled young people and their families. The Juvenile Justice-Community Crime Prevention, Standards and Goals Task Force, in August, 1975, sought to identify the significant problems affecting youth and families in Alaska. Among those identified problems were:

- High percentage of alcohol use and abuse
- High rate of unemployment
- Truancy* increasing
- Vandalism* increasing
- High incidence of mental illness
- Insufficient contact between school counselors, parents, and students
- Insufficient alternatives* to the criminal justice system
- Insufficient diversion programs*<sup>9</sup>

In 1977, the Director of the Alaska Division of Social Services established the Task Force on Youth Services. The Task Force set out to determine what additional programs or services were necessary to meet the needs of youth in Alaska. The final report of the Youth Services Task Force concluded:

The severity of youth and family problems in Alaska has reached alarming proportions. Alaska has the highest rate of reported child abuse, the highest rate of residential alcoholism, and one of the highest suicide rates in the country. Incidences of running away from home, juvenile delinquency, and divorce are out of control. The need to provide effective and responsive youth services in Alaska is critical.

### **Specific Data**

Even though this year is the International Year of the Child, and as much as one-third of America's population is under 18 years old, it still holds true that "the easiest people to ignore in American Society are children."<sup>11</sup> The conse-

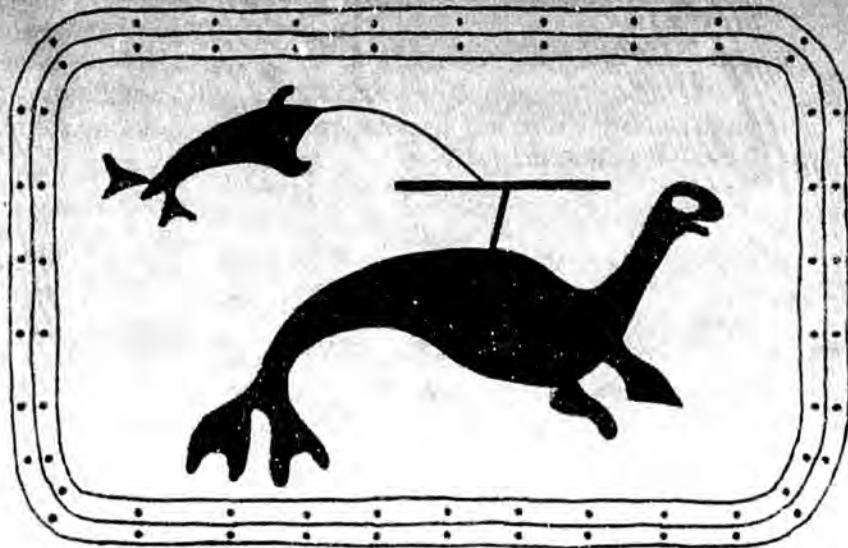
quences of neglecting this segment of the nation and its potential is a major consideration of the criminal justice system. Nowhere is the serious level of anti-social behavior on the part of young people more clear than in Alaska juvenile delinquency, court, social service, and school statistics.

Over 6,000 young people under 18 years of age entered Alaska's juvenile justice system in 1977. Young people between the ages of 10 and 18 comprise approximately 15% of the State population and yet, accounted for 29% of all arrests in 1977. Alaskan juveniles accounted for 57% of all arrests for serious or Part I crimes and 22% of all Part II crimes in 1977.<sup>12</sup>

A total of 1,708 *juvenile arrests* were made by the Anchorage Police Department in Alaska's largest city in 1977. The police department in Anchorage made the highest proportion of juvenile Part I arrests, 64% of the total juvenile arrests made by that agency. 53% of all juvenile arrests made by the Kenai Police Department were for Part I crimes, and 47% of the Palmer Police Department arrests of juveniles were for Part I offenses.<sup>13</sup>

Of the 3,828 arrests of juveniles by all State Troopers, and by police in Anchorage, Homer, Kenai, Kodiak, Palmer, Soldotna, and Valdez in 1977, 2,098 were for Part I offenses. In addition, 7% of all juvenile Part II arrests in 1977 were for drug offenses, and 16% were for liquor law violations. During that year, 501 juveniles were admitted to Alaska jails in Bethel, Cordova, Kodiak, and Seward.<sup>14</sup>

Alaska court system statistics reveal that 2,545 referrals were made to the juvenile intake office in the Superior Court of the Third Judicial District in 1978. These referrals represented a total of 2,778 delinquency offenses, an increase of 11% over the 1977 total. There were a total of 448 drug and liquor offenses reported by the intake office and 1,249 cases of petty larceny, destruction of property, and joy-riding reported. Petty larceny rose 230 cases, a significant 32% increase over the 1977 total. In 1978, 324 delinquency and probation revocation petitions were filed against juveniles by the Superior Court in Anchorage. This resulted in 255 juveniles being placed on probation and 29 juveniles being institutionalized.<sup>15</sup>



The Anchorage Police Department had 470 juvenile runaway reports filed with it in 1978. Police statistics, usually the best indicators of juvenile problems, are a poor indication of the runaway incidence rate because current State law defines narrowly the police's role regarding runaway or homeless youth. Police and youth services workers believe the actual number of runaway youth is considerably higher because many parents do not notify the police.<sup>16</sup>

In 1978, the Anchorage Office of the Division of Social Services opened up 849 new child-in-need-of-aid cases and filed over 87 petitions against parents and legal guardians alleging the neglect, abuse, abandonment of or refusal to care for a child or children.<sup>17</sup>

During the 1977-78 school year, the Anchorage School District figures indicate that 3,047 students enrolled in grades 7-12 withdrew from school.<sup>18</sup> It is difficult to estimate what percentage of the withdrawals were actual drop-outs. The level of truancy and school suspension has increased dramatically in the last two years. Drug problems in many of the high schools in southcentral Alaska have brought about stiffer drug penalties and a greater number of student suspensions in area schools.

While statistics substantiate the failure patterns of a significant percentage of young people in urban areas of the State, statistics are not as available for rural areas. Nevertheless, young people in rural villages are having great difficulties. The Criminal Justice Center's recently completed Alaskan Village Justice Study reached some very serious conclusions. The village justice study was based on the results of interviews and data collected in 56 Alaska native communities. It found that the population estimates for the communities surveyed indicate that between 40 and 50% of the residents of the villages are 14 years old or younger. Approximately 53% of the village residents are below 19 years of age, well above the statewide average of 34%. Many interviewees emphasized that there is an increased use of alcohol and drugs, particularly among young people who had been outside the village and returned with "bad habits".<sup>19</sup>

The village public officials were asked to assess 16 categories of services in their villages. 54.9% of the responses indicated there were no youth services in their villages. This was the second highest deficiency identified from all the categories. This was the second highest deficiency identified from all the categories. The study concludes that village police officers and officials surveyed suggested the need for recreational activities which would help keep young people in the villages entertained and out of mischief. The magistrates surveyed indicated that acts of juvenile delinquency (i.e., theft, vandalism, and joy-riding) were their second most frequent category of deviant behavior. They indicated that the amount of deviancy among young people seems to be rising.<sup>20</sup>

#### Lack of Treatment Alternatives

The juvenile justice system in the Third Judicial District suffers from a critical lack of prevention, diversion, and disposition alternatives for pre-delinquent and delinquent young people. In 1977, 89% of the 6,055 juveniles that entered Alaska's juvenile justice system were diverted informally. Of the remaining 11% that were handled formally by the court, 2% were placed in locked correctional institutions (i.e., McLaughlin Youth Center or the Colorado Youth Authority) and 9% were placed on probation either in the custody of parents or the Division of Corrections.<sup>21</sup>

### Diversion

Prevention programs when applied to juvenile behavior inhibit the development of criminal tendencies by providing socially acceptable models or activities. In Alaska there is no mandate to any one agency of the criminal justice system to provide statewide crime prevention programs. The Criminal Justice Planning Agency has assisted several communities in establishing programs for juveniles which provide recreational outlets and counseling services. These programs are located in Nome, Ketchikan, Gambell, Tyonek, Craig, Hoonah, Cordova, and Petersburg, and offer solutions to excess leisure time and the lack of legitimate recreational alternatives.<sup>22</sup>

In most of rural Alaska there is a dearth of recreational facilities and programs for young people to prevent juvenile delinquency or reduce juvenile crime. The lack of suitable choices for unstructured time is not a phenomena of the teen years, but begins early for children in a society that has failed to give them viable roles. In over 50% of American families, both parents are working, creating a large segment of children with no direction other than that provided by television or their peers during large blocks of time. These problems are even more conspicuous and far reaching in urban and rural Alaska.<sup>23</sup>

### Diversion

Diversion in juvenile matters is aimed at preventing the development of delinquent life styles via non-stigmatizing community based agencies that are outside of the official justice system. The most important decision-making point for juvenile diversion occurs during the intake process where youth are either channeled into the formal justice system or referred out. In 1977, 89% of the juveniles referred to court intake in Alaska were channeled out of the system through letters to parents and warning conferences, or were referred to informal probation.<sup>24</sup>

In the 1977 Alaska Justice Facilities Planning Study prepared under contract with the State Division of Corrections, Approach Associates Consultants concluded that juvenile diversion programs are underdeveloped in Alaska.<sup>25</sup>

### Disposition

Disposition occurs after a juvenile is formally adjudicated delinquent on a petition filed with the court. The court can order a juvenile to be placed on probation in the custody of parents or the Division of Corrections, to be institutionalized, and/or to make restitution. The following quarterly average juvenile program placements were made by the Division of Corrections for the disposition of juveniles in 1978.

Private Care - in State	84
(Turning Point, Group Homes)	
Foster Homes	36
McLaughlin Youth Center	94
Out-of-State Placements	36
Juvenile Detention	68
(Anchorage, Fairbanks, Ketchikan, Juneau, Nome)	
Total	318

Total number of juveniles receiving service from the Division of Corrections (including probation)	793
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The 1979 Juvenile Confinement Budget for Alaska is \$6,750,500. The McLaughlin Youth Center's component of that budget is \$4,031,300.<sup>19</sup> During 1978, a total of 62 juvenile males completed a McLaughlin treatment program in an average of 13.8 months.<sup>27</sup>

The present reliance on full cost of care group homes and institutional facilities is resulting in unnecessarily long juvenile placements and in a significant number of Alaskan juveniles being placed out of State. This furthers the disintegration of the juveniles' relationships with their families, proves extremely expensive to the State, and exhibits little evidence of providing effective rehabilitation.<sup>28</sup>

## PROPOSED DIRECTION

### Senate Bill 12: A New Direction Through Adventure Education

The Senate Interim Committee on Juvenile Confinement has concluded that there are problems in both the operation and effectiveness of the programs presently used by Alaska for dealing with juveniles who are found under Alaska juvenile law and practice to require confinement or physical removal from their family homes.

1. Present confinement programs do not appear to provide juveniles with:

- a. The help necessary to achieve a positive self-image, or
- b. Acceptable social behavior.

2. Procedures for dealing with juvenile offenders include placing them in foster homes without adequate knowledge of the juveniles' problems.

3. A large proportion of juvenile crime is being committed by repeat offenders who are not being deterred from continued criminal activity by their interaction with the juvenile justice system.<sup>29</sup>

The research of existing programs and facilities which served as a basis for these conclusions have been documented in the paper entitled "Alternatives to Juvenile Confinement", which was prepared by the Interim Committee for the Legislative Budget and Audit Committee.<sup>30</sup> In apparent agreement with their findings, the 1975 Juvenile Justice Task Force established in its final report that:

The rehabilitative effects of a delinquency disposition are severely limited by the lack of treatment alternatives available to the Department of Health and Social Services. In rural areas the effects may be more severe where children are frequently removed from their own communities to urban or out-of-state facilities because of the absence of local or regional facilities.<sup>31</sup>

Recreational programs can effectively reduce youthful involvement in crime and self-destructive behavior in young people. Therapeutic camping programs have been explored and found to be effective treatment modalities. The development of survival training programs (i.e., Outward Bound) has opened the door for many professionals to utilize the wilderness in therapeutic ventures.<sup>32</sup> Alaska, which has 65% of our country's wilderness, does not have such a program. The foremost goal of these programs is to develop personal growth through attitudinal and behavioral change using the medium of the wilderness. Outward Bound adaptive programs can provide successful cost-effective prevention, diversion, and disposition alternatives for delinquent and pre-delinquent young people.

Youth programs in Alaska are best directed at problems associated with:

- the lack of identity and direction on the part of young people,
- the lack of constructive activities as alternatives to drug abuse and delinquent behavior, and
- the lack of active support and involvement in youth activities on the part of adults of the community.<sup>33</sup>

With the passage of Senate Bill 12, the Alaska Legislature has determined that Adventure Based Education programs have been developed and are operational in other states, and have proven effective in both preventing and altering delinquent behavior in certain types of problem juveniles. It has concluded that Adventure Based Education programs can and should be developed in Alaska as short-term treatment approaches.<sup>34</sup> Any program of wilderness adventure experience must be complemented with a program of supportive follow-up services in order to positively effect the behavior of troubled young people on a permanent basis.

This preferred treatment approach can, for some troubled young people:

- 1) help prevent and divert them from contact with the juvenile justice system.

2. preserve young peoples' ties with their own family and relations, and preserve and strengthen their identification with their own community.

3. prevent unnecessary referrals to treatment facilities and institutions.

4. provide an alternative to incarceration and group home placement.

5. offer a less expensive and cost effective program as compared to institutional and group home placement.

#### **CHARACTERISTICS OF JUVENILES WHO WOULD BENEFIT FROM THE PROGRAM**

Based upon the successful operation of adaptive programs in the Lower 48, a list of behavioral guidelines can be established for the kinds of juveniles who have been most successful in stress challenge programs.

1. The program is very suitable for juveniles who possess a continued history of manipulative behavior in institutions.

2. The experience has been successful for participants with a history of aggressive tendencies.

3. The program is designed for juveniles who have not been responding to other programs.

4. Juveniles who are withdrawn, possess communication problems, and have difficulty forming interpersonal relationships with peers and adults.

5. For the "classically lazy teenager" the program is a good "shocker" and serves to regenerate and motivate young people.

6. For the individual who possesses strong racial and/or ethnic prejudices, the program serves to break down such barriers.

7. For the individual who is in need of a vigorous physical experience, the program improves one's physical stature and fitness.

8. The program concentrates on progressing an individual's interpersonal maturity through high impact adventure experiences and consequently is a valuable maturing process for youth.

9. The program is able to work well with juveniles possessing low levels of motivation.

10. For juveniles with value conflicts, the program strives to provide consistency and the setting of a norm.

11. The program concentrates on helping young people with communication problems, in assisting them in establishing concrete relationships with peers and adults and facilitates their interpersonal growth.

12. The program can help the juvenile who has a habitual low self-esteem; whether it is underlying or manifest.

13. Also Wilderness Stress-Challenge Programs have been known to result in:

a. an increase in the juvenile's ability to deal with others on a one-to-one basis.

b. an increase in the juvenile's ability to be part of a group with healthy values, without losing one's identity.

c. an increase in the juvenile's willingness to consider the welfare and wishes of others in making decisions.

d. an increase in the juvenile's sense of personal worth and self-confidence.

e. an increase in the juvenile's sense of personal direction, interests and goals.<sup>35</sup>

## FOOTNOTES

<sup>1</sup> Adventure alternatives in Corrections, Mental Health, and Special Education, Association of Experiential Education, Denver, Colorado.

<sup>2</sup> *Wilderness Adventure Training as an Alternative to Incarceration*; Nold and Wilpers, July 1974.

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<sup>4</sup> Ibid.

<sup>5</sup> *Project Underway*, Touch of Nature Environmental Center, Southern Illinois University, Theodore Wichmann, Director.

<sup>6</sup> Ibid.

<sup>7</sup> *Keeping the Flame Alive*, Beth McCabe.

<sup>8</sup> *Research and Fallacy of Recidivism, Studies on Wilderness Programs for Troubled Youth*; G.R. Cardwell, Superintendent, Project D.A.R.E., Ontario, Canada, Sept. 1978.

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<sup>10</sup> *The Findings and Recommendations of the Task Force on Youth Services*; Division of Social Services, Department of Health and Social Services, June, 1977.

<sup>11</sup> *Criminal Justice Plan, 1978*; Criminal Justice Planning Agency, State of Alaska.

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<sup>14</sup> Ibid.

<sup>15</sup> *A Report on the Impacts of the August 1977 Changes in the Children's Code Concerning the Handling of Children's Matters in Anchorage*; Beau Bassett, Alaska Youth Advocates, May 1979.

<sup>16</sup> Ibid.

<sup>17</sup> Ibid.

<sup>18</sup> Anchorage School District Reports, 1978.

<sup>19</sup> *Alaska Village Justice: An Exploratory Study*; John E. Angell, Ph.D., Criminal Justice Center, University of Alaska, Anchorage, Feb. 1979.

<sup>20</sup> Ibid.

<sup>21</sup> *1977 Diversion Report*; Division of Corrections, State of Alaska, May 1978.

<sup>22</sup> *Criminal Justice Plan, 1978*; Criminal Justice Planning Agency, State of Alaska.

<sup>23</sup> Ibid.

<sup>24</sup> Ibid.

<sup>25</sup> *"Diversion Alternatives to Incarceration"*; Alaska Justice Facilities Planning Study, Approach Associates, 1977.

<sup>26</sup> *Alternatives to Juvenile Confinement; Background Information for Senate Bill 12*, Senate Legislative Budget and Audit Committee; State of Alaska, March 1979.

<sup>27</sup> Ibid.

<sup>28</sup> See Footnote No. 7, Children's Code Impact Study.

<sup>29</sup> Ibid.

<sup>30</sup> See Footnote No. 18.

<sup>31</sup> Ibid.

<sup>32</sup> See Footnote No. 1.

<sup>33</sup> See Footnote No. 13.

<sup>34</sup> See Footnote No. 3.

<sup>35</sup> *Senate Bill 12, an act relating to adult and adventure-based education*, In the Senate, By the Health, Education and Social Services Committee.

<sup>36</sup> *Research and the Fallacy of Recidivism, Studies on Wilderness Programs for Troubled Youth*; G.R. Cardwell, Superintendent, Project D.A.R.E., Ontario, Canada, Sept. 1978.

# MOM, APPLE PIE AND EDUCATION

By  
Clay McDowell

An assessment of education in Alaska presents us with a complexity of major social trends, technological developments and accumulating evaluative and projective data that are profoundly challenging to the existing education structures and rationales. Not only in Alaska but nationally, significant questions as to role, purpose and methods of instruction are being raised. The quantity of significant concerns appears endless, ranging from record-keeping to revenue sharing to "relevancy". It's impossible to devote even a paragraph to each, so in this report I'll attempt to limit discussion of national issues to those which should be of vital concern to Alaska learning programs, while at the same time including those major Alaskan factors that are unique to our particular situation.

An overview of the myriad questions and issues relative to our topic points to four basic areas of educational concern. For purposes of discussion and whim, let's refer to them as the FACE issues of Function, Approach, Control and Economics. These 4 areas are what education is all about . . . and probably what any social institution is about.

Since the last two FACE issues -- control and economics -- will be discussed in other reports, we will dispense with their consideration for the purposes of this article but for three major points which have had and will continue to have significant, and perhaps determining, roles in establishing direction for Alaskan educational programs. These will be mentioned only briefly, although their impact is profound, merits a great deal of attention and, when you're dealing with education will occupy much of your time.

1. Education is big business. Roughly \$200,000 was spent in Alaska last year on education from grades K-12.

If we include university and college expenditures, vocational and in-service training, and educational counseling, Alaska probably spent close to a quarter of a billion dollars on education this past year. Any business this big is bound to have vested interests, intensive lobbying, and individual and group struggles for power and control. This is especially true in rural Alaska, where the economic impact of education dollars has a significant effect on the local economy. In many villages the *only* full-time jobs are with the schools.

2. Education is publicly supported by local, State and federal funds, and is acutely subject to political pressure from *all* these levels. In addition, federal funds are presently a crucial factor in Alaska native education. What happens in Washington has a significant impact on what happens in rural Alaska.

3. Education is an emotionally laden issue, dealing as it does with the welfare of children. This is a growing concern in rural Alaska, with the problems inherent in providing quality education for the bush students. This has expressed itself in strong movements toward totally local programming and local educational self-determination as opposed to the centralized administration of education in the past which required rural students to leave home in vast numbers.

As stated, these areas of Control and Economics indeed merit consideration, and will have a significant effect on the first two components of FACE, Function and Approach, which we will now examine.

## FUNCTION

There is at present a great deal of discussion relative to proper functions of Alaskan and especially Alaska Native education, although all points of view seem to point toward the socialization roles as being of prime import. The question is, socialization to what?

At present we find a variety of opinions as to this role. Should prime emphasis be placed upon education for local socialization, or for socialization within a non-local system? Should school em-

phasize pre-vocational studies, pre-college, "Life-Skills" -- whatever that means?

Present trends seem to indicate a consensus that schools are expected to provide for educational needs of individuals ranging from early childhood through adulthood, and from the physically or mentally handicapped to the college-bound.

Interest in adult literacy and training is apparently increasing. Opinions solicited from local school boards indicate a feeling that career education is highly important. (Dropout studies also indicate that this is important along with the capability of adapting to the social environment of whatever the setting in which a given career might exist.) The themes of self-identity and cultural pride have also been strongly advanced over at least the past eight or ten years.

This may sound obvious, even trite, yet if we take one short, very brief step backward in Alaskan education we see a one or two teacher school concerned *only* with teaching the average child the three R's, and feeling lucky to do that. In fact, though we don't often acknowledge it, that's still a major task in Alaskan education today -- and rightly so.

That all these concepts are important seems to be at least generally accepted. However the degree to which they modify curriculum has created controversy in professional and lay circles. At one extreme are proponents of same-culture immersion, in which rural teachers, curriculum, language and academic approach would be totally Native Alaskan, based on three premises, or statements, or philosophy defining Functions:

- a. Self and cultural identity and pride are necessary for success and the prime function of the academic experience is to instill these traits.
- b. The function of school is to develop thought processes and concepts. This can be done most readily when done within the framework in which the student habitually operates.

The function of education being preparation for life, schools should offer only that which is relevant to the students' own culture.

This position limits severely both scope and clientele of the educational process.

The other extreme holds the position of majority culture immersion. This position is also based on functional premises:

- a. Teaching of skills is an essential function of the school. Many of these skills are necessarily tied to an understanding of the majority culture which has a high degree of utilization of the skill.
- b. Career training as a proper school function demands the ability to deal successfully with the culture in which many career opportunities exist.
- c. Students know their own culture through living it; it is not a school function to teach it. It *is* the function of the school to acquaint them with that culture they don't know.

This position ignores advances in learning theory concerning process, and basic rights of self-determination and self-expression. However, within both positions are points of validity, and several appropriate school functions can legitimately be drawn from them.

Positive aspects from each extreme identify the following as legitimate Alaskan school functions on which valid, result-producing programs could be built:

1. To determine community and individual educational interests and priorities and involve all components of the community in this determination.
2. To provide, or act as referral agent for, the educational needs, interests and aptitudes of the broad spectrum of individuals living in the local community from pre-school through adult.
3. To develop competence in the functional skills essential for individual and societal success.
4. To develop analytical processes relevant to situational recognition and problem resolution -- the skills of the self-starting, continual learner and independent thinker.

5. To prepare students for the world of work, either through entry level training or pre-vocational and pre-college courses of study.
6. To provide significant opportunities for the development of a positive self and cultural awareness.
7. To develop self-disciplined individuals with positive attitudes toward life and learning.

If these can be accepted as the major legitimate, though by no means exclusive, functions of an Alaskan basic educational program, we can proceed to an analysis of the means to making these functions operational -- the Approach component of FACE.

#### APPROACHES

The manner in which information is presented is currently known in the trade as a "delivery system." That doesn't fit my particular choice of acronym; therefore, the way the Iceman cometh in this paper is known as the Approach.

This is the action arena in education today. In terms of approaches we are in at least a reform, and probably a revolutionary, era. All aspects of traditional approaches to schooling are being challenged for a myriad of valid (and some less than valid) reasons. Among the more valid seem to be the following:

1. **The Information Explosion:** More data is being produced than can possibly be taught. The advent and development of computer science is causing quantum jumps in knowledge accumulation.
2. **Learning Process Advancements:** As other fields have advanced, so too has our understanding of ways in which learning occurs. This knowledge is being translated into functions and approaches.
3. **Rapid Societal Changes:** Changes in village society and its relation to larger communities over the past 20 to 25 years has been profound, and increased rates of change are in the offing. This is in part due to technological advances in transpor-

tation and communication, in part due to the Land Claims Bill and its economic and socio-political impact.

Changes and growth in Alaskan urban areas has also been profound -- indeed overwhelming -- in the last ten years. In boom and in bust, for good and for evil, the growth and changes are here.

4. **Recent Technological Innovations:** These have vast possibilities for application to education, making such terms as relevancy, immediacy, and self-pacing fact rather than fancy for bush education, as well as for the cities.
5. **Changes in the Learner:** Today's youth enter the educational system with different sophistications, skills and experiences than their parents. In addition, the increase in formal educational opportunities has correspondingly increased the spectrum of learner needs and abilities.

6. *The Demand For Accountability and Relevance:* It's a generally conceded fact -- as evidenced by recommendations of various federal, state, and professional groups -- that change in the schools has not kept pace with changes in need and opportunity, and much that occurs in school may not be relevant to -- in fact, may hinder -- positive development. Educators are being challenged to justify their actions with more than rhetoric. This demand is coming from educators, society at large, and students themselves.

7. *"The Movement":* -- for want of a better term -- that began with the civil rights activists of the late fifties and has since encompassed women, the aged, all minorities, youth and environment and peace groups. This major social evolution has led to a reawakening, reaffirming and recognition of the rights of individuals and groups to justice and identity. Alaska, the home of the independent -- be he escapist, individualist or opportunist -- exemplifies this spirit. This has had, and will continue to have, a profound effect on Alaska education.

In summary, when we speak of Alaskan Education, we are speaking of a societal function designed to provide a broad spectrum of individuals with a wide range of cognitive, effective and psychomotor skills; with positive attitudes about themselves, their society, life

and learning -- all this to be done in an arena of continual vast social upheaval, technological advancement, and increasing understanding of learning processes; under conditions which will vary profoundly according to the economic, political, emotional and rhetorical factors of the day. To say the least, a challenge!

It is through the approaches, or strategies, that we use to achieve these constantly evolving ends that our schools as instruments of society will rise or fall. Obviously, several tasks need addressing before this can be accomplished. To develop strategies competent to meeting this challenge successfully over the next several years requires an analysis of variables that includes the following:

Examination of those major trends and directions in Alaskan education which we can expect, with some degree of certainty, to expand and develop.

2. Familiarization and continual updating with developments in understanding the learning processes, and with those technological advances that can be used in education activities that stimulate those learning processes and/or increase knowledge and skills.
3. Ongoing determination of relevance between existing and desired educational functions and activities.

#### 1. Examination of Trends:

Although often times education seems to be heading in more directions than there are students, I think we can identify a few major, significant long-term trends which we can feel fairly certain will continue. Again I hasten to point out that these are not all-inclusive and that there will be exceptions to each direction mentioned. However, as overall indicators, I think the following appear adequate:

- a. Continued decentralization of control;
- b. Continued expansion of local village high school programs;
- c. Re-education in non-local secondary options;

- d. Expansion in scope of all education programs;
- e. School population stabilization in villages. Growth in urban areas;
- f. Increased emphasis on career education and educational accountability;
- g. Continued rural school facility development;
- h. Increased use of regionalized technical assistance support systems;
- i. Increased use of self-instructional units -- or multi-sensory programmed approaches to learning;
- j. Increased use of computerization and standardization of support functions;
- k. Increased use of satellite video and computer assisted instruction;
- l. Spread of community college programs into rural areas, and an accompanying growth in community interest courses in both rural and urban districts.

#### a. Decentralization of control:

Present trends indicate that both rural and Federal BIA schools will be subject to increasing local control through school boards of the REAA's through local input into Federal funding for schools and through self-determination policies for Federal Native schools.

Along with this decentralization of control will come a corresponding need for local development of educational priorities and projects for federal grants. This will be necessitated by Public Law 89-10 guidelines as well as Indian Education Act regulations [Public Laws 93-638 and 95-561], which call for local involvement in project development. As these funds play a major role in Native education programs, this will be a significant factor in the development of quality village school systems.

In addition, there has been a definite pro-localization movement in the technical assistance and administrative control policies of the Department of Education and the Federal Government. Vivid examples include the talent bank approach vis-a-vis state "Specialists", the flexibility of graduation requirements, and the formation of REAA's.

**b. Expansion of local bush high school programs:**

In the past four years, there has been a significant increase in the number of local high school programs. Recently more than a dozen new high schools have been constructed or are in the process of being constructed. This spurt, based upon the legal implications of the now settled *Molly Hootch v. State Board of Education* case has caused this to become a dominant mode of secondary education for role high school students within the past two or three years.

Although this is the direction in which most educators and Natives seem to wish to move, there is more than a little apprehension about the educational dangers and difficulties inherent in this shift. [In some quarters this is viewed as a potentially hazardous neo-isolationism!] These will be discussed in the section relating to strategy development.

**c. Reduction in non-local bush secondary options:**

In the recent past, over 1500 Native high school students were required to leave home for secondary school opportunities. This was accomplished through a system of boarding schools, "URBAN" dormitories in Bethel, Nome, Kodiak and Kenai and boarding homes in Anchorage and other cities. If we relate bush enrollment projections indicating a short-term growth and a long-term stability or shrinking in secondary student populations to the above-mentioned development of village secondary facilities, it became obvious that the non-local options as they have existed were under-enrolled, and therefore too inefficient to continue operation. Indeed, this has become glaringly obvious. As this happened, several options for such boarding programs presented themselves:

1. Change to a functional secondary specialization for a selected bush student body attending on a full-time basis.

2. Change to a functional secondary specialization for a general bush student body attending on an intermittent basis.
3. Remain open for those students not reached by local secondary programs.
4. Develop programs related to educational needs other than secondary.
5. Shut down, or change to non-educational uses.

At present, option No. 5 seems to be the only option taken under consideration.

[It would seem that, with thought, other education-related uses for multi-million dollar educational facilities might be developed. However, these too can be discussed in strategy development.]

**d. Expansion of educational opportunities in terms of population and programs offered.**

*In a village which, twenty years ago, may have had only a single teacher, we today find a variety of programs for kindergarten, special education, bilingual education, and adult basic education. In addition, there are correspondence courses for State diplomas or for community college credit, numerous visits by education consultants in various fields, and in-service training sessions -- all of which are designed to provide learning opportunities for those previously untouched by the educational system. Although these programs are far from perfect, they appear to be growing in number and quality. It is not likely that this trend would be reversed.*

**e. Village Population Stabilization.**

Statistical data indicates that village populations are, with few exceptions, in a state of relative stability, or in some cases, decline. The affect this will have upon the total education dollars entering a community and how these dollars will be used has yet to be determined.

**f. Increased emphasis on career education and educational accountability.**

As the needs of Alaska and the regional corporations expand and become more visible, the school systems will be pressed to assist in meeting these needs. In addition, as the urgency of meeting these needs run headlong into the apparently inevitable time lag in the establishment of programs in this direction, we will be seeing an increased demand for educational accountability. Movement in this direction will most likely be furthered as local control and awareness of school programs increases.

*g. Educational facility development.*

Over the past five years there has been a burst of village school facility construction. Most of these projects are for the provision of local secondary options.

It is likely that this trend will continue; it also is likely that as local school districts are formed, the replacement rate of older, existing facilities will increase. Possible, though by no means certain, beneficial outcomes for programs could develop from this construction activity. Regardless, such projects also provide temporary construction employment as well as future school jobs. These are important and valid economic considerations.

*h. Regionalization of technical assistance.*

This has become manifest in Alaska in two unique and apparently effective systems:

1. *The Talent Bank* -- Most state departments of education hire and maintain individuals as "specialists" in curriculum areas. Their job is to provide technical assistance statewide in their "specialty" -- which is usually far too broad to be a specialty. A rhetorical question: Can one individual reading specialist for example, be an expert in phonetics, in adult reading, in oral reading evaluation, in identification and diagnosis of reading disabilities, in nutritional aspects of reading handicaps, in transitional reading programs, in developmental reading programs, in basal reading series, in interpretation skill analysis, etc. -- and make all these skills available for workshop, teaching program evaluation, project writing, while at the same time keeping current in the field and fulfilling administrative chores -- well, it's difficult, but most states try.

However, the talent bank approach catalogs skills and interests of individual professionals around the state recognized by their peers for expertise in specific functions. When a specific skill is needed for a training session, project design or program evaluation, the names of individuals best suited for such activities are pulled, contacted and if free made available to D.O.E. money. And are again evaluated by their peers -- the accountability factor mentioned earlier. Simple, but brilliant -- and apparently effective.

2. *Regional Resource Centers.* With the establishment of REAA's came regional resource centers as supplemental support for those essential but expensive school services not affordable by a single small district alone. With minimal D.O.E. funding and dependent upon the school districts they serve for fiscal support, they represent an opportunity for an excellent symbiosis not present in most educational systems -- the user of the requested service deciding whether or not the service is valid enough to continue paying for. Again -- accountability. So far, four of the five originally established RRC's are still functioning, so they must be doing something right. The hand-to-mouth nature of the Resource Center funding can generate conditions such as frantic searches for external support, essential political compromise with varying district demands, etc., but these are not necessarily unhealthy realities, but just realities. So far, things are apparently functioning to the relative satisfaction of the concerned school districts.

*i. Individualized Self-Instructional Units.*

There exists today the possibility of a machine-student "relationship" in tutorial learning situations that in many ways can be more "intimate" than the average teacher-student relationship. Some of the equipment making this possible includes:

1. The packaged unit:

Today there are commercially available packaged learning "kits" complete with reading materials, film strips, cassettes, relevant "objects" to see, touch, and manipulate, lesson plans, objectives and evaluation tools. These are available for all levels and for nearly all subject areas. These range from elementary math tools

such as quisenaire rods, to complete motorcycle repair and maintenance studies.

## 2. The 8mm film loop:

Short (1-5 minute) films on nearly any subject or "mini subject" are packed in a quick, slide-tape cartridge for use by individual students, or groups of two or three, in a small quiet projector. The films are usually in series, with each film showing one step in a series. For example, the method for dissection of a frog may be shown in various stages on 8 or 10 film loops. The films keep revolving on the loops in a continuous cycle for constant reference.

## 3. Programmed Learning Units:

First developed by the Armed Forces, these units consist of lock-step individual instruction in which a small amount of information and explanation is given. A question is asked and answered, and the answer checked by the learner. If he is correct, he proceeds to the next step. If incorrect, he is referred back to a pertinent section for review and re-test.

### j. *Computer Support Systems.*

At present we have just begun to tap this resource for educational support. It's significance in time and money-savings potential is astounding. For instance, school district offices are now plugged into an "EMS" -- electronic mail system -- whereby same-day, simultaneous two-way information transfer can be accomplished between Juneau and any or all of the remote school districts, and individuals in those districts. Anyone ever dealing with multi-community bush communications, will realize the enormous time and energy savings involved here.

In addition, by March 1st, several Southeast school systems will tie their budgets into the same computer capability. This will put *instant* budget data in the various funding categories in their possession when they need it -- eliminating enormously time-consuming local data collection and retrieval functions.

### k. *Video and Computer-Assisted Instruction.*

Adult Education programs and the now notorious t.v. town meetings are only two examples of recent use of televised or computer assisted instruction or information programs utilizing satellite link-ups. Still in the experimental stage, live, two-way communications in Alaska will be a day-to-day fact of life in education. Tutorial type, programmable computers already exist in homes and in schools. As training in their operation and experimentation in their utility continue, we can expect to see computers taking an ever-increasing role in educational delivery to individual students.

## 1. **Community College and Community Interest Courses.**

A notable event over the past few years has been the sudden deployment of community colleges around Alaska. The University of Alaska has two such facilities in operation around the State with three community college campuses here in Southeast alone.

With the simultaneous growth of small bush high school programs, the opportunity now exists for rural Alaskans to get the "basic 3" of public education without leaving home -- or at least without going far.

In urban areas as well, the community colleges and community schools concepts have added a new dimension to those long dark winter evenings.

More important perhaps, they are keeping alive the concept that everyone is a teacher, everyone is a learner. Thus a fly-tying course is taught by a fly fisherman, a mining course by a prospector, a lifeboat course by a Marine Highways employee. Simple? Certainly, but the idea of *not* requiring a piece of paper to prove you are "qualified" to do something in a school is unique [though even if the community colleges approve, no credit is given unless the program is signed off on by a "qualified" instructor of record.]

There is a bonus inherent with the community colleges in rural areas -- they provide a center of intellectual fermentation -- a catalyst for idea exchange and planning of community development. As with any new program, there are adaptations to be made and problems to be dealt with. However, the existing and potential for further successes is a cause for celebration in the rural areas.

## 2. *Developments in Learning Process Theory and Educational Technology.*

*A great deal of research has been published over the past several years relating to the way we learn; i.e., the learning process.*

*Rather than reiterate all that has been said, copies of several pertinent books are available for your review. These include **How Children Learn** by Holt, the **Process of Education** by Bruner, **Education and Ecstasy** by Leonard, and **Toward A Theory of Learning** by Bruner (ch. 2&3).*

To summarize in a few sentences the divergent points of view represented would not be fair, but a few of the significant findings by these and other researches appear to include the following:

1. Pertinent and frequent evaluation is an essential element of curriculum design from the point of view of the learner and the instructor.
2. A major goal of education should be to create in the learner a pre-disposition to learning.
3. Skill development is essential to growth in learning.
4. Accomplishment and gaining of understanding are internal rewards that can lead to further learning development.
5. Experimentation and experience are two essential elements of learning.
6. The curriculum must be relevant to the goals, needs, environment and experiences of the learner and the growth must be measurable.
7. Learning of the concrete must come before learning of the abstract.
8. Learning can be defined in terms of behavior changes to be developed, and therefore the learning and the effectiveness of the instructional strategies can be measured and evaluated.

9. The cognitive skills have been classified and learning experiences prepared to assist in their development.

10. The cognitive skills of thinking are more crucial in today's world than the cognitive skills of remembering.

11. Individual learners have individual needs and interests, and individual rates of physical, emotional and intellectual development.

12. Immediacy of feedback from the appropriate external sources is a positive asset to growth in learning.

Although this is by no means an all-inclusive list, it does include some of the more relevant findings and development of educational theory, and should be reflected in the curriculum and strategies of the practitioners in our school systems.

## CONCLUSIONS.

Using the information from preceding sections, the true tasks of a concerned citizenry and their professionals would seem to be the evaluation of existing and planned educational approaches in the light of

- a. what is desirable -- and should be striven for;
- b. what is possible -- and should be achieved;
- c. what is probable or certain -- and must be accounted for in planning.

How, then, is this to be done? Well that, Gentle Reader, is the rub. It doesn't seem there can exist an answer, only questions, data, processes and conclusions that must change with time, people and circumstances. And perhaps this is what judicial bodies, legislative committees and administrative agencies are all about -- dealing with change. As always, we are the yin and yang, the problem and solution, the beginning and . . . THE END.

## EXPLOITATION OF ECOSYSTEMS BY TRANSPORTATION TECHNOLOGY

By  
Richard T. Myren

As shown in his perfected *Origin of the Species* and theory of natural selection, Charles Darwin understood the importance of natural barriers and coevolution among species and faunas that permitted differentiation of life forms (species diversity).<sup>1</sup> Such insight was remarkable thirty years before the principle of genetic inheritance was known to the scientific world and even before it had been confirmed by Gregor Mendel.<sup>2</sup> The generality of Darwin's conclusion is profoundly significant and basic to understanding effects of modern transportation technology of industrialized societies upon subsistence and more primitive societies. Fueled by cheap fossil-fuel energy resources since the late 1800's, transportation technology has accelerated social change both within and between the industrialized and non-industrialized cultures. With the development and deeper understanding of life-system relationships, i.e., the ecosystem (defined as the relationships between plants and animals and the environment), scientists have begun to identify and understand life systems that include man. The role of modern transportation technology and its relationship to nature are beginning to emerge as the understanding of the ecosystem develops. I will discuss one important effect of modern transportation technology upon less-developed societies.

The cautiousness of scientists in the emerging discipline of ecology is wise for the subject is complex. Yet overcautiousness can occur and can slow or inhibit our understanding. Dr. Robert May<sup>3</sup>, in a brilliant but almost casual insight, observed, in the characteristic cautiousness of a scientist and couched in the form of speculation:

"[Ecosystems] are liable to be resilient under large-scale natural perturbations (e.g., violent tropical storms) with which they coevolved, but vulnerable to apparently minor disturbances of novel kind (e.g., bisection by a road or electric power line)."

His speculative tone here is unnecessary for this observation of ecosystem fragility deserves the status of a general principle for which numerous demonstrable examples exist. A brief reflection upon man's historical past and how he has modified his environment for better and for worse<sup>4</sup> amply demonstrates that ecosystems do not have repair mechanisms for certain kinds of disturbance, particularly for those in which protective barriers and structures are broken and new competition and gene flow occur.

Gray<sup>5</sup> employs a convenient conceptual model for community perturbation that demonstrates the equilibrium and fragility characteristics of an ecosystem and that is appropriate for the barrier and stability processes. Stability means the system's ability to bound back rather than to persist through time.<sup>6</sup> The model is commonly employed to illustrate in the field of physics the principle of stable and unstable equilibriums. In such a model, a small ball at rest and under the influence of gravity (Figure 1), when displaced, will oscillate and return to its resting place (the "basin of attraction") if it does not cross the hump at point C or C'. If C or C' is crossed and an opposing force does not drive the ball back to its initial position, the ball will find a new basin of attraction.

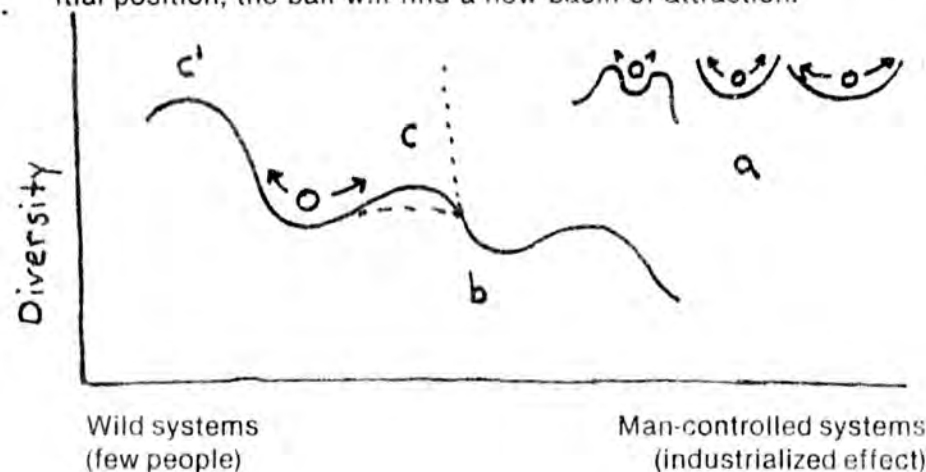


Figure 1. Stability Model. The community is envisaged as a small ball that will return to a new position if the disturbance is too great. From Gray (1979) with axes relabeled.

I have labeled the X-axis (in contrast to Gray's examples) as the gradient between natural ecosystems and ecosystems highly altered by man and the Y-axis as species diversity, i.e., the number of plant and animal species. Figure 1 shows:

1. Disturbances of limited magnitude allow the system to return to the initial rest position until the next disturbance, depending upon the shape of the basin of attraction (Figure 1a) and the disturbing force.

2. Disturbances greater than the height of the valley to the peak drive the ball to the next lower cup. If the ball is in a lower cup, more energy is required to drive it back to a more diverse system than the disturbance that brought it to a lower state and if the hump is still intact rather than eroded (as shown by the dashed line below point C).

3. As disturbances increase, the ball travels toward the right, and species diversity decreases.

The physical analogue of the ball under the influence of gravity and moving to regions of higher and lower potential energy, though less general, is the ecosystem changing in structure and diversity. Disturbances, such as the displacement of the ball, increase diversity beyond the steady-state diversity of the system at "equilibrium." Such increased diversity has been observed in ecosystems and is supported by Huston's<sup>7</sup> general theory of diversity. Consider, for instance, two disturbances: a disturbance for resource extraction in a small rural community and cutting portions of a forest and extracting the wood fiber or other resources. If the basic productivity of the resource that supports the community or forest is not damaged, the system will return to its initial state after some species fluctuate and temporarily disappear from certain areas. The cultural characteristic of the community will change with the disturbance and return to earlier cultural conditions after the disturbance is removed. But neither system will return to its original state if the disturbance is accompanied by a constant supply of energy; for example, the rural community will be prevented from returning to the earlier cultural condition by continual new energy inputs, and the forest cannot return to its original state if intervals between cutting are shorter than the time to reach maturity.

The importation of new energy in our model can be viewed as the force that drives the system to the right, into new states, from the natural and entirely primitive ecosystem towards the ecosystem under the influence of more industrialization. Presently, the primary source of reduced species and cultural diversity is fossil-fuel power. The system will be held at the lower states by maintaining this power input. However, if, for example, the humps at CC' of figure 1 are not eroded (dashed line) or do not disappear (dotted line) when the system moves to the right, species extinctions do not occur, and productivity of the land has not been damaged, then the system under natural energy inputs (sunlight) can begin to move to the left.

There are no longer barriers capable of withstanding penetration by the industrialized society. Distance, ocean, and geographical formation no longer protect the cultural and biological diversity of the islands of southeastern Alaska, the tropics, or less-developed areas of the continents. Apropos to our model, the innovative technology of transportation, not just the relatively cheap energy source, upon which industrialized man depends, is a force of change. However, the ecosystem model differs in a major respect from its physical analogue: different kinds of energy inputs displace the systems. But given the forces for ecosystem and cultural change, rational choices can be made within limits that do not as drastically or permanently change natural productivity and diversity as other choices. For example, given a choice of exploitation enterprises, it would be better in the long term to leave the natural barriers in place than to disturb them. Flying over the natural barriers would disturb them less and would allow the possibility for the system to return to or near to its original state after extractive enterprises terminate. In contrast, a road through the natural barriers would require energy for construction and maintenance, and the road may function as a permanent disturbance long after the resource has been extracted.

In short, transportation technology -- since the beginning of the industrial revolution -- has accelerated man's capability to pierce protective barriers. Such disturbances are slowed in the National Park Service and other resource-protection efforts, backed by laws (such as the Wilderness Act). These resource-protection efforts have resulted from the realization of the need to reestablish the integrity of natural space and geography in the face of man's often blind, mindless, and uncompromising technological shrinking of

space. Such resource-protection efforts are not enough, however, and are presently applied primarily to preserve areas of outstanding natural beauty, uniqueness, or critical habitat, rather than to enhance the general environment of man. It is time that planners and developers in local, state, and federal governments recognize that natural barriers and geography should not be exploited but should be protected and maintained to preserve the integrity, diversity, and uniqueness of man's own environment.

#### Footnotes

<sup>1</sup> Darwin, C. 1859. *On the origin of species*. John Murray, London. A facsimile of the first edition with an introduction by Ernst Mayr. Harvard Univ. Press, Cambridge, Mass., 1964.

Darwin devotes much of Chapter VI to the importance of barriers although coevolution is not specifically identified. Nevertheless, examples exist of Darwin's awareness of the process between species: in particular, his discussion of the relationships between flowers and insects (pp. 91-94, first edition).

<sup>2</sup> The principle of genetic inheritance was known considerably before the publication of the first edition of the *Origin*. Gregor Mendel's initial publication of confirmation of the principle in plant experiments was in 1866, six years after publication of the *Origin*. The scientific world first "discovered" Mendel's contributions in 1900.

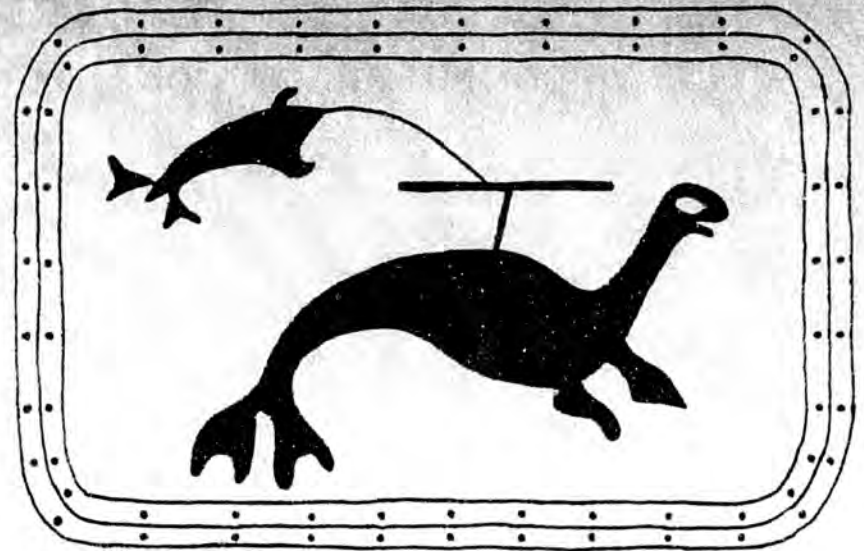
<sup>3</sup> May, R.M. 1975. Stability in ecosystems: some comments. Pp. 161-168 in Van Dobben and Lowe-McConnell (eds.), *Unifying concepts in ecology*. Report of the plenary sessions of the First International Congress of Ecology, The Hague, The Netherlands, Sept. 8-14, 1975.

<sup>4</sup> Allen, D.L. 1970. Historical perspective. Pp. 1-28 in *Land use and wildlife resources*. Committee on Agricultural Land Use and Wildlife Resources, Division of Biology and Agriculture, National Research Council. National Academy of Sciences, Washington, D.C.

<sup>5</sup> Gray, J.S. 1977. The stability of benthic ecosystems. *Helgolander Wissenschaftliche Meeresuntersuchungen* 30: 427-444.

<sup>6</sup> Holling, C.S. 1973. Resilience and stability of ecological systems. *Annual Review of Ecology and Systematics* 4: 1-23.

<sup>7</sup> Huston, M. 1979. A general hypothesis of species diversity. *American Naturalist* 113: 81-101.



## FUTURE SELF-SUFFICIENCY AND ENVIRONMENT PROTECTION

By  
David Stannard

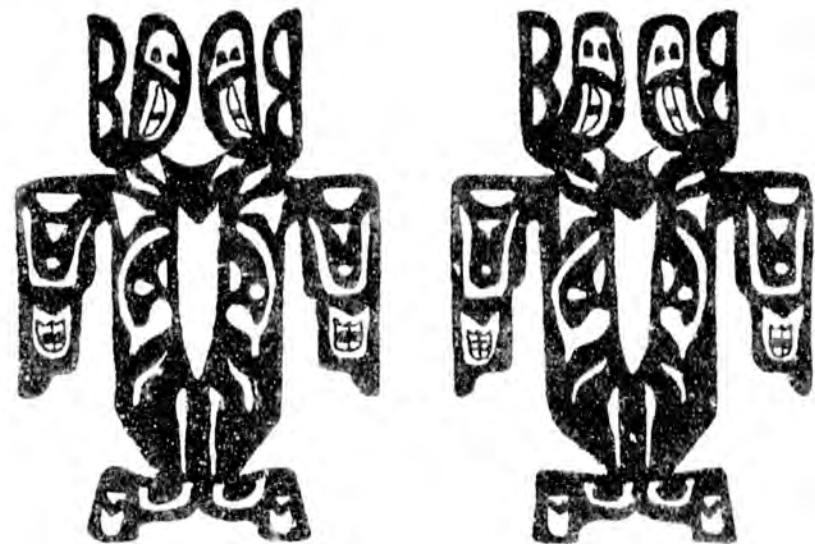
We Americans have long prided ourselves as self-reliant "problem solvers" -- a nation of inventors and tinkerers. As part of that, we also have a long history as arch-individualists and reluctant planners. Thus, when we come up against a "problem" too big for us to rise above and see clearly in perspective, then our "tinkering" does little but give the problem time to grow larger. Therefore, this paper tries to pose "The Issues" in their broadest, most encompassing outline. A comprehensive view may suggest coordinated, mutually-reinforcing ways of reaching solutions that would not appear during piecemeal treatment of our "problems".

Recent reports have pointed out that 97% of the food we eat is brought into Alaska from outside. This is a very impressive statistic, though it is, of course, much more generally true of the towns and cities than it is of the villages. Such extreme dependence on the outside is even more impressive when we reflect that it extends into all aspects of our lives -- in fact, not just food, clothing, housing, transport, communications, etc. It is important for us to see that we are even more dependent on the "software" which we have brought with us -- social, economic, political values and experience generated in other places and imported to Alaska, largely since World War II. These habits and expectations (which feel "normal" to us) seem to be destroying the environment which brought us here in the first place.

In spite of a widespread yearning for self-sufficiency, most of both the "software" and "hardware" we carry with us remains to be tested for its viable appropriateness in Alaska. It would be wise for us to see ourselves and the way of life we have brought to Alaska during the past 40 years as essentially a 300,000-person invasion force on bivouac, equipped first by federal interests and resources, and then lately maintained by trading off the local oil pool. What, then, will this arctic region allow as a locally self-sustaining life

when these two resources dry up during the next twenty years and we invaders, as well as the native population we proselitized, are left dependent on the land and our personal resources?

Perhaps a clue to what the Region will allow can be found in our pre-20th Century Alaskan cultural heritage. Prior to the recent invasion, which the present majority represents, the people lived in a steady-state relation to the countryside for many centuries: cultures evolved into forms highly stable through time and across the continent in arctic regions. Time and human imagination maximized the quality of life sustainable in this environment. Individuals, small family groups, and even villages of a hundred or more persons held forth in places where local conditions or migration patterns provided a food and shelter density appropriate to the size and the character of human community that could be self-sustaining there. Whatever wasn't appropriate didn't survive. Individuals and communities that did survive did so because their way of life was appropriate to local potentials -- their lives were well fit to the recognized local resources.

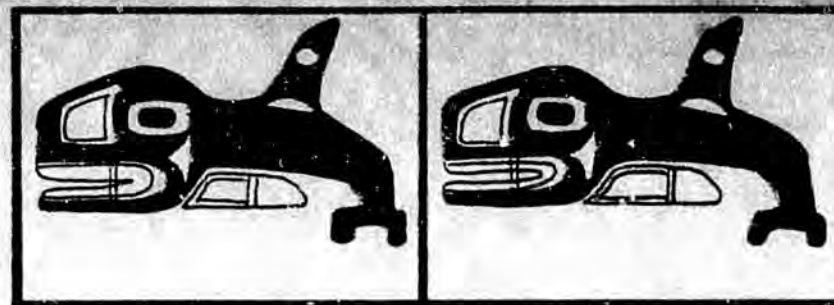


Surely, though, the principle would be useless for suggesting guidelines in respect to political and administrative boundaries, land disposal, transport, capital underwriting, taxation, etc. *unless* highly effective means were developed to recognize and map in elaborate detail the pattern of locally varying renewable resources: food, shelter and energy resources in particular (potential and maintainable). Likewise, in the long view, no one of us is able as an individual to make consistent choices in action -- true to his ideals -- so long as he remains ignorant about the varying character of the land and its maintainable resources. Clearly, then, both personal and social hopes cry out for a comprehensive, integrated, and detailed mapping of the ecological and energetic characteristics of Alaska which need to be maintained.

Of course, a great deal of information gathering is already in progress through a multitude of agencies (e.g., USDI/USDA studies, Polar Research Board, Office of Coastal Management, Arctic Environmental Information and Data Center, etc.). The kind of recommendation to be made here relates not so much to information as to the way in which it needs to be evaluated, organized and kept useful.

Effective *means* of estimating the kinds of human activity that would fit and sustain a particular countryside have already been devised. The question of long-term *utility* of these estimates would depend on the set of reference values used in constructing the density maps -- reference values which themselves would need frequent adjustment through experience. These estimating techniques are basic to the design approach in regional planning used by Ian McHarg, and are beautifully summarized in his book *Design With Nature*. Through these means he and many others have been able to estimate the "carrying power" of land and, by that, to dramatically reduce the negative impact on environment that urban growth typically brings. The techniques are, of course, neutral -- though they have yet to be applied in estimating potentials for regional self-sufficiency based on local, renewable resources.

Even if it were decided to carry out a regional mapping program of the sort suggested here, it could be devised and put to effective use only if the citizenry were equipped with appropriate "software" -- the language, understanding, and values implicit in these means of evaluating our proper relation to the land. Anyone who has lived a



couple of years or more in the ways of an Alaskan village knows that much of the cultural heritage -- the requisite values and intuitions which emerge from this life of fitness to the land remains alive in hundreds of villages. What is lacking in most of us is the appropriate concept, the abstract images, required to make clear these understandings in contemporary terms. Without them, intuitions cannot be articulated. Among many of the schooled generation of villages, who are the hope of grafting the future onto that local heritage, it is easy to see the disheartening effect of impotence in the conceptual language: persons are caught neither crediting themselves nor credited by those of the old -- or the new (invading) -- set of values. The personal and social loss, even now, has been incalculable. The fact is that our future lies with a transmutation of the old with the new, and we will *all* be victims under an avalanche of change if we cannot quickly enough in the future, educate ourselves and our children in the requisite language of ecology and energy flow.

The preceding review focused "The Issues" somewhat, and carried implicit suggestions for action in the political and educational arenas. In these remaining comments I hope to be very explicit.

If it is true that the vanishing oil pools have finally shown us the folly of trying to "master" the environment and urbanize the globe, then Alaska is for the next couple of decades in a fairly unique position: a) in the hearts of its rural population live intuitions and cultural values which evolved congruent with the "carrying power" of the land; b) in its urban population live many people with conceptual grasp of ecological principles and techniques for fitting political action to them; and c) in its enormous, though temporary,

oil pool lies a great capitalizing opportunity to prepare for a new kind of future.

Several immediate suggestions come to mind:

1. A *massive educational program* designed to equip everyone in Alaska with the conceptual language of ecology and energy flow should be devised as soon as possible. This applies, in particular, to the rural population, since they are in a direct, subsistence relation to the land and therefore have the experience and cultural values most needed for articulation in Alaska's future. Programs are needed at every educational level from primary through university to adult, information education. To keep the rural bias of direct experience, and minimize the urban "baggage of expectations", scholarships offered to students of the ecological disciplines should be on priority of years spent in village life. Those from urban backgrounds (populations above about 1,000) could be offered student loan monies with discounts for years spent subsequently in rural life. This approach would put people on the land who are best prepared to fit and sustain its "carrying power" and might reverse the urbanizing bias and trend of growth which is keeping Alaska so severely dependent on "the outside". It would also provide the State with a far more articulate voice contributing value and insight from that experience which has kept close to the land.

2. *Local Resources Centers* should be funded by the State, through the Renewable Resources Foundation, and administered and staffed by the local villages. These Centers would study, test, and promote locally any new devices or means which promised to increase dependence on local resources of the renewable sort for food-shelter-energy, and reduce dependence on outside sources.

3. An *Agency For Renewable Resources Density Mapping* should be budgeted. Statewide ecosystem mapping, including resource-density values built up through grey transparency overlays, could serve a multiplicity of purposes -- and become a crucial reference in decision-making. For example, in Finland the entire government zoning and property tax valuation program is established by mapping plant species suites, each of which characterizes one of several stable "Plant Communities" in that arctic region. A national office of land use and tax assessment (headed by an internationally prominent plant ecologist) develops their use and tax zone boun-

daries by tracing the community outlines of these sensitive indicators of the land's "carrying power".

Such an incessantly updated statewide picture of potential "carrying power", and local environmental sensitivities, would not only provide means of drawing jurisdictional boundaries that were congruent with functional demands of the environment, but should also make it possible to design a land distribution policy much better tailored to the needs and long term satisfaction of individual citizens. People could anticipate and choose their particular part in building a stable, locally resourceful, future for Alaska -- rather than being invited to play the current game of real estate roulette, with more roads and autos and booze required to sort out the resulting chaos.

This is not to suggest that urban concentrations have no place in Alaska's future. On the contrary, the entire purpose of this Agency would be to tease out of our environment that pattern of potential population densities which may be allowed to develop and persist if we know and respect her ways well enough. If a fair approximation of such potentials could be estimated in terms of renewable resources, then it would become possible to rationalize the location of exceptional densities, and stabilize their existence with appropriate trade-offs of regional or outside resources.

4. A *Statewide Conference of Ecologically Concerned Citizens, State Officials and in-State Professionals* should be formed to consider in-depth the possible validity and utility of the preceding suggestion. If Ian McHarg (ecological design consultant) could be hired as a consultant to organizers of the conference, function as Chairman during the proceedings, and prepare a summarizing report and recommendations subsequent to its conclusion, the future of this State would be extremely well served.

No one suggests an Alaskan return to the limits of pre-20th Century life, but the cultural *principle* revealed is extremely important to any healthy society with a long-term future. We can see there a "Principle of Congruence" operating over various levels of the human ecosystem: if the pattern of population density stays congruent with the pattern of *recognized* and *maintained* local resources, a regional culture of stable fitness develops and persists. If, locally, more potential resources are recognized and

adapted, a larger population can be sustained; when local resources are not maintained, the existing population cannot be sustained. Our own 20th Century hope for a much larger stable population in Alaska rests on the possibility that new, far more life-sustaining, local resources can be recognized and maintained: that, perhaps, insight into both ecological principles and the total energy flow will reveal to us a greater "carrying power" of the land.

Obviously, no cultural stability could develop in our own present state where local resources tend to be destructively exhausted and excessive dependence on imported resource tends to go on without regard to ultimate consequences. We, the growing majority, with our baggage of expectations, accelerate the imbalance. In these circumstances, the "Principle of Congruence" could become an essential reference for decision-making in the contemporary political process -- to influence the *character* of judicious statewide development. Since most of us in Alaska find respect for the land, self-sufficiency, and local autonomy as ideals we hold in common, political groups of almost all persuasions should be able to join together in policy-making through agreed upon reference to this concept.

#### SUMMARY

I have assumed that, because of our pride and self-confidence, we can easily afford to step back and examine the excessive "baggage of expectations" and extreme dependency on outside resources that all of us from "out there" have brought to Alaska with us. This bias is built into almost every action we now conceive, and is destroying our future.

I declared that the cultural heritage of the indigenous population still lives, though these values and intuitions which were well fit to the "carrying power" of the land remain inarticulate for lack of the contemporary conceptual language -- and this lack greatly jeopardizes our future.

I suggested a complex of mutually reinforcing actions that need to be taken soon if the future pattern of our lives is to spread out into congruence with all the sustainable local resources.



## LETTER REGARDING HYDROELECTRIC POWER

By  
Fermin Gutierrez

For all practical purposes I believe that the State has overlooked one of the largest and most important sources of energy in Alaska, that source being water. I believe that under the Statehood Act, Alaska should be using a portion of its land entitlement in selecting every practical hydroelectric site it can lawfully select, along with the necessary corridors, and where applicable sufficient acreage at tidewater to support industrial complexes. There are those that will argue that the State should not waste its land entitlement selecting hydroelectric sites as most have been classified as such by the Federal government and are available for development. Such might be the case today, but what is to prevent the overzealous bureaucrats from determining or legislating the hydroelectric sites in Alaska into wilderness areas or the like? If someone tells you it cannot happen, please call their attention to Grace Lake in the Ketchikan area which is classified as a Federal powersite now within the Misty Fjords Monument.

There is no reason why Alaska's hydroelectric potential should be dependent on the whims of the Federal government if we move now. Outright selection of practical hydroelectric sites by the State will prevent future Grace Lake episodes, and keep the Federal government from beating Alaska to death with a technical whip.

You have on numerous occasions expressed your concern that a healthy portion of our new found wealth be set aside as a cushion against the time our oil reserves are depleted. I share your concern but do not believe that we have looked far enough into the future. In addition to banking a portion of our present wealth, the energy we are exporting in the form of fossil fuels must be replaced lest we export Alaska into energy extinction.

I question the advisability of Alaska having billions of dollars in the permanent fund and little or no energy. Even with my limited

knowledge of economics, it is quite apparent that unless Alaska commits itself to the development of its great hydroelectric potential, the oil exporting nations will in due time have the Alaska permanent fund in their coffers, and they will get it at a faster pace than we saved it when you consider that in the future we will in all probability be paying in excess of ten times more for a barrel of oil than what we sold it for.

I would like to advance a concept wherein I believe the State can retain a permanent fund, provide a non-depletable source of energy, reduce the cost of living for Alaskans, and provide a perpetual source of income for the State Treasury.

I propose that the State of Alaska get into the energy business by constructing hydroelectric projects which would be owned by the State. The projects could either be leased back to those utilities capable of operating same or be State operated. If required, the State would invest the necessary cash in the project, and sell revenue bonds to cover the balance of the costs. The Green Lake Project presently under construction here in Sitka can be used as an example. Let us assume the Green Lake Project were being built by the State under the same financing scheme Sitka used (although I am confident the State would receive more advantageous terms). The State puts up \$8.5 million and sells \$54 million in revenue bonds for the balance of the project costs. The State determines that it wants X number of dollars paid to it in perpetuity based on the cost of the project or whatever other formula the State might want to use. The annual payments from municipal or private utilities go into the State general fund in perpetuity.

Based on the foregoing example the State would have put up 15% of the costs and brought into Alaska 85% outside money -- not too shabby. In the case of the Green Lake Project, the municipality paid an effective interest rate of 7.3% over the life of the bonds, and there is no doubt that the interest rate would have been 6% had the State issued the revenue bonds. The difference in the cost of interest paid by the municipality over what the State could reasonably have been expected to pay is in excess of \$28 million. The savings could be passed on to the consumer or make the State investment that much more attractive.

## ALTERNATIVE TRANSPORTATION

By  
Allyn Moore

The reality of change in our society, culture and life style encumbers us all to join in the united effort to assure that change is not our master but that we are the master of change. Never before has the need for future vision been more evident and never before has a government been blessed with a greater abundance of natural resources to achieve its future goals. With the proper investment of our present surplus funds, the often articulated economic base for Alaska with employment opportunity for all Alaskans is within reach. Without dwelling on its imperfections, it must be realized that we live in an industrial society and derive most of our amenities from this source. The prime generator of the wealth that supports a self-perpetrating economy are manufactured goods. Alaska today is heavily dependent on the extraction of a finite fossil fuel for her economic well-being. As our oil fields decline we must be prepared to shift our dependence on oil to another more secure source of wealth and energy. The prime requirement and limiting factors of any industrial society are the availability of an ample supply of raw materials and an inexpensive supply of power. Fortunately, Alaska has an abundance of both raw materials and a potential in her water resources for virtually unlimited power. My vision of the future is a state with inexpensive, abundant, clean, secure and everlasting supply of hydroelectric power. This, coupled with the proven incentive of a realistic tax structure will permit the free capitalist segment of our society to provide the future jobs and wealth that will propel us with a greater measure of security into the 21st Century. My vision also includes the extensive use of electric cars for our short range transportation needs. Alaska's small cities with their limited network of road systems and with the availability of abundant electric power could solve forever our short range transportation problems. I would also like to voice my negative opinion on the building of roads for our long range transportation needs. As the cost of petroleum increases, also the cost of moving freight and people on interstate highways will

become prohibitive. The initial high cost of new highway construction and limited capacity for these systems to meet our future needs leave this form of transportation with a severe handicap. Include also the philosophy that all public funded projects should be approached with the goal of enabling all Alaskans to participate equally in their benefits and with the escalation in the cost of private automobiles and the petroleum products to operate them, and many Alaskans in the lower income brackets will be prohibited economically from utilizing the very roads their tax dollars would be financing. With that thought in mind, my vision is of a modern railroad system to serve with less expense and with a greater degree of reliability and speed our interior long distance transportation needs augmented by an expanded and modernized ferry system serving our coastal regions. To facilitate these goals, there must be a political commitment by our Legislature to structure and fund the departments necessary to make Alaska an energy autonomous state.

We are indeed fortunate to have available the natural resources, along with the necessary funding, with only the commitment and will remaining to be invested, which I am confident exists in abundance within our human resources. It is fitting and appropriate that Alaska, the Great Land, should also pioneer the creation of the future society that inexorably will come to pass. My hope is that its structure will be of our own volition. I would like to thank the Future Frontier Conference for enabling these and all other thoughts on what will become our most pressing problems to be presented.



## REGARDING RAILROADS

By  
Jose Peguero

Alaska needs railroads, and the railroads need Alaska, but most important, Alaska's rate of growth may depend on rail cargo transportation; and planning as well as investing for cargo freight from Canada and the lower 48 is vital now.

We cannot talk about Alaska without mentioning the Alaska population. That population is along the railbelt. The Alaska population boom will keep unfortunately along the railbelt. For whatever reason, the Federal Government is not going to open up the land. If the Federal opens the land, the railroad is the cheapest, fastest, and most efficient way to open that land.

It is more than utopian to think that the Federal Government will contribute to extend a railroad link from Alaska to Canada, when the Federal does not want to open the land now. In order to push the Federal against the wall to open the land, the state has to take concrete measures, to start building by its own effort and resource the railroad link. That will give a very good idea to the Federal, where the state is coming from. If the most important problem for the Alaskan is to open up the land, we should forget about capital move, in which Alaskans are split, and start concentrating on the railroad.

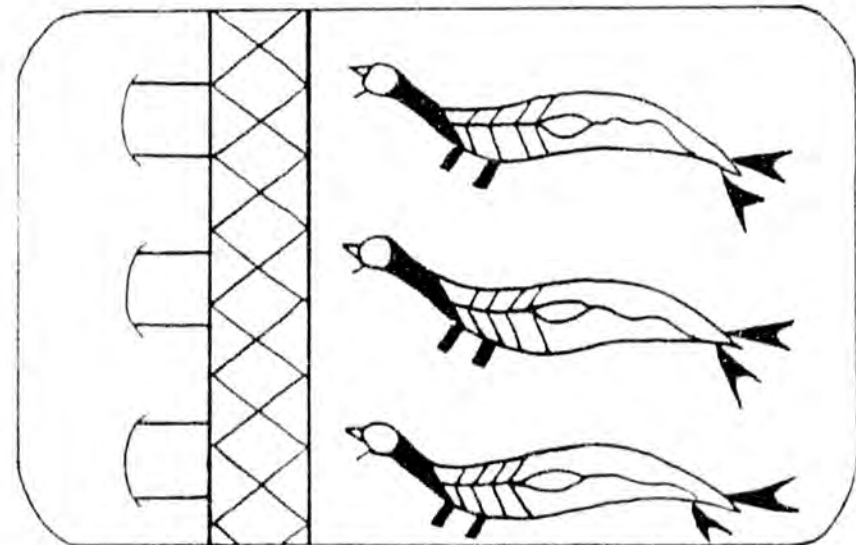
Without a railroad line that link us to the lower 48, no mining will take place in Alaska. Without mining, there are not too many reasons to open up the land. No private investors group will start to build a railroad without giving to them the traditional so many acres as a grant along the entire line of rails. Nowadays, far from the railroad tycoon's age, nor the state, neither the Federal is willing to give such a grant.

The railroad has to keep running in order to make per ton/mile costs meaningful. A railroad to be profitable MUST be interstate.

And the same applies for almost any means of transportation, shipping, airline or trucking. And the more combinations there are of all of them not excluding the railroad, the more benefits to everybody, mainly the consumers.

I think behind the government regulation and project lay not a big brother brand of creeping socialism, but always a private vested interest. Unfortunately, or fortunately, we do not have enough private vested interests. Otherwise, we will have seen not just one, but a few railroad links to Canada and the contiguous lower 48. After so much hearsay by everyone in Alaska, the only one that have suited the Federal Government is a mining company. With so many diversity of private vested interests. Behind environmentalism, such a company looks like David and Goliath.

I propose that we should forget about the capital move and concentrate in building a railroad link to Canada and the Lower 48. Because the benefit will be greater to the railbelt area without harm to the southeast.



# ALASKA UTILITIES ASSOCIATION

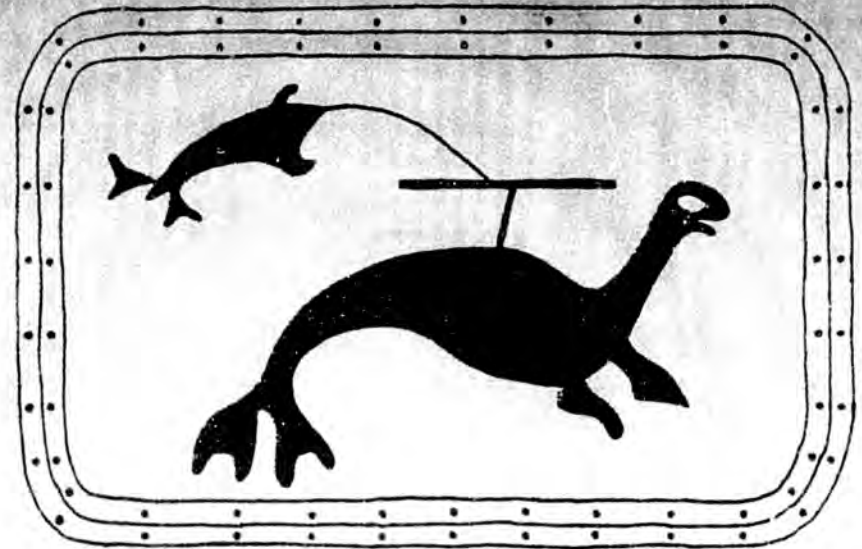
By  
Thomas M. Peetz

We would like to suggest to the Future Frontiers symposium that consideration be given to providing a loan fund for all utility companies both publicly and investor owned, operating in Alaska, particularly the smaller utilities. There were 211 certificated utilities in the state as of December 31, 1978. Of this number, only 21 had gross revenues in excess of \$1,000,000, and only 11 had gross revenues in excess of \$5,000,000.

The greatest problem facing utilities in Alaska is the difficulty in obtaining financing that has a term comparable to the life of the asset being acquired. In almost all cases, smaller utilities are limited to bank financing of 5 to 7 years maximum, even though the asset may have a life expectancy of 30 or more years. The utility, of course, is required to depreciate the asset over its useful life, not the life of the loan. The result is similar to someone buying a house. Instead of being given a 30 year mortgage, the homeowner is given a 5 to 7 year mortgage, but because his "family" is increasing, he is also expected to make additions to his house every year. That is the experience of a utility operator today. Although we are now in a temporary slow growth period, future demands for increased and expanded services are anticipated.

Utility operators are basically "cost-plus" contractors. Their costs are submitted to the Alaska Public Utilities Commission, and after due process a rate is established. Included in those costs is the cost of capital. Although it is of greater concern to the utility companies to obtain a more realistic term (time period), if the state desired to make loans to utility operators at a rate lower than market, the savings would accrue to the rate-payer, since the cost of service is now lower.

Our proposal is to create a procedure whereby utilities, both public and investor owned, could obtain monies from the perma-



nent fund with a term to coincide with the estimated life of the asset being acquired, with a maximum term of 25 to 30 years. To reduce administrative costs, perhaps a bank's participation in a portion of the loan would be desirable. The utility would be responsible to show it could repay the loan. The major advantages to this proposal are:

1. The money is spent in Alaska by Alaskans for the providing of vital utility services.
2. Utilities which are forced to make purchase decisions based upon the lowest acquisition cost could now evaluate "lifetime costing". A sound procedure not available to those who do not have access to reasonable financing terms.
3. There is an opportunity to reduce the utility's cost of capital, hence its rates, to the Alaskan people, if the legislature wishes to make loans at a reduced rate of interest.

We would be willing to meet with this group, or any other legislative group at any time. We feel Alaskan utility operators provide vital services to the people of Alaska and that the legislators need to understand their problems.

## BUY ALASKAN COMMITTEE

By  
H. Lamar Gray

The Buy Alaskan Committee is dedicated to promote Alaskan Businesses to Alaskans. Unfortunately, Alaskan Businesses are in a bad state of affairs, as is graphically illustrated by the following:

1. High unemployment
2. Record numbers of business failures
3. Slumping real estate sales
4. High business space vacancies
5. More families moving out of the state than into it

One of the solutions to the problem is for ALL Alaskans to purchase goods and services within the state whenever possible. When we say ALL Alaskans, we definitely include state and local governments.

Right now, the State of Alaska is legally spending tens of millions of dollars for goods and services outside of the state, which could and should be spent in Alaska. We would like to emphasize that these purchases within the state would support payrolls, inventories, warehouses, office space, vehicles, and taxes of all types.

While we realize that some goods and services are not available locally, the large majority ARE available on a very competitive basis right here in Alaska.

Several state agencies are also abusing their purchasing regulations by specifying "sole source" and "convenience" purchases that are not within the bounds of the law. Several of these instances have appeared in the newspapers recently.

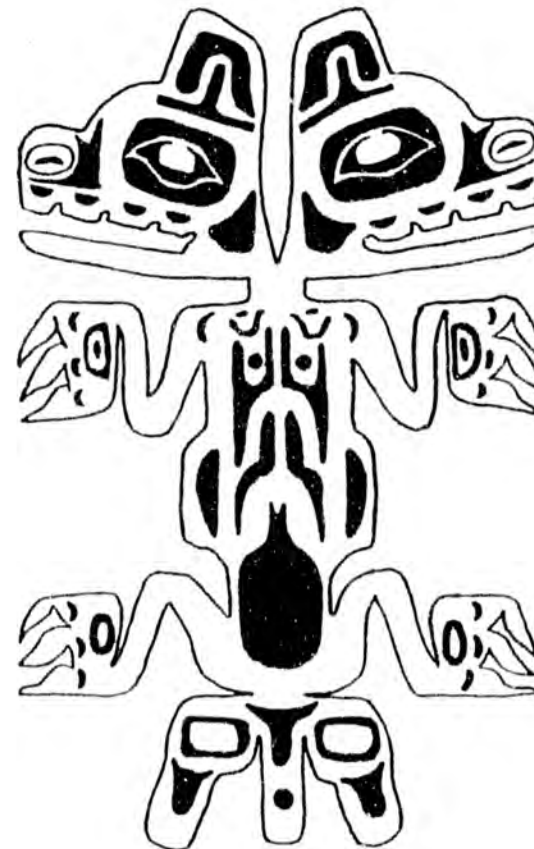
A very good bill already exists that would correct many of these problems. Last year Senate Bill 114 was approved by the Senate by

a margin of 17 - 2. The bill now rests with the House of Representatives Finance Committee.

We were hopeful that the bill would be approved by the House during the 1979 session, but the last minute rush to pass the budget prevented the bill from being considered.

Gentlemen, we urge you to support and promote the Alaskan Businessman through Senate Bill 114. The sooner the bill is passed, the sooner the Alaskan business community and the citizens of Alaska will enjoy the benefits of doing increased business with the State of Alaska.

May we count on your support?



## ALASKAN MINERALS

By  
Thor Brandt-Erichsen

In response to your call for "papers" dealing with Alaskan issues worth addressing, the status of mineral development, its contribution to providing employment and a program of evaluating the economic potential of Alaska's mineral wealth in a cost-effective, timely manner comes to mind. To be specific, for the purposes of this paper, mineral development pertains only to the exploration, extraction and utilization of naturally occurring metallic and non-metallic mineral substances, excluding hydrocarbon constituents of the earth's crust.

Historically, at a time when modern day geology, geophysics and geochemistry were yet to emerge as scientific tools for mineral development, Alaska presented a romantically enticing place to forage for gold, when the price was less than \$20 per troy ounce. The history of gold mining in Alaska is rich in the tales of men enduring the hardships of life in a primitive setting, when transportation of supplies and machinery entailed months and years of endeavor instead of our air freight methods used today.

Life styles, scientific methods, and mineral prices have changed markedly since those historic days of mining on the beach in Nome, in the Iditarod district, at Kennecott and in the many other mineralized areas of common knowledge throughout the state.

As a matter of record, Exhibit A, attached hereto includes a summary of "Trends of mineral production of Alaska, 1890-1939" from U.S.G.S. Bulletin 926-A, "The Mineral Industry of Alaska in 1939," as well as a figure depicting "Annual value of all mineral production—Alaska 1900-1965" from State of Alaska Department of Natural Resources, Division of Mines and Minerals Report for the Year 1965.

As an 18-year resident of Alaska, I have personally witnessed our population growth as well as economic changes; the growth in the

metallic mineral mining industries has not paralleled the state's growth in other areas. It is my opinion, based on 18 years of observation, that Alaska represents a storehouse of mineral wealth large enough to provide the Lower 48 states with raw materials to keep their economy rolling along, despite mineral shortfalls elsewhere in the world.

Repeatedly, I have asked myself the question: "If Alaska has this mineral wealth, why are there not more active mining enterprises providing employment for our citizens and helping develop a self-sufficient, stable economy in Alaska?" The only answer that comes to me is that the proper environment, incentive and utilization of available knowledge is not currently being provided by the Alaska Legislature.

Problems in the area of mineral development have been well publicized. Currently, the most difficult area deals with land ownership, the D-2 issues and environmental vs. development considerations. It seems foolish to me that the land issue has ballooned out of proportion, when parties concerned with the issues have not inventoried the land on a broad and detailed basis as to its mineral composition and potential for economic mineral development.

The earth's crust is basically composed of only nine elements—namely oxygen, silicon, aluminum, iron, calcium, sodium, potassium, magnesium and titanium, which all together represent 99.25 percent of the rock globe we call our world.\* The 3/4 of one percent of the crust remaining represents all the other elements available to man. My view is that 3/4 of one percent of the rock mass in Alaska is of vital economic value to mankind, and particularly to United States citizens and Alaska residents. Therefore, I feel it is urgent that a complete geological inventory is undertaken throughout the state at the soonest possible time.

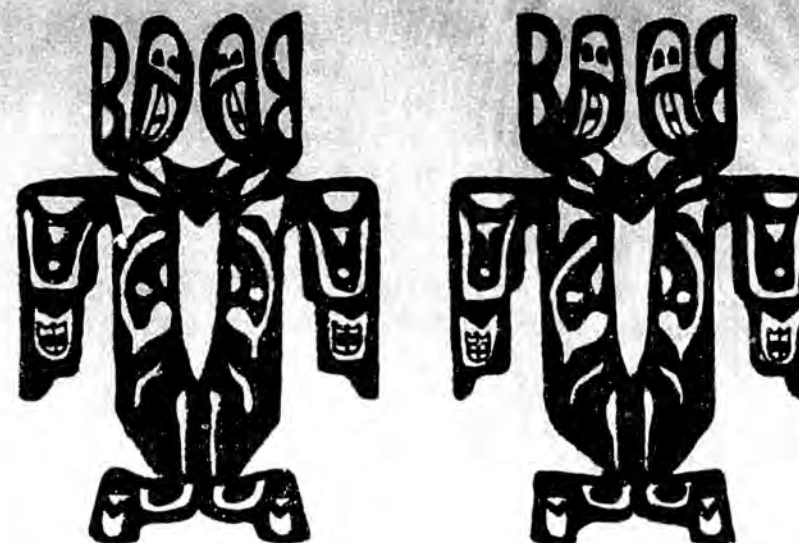
Since private industry has shown a reluctance to pursue this endeavor due to lack of economic incentive, and the federal government seems more anxious to dwell on hydrocarbon resources within Alaska's borders, while environmentalists would prefer not to learn the truth about economic values at stake in the vast Alaska wilderness, the result has been a continuing lack of precise knowledge in the area of Alaska's economic mineral potential.

As a solution to this problem, and an aid toward expediting the pursuit of a realistic assessment of Alaska's land, I propose that the Alaska Legislature proceed to set up a corporation for the purpose of carrying out mineral exploration in the State of Alaska, with the right to participate with others in mine exploration and development, and to participate in bringing properties into production.

The organization of this corporation should have a guaranteed annual budget from the Alaskan Legislature in the neighborhood of 2 or 3 million dollars per year for a period of at least ten years. Future production agreements could undoubtedly repay this venture capital.

This is not a new concept. The provincial government of Quebec formed such a corporation in 1965 under the name "Quebec Mining Exploration Co. (SOQUEM)" and has continued to this day with marked success.\*\*

With this approach, the vast exposures of precambrian rock in Alaska could be thoroughly examined through geochemical means, as well as more detailed exploration of the mineral-rich provinces in the state that have yet to see diamond drill core sampling beyond a depth of 200 feet, when Outside there are active mines that go well below 800 feet below sea level.



This proposal is presented with the hope that a detailed examination of its potential will be immediately undertaken by our state legislators in an effort to pursue the future of a self-sufficient, viable economy for our state.

My interest and expertise in the area of mineral exploration is derived from the study of geology at the University of California at Santa Barbara and more than a decade of prospecting in the Alaska bush.

#### References:

U.S.G.S. Bulletin 926-A, The Mineral Industry of Alaska in 1939, by Philip S. Smith

State of Alaska Dept. of Natural Resources Div. of Mines and Minerals Report for the Year 1965

\*The Principles of Petrology, by G. W. Tyrrell, E. P. Dutton & Co., Inc., p. 46

\*\*Canadian Mines Handbook, pub. by Northern Miner Press, Ltd., 77 River Street, Toronto 2, Ontario

## MINING IN ALASKA

By  
Dick Swainbank

### INTRODUCTION - HISTORICAL PERSPECTIVE

By 2000 B.C. a flourishing trade existed across the Mediterranean between the Phoenicians and the Britons. The back-haul was tin. In Cornwall, the early Britons dug shallow pits into placer accumulations of cassiterite and with little capital investment produced the commodity so much prized by the traders. In the Middle Ages, the Cornishmen were digging shallow pits on the vein sources of the placers, and by the late 18th century and early 19th century, the scattered landholdings were being consolidated into well-managed mining ventures which followed the tin veins to depth. Today some of these veins are still worked, using modern mining methods at greater depths than was formerly possible. Metal such as molybdenum and tungsten for which there was formerly no use are also extracted.

The Cornwall area has a recorded history of some 4000 years of mining, and during the heyday (about 1800-1914), in excess of 2 million tons of metallic tin was produced, worth about 32<sup>1</sup>/<sub>2</sub> billion dollars at today's prices. Thus tin mining in Cornwall was no boom and bust operation. Today, Cornwall is still one of the most scenic areas of the British Isles.

Similar histories can be documented for most of the world-renowned mining camps such as Central Sweden, Central Europe, Mexico, and the Andean Region.

At the beginning of the 20th century, mining was already in progress at many camps in the Rocky Mountains, such as at Leadville and Urad (Colorado), Bingham (Utah), Butte (Montana), and many others. The mining was small scale, for high grade veins and replacement bodies of ore, with a high value for small volumes. In

1899, a young mining engineer, Daniel C. Jacklin, proposed to mine the low grade copper ore at Bingham and almost the whole of the mining and financial world thought him insane. In 1904, the first year of operation, the mine, now the Bingham open pit, made \$200,000 profit. In the 75 years of operation the mine has produced more than 22 billion pounds of copper, 10.5 million ounces of gold, 525 million pounds of molybdenum and 95 million ounces of silver. At today's prices, the market value of this bonanza would be \$32 billion.

Within a year or two of the start-up of the Bingham Pit, numerous other open pit copper mines were started and many are still being mined 75 years later. Major mines now exist near the sites of some of the old vein mining concerns -- the Anaconda Mine at Butte, Montana; the Climax molybdenum mine near Leadville; the Henderson Mine at Urad. A recent discovery of high grade ore near the Bingham open pit -- the Carr Fork deposit -- promises to extend the mining life of the area considerably.

As in Cornwall, the history of these mining districts progressed from one or two-man operations, to consolidated holdings of a minor company, to large operations with each step requiring greater amounts of up-front financing, and each able to work progressively lower grades of ore.

### MINING IN ALASKA - HISTORICAL PERSPECTIVE

Around the turn of the century an overflow from the Yukon goldrush crept over the border in Alaska. These prospectors had arrived in the Yukon to find most of the placer ground staked, and they sought their fortune elsewhere down the Yukon. The gold placer camps in the Fortymile and Circle-Central were founded, and the operations began with one or two men, with little or no capital, working their chosen creek. Some walked over to the Ophir Creek diggings, and then on down to the site of Fairbanks to seek provisions. The great Fairbanks mining district was discovered. As the best ground was taken, the residue moved on. New mining districts were found and new "rushes" to these areas occurred. Most of the placer mining districts had been discovered by 1920, and by then the consolidation of the holdings had begun, though even today family operations feed possibly six hundred families in Alaska.

The consolidation of the placer ground led to dredging of the lower grade gravels by companies such as the "F.E." in the mid-1920's. These operations, under the names USSR&M, UV and Alaska Gold continue today with an almost continuous 50 year history, hardly "boom or bust."

Lode gold was mined near Juneau from about 1880 to 1942, with about 7 million ounces production and a direct employment of more than 1000 persons. Except for government, few operations employ as many people today!

Thus, gold has, by and large, been the mainstay of mining in Alaska, though the great copper bonanza at Kennicott, which produced 1.2 billion pounds of copper and 9 million ounces of silver between 1907 and 1938, and the ongoing coal mining at Healy cannot be ignored. Minor production of antimony, mercury, lead, zinc, tin, platinum, silver and barite have in the past contributed to the Alaska economy, but the operations have all been characterized by relatively little capital investment, and should still be considered in the pre-consolidation phase of the historical development of a mining district in a worldwide context.

In the early 1960's a new phase of mining began with the general availability of air transport, particularly helicopters, and the perception by major mining companies that only in frontier areas could ore deposits still be discovered near the earth's surface. The new impetus was helped by the interpolation of mineral zones in Alaska between known deposits in the Yukon Territory and Siberia, and with the discovery of interesting copper mineralization at Bornite. Exploration monies began to flow to Alaska, which was perceived as relatively stable in a political sense, and a good bet for the expenditures. Since then the type of commodity sought and the type of deposit (e.g., porphyry or massive sulphide) have changed in response to price fluctuations in the commodities market, but today exploration produces seasonal work for about 2000 persons and introduces about \$70 million in new capital to Alaska.

#### **MINING TODAY, A COMPARISON**

In the Yukon Territory, the Cyprus Anvil Mine, 350 miles from tidewater is as remote as anything in Alaska. The deposit was

discovered in 1953, and mining began in 1969. It has a projected 15-20 year life and presently contributes 40 percent to the economy of the Yukon. Some 350 families derive their livelihood from the operation.

A review of the Yukon and Northwest Territories shows that the annual per capita income from mining is \$8,000 and \$6,300 respectively, and that the average number of people employed in the mines is 160 and 190 respectively. Canada-wide, the number of people employed in 50 open pit and underground mines ranges from 10 to 670 persons, with an average of close to 200.

The geology of Alaska indicates that it has the same potential for mineral occurrence and mining as does the Yukon Territory and the Siberian area of the U.S.S.R. In both the U.S.S.R. and the Yukon Territory, the U.S. Bureau of Mines has indicated 31 or 32 prospects of merit. In the Yukon Territory, 8 mines are presently working. Within Alaska, some 236 significant mineral deposits have been identified, and a map was compiled by the Northwest Miner's Association with significant help from all portions of the industry in an unprecedented cooperative effort.

It is important that Alaska take the next step in the historical development of a mineralized area if mining is to be considered anything other than a scenic nuisance.

#### **MINING IN ALASKA - THE FUTURE?**

It is vitally important that a decision be made at the highest levels of State Government in the near future as to whether or not mining will be accepted as a welcome neighbor in the State.

Alaska is only a small part of the world, and exploration monies scheduled for Alaska are being diverted because of two major factors. The first is land withdrawals. It is obvious that without considerably less compromise on the part of the State, the Federal Government is going to withdraw from mineral development (i.e., appropriate) some 80% of the "significant mineral deposits" mentioned above. More worrisome to investors is the perception that if the State itself is apathetic towards mineral development, as evidenced by land classifications barring mineral location, by selection of mining districts for land disposals, by numerous

overlapping restrictive regulations, by leasing proposals, and by the proposed creation of parks in former mining districts.

The second dis-incentive to expend exploration dollars in Alaska falls under the general heading of "taxation." Why would a company expend several million dollars in exploration for a deposit when the stated Administration philosophy is that "Minerals belong to all the people." The general attitude to that Marxist philosophy is to explore elsewhere. It is of interest, in this regard, that the proposed leasing bills, HB's 410 and 420, were drafted by a highly regarded advisor to the State Administration, who is now considered to be a "most valued member" of the Alaska Coalition.

The experience of the oil companies in Alaska, whose successful efforts are penalized by ever-increasing taxation, is also viewed with alarm in mining circles. Only if the numerous failures can be recompensed by a successful venture will exploration capital continue to flow. Monies scheduled for British Columbia were diverted to Alaska in 1973-76 until their Marxist government, with their punitive taxation, was finally ousted.

The Stanford Research Institute Report has been widely quoted, and the seven mines identified as being most likely to produce in the next ten years -- Lik, Arctic, Eagle, Green's Creek, Quartz Hill, Picnic Creek, Bohemia Basin -- are well known. If these deposits were to be mined, they could produce 9,500 new jobs in Alaska and add new monies to the amount of \$1 billion annually to the economy.

More important would be the momentum generated, and the incentive to further explore whichever of the 240 "significant mineral deposits" remained at that time outside of the National Parks and Monuments. It is therefore extremely important that the State of Alaska and the Congressional Delegation begin to recognize that there are not *only* seven mineral deposits, but maybe as many as fifty or even one hundred.

The Quartz Hill deposit appears to be "World Class," and as such, is likely to have a mining life of 40<sup>+</sup> years, and perhaps, like Bingham, up to 100 years. Several hundred people will be employed, *lifelong*, if they wish. It is this kind of stability in areas other than tax funded government which Alaska so desperately needs. Once

Alaskans are trained for the jobs, it is unlikely that an influx of workers will arrive to work a 40-hour week, and so the boom-and-bust cycle could be dented, if not broken.

The S.R.I. report also notes that less than 0.2% of Alaska would be disturbed by mining, and the historical perspective of mining would support that contention. What higher use, even if no revenue were to derive to the State, would one-fifth of 1% of the land have above a stable future for 10,000 Alaskans? This future could be ours with little or no impact, except on one or two of the 5,000<sup>+</sup> anadromous fish streams in Alaska.

If these dreams are to be realized, then the State must begin to look upon mining as a desirable co-equal partner in the economic framework of the State. There must be a cessation of the attitude that taxes derived from oil and mining should be used to subsidize only forestry, farming and fishing. Finally there must be a realization that profits from oil and mining are different by orders of magnitude, and that the production cycles of the two are incomparable.

#### INCENTIVES TO MINING IN ALASKA

The most important incentive at this time is a solid statement that mining is viewed by the Administration of the State of Alaska as a desirable industry.

Several other incentives can be offered -- a reduction in the mining license tax in return for concessions from the mining companies would be viewed positively. Such concessions might be agreements to produce in a timely manner, to train and hire local persons, to return a portion of "windfall" profits to exploration in Alaska, to add "custom" treatment facilities to standard plant, or to provide infrastructure to operations other than their own.

A definite incentive would be to restructure, with little or no additional hiring, the Department of Natural Resources. A full Department of Minerals and Energy Resources could be split out from the D.N.R., and by use of people presently employed in other sections, would form a knowledgeable nucleus with the welfare of the industry at heart, rather than a tolerant attitude as at present. The Division of Lands would have their fundamentally important func-

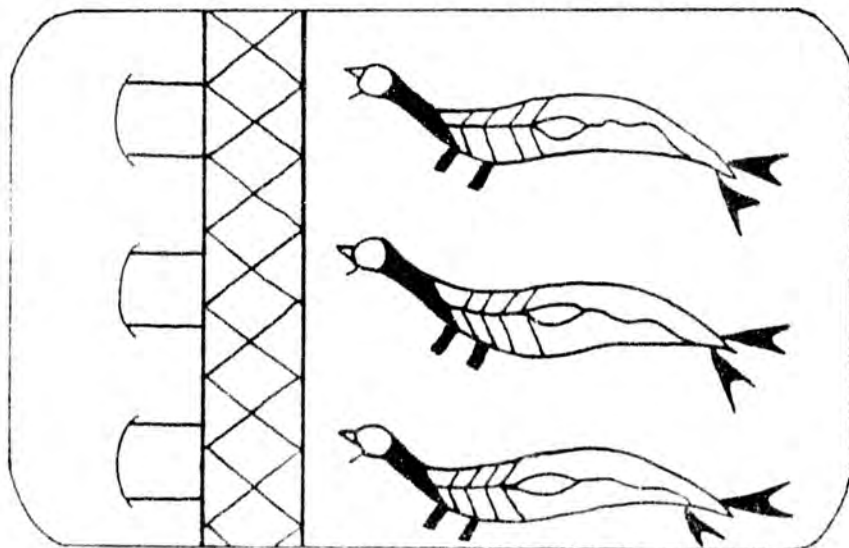
tion reassigned to an Alaskan Lands Commission. A suggested organization chart is attached.

Though unpopular at present, consideration should be given to infrastructure, particularly transportation, subsidy by the State. Such investments have, by tariff charges, paid for themselves with dividends in Canada.

Basic data generation by such bodies as the Division of Geological and Geophysical Surveys, and the timely publication of the same, should be encouraged by the State, either by mandate or increased funding.

Consideration should be given to prospector and drilling or transport aid through some form of loan or assistance, since many mineral deposits later developed by major companies are discovered by the individual prospector.

Adoption of some of these suggestions would indicate to the mining companies that Alaska looks toward them as responsible and welcome partners in the future, and would help offset the decline in exploration activities which is certain in response to the present taxation policies and land withdrawals.



## REGARDING LOCAL MANUFACTURING

By  
John Nystrom

First I would like to express my appreciation to the sponsorship of "Future Frontiers" by the State Legislature, the Chairmen, Senator Hohman and Representative Meekins, the Delegates present and of course an invaluable staff to ingest this task and putting it into a functioning product.

It is with great need that a huge and diverse country, with so much natural and human resource, have a forum Review over such rapid strides since statehood. And to project and plot some of the best courses possible for our immediate benefit and to those Alaskans yet to be.

My thirty-five years in Alaska have been exciting and fulfilling. I have traveled to at least 90% of this tremendous country and have lived in all the climatic zones with the exception of the Arctic Slope.

I have arrived at a few conclusions, and will do so given this Forum opportunity.

First, I highly recommend to the Alaska State Legislature that it form and fund with impetus a Blue Ribbon (panel) Committee to study certain (viable) resources, labor, markets-State, National, International for *Manufactured Alaskan Products*.

The flattening local, and national economy is something of a reminder (Anchorage) of being back to the pre-pipeline days, where nearly half of the local economy is generated by Government programs and jobs. This is often the continual case throughout the State.

To some extent this has been counterbalanced with great sales of raw-resource, fish, timber and now a strong state income on sales of crude oil.

Herein lies the problem, there simply is not a "middle level", that can insulate us against permanent disabilities of sale of non-renewable resources including the permanent exclusion of vast amounts of land to the use of Alaskans. Monuments are definitely an example of non-use resource or otherwise.

We certainly conform to the prevailing opinion of ecological use maximizing our preservation of the natural environment, but to our absolute exclusion?

I do know what the lack of controls can leave and as a youngster played among the desolate tailing piles of the gold fields and the copper pits of Kennecott, to name a few.

Again Alaska's contribution to the Gross National Product is indeed a peculiarity among the fifty states, basically hostage by small population and vast resource.

We simply manufacture little or nothing.

We leave it to economists who say labor is too expensive.

We leave it to entrepreneurs who wind up making the immediate dollar, retailing from national outlets.

We leave jobs, jobs-as catch phrases for political candidates or office holders as campaign fodder, but all too often basic development plans are lost in the workload of the Legislature.

I just simply believe that our degree of technology, computer wizardry and the strong Spirit of Alaskans is falling far short of the challenge.

It has become a "state of mind", well "this certain product is being shipped in by Sea-Land or Tote carriers." Self-sufficiency of good Alaskans certainly sounds good but just isn't there in the material sense.

Well I feel we are sitting on this one.

The Nordic countries with numerous costs are simply more productive and spirited to these ends.

It is manifest for us, writing Alaskan history, a state moving into its third decade to produce hand-machine made goods, rather than bear such a tremendous raw resource outflow.

Please, we must examine this and put it to resolve, before the state and private sectors.

I would like to represent one other position briefly here. That is the possibility of redistribution to Alaskans in some form a "wind-fall" royalty from Alaskan crude oil.

The Governor's office has been in a "huddle" and criticized with regard to discontinuing the state income tax, or a viable tax credit (energy) to Alaskans.

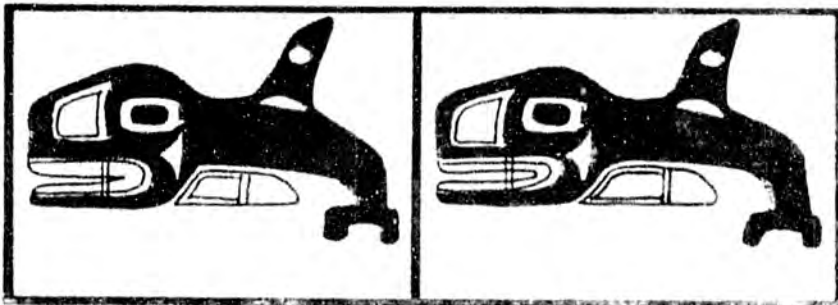
I urge that an Energy Tax Credit be put on line on a sliding scale.

The Alaskan home owners would be receiving the maximum tax credit benefits and renters, lessees and down the line.

We must consider the homeowners as a prime target of energy tax credit. They support ultimately the many services that comprise our many cities and towns statewide. Consideration may also be given to the length of residency and home ownership such as given to Alaskan pioneers.

Again, I cannot emphasize enough, giving the Alaskan homeowner a strong incentive in an energy credit not solely on energy used, but *saved!*

Perhaps there will be a chance to expand on this during the Forum. Thank you.



## AN AGRICULTURALLY STRONG INDEPENDENT NATION

By  
Dan C. Hadley

Alaska is either on the verge of a brilliant agricultural future with thousands of prosperous productive farms incorporating millions of fertile acres; or will be relegated into a few thousand acres, watching itself gradually die-off with less and less vitality each year. In this article I wish to show: what can be grown here, how much, what quality, where it can be grown, how much yield, how much acreage could be involved, and the tremendous dollar value.

I have lived in Alaska nearly 10 years and love this place called Alaska. Although I have only lived in Palmer 5 years and farmed a small 5 acre farm there, I have studied Alaska and its incredible resources and potential since I was in high school. The most remarkable and least heralded prospect is its immense agriculture potential.

My field acreage is small, but every year wheat, barley, oats, rye, rapeseed, and buckwheat mature in bountiful quantities with high quality. I grow lettuce, zucchini, cauliflower, and broccoli commercially, but I like to experiment too. I have successively grown watermelons, cantelopes, bell peppers, sweetcorn, tomatoes, eggplant, and cucumbers; all outdoors. Almost all of these have taken first and second place ribbons at the State Fair in Palmer. In our home garden we grow practically everything we eat. Besides the usual Alaskan vegetables like cabbage and carrots, and the warm weather things mentioned above, we grow many types of squash, popcorn, strawberries, dry onions, acorn squash, navy beans, green beans, gourds, and sugar beets. We are probably the only commercial pumpkin grower in Alaska growing between 50 to 100 large ones each year in the stump rows between the wheat fields. If all this wasn't enough, there also have been very encouraging results in experiments in apple, cherry, apricot, pear, and bush berry production. It has been my good fortune to have assisted in a small way in this exciting and successful experiment.

All this is not intended to impress you about my powers as a farmer and gardener, but rather to demonstrate to all Alaskans just what can be done up here if selected U of A tested or specially developed seeds and root stock are used along with proven and newly established cultivating procedures.

Among the sources I used to compose this article, I found the following publications most helpful:

1. Alaska's Agricultural Potential, Rural Development Council
2. Soil Conservation Service 1973 Summary
3. Creating a Northern Agriculture, Institute of Ag. Sciences
4. Various Agriborealis publications, U of A Div. of Ag. Science

Other sources were most helpful as I have tried to keep up with recent developments, and have done some research on my own.

Most folks from the "outside" are shocked to learn that Alaskans only produce 5 percent of the food they eat, importing the remaining 95 percent. It is shocking to note that the delicious lunch today was almost completely imported. This is not the Greenland Ice Cap. What is the problem? It seems that unavailability of land, government strangulation, and adverse marketing systems combined with resulting small scale of production (making it impossible for farm supportive businesses and co-ops to survive) are the culprits. The state government is as guilty of all of this as is the U. S. federal government. It has been the federal policy in regard to lands and development to "inhibit agricultural development so as not to become competitive with in-place agricultural systems in the lower 48 states". Just how much land is involved, especially if we look at the whole picture excluding the arbitrarily drawn lines on the map for conservationist withdrawals? At one time it was stated that there was only several thousand acres that could support agricultural development, and that nearly all this acreage was already developing on the Kenai Peninsula, the Matanuska Valley and in the Tanana Valley near Fairbanks. Since the soil conservation service (SCS) did their study in 1972 and 1973 (and subsequent follow-up work in the years since) literally millions of acres of prime agricultural lands have been identified. Their first report stated that there were some 16 million acres of lands containing Class I, II, III soils. Since then the figure has risen to: 17.5, 20, and 21 million acres. This land, besides being fertile also is climatically suited for

the maturing of all small grains (i.e., wheat, barley, and oats) as well as the usual Alaska vegetable varieties.

Twenty one million acres of land is equal to 32,815 square miles, and is a tremendous amount of land. This is approximately equal in size to: the States of Indiana and South Carolina, and North and South Ireland combined, and Lake Superior. Although only Iowa farms most of its acreage, most other states till only the farmable lands which are only a portion of their states. For example: California farms about 10 million acres, Oregon about 5 million plus, and Washington state less than 5 million. Combined, these three states farm less than the latent agricultural lands in Alaska. Alaska now farms about 17,000 acres out of this 21 million, with the Delta Barley Project (semi-private-government owned) soon adding just 65,000 acres. In addition to this tremendous acreage there is also another 10 million acres of prime grazing lands, and approximately 100 million acres of reindeer lands.

Just what could be produced on 21 million acres of tillable and reindeer lands? Here is just one projection of what could be accomplished. Keep in mind that all these items and quantities are combined to form a whole; they all add together to form a complete 21 million acre production. (Helpful source: Creating a Northern Agriculture, Inst. of Ag. Science).

2,152 million pounds beef  
 3,135 million pounds pork  
 .8 million pounds lamb  
 13 million pounds reindeer  
 500 million pounds milk  
 18 million dozen eggs  
 .4 million pounds wool  
 11 thousand tons oats  
 1 million tons vegetables  
 2million tons fruit and berries

Some projections as to area and production per year:

AREA	(in millions of pounds)			
	Beef	Pork	Milk	Grain
Upper Yukon Valley	1,164	2,444	0	90
TANANA Valley	671	1,247	400	50
MAT-SU Area	353	421	200	22

The total dollar value from this agricultural production in 1975 dollars would total 5,415,680 dollars. This would also employ a yearly investment of 73,882 man years of labor, providing employment to many more than this figure since farming would utilize part-time help. Too many of our youth are going jobless, but why couldn't they be helping the farming enterprise while earning and learning.

The business spin-off from all this is equally exciting. Just to support such an existing farming structure, the following would be needed annually:

3.8 million pounds of fertilizer  
 278 thousand gallons diesel fuel and gasoline  
 2,500 tractors  
 627 plows  
 275 combines

The equipment, supplies and services needed for this mass farming enterprise would also employ thousands of people as well as make possible the existence of many lucrative businesses in the supply and service areas. We could supply 20 percent of the red meat consumption in the United States and provide food and feed grains to much of East Asia. This would enable Alaska to do much to alleviate the starvation and suffering in Asia and the world, as well as assist other developing nations with these needs.



Alaska has 430 more hours of sunshine than Chicago, Illinois. That is the equivalent of 36 - 12 hour days. Therefore, when considering the lower 48 states and the 3 months of summer there: while they are having 3 months of sunny weather, we here in Alaska are enjoying 4 months in just 3 months. Also, when you consider that vegetables also grow in twilight our plants never stop growing in the summer (summer nights are dark down there). No wonder our cabbages reach 70 pounds and more up here and our turnips grow to over 40 pounds.

Yields per acre are also higher. Here are some examples:

Average Yield comparison per acre: Alaska / U.S.		
	<u>Alaska</u>	<u>U.S.</u>
Cabbage (6467)	69,604	21,800
Broccoli (Gem)	17,338	7,700
Beans (Provider)	19,213	4,720
Cucumbers (Tripple Purpose)	57,182	9,380

The quality of Alaska's agricultural products is also markedly higher. While small grains yield higher averages per acre than those in the lower 48 (occasionally breaking national records), these small grains are consistently very high in protein and milling quality. Recently one of our wheat varieties was tested in the University of Nebraska Milling Institute. On a scale of 100 points, Chena wheat ground fine enough to rate 98 points. Only one other wheat ever tested there scored higher (99), and our wheat was said to be the second best ever tested there. Vegetables have also had similar success. A test done at the Matanuska Experimental Station a few years ago tested cellulose thickness (the outer protective fiber layer that can make vegetables tough), and sugar content. They found a significant difference in cellulose thickness, and the sugar content to be almost half again the U. S. average in many vegetables.

What does all this mean to Alaska as an independent nation? First of all it means that we can very well fend for ourselves by providing most of the meat, cereals, breads, dairy products, vegetables, sugar, and even some fruit. We can also export a substantial portion, further enhancing the balance of trade in our favor. This concept will also encourage settlement of land by turn-

ing these valuable acres from government ownership to private ownership, and thus becoming tax-generating instead of a tax burden. The settlement and use of our rich latent agricultural lands will also contribute to our national defense. By spreading the population over the land a potential enemy would have a much harder time sweeping over the land to eliminate defense installations. People would be much more reluctant to fight to protect a huge park than their own private property farms.

Alaska indeed has a brilliant agricultural future. Everything we use need not be grown here, but there is no reason for anything like the present situation to persist. With malnutrition raging around the world and the Alaskan people starving for land and opportunity, it is a crime not to utilize this immense resource in land. I'm tired of land planners classifying prime lands into perpetual moose pasture, bureaucrats hiding facts from the public, and seeing condominiums springing up like mushrooms in Anchorage and Fairbanks.

We have everything we need to be a truly "great land"...We have bountiful oil, minerals, fish, timber, and rich agricultural lands waiting for the prudent and hard working farmer. Everything, that is, except the opportunity to accomplish these goals. Alaska as an independent nation would be in the best possible position to ensure its people the freedom, liberty and land they need to build Alaska into the nation that we all dreamed of when we aspired to become a state in 1958. Independence is growing in popularity at a rapid rate and we need to plan now a great, strong and free nation known the world over as "Alaska".



## **ALASKAN RESOURCES AND ECONOMIC DEVELOPMENT**

by  
**Robert B. Gibson**

Alaska has, since its first "discovery" by Western European Civilization and its American representatives, been a valuable source of raw materials, much as were other Crown Colonies of the European countries in other parts of the "New World."

This situation has not substantially changed since the days of Vitus Bering and Captain Cook.

Outside capital has not been, and probably will not be, willing to invest in industry within Alaska which will contribute to Alaska's internal economy or control of its own economic destiny, let alone its entry into the world market place.

Because of this historic lack of resident venture capital, and the relative scarcity of a large resident labor pool, both the control of the sources of our wealth in renewable and non-renewable resources and their marketing have remained beyond the control of either the citizen of the state, or its government.

Our gold built the port of Seattle, and the gold is gone. Our fish have sustained it, and to this day most of the fish market is controlled "outside." Our timber goes out as logs and is sold back to us after outside processing. Our petroleum wealth goes out on ships, and returns after processing at elevated prices. That same petroleum provides the fertilizer and energy that grows the foodstuffs and meat we import. Added to the processing costs we must pay, are the high transport costs (petroleum based) for all of our imports.

Our sole significant source of taxable wealth for the foreseeable future is our mineral wealth.

This wealth must be utilized to foster and, as required, support the growth of an Alaskan economy, diversified and self-sustaining, which will assure economic independence for Alaska.

Those of us who live here have found a way of life satisfying to

our own needs and requirements, and need to be able to afford to live here. But as long as this state remains a Crown Colony, it may be a mootly affordable luxury. In this light I should like to propose the following policies be given consideration by the Legislature and the Administration of Alaska.

### **Alaskan Oil and Energy**

No more immediate threat, or challenge, faces this state than the current world-wide energy crisis. Alaska may be a major oil producer now, but the oil is a finite resource of increasing scarcity world-wide. It may produce revenue in the form of taxes, and some employment for Alaskans, but to depend on it as either a continuing source of funds for the state, or on the continuation of oil based energy beyond for more than twenty years is unrealistic.

Alaska will have economic independence directly as it develops a realistic and sane approach to the energy crisis. It is uniquely in a position to do this with oil revenues financing the transition. There is no question that the transition must be made. It is only a question of when. Alaska can and should lead the nation in meeting this challenge. To wait for a Federal Energy Policy based on factual imperatives will be akin to awaiting the Millenium. To this challenge we propose:

### **An Energy Policy which will have the following goals for realization within the timetable(s) indicated.**

1. By 1985 Alaska will have reserved, for use within the state, sufficient petroleum reserves from proven resources, to meet the projected needs of its population for 50 years.
2. By 1990, the refining and distribution system required to distribute this resource to all parts of the state shall be on line and operating.
3. By 1982, a plan shall be developed which will provide that all technologically and economically feasible public utility systems providing electrical power within the state shall be converted to the use of renewable resources by 1995 and - -
4. By 1985, legislation and appropriate financial incentive for such conversion, either in the form of seed monies, tax incentives, or other means, shall be provided by the state from oil revenues, and -

- 5 . By 1990, such a conversion shall have taken place. (see III & IV)
- 6 . By 1982 a statewide building code be enacted, for both the public and private sectors, which will comply, as an absolute minimum with the provision of ASHRF # 90-75A, and that means shall be provided for the enforcement of that code.
- 7 . By 1980, waste heat recovery in public power generating utilities will be statutorily recognized as an acceptable expense for incorporating into the rate structure of such utilities, or shall be deregulated completely.
- 8 . By 1980, legislative action will have taken place which provides that alternative Energy resource research and development, appropriate to the regions involved, will be adequately funded, and regionally administered.

**An Energy policy which will have the following goals for realization within the timetable(s) indicated.**

- 9 . By 1980, legislative action will have taken place which provides that alternative Energy resource research and development, appropriate to the regions involved, will be adequately funded, and regionally administered.
- 10 . By 1980, legislation will be adopted which will provide for and fund regional Energy Planning Councils throughout the state, said councils directing and controlling the implementation of such of the above policies and legislation as are applicable and enforceable within the region.

**Food and Agricultural Independence for Alaska**

The Agricultural potential of Alaska is one of its least developed renewable resources. At least 95% of the food consumed within the state is imported. Yet, with its vast land area and extreme variations of climate and soil conditions, this state has the potential of not only feeding its own population within a decade, but entering the world market as an exporter of grains and protein.

Many agricultural techniques practiced elsewhere in the world in countries of lower latitudes may be directly transportable and applicable to Alaska. Northern European and Siberian agriculture is already developed far beyond anything we have considered for Alaska. It should be studied for application in our own situation.

Perhaps the most quickly realizable agricultural potential lies in



the state Animal Husbandry field. The Aleutian Islands have already proven to be rich cattle and sheep grazing resources, usable as locations for large-scale ranching operations. This is a basic industry which cannot fail, especially in light of the protein deficient conditions of most of the nations bordering the Pacific Ocean Rim to the east.

With the dwindling of petroleum resources that provide the base for many synthetic fibers, wool will experience a resurgence in popularity.

There are vast hundreds of thousands of acres of tundra lands suitable for reindeer grazing. This potential could help turn many rural areas into economically self-sufficient units, with an export potential unlimited.

Basic attitudes and some legislation about reindeer will have to be changed. Siberian reindeer husbandry is a major industry involving more than 8 million animals. Alaska has less than 50 thousand domestic animals in small, localized herds, the meat from which is nearly all consumed locally. Restrictive legislation at the federal level, which limits reindeer ownership to selective ethnic groups, must be repealed, and venture capital must be encouraged, with state loan guarantees and technical support provided to potential reindeer industry development.

Farming methods which enhance the fertility and quality of the soil should be encouraged. Specifically, organic fertilizers, mulching, and the return to the soil of fibrous matter is a must. Agricultural homesteading provisions should be fostered which encourage both the small and large entrepreneurs with appropriate subsidies available to provision of foodstuff for the Alaskan market.

Legislation and policy implementation to achieve the following goals should be enacted within the next two years:

By 1985 Alaska should be producing 20 # of its dairy requirements.

By 1985 Alaska should be producing 15# of its root and garden vegetable requirements.

By 1990 Alaska should be producing 50# of its animal protein requirements.

By 1990 Alaska should be producing and processing, within the state, all of its requirements for ocean protein indigenous to Alaskan waters.

By 1990 Alaska should be producing all of its fertilizer, and be a potent force in the export market.

By 2000 Alaska should be, for foodstuffs economically feasible to produce within its boundaries, self-sufficient.

### Transportation

Alaskan economic growth and self-sufficiency is utterly dependent upon an internal transportation system. Interior Alaska has some highway and rail service along the rail belt. The remainder of the state is served by water and air, with some local highways activity.

The water transportation of the state is centered in and controlled from Seattle. Such intrastate movement of commodities as takes place, beyond the reach of the rail belt, is by air. The speed and convenience of air service is attractive, but it may be actually impeding the development of the state's overall economy. By way of illustration, consider that:

Air transport is the least economical in terms of ton-mile costs, per unit of energy expended.

In an era of increasing petroleum fuel costs, freight and passenger rates are bound to rise.

The commodities that can be shipped intrastate by air may soon, because of increased air freight costs, be luxury items.

The first potential for Alaskan economic development should be the marketing of Alaskan goods in Alaska. Yet if transport costs make such a prospect economically unfeasible, we shall continue to be frustrated in such development.

Development of the sustained-yield renewable resource potential of the Alaskan "Bush" will be directly proportional to the ease and economy of transport of its products to internal and external markets.

Most of the state north of the Aleutian Islands is only seasonally served by Seattle-based water transport.

The legislature should address the feasibility of several possibilities with the object of linking various parts of the state together by other than air transport, even though immediate prospects for profitability may be moot. Where appropriate, state subsidies, loans, or tax incentives should be provided for private industry. Where such an approach cannot be effected, the state should consider direct involvement, the precedent for which has already been established with the State Ferry System.

Innovative alternatives in modes of transportation should be studied, fostered, and encouraged.

Extension of rail service from Alaska to the rest of the United States (except Hawaii) through Canada should be encouraged and financially supported to lower freight rates on materials coming into Alaska from the East Coast and Middle West, by eliminating trans-shipment costs at rail/waterheads.

Rail transport within selected areas of the state could substantially lower living costs for the areas served.

Regional highway systems, perhaps seasonal, could lower costs of distribution from Western Alaska Seports and major distribution centers to villages served by them. Kotzebue, Nome, Unalakleet, St. Michaels, Bethel, and Dillingham seem good prospects for such consideration.

Enlarged, diversified, flexible transportation within the State of Alaska will create its own market for services and revenue, by opening up areas not now easily or economically accessible. It will promote tourist travel.

**Public Transportation** can survive as an economical alternative to the proliferation of urban automobile traffic. The economics of gasoline and diesel powered automobiles may well provide the incentive on the part of the public that no amount of exhortation to conservation can accomplish. Such public transport should be adequate, not only for the urban core of our large community, Anchorage, but for the suburban areas as well. Monorail trunk systems, with local small or miniscale feeders, would relieve main highway feeder congestion, and reduce the present passenger-per-mile costs of the busses. Monorails are less subject to weather disruption than surface transport, are very fast, safe, and attractive alternatives to automobiles. Electrically powered, they are non-polluting, and most economical of resources.

**Inland Waterways** have great potential for inexpensive, albeit seasonal, transport into and from areas otherwise unserved. As it is now, only salt water systems get attention from the Coast Guard. Where other federal agencies cannot be involved, the state should take an active part in dredging, channel marking, dock construction and other enhancement of the internal waterways in rural Alaska. Water transport is, and always has been, the most cost efficient means of moving large amounts of heavy cargo.

**The Alaska State Ferry System** should interconnect, either through Seward or Anchorage, with that portion that terminates at Haines, permitting passengers from the rest of the United States to access not only Southeastern Alaska, but interior Alaska as well, without the necessity of travelling by either auto or bus or air between Haines and SouthCentral Alaska. It would also encourage and foster intrastate use of the system.

### **Fisheries**

With its vast coastlines and intercontinental shelves, Alaskan fisheries have been and will continue to be a major renewable resource. However, and this is of prime importance for the economic future of Alaska and the welfare of its citizens, much more Alaskan participation in processing, distribution and marketing phases of the fisheries industry must be developed.

The historically rich salmon fisheries of the Gulf of Alaska and Southeastern Alaska are seriously depleted. While much of this depletion has its historic roots in foreign fishing, its condition is correctible by state action. Other factors have contributed to spawning stream degradation and subsequent run depletion, such as earthquakes, pollution, habitat destruction and the like. These

producing areas must be rehabilitated.

While fisheries are renewable resources, the present practices are more exploitive than husbanding and developmental. Catch regulation is only a part of the most effective series of options that ought to be applied.

To the extent that bottom fisheries can be enhanced, rather than selectively fished to near extinction, such measures should be actively pursued.

Many countries throughout the world are successfully rearing fish in aquaculture programs. This method of production is vastly more efficient than the present method of depending entirely on catching fish in their "natural" state. For the species amenable to controlled rearing and harvest, such programs offer the possibility of sustained profits, unaffected by the uncertainties of fish behavior, and requiring minimal investment in harvest gear.

The return to the state's people of a larger share of the market price of its fisheries will increase private income and state revenues. State participation in the world-wide marketing of Alaskan-processed fish products is absolutely essential. Such a state agency could be supported directly from appropriate resource tax revenues.

The following specific recommendations are offered:

A concerted program of regional hatcheries construction for the restocking and restoration of depleted spawning grounds, the development of promising new spawning grounds and the enhancement of present rivers and streams with hatchery reared young should begin immediately.

Experimental aquaculture programs should be initiated throughout selected areas of the state.

A State Board of Fisheries Marketing, supported by appropriate fisheries-derived revenue, should be established, with representatives of the industry and the state represented thereon, to develop world-wide markets, including transportation involvement as required, for Alaskan fisheries products.

Tax incentives, subsidies, or guaranteed loan programs to Alaskan owned and operated fish processing plants should be implemented.

The economic and social benefits from implementation of this proposal could well set the course for the future of Alaska.

## INDEPENDENCE AND DEFENSE

By  
Alaskans For Independence Committee

One of the most common questions posed when independence for Alaska is discussed is "What will we do for defense?" To analyze this question properly one must determine, what is our present defense?

### Naval

To the best of our knowledge there are no U.S. naval vessels stationed in Alaska. Evidently some few naval aircraft, meant for submarine surveillance, come and go in the Aleutian area. For all practical purposes, Alaska with a longer coastline than the entire lower 48, and a continental shelf larger than that of all of the other 49 states, has no naval defense whatsoever. Across the Bering Straits, in some places a mere 2-½ miles from Alaska's shores, we are faced with the most powerful military force in the world, the Union of Soviet Socialist Republic.

The Soviet Union has in the last 15 years been engaged in a building program which has resulted in the Soviet navy being the most modern navy, and perhaps the world's largest. But the United States appears to have other and more strategic problems with which it wishes to amuse itself, rather than the defense of citizens of Alaska, the Federal Union's largest state.

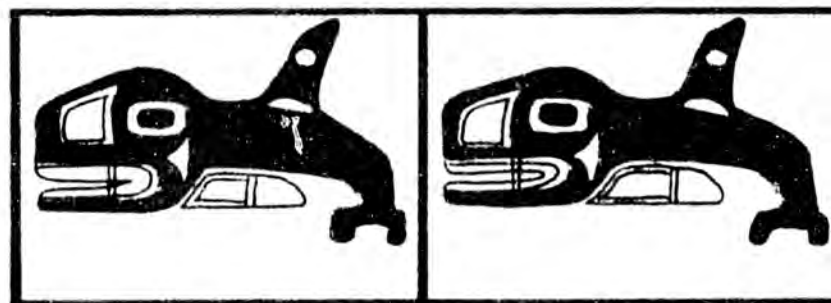
Air defense by the United States Air Force is woefully deficient. The air defense of Alaska evidently consists of between 18 and 36 Phantom II Jet aircraft. These aircraft were designed 21 or more years ago. This squadron of Phantoms is not even permanently stationed in Alaska. Since Alaska stretches over such a vast area (from Atlanta to San Diego and north as far as Wisconsin) it is apparent that the U.S.A. cannot defend Alaska with these pitifully few, old airplanes. By contrast, Israel is 180 miles long by about 50 miles wide and the Israeli government considers 500 aircraft as a bare

minimum for an adequate defense. And we might point out, Israel is not a mere 2-½ miles from the Soviet Union. The truth of the matter is that the few aged McDonnell Douglas Phantom II's are part of the Early Warning network for the lower 48 states, and are not and could not muster a defense for Alaska or Alaskans.

In terms of ground troops, Alaska is defended by a single infantry brigade with some support units. That is significantly less than one division. Further, the quality of these troops are in serious question, which becomes even more evident when one views their numerous war games losses to the Alaska National Guard. This force could not contain or delay even a modest Soviet attack, much less one that is well organized and determined. We must not forget that the Soviet Union has a great deal of experience in "frozen warfare".

Frequently it is mentioned that the function of the Army in Alaska is to hold the aggressors off for a few hours or days, while a retreat to Alberta is organized. All visible evidence points to that as being the proper analysis. It is apparent that Alaska's people, their homes, children and businesses are not defended under present U.S. defense policy. Indeed, North America's back door is wide open. It appears that it is intended to be that way, for Alaska does not even have the tactical aircraft to supply adequate ground support for the small ground forces stationed here.

An independent Alaska would have a better defense, for Alaskans would be more willing to protect their homes and families. The present situation of being treated as an early warning outpost, a sacrificial lamb for U.S. military policy is intolerable.



## THE LAND IMPERATIVE

By  
Joseph E. Vogler

Alaska will have her land and Alaskans will use it. This is as inevitable as the march of the pioneers across America to the Pacific Ocean.

This will not be done as it was in the 48 by an endless path of broken Indian treaties and promises. The Alaska Native Land Claims Settlement Act has assured there will be no repetition of those injustices; but let all who would deny our people, their God-given right to land, beware of the actions of people too long denied their due.

The nature-proven prime compulsion of all creatures for an exclusive territorial area for their life-need is too well recognized for argument. Ardrey's Territorial Imperative, will explain this to the uninitiated!

Only the drivel of Bureaucratic fools will dispute this. It is to both this group and the citizens of Alaska, that this is directed; lest it become necessary that the people enforce thier God-given unalienable rights by extreme measures.

Alaskans are a hard core of individualists and land oriented individuals. The desire for privacy, individual expression, the opportunity for the do-it-yourselfer, for self-reliance is rampant in Alaskans. It might well be described as endemic.

Except for those individuals who come to Alaska to do a job on the people and the land, the majority of Alaskans either own or are looking for a piece of land that he or she can afford. Ask any subdivider or person fortunate enough to own land, what it is that our people want most. Only the shortage of private land or the price bars the vast majority from the land.

To see that this is not a recent development, let us examine our State Constitution. Article 8, Sec. 1 is most explicit in its declaration. *"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 public interest."*

Many officials in the executive, legislative, and judicial departments have taken their oath to uphold and defend this Constitution. What has been their performance? Miserably poor is the best that can be said for them, at the worst it is outright betrayal of trust. Dr. Mike Beirne tried in vain to remedy twenty years of inaction, only to have the Supreme Court confuse the word appropriate with the obvious intended connotation, "to expend money for a particular use," a shameful dodge of words.

The Governor's, six ways to get land, broadcast to the four corners of Alaska, just before the last election, borders on use of public funds for a personal campaign use and amounted to a despicable deception of the land hungry populace of the great land.

The sale of public lands, certainly is not making lands available for maximum use consistent with the public interest, especially when seniority made a shamble of our young people's hopes.

The long time-honored practice of granting homesteading, head-quarter sites, trade and manufacturing sites, and homesites, under well established rules for use, occupancy and development, worked wonders in America and is a good example for the State to follow.

Until our Constitution is amended to mock the present "Lock-up" policies of the United States, it is nothing less than treason of our governors, judges, and legislators, to fail to make our lands available to our people. This must include the development of our resources, the minerals, timber, water power and all that goes with human utilization of this earth to promote a healthier, fuller life for our people with less of the privations and difficulties, so prevalent just a short century ago even in America, and still so evident in the third world developing nations where human toil, want, and misery are the lot of the multitudes.

I have difficulty in finding an example in the animal kingdom for such a shameful denial of living space to its own kind. For want of a

better example, I can only reach back to my boyhood task of slopping the pens of hogs, when I found it necessary to rout with my boot, some of the fat sows, who delighted to lay lengthwise in the trough while swilling down the grain and denying the younger and weaker a space at the trough and their share of food.

Our people will have the land and its resources to provide sites for homes, work, and recreation. Jobs, except at the public trough, come only from the use of our land, the harvest of our renewable timber and waters, or the wresting of our mineral wealth from the plains and hills and its processing.

The ongoing robbery of jobs from our people by exporting our oil without all refining processes is a crime against every able bodied man and woman in Alaska who wants to work. Many of our government employees are quick to say that the only reason they work for some branch of government is quite simple, their government jobs are the only ones available. They are just putting beans on the table with the employment that is available! No gas should leave Alaska without full processing for petrochemical uses to make jobs for Alaskans. Payrolls are the feed stock for other service businesses.

Many Alaskans, Native and non-native, who have been forced outside for employment would like to return home, if the opportunities were here for them to work!

This is the result of the culpable and criminal failure of our elected officials to carry out the mandate of our Constitution. When 28,000 Alaskans signed Dr. Beirnes' petition, it is consistent with the public interest! And if it was not well-drafted, where was the legislature? And Governor?

We must utilize every gallon of water that runs back to the sea, it is a renewable energy source. As the Shah of Iran said years ago, "petroleum is too scarce and valuable to be used for energy or heat, it should be saved for pharmaceuticals and petrochemicals." Our coal must be fully utilized.

We must make homesteads available of at least 640 acres, in areas beyond the region surrounding population centers needed for habitation, including both industrial and recreation purposes. Only this will offer opportunity to our young potential farmers!

Our timber must be harvested, our minerals mined and processed, our farming developed to feed our people as well as other peoples not so fortunate in arable land. We must become efficient producers from the bounty of our land, as stewards to the world, to justify our position among the landed nations of the world.

Our land titles must grant both surface and sub-surface rights lest bureaucrats continue in the pattern of paternalistic squandering of our wealth. It worked in America and built the most noble nation. The individual is the best judge of the use of his or her land and its wealth.

If you doubt the truth of these statements listen to the people a bit, while they are still patiently waiting for their God-given dues. Why do they distrust, hate and damn every branch of government?

Read the opening paragraph of the Declaration of Independence and let it soak in, all of it, and tremble at the awesome truth of this noble document, lest it must be carried to its fearsome conclusion when the peoples, patience exhausted and tempers thinned beyond the breaking point, carry out their "duty to throw off such government and to provide new guards for their future security."

Let every elected official, every appointed hireling understand that the land belongs to individual people and not to the "Nation" so affectionately termed "the people" by all socialists.

Let every member of the news media realize that it is his or her duty to bring this understanding to fruition lest they be judged as partners in the conspiracy to deny land to the people.

Let every Alaskan become aware of this impending treachery so that he or she can prepare for any eventuality necessary to undo this revolution so brazenly announced in the policy clause of the B. L. M. Organic Act of October 21, 1976, wherein two centuries of magnificent demonstration of "land to the people" in the United States was terminated, 43 USC 701, Declaration of Policy, Sec 102: (a) The Congress declares that it is the policy of the United States that (1) the public land be retained in Federal Ownership.....

If America would trod the blood and tear soaked trail to socialism, it is a very sad day for history, but this should not sway

Alaskans from the eternal truths of the Declaration of Independence and the exercise of all their unalienable rights among which are Life, Liberty and the Pursuit of Happiness.

The land of Alaska rightfully belongs to the peoples of Alaska and individuals! It is their right to grant such lands and powers to their government as they see fit! The government has no right to parcel out land and land use to the people! It is the peoples! How can one be granted or given something which one already owns?

The essence of slavery is the denial of land ownership. Only by thwarting the Territorial Imperative can a people be fully controlled, herded and harnessed to the will of an elitist minority enshrined in bureaucratic security, it is the Territorial Imperative against the Bureaucratic Imperative. If Alaskans would make slaves of themselves and their descendants, they need only submit to the tyranny of Federal Government by failing to demand their God-given right to land by failing to hold their unlawful masters bound by our contracts with the government.

Now for those who still have hopes that the United States will return to the principles which made her a shining example for all the downtrodden peoples of the world, it is only necessary to examine the course of nations through the pages of history. It will ully take a miracle of untold proportions to alter their course from seeking mass security, to once again seek individual opportunity. The ultimate security from birth to the grave is attained in the institution of slavery, the most degrading of all social systems.

The hope that 400,000 Alaskans can influence 228 million Americans is as if the last hair on the tip of a St. Bernard's tail could bounce the rest of the dog up and down like a yo-yo.

As Abraham Lincoln said in his first inaugural address, March 4, 1861, *This country, with its institutions, belongs to the people who inhabit it. Whenever they shall grow weary of the existing government they can exercise their constitutional right of amending it, or their revolutionary right to dismember or overthrow it.*"

Alaskans **inhabit** Alaska - **NOT** the masses of the 48! It belongs to us! Let Alaskans determine our destiny. Let Alaskans control our land in individual ownership with fee simple, surface and sub-

surface rights, but if Alaskans disagree, let it be Alaskans and not outside special interests that determine **our** destiny. Push all government back in its cage, the limits of the Constitution, and subject to the will of **Alaskans**.

If America no longer esteems private ownership of land and espouses socialism, it is Alaska's destiny to preserve the original motivating force in Americanism, the private ownership of land and the only practical route to this end is Independence for Alaska with full and complete Sovereignty over the Great land!

Let all in the position of leadership in Native Organizations, business, government, education, the Church, labor, step forward in this righteous battle, as Alaskans seeking self determination for Alaska.

The urgency of 1776 is here today, but the route to its solution is a different path. A peaceful plebiscite, as man struggles upward from the day of the club in the relations between peoples of separated lands!

Colonialism is dying throughout the world; America born of the abuses of Colonialism must not be the last carrier of this malignancy of civilization.

#### Biographical Sketch

Joseph E. Vogler is a Real Estate Developer and Placer Miner. He is a graduate of the University of Kansas, has a L.L.B. Degree and a Juris Doctor Degree.

He has been an Alaskan since 1942 to the present time.

Joseph E. Vogler is the organizer of Alaskans For Independence and has been the Alaska National Chairman since its origin of February 3, 1973.

## HOT WORDS OVER THE COLD LAND

By  
William R. Hunt

The uproar among Alaskans over the Interior Department's classification of lands does not reverberate around the nation. But the fighting is intense with those involved with the struggle in Alaska and in Washington, D.C., although its ramifications are dimly perceived elsewhere.

Huge land dispositions have been an American western phenomenon. If Frenchmen had to confront real estate transactions of comparable scale, the resultant trauma would reduce the land pinching nation to hysteria.

Americans have a different heritage. We can give or take ten million acres without batting an eye. It does not really matter whether sixty, eighty, or one hundred million acres are up for grabs in Alaska. Such quantities of land are meaningless, even when acreage is defined in terms of other states. If the U.S. Park Service wants a chunk the size of Washington and New York, less a New Hampshire sized piece, with maybe the Texas Panhandle shoved in for spice, and leave out a wedge of Rhode Island -- it sounds o.k. In fact, it sounds like a John Owen recipe.

Our interpretation of the land fight depends upon our particular image of Alaska. Currently there are five major distinct views which derive from regional orientation rather than knowledge or good sense.

Number one: Alaska as seen by Grand Rapids and places like that. "Alaska is cold and far away. Anyone who lives there needs his head examined. But don't give us that underdog talk: you got the oil!"

Number two: Seattle's Alaska. "Alaska is part of our backyard. We understand what you need, probably better than you do

yourself. 'Scoop' has to fix you up with a few parks and refuges. It won't hurt too much. Those ecology boys are pushing hard."

Number three: Alaska of California and New York. "It's about time Alaska did the country some good. What's so bad about a few parks? Anyway, you people have been ripping off the Eskimos too long. You should be flattered. Don't you realize we can save the nation by protecting your ecosystems?"

Number four: Washington D.C.'s Alaska. "You can't believe the pressure here. We know Alaska. Things are going to hum when we reassign administrative staff up there to manage the lands. It will mean a big payroll and save you from Wally Hickel and those Teamster bulldozers."

Number five: Alaskan's Alaska. "This is the grossest land grab in history. We pioneered here. Nobody gave a damn, now they want to take our land away. Nobody knows how to protect the environment like we do."

Obviously these five views could bear further definition and allow for more diversity, but they summarize issues well enough for illustrative purposes.

Now let's get to the crunch. What is the truth about Alaska's situation? Are Congress and Interior doing the right thing?

My personal view, as an Alaskan, is that right and wrong are not really issues. In a better world, Congress would find a sensible compromise between the vociferousness of conservationists and the Alaskans who demand opportunities for future development. It may prove that Senator Ted Stevens was correct in believing that Alaskans got the best deal possible under the circumstances with the compromise he and Senator Henry Jackson worked out last spring.

What has really disturbed me about the long debate is the extent to which arguments are based upon misconceptions of national experience. The righteous, arrogant, and evangelistic uses of specious references to "Last Chance," "Last Frontier," and "Lost Wilderness" approach the level of earlier national crusades against booze and reds.

When Secretary of the Interior Cecil Andrus and others insist that Alaska represents a last chance for American to do things right for the first time, I am alarmed. God help us if we have to depend upon Alaska to save the nation from its past mistakes, or if "doing the right thing" now in Alaska is a panacea for the future. Besides that, I worry about Andrus's family sentiments and humility when he argues that our ancestors fouled everything up. And that his duty is to avoid the reproach of his grandchildren. Probably someone has to be sacrificed in bridging generation gaps. Veneration of ancestors has not recently held a high place in our culture.

Recently Ralph Nader introduced a book entitled *The Last Frontier: the Marketing of Alaska* (by Hanrahan and Gruenstein) with a remarkable sentence. "It would be tragic not to have our largest state benefit from the full lessons of human experience, only to find itself plunging into the vortex of corporate determinism." Well, all right. If we now have mastered "the full lessons of human experience," the proper disposal of Alaskan lands is a bagatelle. Surely the solutions to our major social and international problems must be near at hand.

The "Last Wilderness" and "Last Frontier" schools are related. Together or independently the phrases are evoked as if they explained something about Alaska.

Years ago in *Virgin Land: the American West as Symbol and Myth*, Henry Nash Smith explained some complexities of the wilderness in popular consciousness. Our veneration of the wilderness contained the negative doctrine that civilization was wicked, and the positive doctrine that untouched nature is a source of strength, truth, and virtue. True or not, these doctrines have dominated in western literature. Closely related to the wilderness symbol is the Myth of the Garden, the Jeffersonian ideal of the sturdy, self-sufficient farmer who sustains democracy. Sometimes the Wilderness and Garden symbols conflicted. Was Daniel Boone the standard-bearer of civilization on the frontier, or the child of nature fleeing into the wilderness before the advance of settlement? The duality caused some confusion; yet we needed both images, and western heroes had to accommodate both requirements. It worked pretty well because we had free roving trappers expressing their untrammelled freedom in the vanguard while settlers followed behind to create the Garden.

Everything was going well until historian Frederick Jackson Turner in 1893 announced that the frontier was closed. Although he

was optimistic, others deplored the vanishing of free land. Now both symbols were in jeopardy: no more wilderness for our innocent primitivism, and no more free land for development by individuals. And it was not as if Americans were much more enchanted with cities and industrialization in the nineties than they are today.

So what did they do? Did they accept vast Alaska as an interrupted extension of the frontier? Indeed not. They stampeded for gold in person or in literature, and then tucked Alaska away somewhere. It was too cold and desolate even as a ground for wilderness adventures, and certainly it was no Garden.

Now we are told that Alaska is "our last wilderness." A wilderness is good, and presumably, gardens are bad.

I suppose people within and outside of Alaska can have conceptions of wilderness without doing any harm. The problem is in determining the number of acres needed to satisfy the collective wilderness longing. My own needs are very modest, but it may not be easy to give everyone in the nation his own exclusive wilderness. Some may have to rely upon the wilderness of their minds.

The "Last Frontier" expression is no more helpful than "Last Wilderness" as a guide to meaning about Alaska. The term "frontier" suggests the familiar pattern of settlement and development followed by other regions of the West as people flowed in and transportation linked them to the nation. Alaska did not follow this pattern. From the mid-18th to the late 19th century it remained a fur and fish colony. Briefly the gold boom gave the region's development the look of other frontiers, but as mineral production declined so did settlement. Neither agricultural, cattle, or any other industry developed to maintain growth. Profits from fisheries went to Seattle and San Francisco with the salmon, and even most of the cannery labor was imported seasonally. It took World War II defense construction to end the decline and spark new growth.

This boom and bust cycle accounts for the attitude of many Alaskans. Except when outside capital flowed in to exploit a resource, residents depended upon government payrolls. Traditionally citizens have longed for sustained development and clamored for means to keep some of the gains in the region.

Alaskans are not keen on a development which would reproduce New Jersey, nor is there any likelihood of it. Yet they are aware that the closure of land to development can prohibit a post-oil boom development. North Slope oil will not flow forever and thus far Gulf

of Alaska explorations have not been encouraging. Now, for the first time since the gold era, the state has an economic base in petroleum. When production stops, where will the next boom come from? Climate, distances and costs will remain constants as inhibiting factors to development. If minerals or other resources are not found in sufficient quantity to justify the tremendous costs of production and transportation to market, Alaska will bust once more.

Within this historic framework the land use issue becomes very touchy. It is national land and the nation can dispose of it as it wishes, but it is not unreasonable to leave opportunities for some kinds of development on lands not reserved for special uses or protection.

A steady economic base would be a good thing for Alaska and the nation. Few of us can live off the undeveloped land, and neither a federal payroll nor a federal dole attracts everyone. Either we work here or we go back to Seattle or Grand Rapids. There is little other choice.

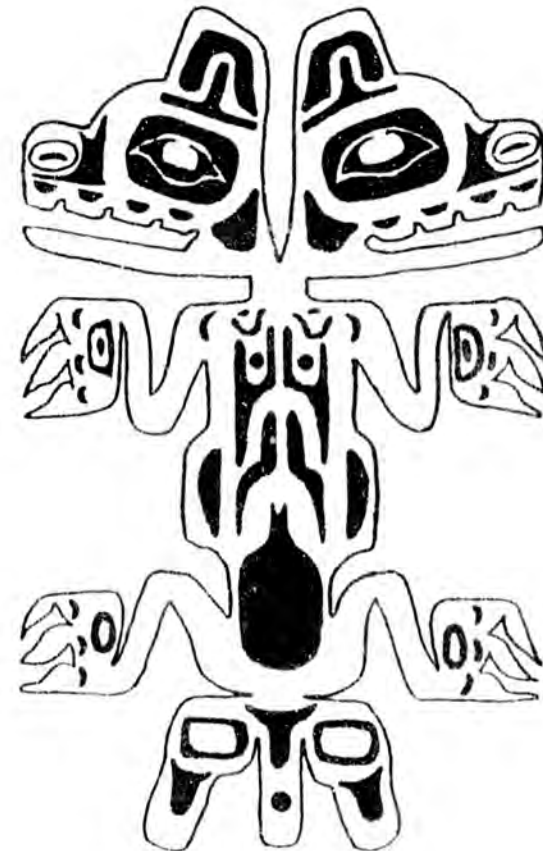
Once we banish all fuzziness of the "Lost Frontier" imagery with its echoes of innocence, a pristine nature, and manly virtues, we might begin to assess the region intelligently. Jack London fixed a strong image of the North in his books, and it is not too useful to the nation today. London passed through Alaska as swiftly as the Yukon River current permitted after his short sojourn in the Klondike, and we should not be transfixed by whatever romance his gifted pen created. Save his books, for heaven's sake, but resource policies should emerge from colder calculations.

If patriotism is the last refuge of a scoundrel, calling up the last or lost frontier, or wilderness, is the recourse of the woolly-minded. For decades Alaska has been a predominantly urban society hungering for substantial economic development. Now it has development and some new problems. Environmental protection is one of these, and it may seem a relief to turn from the Southwest's water shortage, or from New York's many travails, to the ripping up of Arctic tundra. But if Alaska causes alarm and does not teach us anything, and if we cannot gain any perspective on the national experience, the change of scene contributes little.

For years, writers and government investigators have been rediscovering the "last frontier." More recently the writing trend is

to lose the Alaskan frontier as an incident to finding it. It must frustrate Americans who have not been too keenly aware of Alaska to learn suddenly that the "last frontier" is lost. It is not lost -- or last -- or even a frontier.

But right now it is a battleground. The struggle is not between good guys and bad guys. There is some legitimacy on each side of the development-conservationist debate. Alaskans have no "right" to a land settlement which meets their dreams. And conservationists need not talk about "doing things right" as if they have understood the nation's history accurately, and understood Alaska's relation to their hopes for the future. They can reflect on their power since their misconceptions and propaganda fill some need of the nation's soul.



## INVESTMENT PRIORITIES

By  
Perlia J. Strassburg

In response to the request from the Governor and your committee in regard to the one billion dollar surplus the State finds in its coffers, I would like to make the following suggestions for its use:

1. *Move The Capital* and help Governor Hammond live up to his promise that he would be established on the Capital Site by October 1980 if he had to operate out of a tent. We believe that the sale of land will pay back any amount of money expended out of this fund, which could then be used for other projects. "Loan" it to the Development Corp. at a fair rate of interest and thus make a profit for the State.

2. *Reactivate The Veterans Loan Program* with special emphasis on loans to small businesses who need \$100,000 or less.

3. *Build Roads* into areas that could be developed for farming, timber or coal production. This land is now lying vacant and unproductive not only in jobs but in taxes. Increase municipal revenue sharing road maintenance monies from the present \$1,500 per mile to \$3,000 per mile so that something can actually be accomplished with the money. With everything else costing more, why hasn't the allocation of this category of revenue sharing funds increased comparatively?

4. *Develop Industries and Energy Sources for Alaskans* so that this generation can survive. What good is there in saving for future generations if this one does not survive long enough to produce them? We need jobs and cheaper energy for Alaskans -- not Canadians or Montanans, or Michiganites -- Alaskans for Alaska!

5. *Develop More and Bigger Fish Hatcheries* to replenish what our fishermen take from the sea. The Japanese have been doing this since the 1880's -- why are the "enlightened and technologically advanced" Americans so far behind?

6. *Buy More Ferries For the Marine Highway System.* Quit worrying about the fact that the system is not profitable; we do not believe it was intended to be a profit-making venture but a service to the citizens. Give tourists winter rates that they find hard to resist -- arrange four to eight hour lay-overs in the ports of Ketchikan, Wrangell, Petersburg and Juneau so that they can really see and enjoy these uniquely Alaskan cities. Make it more exciting, more reasonable, and more pleasant to use the ferry system than to drive the Alcan through Canada, leaving a trail of American dollars in British Columbia and the Yukon. If Canada thought they might lose some of those precious dollars, they *might* maintain the road built with American dollars and American sweat over thirty years ago. The ferry system would have more users if it was not necessary to make reservations in February for cabin and car space in August. Few middle-class Americans can plan that far ahead.

7. *Develop More Truly Rural Alaskan Tourist Attractions.* Most middle class Americans are not interested in Las Vegas type multi-million dollar hotels in the heart of just another city -- they want to enjoy "the Alaskan experience" -- so let's give it to them! A beautiful international resort area for the "international jet set" on Mt. McKinley is okay, but *after* you build a number of facilities for the average Joe Doe who wants to bring his kids to Alaska in a camper.



8. *Build Subsidized Housing For the Elderly and Handicapped* who are capable of living by themselves and want to maintain their independence and live in their own small communities even on a limited income instead of being forced (because there is no other solution available) to enter Pioneer Homes or move outside where such housing is available. There is a gap in the needs of these people between pioneer homes which have waiting lists of one year or more, and remaining in their own present homes which are sometimes remote from neighbors or help in case of emergency.

9. *Build Good Vocational Schools For Everyone In Several Areas of The State* -- not just for Native people -- not just for Blacks -- not just for the rehabilitation of delinquents or criminals -- *everyone* who wants to learn a trade, not just the special applicants the Unions pick for their apprenticeship classes. Build schools like the Edison Technical School in Tacoma, Washington. Give young people credits for going to technical schools which are as acceptable as high school graduate or college degrees. Get us back to the place where the man who works with his hands is respected and he will be a better artisan. As long as our society believes that the only "worthwhile" citizen of the country is the one with a degree, our products will get shoddier and shoddier.

10. *Look At Every Little Place Where You are Going To Invest That Money* and ask this question -- Is it going to make jobs, and income for Alaska? If it isn't, don't invest. No more stocks and bonds of outside corporations -- no investing in Canada -- no investing in businesses who "bring in experts or supervisory help from outside" because they do not think Alaskans are experienced enough. Baloney! If we are not smart enough -- we can get that way!

11. *Don't Invest Alaskan Money In the Canadian Portion of The Gas Pipeline!* If it were going from Prudhoe to Valdez or Cordova we would say finance the whole thing, we will get our money back with a profit, but if it is absolutely necessary to finance any part of it, invest only in that portion that will be built within Alaska and will hire Alaskan labor.

12. *Don't Cut Out The Income Tax!* This money should not be used for the everyday, year-to-year expenses of government. Those costs should be borne by those who earn their living here. And it is the only way that Alaskans get anything back from the workers who have residence in other states, who come up here to take jobs away from Alaskans and then send the paycheck home to momma and the kids without ever spending a dime in Alaska except for a little cab fare or a stray meal while they lay over waiting for a plane. If Alaskans truly need tax relief (they wouldn't if they had year around jobs!), then cut out personal property taxes or the real property taxes on their homes, or give them a tax credit commensurate with the number of years they have been a resident.



## SURPLUS OIL REVENUE USAGE

By  
Harvey Shields

Allocations of surplus funds accruing as a result of unanticipated oil revenues has been much in the news and minds of the Legislature lately. Suggestions have largely centered on using that money to fund development of alternative industries and needed facilities. A word of advice is in order so that actions taken by the Legislature in allocating that money will not result in irreversible destruction of the State's heritage. In the eight years since passage of the Alaska Historic Preservation Act, the State has shown concern for its heritage by supporting a program aimed, in part, at protecting archaeological and historic sites from destruction by public construction projects. The program, housed in the Alaska Division of Parks, has steadily lost ground in the increasing development activity. Instead of keeping pace with construction activities, let alone inflation, the State has reduced the funding for preservation of its cultural heritage. State money allocated to historic preservation has shrunk from a meager \$190,000 down to \$150,000 at a time when costs of operation have almost doubled. The numbers demonstrate the concern of the State for its cultural roots. The State allocates less than 0.015% of a 1 billion dollar plus budget to its cultural heritage.

A number of programs come to mind as needing immediate support. Four stand out above the others:

1. Every community in the State applies for and gets federal or state funding to meet basic needs such as sewer, water, streets, and housing. Federal and State requirements call for knowledge of existence and consideration of cultural properties. Such knowledge must be evaluated by professionally qualified people. In most cases, an inventory effort is needed to know what exists in the communities before evaluation can be made. This is required before construction can proceed or even before money can be allocated by the federal government. Many bush communities with limited resources cannot comply with those pre-conditions. A program of community heritage surveys could easily be established with funding provided from unanticipated oil revenues. That would help distribute the benefits statewide and help the people avoid several

year delays or even removal from consideration.

2. The second obvious problem which could be addressed with additional funding is the lack of knowledge about cultural properties on land disposed by the State. The legislature has mandated disposal of appreciable amounts of State land each year. Inventory of prehistoric and historic properties on those lands is essentially non-existent. All inventory efforts have covered less than 10% of the total State and most have concentrated on non-State properties. A total of 6770 known sites are listed in the State's site inventory. This is out of an estimated 100,000 plus sites statewide or less than 7% completion of inventory.

Funds should be provided so that the State can assure no sites desired for State ownership will be disposed of unknowingly.

Such inventory and evaluation will help avoid later, more costly, and unpopular re-acquisition of extremely important sites. Retention of important sites in State ownership clears the way for numerous ways to attract tourist dollars and enhance Alaskans' appreciation of their heritage.

3. The third project demanding immediate attention is for some attempt to stem the loss of Native heritage. Information possessed by older Native people is rapidly being lost as those people die of old age. A few pilot projects have been attempted which were aimed at collecting that information. While successful in their immediate goals, the lack of funds prohibits widespread or intensive applications of the process. Funding in reasonable amounts would help preserve that information of fast disappearing cultures.

4. The fourth and most directly applicable program is to insure consideration of cultural heritage in the projects funded through these moneys. The proposed expansion of activities will push past breaking, the already straining program for such consideration. Funding survey and evaluation of cultural heritage resources along with other aspects of proposed activities will comply with State laws and help preserve our heritage.

In summary, the State allocates less than 0.015% of its current annual budget to its heritage. Assignment of even 0.5% funding of these moneys would help assure present and future citizens will be able to explore Alaska's heritage.

## THE QUESTION OF THE STATE INCOME TAX

By  
Claus M. Naske

The dramatic increases in the price of petroleum have given the state treasury an unexpected windfall, amounting to hundreds of millions of dollars. Close on the heels of the announcements that the state treasury would enjoy surplus funds have come demands for the abolition of the state income tax. Such proposals, on the surface, sound great. Who, in his right mind, would oppose lower taxes or no taxes at all. What most proponents seemingly ignore is the fact that oil income is a one-shot deal. Alaska boasts of the massive Prudhoe Bay field, destined to decline in the 1980's, and declining Cook Inlet oil fields. No replacements are in sight. Yet state spending has become dangerously dependent on oil revenues. Less and less services are paid for from general taxes. This is an unhealthy trend. Furthermore, while abolishing a general system of taxation may be easy, adopting one is extremely difficult. The history of tax reform in Alaska certainly illustrates this.

In the late 1930's territorial Governor John W. Troy had asked the territorial planning council to make a tax study. The research was not completed until the fall of 1940. The research concluded that an annual revenue of \$10,000,000 was entirely feasible. They recommended the adoption of a modern tax system, and urged that the revenue obtained be invested in a soundly planned and economically executed program of permanent improvements such as roads, schools, hospitals, and public buildings. Ernest Gruening, Troy's successor, enthusiastically endorsed these proposals, made them his own, and fully intended to push them through the legislature. The plan the governor presented to the 1941 legislature for adoption would abolish all obsolete mercantile taxes and license fees, imposing instead a very moderate income and profits tax, plus a nominal levy on property outside of incorporated towns.

Governor Gruening, however, had waded into deep water with his proposal for a streamlined tax system. The scheme immediately

mobilized the ever-alert economic interests, such as the canning and mining industries who were in no mood to relinquish their privileged status in Alaska. Many residents, depending for a livelihood on these industries, were unwilling to antagonize them. These feelings were reflected in the mood of the legislature which flatly rejected the governor's tax proposals in every legislative session between 1941 and 1947.

Gruening called a special session of the legislature to convene in March 1946. The purpose was to have measures enacted designed to aid Alaska's veterans. Meeting for thirty days, the legislators passed most of Gruening's proposals. And although the governor was pleased, he was alarmed by a senate memorial which asked the President and the new Secretary of the Interior, Julius A. Krug, "to remove the present governor from office with all possible dispatch." It passed the senate by a vote of nine to six. Thereupon Steve McCutcheon, a Gruening supporter in the House, introduced a long memorial praising Gruening unqualifiedly. It passed by a vote of sixteen to seven. "The opposition," Gruening confided to E.L. "Bob" Bartlett, Alaska's Delegate to Congress, "are going to do everything to smear me in Washington."

Bartlett, however, reassured the governor that he "should not attach any particular importance to any Senate memorial so far as its influence here (Washington, D.C.) is concerned."

Complaints about the governor, however, trickled into Washington. Walter P. Sharpe, the territorial Commissioner of the Department of Labor, told Robert E. Hennegan, the Chairman of the Democratic National Committee, that the governor had done everything to split the Democratic Party in Alaska. "Put in anyone, but get rid of this 'pinko' who has no ties in Alaska," Sharpe counseled. The commissioner essentially resented the fact that Gruening made appointments based on ability rather than party affiliation. But despite sniping from various quarters, the governor survived in office. When talk about his replacement once again revived late in 1947, Bartlett persuaded Robert S. Allen of the *Boston Daily Globe* to analyze Gruening's predicament. Such an article, Bartlett hoped, might help to force the president's hand. On January 30, 1948, the *Globe* carried the piece entitled "Next on List of New Dealers to be Dropped by Truman?" Allen stated that Gruening, one of the few Roosevelt appointees still holding high office, had only an outside chance of being reappointed for another term.

Allen claimed, "President Truman does not intend to rename Gruening." That could change, however, continued Allen, because the governor had strong Alaskan backing as well as powerful administration support both in and out of Congress, including "equally powerful Democratic opposition," most of it centered in Washington State, particularly in Seattle. For years the governor had been at loggerheads with Seattle business and transportation interests, accusing them of exploiting the territory like a colonial possession. Washington's Governor Mon Walgren and Nick Bez, Seattle shipping and fishing magnate, both Truman cronies, led the opposition to Gruening. The president faced a dilemma, Allen concluded for he needed West Coast support in the upcoming election. Replacing Gruening, however, would upset the New Dealers whose support he needed as well.

It may have been the piece in the *Globe* which prodded Secretary Krug to see the President and urge the reappointment. In any event, on March 12, Truman sent Gruening's name to the Senate Interior and Insular Affairs Committee for confirmation. Bartlett was happy. "I won't forget ever," he told Krug, "that you went to the White House today and successfully urged President Truman to reappoint our friend, Ernest Gruening, as Governor of Alaska. It was a noble stroke of work." Unhappily, however, an informal poll of the committee revealed that the Republican majority favored "pigeonholing action until after the November election." One Republican member of the committee succinctly summed up majority opinion. "Why should we give a Democrat -- and an ardent New Deal Democrat at that -- a four year term when after the Presidential election we could put in a good Republican?"

Territorial Republicans were not satisfied with mere delays. The *Fairbanks Daily News-Miner*, owned by Alaska's foremost entrepreneur "Cap" Austin E. Lathrop, long a Gruening opponent, urged that the governor be denied a third term. Lathrop argued that Gruening had enjoyed ample opportunities to prove himself as governor of Alaska, yet he had failed. Instead of fostering a sound legislative program for Alaska during the last five sessions of the legislature, he had "tried to promote tax legislation which was not acceptable" to the legislators. As a result, the territory's finances "are now as near complete disorganization as they have ever been." Even more disturbing, biennial territorial appropriations had increased from a modest \$3,511,510 in the 1939-1940 period, the last before Gruening took office, to a record \$8,476,309 appropriations passed by the last legislature. In short, Gruening had attempted "to

use the power and prestige of his office and the resources of the federal government to transfer to himself the initiative and lawmaking powers of the citizens." Lathrop left unclear how the governor had appropriated to himself all of these powers. In fact, Lathrop's editorial was transparently self-serving, for he was a chief beneficiary of Alaska's totally inadequate tax system. His many enterprises, ranging from banks to motion picture theaters, and from construction companies to a coal mine paid only negligible taxes to the territory.

In any event, the anti- and pro-Gruening forces quickly lined up for battle. While Lathrop urged his friends and associates to communicate their opposition to the Senate committee, the pro-Gruening forces similarly gathered support. Lathrop, for example, praised territorial senator Chas. D. Jones for the fine letter he had written to U.S. Senator Arthur H. Vandenberg, a member of the committee considering Gruening's confirmation. Lathrop was convinced that a sufficient number of protests had reached the Senators to convince them that "right or wrong, he (Gruening) has engendered so much bitterness and dissension in the Territory that very little of a constructive nature can be expected until there is a new governor." Foremost among Gruening's friends, Bartlett solicited support. Among many others, for example, he asked the Rt. Reverend John S. Bentley of the National Council of Protestant Churches to lend his help in the impending confirmation struggle. Despite all the efforts, Senator Hugh Butler (R., Neb.) decided to allow Gruening's unconfirmed nomination to die.

In the meantime, however, territorial finances had run into trouble. On December 31, 1948, the general fund contained only \$6,289.40 and the auditor held legitimate claims against the territory amounting to \$758,209.59. It was only through individual and corporate pledges of \$200,000 of interest free loans, for example, that the doors of the University of Alaska had been kept open. Earlier on, the governor had rejected pleas for calling a special session, hoping that angry citizens would vote delinquent legislators out of office. Gruening's hopes were largely fulfilled when Alaskans trooped to the polls in October and "threw the rascals out." At that point, the governor summoned the newly-elected body, not the lame duck legislature, into special session. Its only task was to consider the tax bills which territorial Attorney General Ralph Rivers had prepared in his capacity as legislative counsel. From the extraordinary session which convened on January 6, 1949, and the

regular one which followed on January 24, there emerged, at long last, a basic tax system.

The first element of the new system consisted of a territorial income tax based on ten percent of the federal tax. A property tax of one percent was credited against the municipal and school district assessments, thus avoiding duplication. At the same time the territorial legislature took over and streamlined the old system of license fees from the federal government. For each separate business an initial application fee of \$25 was charged. Beyond the initial fee, a sum equal to one-half percent above \$100,000 received during the income year were to be remitted to the territory. This levy applied to those concerns which, so far, had paid no monies whatever to the Alaska territorial government. These included steamship companies, air and bus lines, lighterage companies, banks and motion picture theaters, oil and construction companies, garage and service stations, newspapers, radio stations, and logging operations. Professional registration, examination and insurance levies were to be collected by the various professional boards. The legislature changed the tax on the fishing industry from a case tax to one based on the wholesale value of the pack, amounting to four percent of the value of the raw fish processed for salmon canneries to one percent of the value of raw fish for herring processing plants. Fishermen's license fees increased from \$1 to \$5 for residents, and from \$25 to \$50 for nonresidents. Fishing gear, such as traps, gill nets, and seines were also taxed. Excise taxes on liquor were raised, and establishments serving alcohol were regulated by fees which varied from \$75 to \$5,000, according to the type of business, the size of the town, or the volume of the business. In addition, the usual motor fuel taxes, vehicle and drivers' licenses and tobacco and various other miscellaneous taxes were modernized.

Gruening was jubilant, and understandably so. It had been a long battle, finally crowned with victory. The special interests were furious. When word reached Alaska that Senator Joseph O'Mahoney (D., Wy.), the new chairman of the Committee on Interior and Insular Affairs, intended to hold hearings on Gruening's confirmation, a number of former legislators asked the committee to postpone any action until the territorial legislature had adjourned. Residents of Alaska, they maintained, should be given an opportunity "to present evidence and data supporting contention of

many substantial citizens of territory that present governor's policies not only definitely destructive to territorial development but will almost stop flow of badly needed investment capital from stateside sources." These disgruntled ex-legislators also asserted that the "present session being quarterbacked by governor is travesty of American tradition and legislative procedure." But despite heated opposition, the Senate confirmed Gruening's nomination for another year.



# UTILIZATION AND MANAGEMENT OF ALASKA'S RENEWABLE SALMON RESOURCES

By  
John C. McMullen

Salmon originating in Alaskan waters are recognized as a common property resource. Although each salmon stock returns to its stream or lake of origin to reproduce, they are migratory in nature. Their anadromous migrations lead them to the sea where they mix with other salmon stocks of North American and Asian origin. Foreign fleets capture some of our salmon at sea. The domestic fisheries catch our salmon in onshore waters during the time that stocks and species are mixed. These mixed stock fisheries, wherein individual stocks are generally not identified, provide additional rationale for the classification of the salmon resource as common property.

The State of Alaska is charged with the responsibility of managing and improving the fish resources of the State in the interest of the well-being of the State. However, there are two philosophies to consider in the development of management policy for the common property salmon resources of this State. One philosophy assigns management responsibilities to State agencies. The second philosophy assigns joint responsibilities to the State and to designated user groups comprising non-profit corporations. These user groups become salmon managers in that they are authorized to develop projects and facilities for the purpose of salmon production. The State also operates salmon production facilities, which probably contributes to cooperative and competitive activities of planning, production and management between the State and private groups.

In Alaska, private, non-profit organizations are authorized to engage in hatchery (and other) operations for the purpose of contributing salmon to the common property fisheries. Hatcheries operated by regional associations are generally funded through a State loan program which accepts self-imposed assessments by fishermen on raw fish sales as collateral for such loans.

Assessments have in the past been either mandatory or voluntary, but as most Alaskans are aware, the mandatory assessments have recently been declared an illegal form of taxation. Other small hatchery operators are authorized to operate if approved by the State and the appropriate regional association. These hatcheries qualify for only small State loans, and are very manageable because they are approved under strict technical controls.

Private, non-profit hatcheries have two objectives, the first (by law) of which is to produce fish for common property users. The second objective is to return enough fish through the fisheries to the hatchery to pay for the operation and construction of each hatchery. To date, the State hatcheries have not been actively concerned with cost recovery. The commercial and sport fisheries of the State already contribute greatly to the State's economy. In addition, raw fish taxes which were increased in 1979 might help offset governmental expenses in the realm of salmon management, including rehabilitation and enhancement. Fishermen want the opportunity to harvest fish which might be excess to required spawning stocks. However, it is reasonable that the State examine options for cost recovery at ocean-sited hatcheries which could accommodate terminal fisheries.

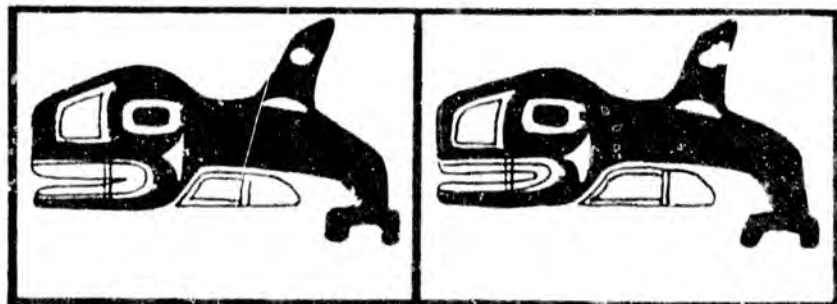
Many people in Alaska do not believe in, nor understand the necessity for a continued effort in salmon rehabilitation and enhancement within the State. One need only examine the complexities of mixed stock fisheries and the disagreements over the allocation of stocks between sport and commercial interests to understand that Alaska's future salmon fisheries must be stabilized through the use of every available management tool. The question may not be one of whether salmon aquaculture is feasible and necessary, but rather one of the assignment of management responsibility for the State's salmon program.

The State of Alaska appears to have developed sufficient technological and precautionary measures to carry out a successful salmon aquaculture program. Concurrently the private aquaculture association in Prince William Sound has availed itself of a cooperative attitude among local fishery user groups to put together a program which is beginning to stabilize itself. Relationships between private endeavor and State government could hardly be better. Other regional aquaculture groups within the State ap-

parently have not fared as well internally. Mandatory assessments may be a revenue source of the past and are not likely to be adequately replaced with voluntary assessments.

Governmental processes have been initiated in an effort to resolve the continuing role of private effort in Alaska aquaculture. Both the Aquaculture Policy Study Group and the Fisheries Council seek to examine funding sources and a role definition for private aquaculture. The activities of these groups plus those of the Department of Fish and Game and the private aquaculture associations represent such a high level of activity in the field of salmon fisheries that it is extremely difficult to determine what the outcome might be.

This brief paper is intended to describe the complexity of the statewide salmon program and ask the question concerning prospects for future abundance, use and control of salmon stocks. Surely so many interest groups are involved with salmon use and management that it is presently impossible to determine if progress is being made. Basic decisions are needed regarding the status of salmon as a common property resource followed by a clear determination of management and funding responsibilities for the maintenance and improvement of this resource. Possibly then, the Department of Fish and Game and the regional aquaculture associations could concentrate on the establishment and achievement of priorities rather than compete for responsibility and authority through the development of new bureaucracies.



# POSITION PAPER ON THE ALASKA OFFSHORE FISHING OPPORTUNITY

By  
Richard Whittaker

## The Problem:

The writer of this paper believes the State of Alaska is at a great moment of decision; the issue is the offshore fishery, protected by the Fisheries Management Act of 1976 - the 200-mile economic zone, and whether the resource can be made a part of the Alaskan economy.

Postulated are notions that the current efforts of the State are generally inconsequential as far as the offshore fishery is concerned because of the enormity of the fishery, and that what will probably happen over the next four or five years is that there will be the development of a fishing industry using great processing and catcher vessels, such as the Koreans, Japanese and Russians are currently using, and which will home port out of San Diego, Los Angeles, Astoria and Seattle. Alaska faces the strong possibility of no involvement or benefit once this happens. Current trends in the fishery indicate to the writer the major Alaskan fishing companies, which are either owned outside Alaska, or in Japan, are juggling for position, because of the enormity of the fishing and the take-over process, but that when it occurs there will be no significant number of Alaskans in the fishery as fishermen; there will be no shore-based processing except perhaps at Dutch Harbor; there will be little or no Alaska investment and, therefore, no Alaska profits; and there will be no Alaskan tax revenues. In fact there may be very severe economic loss if the modest efforts we do make are frozen out.

Our goal for Alaska should be a vertically and horizontally integrated fishery such as is found in the Faroe Islands, where local people fish the North Atlantic, bringing the fish home for processing to local plants, and the product is sold into world markets through combines and systems owned by the Faroese.

## So What Is To Be Done?

The writer proposes a massive investment by the State of Alaska to capture this fishery. Such investment in shore-based processing facilities, in fishing vessels, and in marketing and management networks could control the volume of fish and its price to the point where returns from the fishery would make profits for the people of the State of Alaska and the State.

It is acknowledged that current prices for the offshore fish are at a low level, but it is also generally understood that this is because of manipulation by the Japanese in the world markets, manipulation which, of course, is to their best interests. We must and can fight back. But we cannot do so within the current scheme of things!

The writer proposes a company called *The Alaska Fishing Company* incorporated and owned by the State of Alaska, and with directors, some of the best business talent in the State. The Company would seek the immediate involvement of the University of Alaska and others in designing research necessary to understand and manage the control of markets as well as to design the research necessary to assure continued renewability of the fishery.

*The Alaska Fishing Company* would move, following the feasibility studies, to construct vessels and shore-based facilities in an integrated plan which would maximize the contact of every possible maritime Alaskan with the fishery, and which would have a management and marketing plan, totally integrated and leading toward the sound fiscal management of the company. *The Alaska Fishing Company* would have as its goal the utilization of the fishery only by Alaskans and for Alaskans to the exclusion of multi-nationals, agribusinesses and other outside interests as well as foreign interests. A two or three billion dollar investment is probably necessary to have the impact on markets, and to produce the volume of product necessary to influence prices.

*The Alaska Fishing Company* would immediately contract with foreign fleet owners and their home countries to commence an integrated and long-term takeover of the fishery, guaranteeing supplies of fish to the companies, to meet their market commitments and the needs of their peoples, and to allow for reasonable phasing

out and amortization of the foreign fishing investment.

*The Alaska Fishing Company* would seek to develop utilization of fish products in other markets besides the Orient, with emphasis on the American markets.

*The Alaska Fishing Company* has a potential of providing income to Alaskans far exceeding oil. The fishery is one which, if properly managed, would exist until the end of time, and would provide a high degree of stability to a large number of Alaskans.

*The Alaska Fishing Company* would provide jobs for the communities of maritime Alaska. The financial institutions, service and supply facilities of Anchorage would be heavily impacted as well.

Revenues from the profits of the company would increase the state coffers and, of course, taxes on the incomes of individuals involved would provide a revenue base as needed in the future.

#### **The Importance of Investing Alaskan State Capital in The Fishery**

Alaska is faced with a budgetary surplus which has the potential of destroying Alaska as we now know it, due to avarice and greed.

The stability provided by a direction for the investment of a significant part of the oil surplus money into an industry which would rely on a sustained yield of products, would provide a focus for Alaskans for the near future and provide a proper forum as the company is developed and as the policies are debated by the people of Alaska, for discussing the future of Alaska. Jobs provided would be stable, long-term jobs, and although some considerable inflation and growth will be expected in every maritime community, this would soon be stabilized and probably not change over a long period of time, witness the experience of the Faroe Islanders.

#### **The Future, What Will It Bring?**

*The Alaska Fish Company* should have two goals: The first would be total utilization of every bit of fish the State could get its hands on; the catching, processing, and selling of same, at a profit. The second goal would be, once the industry was stabilized, to sell the component parts, except for the marketing umbrella, to the individuals and communities involved. The fishing ships should be sold to the local communities which provide the crews and to the

crews. The cold storage and processing facilities should be sold to the local communities and employees. The marketing umbrella and management probably should be maintained by the State, at least until such time as it could be purchased by the fishing and processing components, under a scheme which would guarantee unified and integrated management for the common good.

It is anticipated there would be considerable uproar by the fishing industry against such an idea. It is very important to watch where the uproar comes from. It is expected that those persons and companies which are nurtured by outside interests would be vocal in their opposition.

An important part of the development of the fishery would be the aspect and involvement of fishing companies wholly owned by Alaskans. There are a number of these companies which have great growth potential and which have management of high quality. They would be encouraged to expand and move into the fishing opportunity, supported with state funding. While they were developing their own opportunities in the fishery, their counsel and guidance would be of inestimable value to *The Alaskan Fishing Company*. New companies of Alaskans would also be encouraged.

It is an act of fate that the fish are available at the same time the capital is also available. Otherwise, we Alaskans would be delegated to watching from the shore as our fish go elsewhere.

#### **An Action Plan**

The writer recommends funding and leadership by the State in marshalling on a crash basis all resources in and of the State, including the purchase of services as necessary and the hiring of experts in fishing and market economics, etc., to develop a feasibility study. The study would recommend the next steps toward the formulation of the plan. State policy could immediately then focus on the U.S. State Department and the Department of Commerce, as well as the Congress, in order to gain for the State the acceptance, by government, of the State plan. Such action should be well accepted by the Federal Government because of the recent removal from the Alaskan economy of massive amounts of land, and because nothing of great significance has yet happened in the 200-mile fishery by the people of any other state. This interregnum will soon expire, however.

A very well financed and staffed task force should be assembled involving the citizens who can work on the problem, if not full time, at least to a considerable amount of their time, in order to get the

plan off the ground and rolling. Citizens' Committees from each of the maritime communities should be immediately formed, financed and staffed so the each Alaskan maritime community or other community which feels it should have impact from the fishery could design and structure the involvement deemed necessary by those communities.

Areas where here is great economic distress should be given additional support to guarantee that the bountiful will impact the remote and poverty stricken areas of Alaska.

1. March 1, 1980. The Administration and Legislature agreeing on a working plan with time goals and budget for each phase.

2. March 15, 1980. Selection of the task force to head up endeavor. The financing and staffing of component parts, such as local community involvement.

3. April 1, 1980. Commitment of state funding for reasearch in markets and supply, with a preliminary report of feasibility within 60 days.

4. June 1, 1980. Statewide discussion and evaluation of plan and decision by State leaders as to whether the State would move forward to implement the plan or not. Establishment of corporate machinery and funding package. Lobbying federal decision-makers for support and such legislative change as is necessary. Commencement of negotiations with foreign fishing interests for the orderly take-over of the fishery.

#### **A Final Note**

The writer feels this opportunity is a challenge to the people of Alaska, and is one which could and should unify us. It can provide a focus, a platform, and a forum for the development of the people of the State for years to come. The economic and social benefits from implementation of this proposal could well set the course for the future of Alaska.



## LIMITED ENTRY PERMITS

By  
William E. Bedsworth

### ISSUE

The State creates valuable permits, certificates or licenses by deciding to regulate entry into certain industries. Because entry becomes limited the licenses, etc. become valuable and salable on the private market. These permits become valuable regardless of the value of the business "owning" the permit. There are many cases where a business person sells his equipment for one price, the goodwill of the business for another, and the State license or permit for still another price. Even where a business is bankrupt the permit or certificate is salable.

The value of the permit is created by the State by limiting entry into the industry. If it were not true that the State allowed only a certain number of businesses in the industry (e.g., fisheries, air transportation, etc.) only the equipment, real property and good will of the business would be salable. The State creates the value in the permit or certificate; the value does not result from anything the company does or produces.

Although the Transportation Commission has tried to reduce the occurrences, the permittee now sells his permit and retains the revenue for himself. To me this procedure is an unconscionable transfer of income from the taxpayer to the individual selling the certificate. This windfall was created by the State for State purposes in the public interest. The vendor of the permit has not earned the revenue received from the sale of the permit; his gain is from the sale of his company's goodwill, if any, and from the sale of property. In my opinion, the revenue from the sale of the permit or certificate belongs to the State.

### RECOMMENDATION

Where the State wishes to limit entry to an industry the permit should be placed at auction before qualified potential buyers. The auction could be held before the buyers were qualified, or afterwards. In either event the money from the auction would belong to the State.

Existing permittees and licensees in limited industries would merely turn in their permits to the State without selling them to private individuals. This permit would then be auctioned, if in the public interest.

Merely taxing away the gain from the sale of a permit would stimulate the growth of measures to avoid the tax. Vendors of permits would conceal the sale in the price of equipment, value of goodwill or assorted schemes such as "consulting agreements" after the sale. The right of the State to auction the permit would be clouded unless statutory.

### CONCLUSION

The windfall should be removed to the State where it belongs. With the auction there would be no need for public convenience and necessity hearings. The prospective buyer should make such a thorough investigation that he knows that owning the permit would be valuable. The public interest would still require that the buyer be a qualified person or company, but such matters would be determined without large scale hearings. The value of the permit would rise and fall determined by the profitability (public need) of the service.

#### Biographical Sketch

William E. Bedsworth is a non-practicing attorney who teaches part time for UAA (regulation of industry) and is a hearing officer for the Transportation Commission.

## PERMANENT FUND

By  
William B. Fredson

The Alaska State Legislators and many of the people of Alaska are aware of the Permanent Fund, the basic idea behind the establishment of this fund, and the growth of this fund through the royalties of the State's share of gas and oil and the interest the fund draws from the banks.

Many ideas, schemes and proposals have been put forth by many people on and for the use of the Permanent Fund, some good, some bad and others downright unrealistic.

Whatever the final decision on the use of the Permanent Fund may be, it will be made by the State Legislature in Juneau, by those Legislators, elected officials all, who should be aware of this and understand that they are mandated by law to serve the people as a whole and not any few special interests which would violate the oath of office.

The spending of the 900 million that the State received from the sale of gas and oil leases is a case in point, and can only be hoped that this is a lesson learned, and will serve as such.

Whatever the recommendations are for the best possible use of the Permanent Fund, it cannot and should not be used for bigger government. To provide for better government efficiency and services, perhaps, but not to support a huge bureaucracy which would encumber itself through sheer size.

The very state of the economy of the State of Alaska and the Nation addresses itself to this. The economic forecast for this country is not good and the effects will surely be felt by all of the industries here in Alaska in the near future.

My one firm recommendation of the use of the Permanent Fund is not to expend the funds to the point where it ceases to be for what it was intended.

Toward this end, I tend to favor the idea of a separate corporation to be set up by the legislature to be outside of the influence of State Government officials with the citizens of the State of Alaska to be stockholders who elect the Board of Directors, much as has been proposed by Senator Mike Gravel.

Should this idea not be favorable to a majority of the people, I suggest that a close watch be kept on the major expenditure proposals through propositions on the ballot, instead of the legislature having overall control of the use of the Permanent Fund.

Why? Because it has been proven through the ages that even our elected officials are sometimes wrong and do the wrong things which exceeds the authority of their office.

Take the recent televised town meetings which were an exercise in futility as evidenced by the reaction of a majority of the people.

But, more than that, take the actions of the President and the Secretary of the Interior in locking up vast acres of lands in Alaska in establishing National Monuments, Wildlife Refuges, and study areas for (sic) the future generations of Americans. These actions will have a diverse effect which portends to be ill-advised for the future of this country, and the State of Alaska.

For this reason alone, the Permanent Fund is highly important, and that dictates its wise use and investment for the future generations of Alaskans.

Perhaps this is already known. I can only hope that it is understood by all concerned.

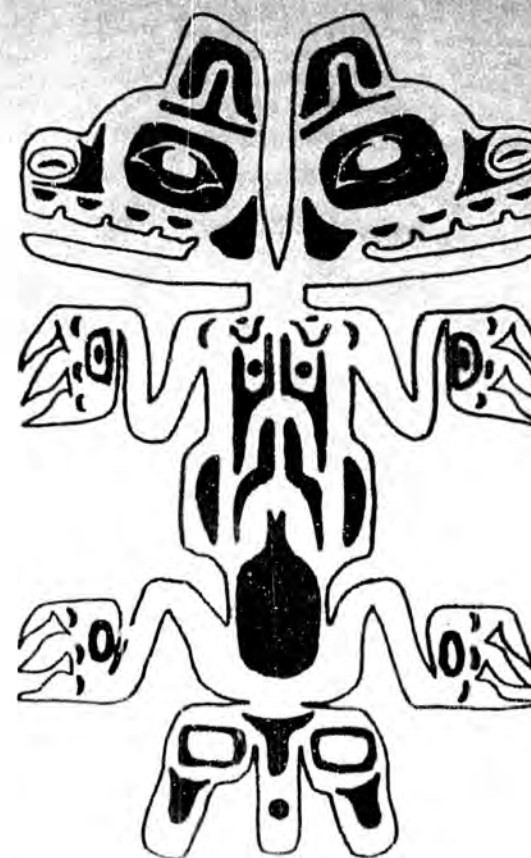
## ALASKA COMMERCIAL FISHERIES ENTRY COMMISSION AND LIMITED ENTRY PERMITS

By  
Jorgen W. Bogdanoff

Commercial salmon fishing has been a main way of life for many Alaskans. This has involved heavy investment, hard work and risk of life in the treacherous waters of Alaska. Fishermen have frequently suffered financial loss and marginal profits because of lengthy breakdowns, loss of vessels and gear, restricted fishing time to ensure adequate escapement and poor salmon runs due to the catch of salmon by foreign fleets on the high seas. Recently there has been a dramatic improvement of the salmon runs due to the enactment in 1976 of the 200-mile limit and the elimination of the foreign fleet from the migratory waters of the salmon on the high seas. Now many of these fishermen have been deprived of the opportunity to fish while a favored few are reaping extraordinary profits. This is an issue of paramount concern to myself and many other fishermen that are at this time and will be in the future excluded from participating in the harvesting of a common Alaskan resource. Alaskan fisherman, including myself, are forced into waging lengthy and costly legal battles against the ill-considered Limited Entry Permit Program instituted and enforced by the Alaska Commercial Fisheries Entry Commission. At present there are numerous suits in the courts of this State on this issue and many fishermen are waiting to see the outcome of these court actions.

In 1973 the Alaska Commercial Fisheries Entry Commission was created to promote the conservation and the sustained yield management of Alaska fishery resources and the economic health and stability of commercial fishing in Alaska by regulating and controlling entry into the commercial fisheries in the public interest and without unjust discrimination. Among the powers and duties of the Commission was to regulate entry into the commercial fisheries for all fishery resources in the State and to issue entry permits to qualified applicants.

The statutes and regulations pertaining to the issuance of Limited Entry Permits state:



"Each applicant shall personally operate or assist in the operation of the licensed fishing gear."

"The Commission shall accept applications for entry permits only from applicants who have harvested fishery resources commercially while participating in the fishery as holder of gear licenses."

"Applicants shall be assigned to a priority classification based solely upon his qualifications as of January 1, 1973."

... sons not qualifying under Alaska Statutes governing limited entry?

Below is a partial list of minors who have been issued Limited Entry Permits. I have omitted the names:

<u>TYPE</u>	<u>LICENSE #</u>	<u>DATE OF BIRTH OF PERSON ORIGINALLY ISSUED PERMIT</u>
Bristol Bay Drift Gill Net	SO3T 61140L	12-15-1960
" "	SO3T 61382F	4-27-1957
" "	SO3T 61291B	6-19-1957
" "	SO3T 60993X	12-18-1959
" "	SO3T 60594G	4-10-1957
" "	SO3T 60426W	1-6-1957
" "	SO3T 60425F	10-15-1959
" "	SO3T 598070	4-16-1959
" "	SO3T 583630	9-17-1959
" "	SO3T 58254A	11-21-1957
" "	SO3T 58230K	1-21-1960
" "	SO3T 55853N	8-27-1960
Bristol Bay Set Net	SO4T 612540	5-24-1960
" "	SO4T 60934G	7-3-1959
" "	SO4T 60928C	4-11-1963
" "	SO4T 60926R	9-8-1963
" "	SO4T 60908H	5-19-1965
" "	SO4T 60870S	11-20-1961
" "	SO4T 60869C	8-28-1959
" "	SO4T 60854R	7-22-1961
" "	SO4T 60839J	4-11-1965
" "	SO4T 608220	3-27-1960
" "	SO4T 60802S	2-18-1960
" "	SO4T 60593P	12-11-1965
" "	SO4T 60302A	1-28-1963
" "	SO4T 60279X	6-10-1968
" "	SO4T 59045E	11-16-1966
" "	SO4T 59042B	7-16-1965
" "	SO4T 57461Q	6-24-1963
Cook Inlet Set Net	SO4H 61437I	7-19-1963
" "	SO4H 61285U	1-26-1970
" "	SO4H 61283K	7-15-1963
" "	SO4H 61196B	11-26-1963
" "	SO4H 61070R	11-27-1966
" "	SO4H 61016K	11-8-1963
" "	SO4H 61015R	9-28-1966
" "	SO4H 60750J	10-7-1963
" "	SO4H 60748A	9-17-1965
" "	SO4H 60415E	8-1-1964
" "	SO4H 57631K	4-3-1963
" "	SO4H 56521F	10-3-1963
" "	SO4H 56520M	2-8-1965
" "	SO4H 55984F	11-25-1965
" "	SO4H 55652A	5-30-1964
" "	SO4H 55639B	2-11-1967
Kodiak Set Net	SO4K 60674Q	9-10-1961
" "	SO4K 60673Z	9-9-1963
" "	SO4K 59058Z	7-25-1960

...were issued permits by the Commission. It is obvious that the Commission could not have unknowingly erred in the issuance of so many permits to unqualified applicants. Criminal conduct must be suspected. Many of these fraudulently obtained permits have been sold. There are also cases of families, husband, wife and their minor children, all receiving permits. One family in Summerville, Oregon: husband, wife and three minor children, the youngest child having been five years of age at the time of qualification, was issued the following five permits: SO4T 59041J; SO4T 59042B; SO4T 59043S; SO4T 59044L and SO4T 59045E. Another family with five minor children, as young as seven years, received a total of nine permits. The seven year old daughter was issued permit No. SO4T 50432C. Two permits each: a Drift Gill Net and a Set Net, were issued to two of the sons. One could not have effectively operated both a Drift Gill Net and a Set Net simultaneously. It is apparent that the members of the Commission have little or no knowledge of the use and operation of salmon gear. Elderly men, some over the age of 85, were issued permits and upon receipt immediately sold them. An example is Permit No. SO5B 55202Z, birthdate 11-2-1886. Some permits are in the hands of individuals who are not United States citizens. They fish in Alaska for a few weeks and then return, with U.S. dollars, to their homes and families in foreign countries. I fail to see how and why these individuals were issued permits, when I and other fishermen who did participate in the fisheries for years were denied permits.

The guidelines for awarding points in the implementation of issuing permits have many serious defects and constitutional questions that are being challenged in the courts today. Some of these are:

The Commission's method of awarding more points for 1972 than are given for previous years. 1972 was the year that the Governor of Alaska was forced, in the case of Bristol Bay area, to declare it a disaster area because of the low salmon run which was only 55% of the forecasted run predicted by the Alaska Department of Fish and Game of 9.744 million. Many fishermen were discouraged from fishing that same year by the Alaska Department of Fish and Game and were offered jobs as forest fire fighters by the State. Fishermen that decided not to fish that year because of the poor predicted run

and helped promote escapement to enhance future runs by not fishing forfeited many points and, therefore, did not qualify for permits.

Points awarded on income dependency are a form of penalizing the fisherman who elected to work during the off-season and avoided joining the ranks of the unemployed or going on welfare and becoming a burden to the State. A total of 4 points for 1971 and 6 points for 1972 was awarded to the fishermen who had little or no other income than from fishing. Keeping in mind that the salmon fishing in Bristol Bay actually only lasts approximately six weeks (three weeks King Salmon fishing and three weeks Red Salmon) this means that a fisherman is discriminated against for having had another line of work for the other 46 weeks of the year.

Under availability of alternative occupation, an additional 4 points are awarded based on the population of your place of domain. This is violative of the equal protection clause of the Fourteenth Amendment to the United States Constitution. Because I have resided in Anchorage for the past 18 years, I was awarded 0 points. Individuals living in outlying areas, with a metropolitan population of less than 10,000, in Alaska and other States were awarded up to 4 extra points. These points were awarded regardless of whether the recipient had full time employment and participated in commercial fishing during their summer vacation.

Due to the increased salmon runs in Alaska, the permits are becoming extremely valuable and Bristol Bay Drift Net Permits have sold for up to \$125,000. One of the former Commissioners of Limited Entry is now involved in the commercial venture of brokering Limited Entry Permits. Under the present system, fishermen are greatly tempted to sell their permits as the value goes up. Only the wealthy or front men, backed with financing and guarantees by canneries and processors are able to afford permits. A large number of canneries and processors operating in the State of Alaska are controlled and owned by foreign corporations. This foreign influence is increasing annually. The processors are able to manipulate and set prices that otherwise would not be acceptable if the fishermen had operated independently. This results in not only a financial loss for the fishermen but also to the people of Alaska, through lost tax revenues because of the lower prices received for their resources.

Many unqualified permit holders are leasing out their permits for the season to the highest bidder and they are, because of the high value of the permit, receiving the major portion of the earnings derived from the salmon catch without having participated in the fishery.

The Alaska Commercial Fisheries Entry Commission must realize that the limited entry program has caused tremendous pressure, discontent and hostility and that it is unworkable in its present form. State Legislators have indicated that limited entry has some serious constitutional questions. An attempt will be made to salvage the concept of limited entry because of the possible financial liability of the State to individuals who have purchased permits. However, I feel that since many of the permits that have been sold were fraudulently obtained, through falsifying documents submitted with applications at time of issuance, the burden of liability rests on the seller and that caveat emptor applies.

If limited entry was totally eliminated, all permit holders, regardless of their status, will still be able to participate in the fisheries and, therefore, are not at any loss. I do not agree with a buy-back program by the State. The permit holders have had the use and benefit of the permits and are not entitled to receive further compensation from the State. Individuals who have purchased permits for investment or speculation are not entitled to consideration as this is not the intended use of the permit.

The Apprenticeship Program being considered opens the door to new avenues of favoritism, fraud and bribery. Can State bureaucrats astutely judge the expertise and abilities of a fisherman? The past handling of the awarding of permits should answer that.

Non-transferrable Permits would be unworkable as well. For example, upon the death or retirement of a permit holding fisherman his permit would revert to the State while his vessel and gear would go to his heirs. Hardship would occur as what use would the heirs have with the vessel and gear without a permit? If the State awarded the heir a permit, it would then be guilty of discrimination and creating a class of individuals that inherit the right to harvest a common resource.

The State's loan program to assist fishermen in the purchase of Limited Entry Permits is an inflationary factor in the prices paid for permits. It creates a hardship for the fisherman by becoming another interest-earning indebtedness for a paper that does nothing to improve productivity.

I challenge anyone to formulate a limited entry plan that is effective, uncorruptible, equitable and non-discriminatory.

I recommend that the limited entry program be completely eliminated. The fact that the voters of Alaska did approve this program does not preclude its elimination. Many voter-enacted laws have been subsequently struck down by the courts on grounds of unconstitutionality. Alaskan voters were led to believe that the enactment of limited entry would promote aquaculture, that all fishermen that had participated in the fisheries would be enrolled in the program and would be allowed to continue fishing. As I have documented in this letter, there is no evidence that the above has been accomplished.

The Alaska Commercial Fisheries Entry Commission may attempt to take credit for the improved salmon fisheries. But the credit must rest solely with the enactment of the 200-mile limit, the westerly movement of the Japanese salmon fleet from 175W to 175E Longitude (480miles) and the elimination of the foreign fleet from the migratory waters of the salmon on the high seas. Strict enforcement of the 200-mile limit, regulations governing vessels and gear, and escapement management by the Alaska Department of Fish and Game can adequately enhance and conserve the fisheries. This method of management guarantees equal protection under the law to all citizens.

It is not the duty of the State to insure a profit to the participants in a fishery by limiting their numbers. The market place will govern. Fishermen have always been aware that commercial fishing involves taking a certain amount of risk. The fisherman wants to make this decision on his own. This country is built on a belief in private enterprise without undue interference by governmental agencies. Bureaucratic attempts to take these freedoms from the individual only create constant friction between the State and its citizens.

# ADMISSION TO THE ALASKA BAR ASSOCIATION

## Limited Entry

By  
Verda Marie Jones

Professor Charles L. Black of Yale Law School, tells the following story of a Pawnee Indian brave named Peshwataro.

"The law of the Pawnee commanded that on the summer solstice there take place the sacrifice of the star maiden. A girl was each year captured from a neighboring tribe and bound to a stake. At dawn, the Pawnee braves would ride in a circle about her. This was not done for sport, but because, like so much that seems cruel in so many societies, it was thought to be a cruelty necessary to the maintenance of the moral and religious order. Many Pawnees, through what process or influence I cannot say, came to disapprove of it and talked of doing away with it, but it was the law and conservatism was too strong. Then one summer solstice at dawn this Peshwataro, a young man of high repute with the tribe, broke from the circle before an arrow was shot, rode furiously to the stake, freed the girl of that year, slung her in front of him, and escaped with her. He left her with her people and then rode back, much as Gandhi might have done, to submit himself to his fellows. As it happens, they did nothing. It was time, really, to stop this business and they had only needed an act of such courage to make that clear."

The second and seventh month of each year a similar practice takes place in the sovereign state of Alaska. It is also thought to be a necessary cruelty. Many have come to disapprove, but no young man of high repute has come forth to stop the practice. What is needed is a single act of courage. It is time, really, to stop this business. The Alaska Bar Admissions is in truth a limited entry program. Your Committee has the obligation to investigate, debate and legislate.

*Alaska Constitution, Article I, Section 1:* "This constitution is dedicated to the principles that all persons have a natural right to life, liberty, the pursuit of happiness, and the enjoyment of the rewards of their own industry;..."

*Alaska Constitution, Article I, Section 7:* "No person shall be deprived of life, liberty, or property, without due process of law,"

*United States Constitution, Fourteenth Amendment:* Provides for due process of law and equal protection of the laws.

This paper deals with what the Alaska Constitution calls, and is dedicated to, a persons "natural right to ... the enjoyment of the rewards of their own industry." The right to make a living is among the greatest of human rights.

*Protection of the public is the only justification for prohibiting an individual from practicing his profession. A state may not, under the guise of protecting the public, arbitrarily interfere with private business or prohibit lawful occupations or impose unreasonable and unnecessary restrictions upon them*

The Alaska Bar examination is an imperfect instrument for measuring an individual's qualifications for practicing law. It does not protect the public. It does interfere with lawful occupation and impose an unreasonable and unnecessary restriction upon candidates.

Because the examination is such an imperfect instrument for determining an individual's qualifications for practicing law there should be a keen awareness of those imperfections on the part of the Board of Governors. The procedures followed by the Board do not evidence the careful use of awareness essential to an individual's right to practice his profession. The examination itself, the grading system, and the appeal handling do not satisfy the requirements of due process. The decisions of the Board are arbitrary and unreasonable and bear no relationship to the end sought (protection of the public), and is therefore a violation of due process.

Because the bar examination is such an imperfect instrument for measuring an individual's qualification it is especially important

that due process be accorded to the examinee. It may be helpful to review the examination process and a few of its defects:

The Alaska State Bar Examination is a 2-½ day examination given twice a year. One day is devoted to the multi-state bar examination, which is prepared by the National Conference of Bar Examiners and administered by the Educational Testing Service of Princeton, New Jersey. One day is devoted to essay questions prepared and graded by the California Board of Bar Examiners. One half day is devoted to Alaska questions prepared and graded by the Alaska Board of Bar Examiners.

The multi-state examination consists of two hundred multiple choice questions covering six areas of law. A fact situation is presented and a series of multiple choice questions are presented for the applicant to indicate the "best" answer. The examination is machine graded.

The California essay questions present a factual situation and request the applicant to write an essay analyzing the legal issues applying the rules of law to the facts presented. The California questions are written by the California Board of Bar Examiners and graded with California applicants.

The Alaska essay questions present a factual situation and request the applicant to write an essay analyzing the legal issues applying the rules of law to the facts presented. The Alaska questions are prepared and graded by the Alaska Board of Bar Examiners.

#### **Defects of the Multi-State Bar Examination**

The Multi-State Bar Examination is not a valid examination.

1. There is no single correct answer to multi-state bar examination questions.

1. There is no provision for an applicant to challenge the examination.

3. No provisions are made to review the examination as a learning aid for subsequent examinations.

4. Pool questions have been leaked compromising the examination.

5. The examination is culturally biased.

6. The multi-state examination has no relevancy as to future performance.

In preparing the multi-state bar examination the examiners make more than one of the four choices offered very close to correct and students are told to choose the "best" answer. Jove Covington, Director of Testing, explained "There may be more than one possible correct answer, but the committees drafted each item with what was regarded as one 'best' answer."

The Bar Admissions Study Commission for the State of Oregon examined the multi-state questions and several took the exam. The Committee concluded that in some cases at least two of the choices were sufficiently close to correct that there might be a substantial difference of opinion as to which one could properly be chosen. For such questions applicants with equal knowledge and analytical abilities could choose different responses, and the student who chose the committees "best" answer would receive points while the other candidate, with equal knowledge and skill would have no way of demonstrating that knowledge.

The Washington Bar Association eliminated the multi-state portion of the bar examination in 1977, in part, because there is no single correct answer to the multi-state questions. The Oregon Bar Commission appointed by the Oregon Supreme Court to study bar admissions has recommended that the multi-state portion of the examination be eliminated for the same reason. The study was completed in 1979 but has not been acted upon.

There are no provisions for the applicant to challenge the multi-stage examination. The examinations are brought to Alaska by Educational Testing Service and administered. No copies remain, or can be secured, for the applicant to use in challenging the examination. An examination that cannot be challenged is not a valid examination.

The State of New York passed a "sunshine" law in 1979

guaranteeing that everyone in the state who takes a test can receive a copy of his test and the correct answers. It requires the testmakers to explain on the record how they constructed the examination. Ohio legislators are discussing a similar bill and California enacted a weaker bill after educators lobbied frantically to dilute it. Theodore Weiss is co-sponsoring a "truth in testing" bill in the House of Representatives. The New York Congressman argues that it will lead to fairer tests if the "testmakers" rationale becomes public.

There are no provisions for the applicant to review the multi-state examination as a learning aid for subsequent exams. No copies of the examination are allowed to remain in the state or to be reviewed. In subsequent exams the applicant may very well continue to make the same error, failing to select the answer the committee has designated "best".

Pool questions have been leaked compromising the examination. The re-use of questions on the multi-state examination raises the problem of security. At the present time the National Conference of Bar Examiners have filed suit against Multi-State Legal Studies in Federal District Court in Chicago for an injunction and other relief. Advertisements of Multi-State Legal Studies of Philadelphia regarding a seminar it offered included the statement "of the 200 questions, approximately 120 questions were reconstructed from questions which appeared in the 1978 multi-state bar examination."

The multi-state bar examination is culturally biased. A number of papers have been prepared on the topic of bar examinations and cultural bias. Since trustworthy statistics are difficult to come by, none of them can be considered conclusive. Because no questions on race or ethnic status are asked, it is not possible to identify minority candidates. Partial statistics have been compiled by the Oregon State Bar Affirmative Action Committee and they verify a lower pass rate for minority candidates. Similar reports have come from studies made by Washington and California.

It is possible to identify more than a dozen Alaska Native applicants that have applied for admission to the Alaska Bar. Most of them within the past four years. Only four had been admitted by July of 1979. At that time a majority of the candidates had taken the

examination more than once. One young woman had been examined three times. Black applicants are experiencing difficulties.

It is important to note that two hundred questions must be answered in 360 minutes. With little more than a minute and one-half per question, reading speed appears to be a requirement in the successful completion of the examination. Thus, performance will be enhanced among students who are able to read fast. Since reading speed is to some degree related to familiarity with the language of the test it orients the test in favor of middle class Anglo students.

The multi-state examination has no relevancy as to future performance. It is an examination which tests ability to remember rules of law and analysis of fact situations. It fails to measure abilities in legal research, negotiation, interviewing, oral advocacy, trial practice and any of the other skills which a lawyer might be called upon to exercise. There has been no attempt to show that the bar examination has any relevancy to the subsequent practice of law.

The multi-state bar examination is stressful, expensive and defective. It cannot be considered a valid examination.

#### **Defects of the Essay Examination**

The Essay Examination is an Imperfect Instrument for Measuring an Individual's Qualifications.

1. It "tests" three or four years of study in one and one half days.
2. There is no single correct answer for essay questions.
3. There is insufficient time to prepare an answer.
4. There are too many issues.
5. The quality of the question is frequently poor.
6. The essay portion of the examination covers too many subjects.
7. The essay examination requires a type of study which is often

repugnant to a good analytical mind.

8. The essay portion and the multi-state portion do not select as competent or incompetent the same candidate. The degree of correlation between the two examinations is not consistent.

9. Issue-spotting is a very limited form of testing for legal knowledge.

10. There is a lack of agreement among competent readers as to what the score for an essay paper should be.

The essay examination is expected to reveal the abilities of a candidate in a one-shot qualification. It fails to take into consideration the physical, mental or emotional conditions of the examinee on the three days of his life that he takes the examination. Law school performance, and work-related activities are not considered. The examinee must be able to cover all possible detailed questions. Three years of academic training are tested in three days.

There is no single correct answer for essay questions. Law is not an exact science, legal issues produce widely varying interpretations and arguments. A student who knows a subject well may view with extreme complexity what the board views as fairly simple issues.

As presently structured the essay examination emphasizes speed and endurance. Forty minutes is an insufficient time to read, analyze, and write a difficult essay. All issues must be spotted, all rules of law applied, etc. The average answer prepared by my son was seven single space typewritten pages. The time factor discriminates against cultural minorities. Reading and writing speed are related to familiarity with the language of the test; it orients the test in favor of middle class Anglo candidates. A single essay question may have as many as forty issues to spot and analyze.

Essay questions on the bar examination present too many issues to permit full discussion within the time allotted. The essay questions frequently contain so many issues that applicants cannot physically and mentally deal with the analysis or the physical necessity of transmitting the analysis into a written answer. The number of issues goes beyond any reasonable expectation for a

response in the time allotted.

Questions are frequently poorly worded and confusing. Names used are similar, facts ambiguously stated, the call line misleading. Questions frequently deal with obscure areas of the law which are not usually covered in law school courses. Questions are designed to require discussions of phantom issues or an explanation of why an issue did not exist. Issue-spotting is too limited and results in an examination that is too restrictive in methodology. Questions are phrased using the inductive method. Culturally different examinees do better when questions are phrased using the deductive method. An examination which tests ability to remember rules of law and analyze fact situations in light of those rules is too limited. The essay examination does not measure other important qualities necessary to the practice of law.

The essay portion of the examination covers too many subjects. A two-day period is long enough for an effective bar examination. The code of recommended standards recommends twelve subjects. The Alaska applicant must prepare for the California subjects, the Alaska subjects and the multi-state subjects. The examination is two and one-half days. Oregon recommends two, down one-half day from the present examination period.

The essay examination requires a certain type of study and writing, not just good legal knowledge, analysis and logic, but the "black letter law" approach. A good legal mind frequently finds this approach repugnant.

If the multi-state examination and the essay examination were correlated they would select the candidate as competent or incompetent in both areas. This is not so. Candidates frequently pass one section of the examination only to fail the other section.

The essay portion of the examination is concerned with issue-spotting. Some applicants may not be able to demonstrate their knowledge under the standard essay format but could do so if faced with a different type of question. Some of the suggested question formats are more closely approximated to the way lawyers are required to apply legal rules than the standard issue-spotting.

There is a lack of agreement among competent readers as to what the score for an essay paper should be. A series of studies has

shown that answers to essay questions are scored differently by different readers and that even the same reader scores the answers differently at different times.

The Ashburn study of grading essay exams is acknowledged as one of the finest works in the field of testing and measurements. After an in-depth study and experiment, Dr. Ashburn found a lack of agreement among the professors on each reading and inconsistency between the two readings for a given professor. He concluded that the passing or failing of about 40% of the students depended, not on what they know or don't know, but upon who reads their papers. The passing or failing of 10% of the papers depends upon when the papers are read.

Graders for the essay portion of the Alaska Bar Examination are failing candidates with scores of 69.4, 69.6 and even 69.9 on a scale where 70 is passing. It is not possible to grade essay questions to such a specificity.

Given the defects of the essay examination one must consider that it is an imperfect instrument for measuring the ability of a candidate.

#### **Defects in the Grading Process**

The grading process is inappropriate and unfair.

1. The present grading process is a form of colonialism.
2. The grading process is not anonymous.
3. Grading personnel are not professional examiners.
4. There is a pre-determined passage rate.
5. A standardized score of 70 is not consistent with scores of neighboring states.

The present grading process is a form of colonialism. Four-fifths of the examination is graded outside the State. The California essay portion is graded with the California candidates. The multi-state portion is graded in Princeton, New Jersey. The only part of

the examination that is graded in Alaska is the Alaska essay section. This is a one-half day session. The other two days are devoted to areas that are graded outside the State.

There is considerable discussion and assurance that the grading process is anonymous. Each candidate being given a number with the key to the numbers held by the Supreme Court. The candidate knows his number and can easily communicate it to members of the examining committee. In the 1979 exam a bar examiner worked in a large legal office. Members of that office were assured by her that they would pass the Alaska questions. There is no such thing as anonymity in grading.

Grading personnel are not trained in testing and measurements. They are frequently new attorneys themselves. They are rendering decisions that are of extreme importance without the training to do so. There are no model answers provided for the graders to follow. The result is that unqualified candidates are excluded.

The Board of Governors of the Alaska Bar Association deny that there is a pre-determined pass rate. However, in the past 16 examinations the pass percent has only twice been above 79%. That was the year when candidates filed a group appeal against the Board of Examiners protesting grading procedures. The winter 1979 pass rate was 69%. Almost 40% of the candidates failed.

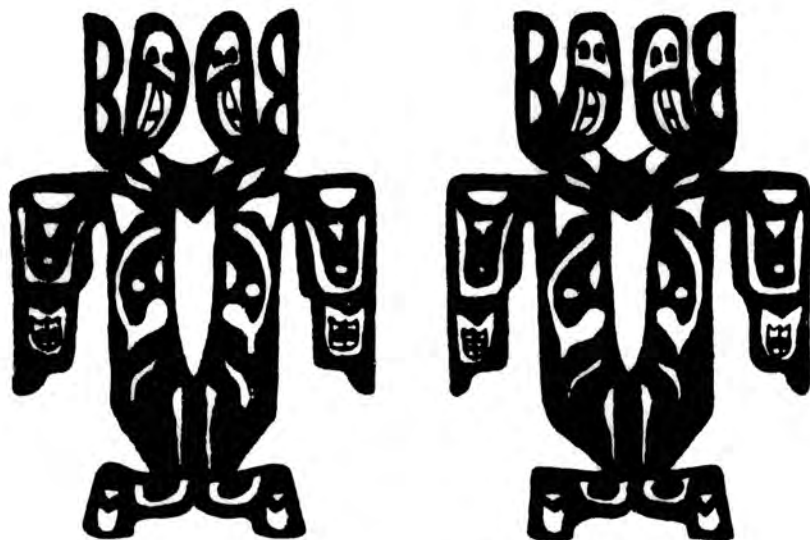
The decision to set the score at 70 is not consistent with neighboring states. Washington is 65, Oregon is the same, Utah is 60, etc. By setting the multi-state exam score at 70% many candidates are excluded. By moving the passing score from 70 down to 65, Pennsylvania changed the pass rate from 62% to 98%. The majority of the failed candidates do not fail by a large number of points. The total points by which my son failed three examinations is less than four. The third examination by six-tenths of a point.

#### **The Appeals Process is Defective**

Applicants who wish to appeal their failure of the bar examination must do so on the limited grounds of fraud, improper conduct or arbitrary use of discretion on the part of the Board. This does not

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.

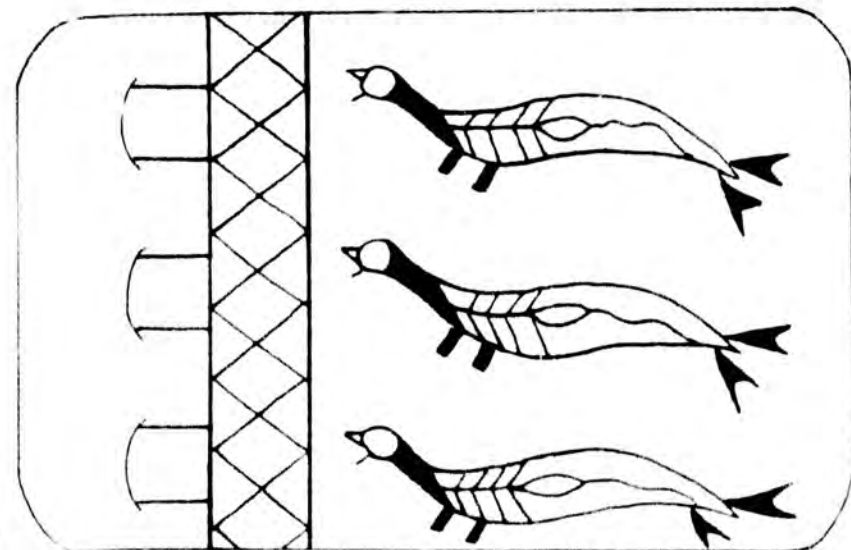
This commission should be committed to the concepts of multiple-use and sustained yield. The idea would be to set up forests, parks and refuges; both State and Federal. The areas could only be as large as the commission could justify with multiple-use and sustained yield doctrine. The governor of Alaska 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



SCOMM

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Serial 20: 22



**Legislative Council  
State of Alaska**

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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 — Kuskokwim East  
Gamma — Kuskokwim 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*

## INDEX

Kenneth E. Showalter, <i>The New Perceptions About Alaska's Fiscal Future</i> .....	page 3
Ken Gain, <i>Proposed Tax Structure for Alaska During a Budget Surplus</i> .....	page 9
Emmitt Wilson, <i>Permanent Fund</i> .....	page 14
David L. Allison, <i>Bottomfish Development for Alaska</i> .....	page 19
Richard Montague, <i>Historical Perspective</i> .....	page 24

## **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...<sup>1</sup>

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 900% with eleven tax increases in as many years. Given 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.

To the extent that there was a projected goal to diversify the revenue base in 1969, 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

characterize the economic base 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.<sup>3</sup>

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.<sup>4</sup>

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."<sup>5</sup> 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.)<sup>6</sup>

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, Alaskans have a vital interest in this matter.<sup>7</sup>

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.<sup>8</sup> 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."<sup>9</sup> 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

As to the use of leasing bidding 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.<sup>19</sup>

**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.

That is, never the amount of money that is the result of drilling a well—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 LeRoche) 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."

NOTES

#### Footnotes

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

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

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

<sup>4</sup>Tussing, 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.

<sup>5</sup>*Ibid.* p. 2.

<sup>6</sup>*Ibid.* p. 5.

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

<sup>8</sup>Bank, 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.

<sup>9</sup>Tussing, *op cit.* p. 2.

<sup>10</sup>Starratt *op cit.* p. 12.

<sup>11</sup>The 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.

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 effect 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.)

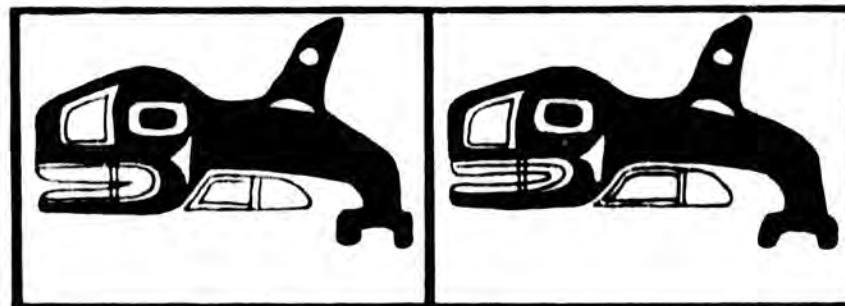
Therefore, when consideration is given to the reduction or elimination of the tax, it is only reasonable the same criteria should be applied.

### 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-



Strong 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-

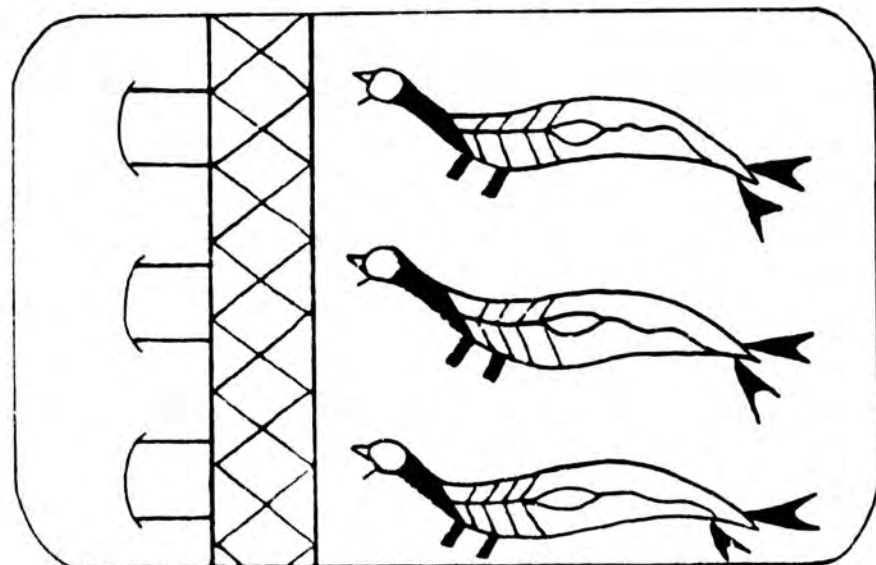
income tax. In addition, the recommended tax structure will allow the Legislature to distribute benefits from our petroleum wealth greater than the amount of income taxes, but still retain the necessary mechanism to levy taxes which might be required in the event of some unforeseen change in petroleum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

#### Footnote

<sup>1</sup>According 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

good people are being laid off. 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.

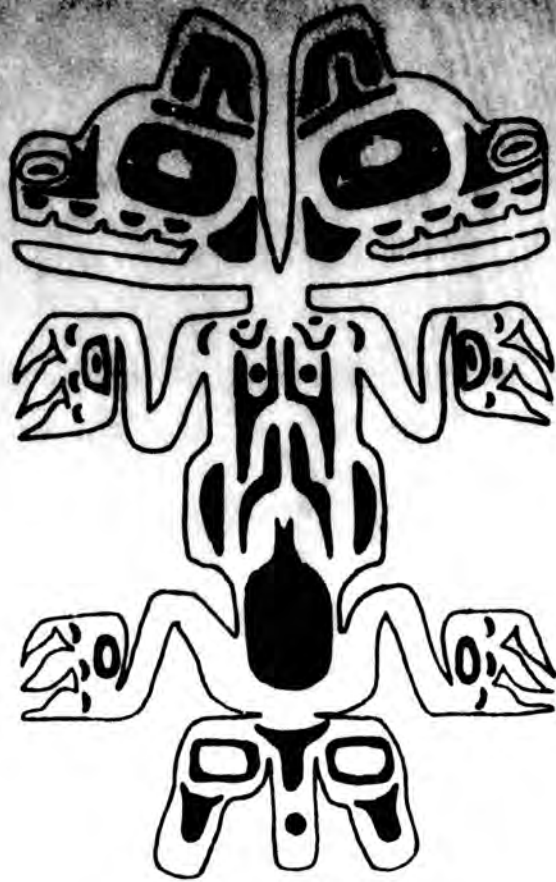
#### How can we get more of it (economic growth) if we desire?

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 content the professors found that previous income tax cuts in Pennsylvania 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-

...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

7% bonds, 20% stocks and 73% cash is projected 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.

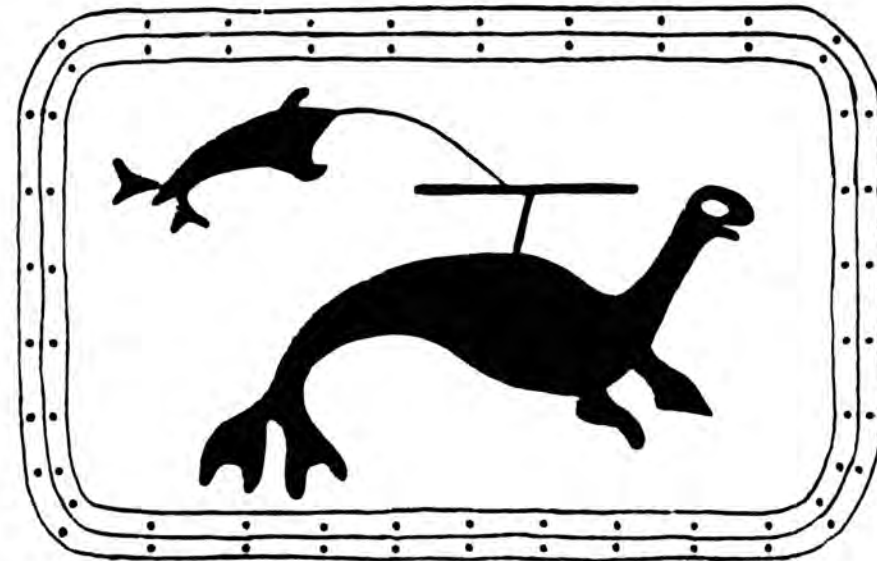
When the rates drop, Alaska could sell its mortgage portfolio or utilize the bond market "to create money," if it wished. In this manner the original funds could be leveraged to many times their original amount.

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:

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\*

(5) Department of Education

(6) 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

... by the... The... 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

... 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-

ably 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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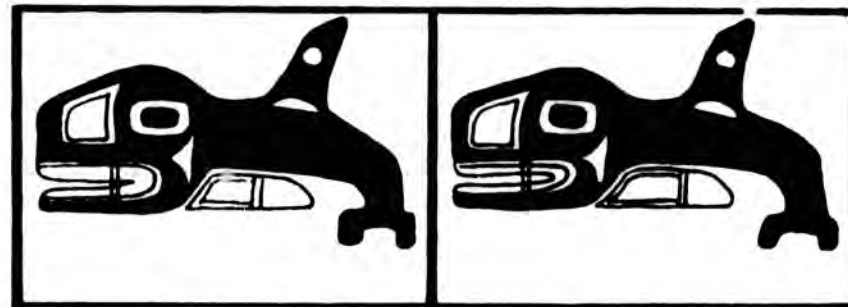
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#### Biographical Sketch

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

25 percent since 1972. In 1973, 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,

in that no attempt is made to favor industry or 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	699,000	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 groups, 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.

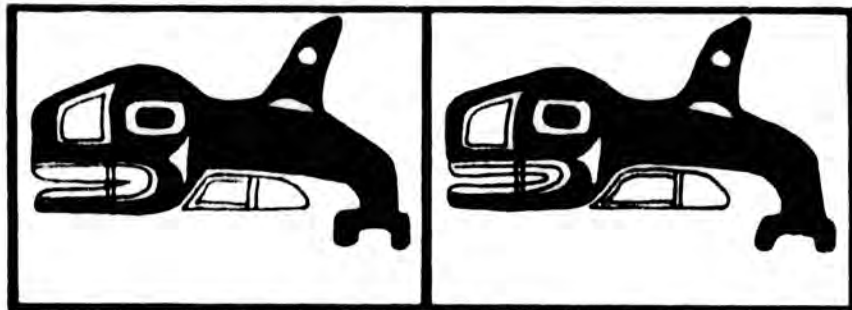
**"Worlds of Alaska:"** The media advertising campaigns funded through cooperative marketing have essentially focused on promoting the availability of the state's tourism information brochure, *Worlds of Alaska* through coupon response advertising. Readers of the cooperatively funded advertisements in 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 Alaska Department of Tourism  
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 (cruise ship 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 the success 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.