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Sen. Mike Gravel — pushing for AGSOC plan

## Gravel goes on the stump for stock ownership plan

By SUZAN NIGHTINGALE  
Daily News reporter

Sen. Mike Gravel is being followed these days — by a film crew recording Gravel's speeches for a statewide advertising campaign.

The Anchorage Democrat said Tuesday he's planning the multi-media campaign to acquaint Alaskans with his Alaska General Stock Ownership Corporation, a plan Gravel says could pay every man, woman and child in Alaska \$400 a year.

Under Gravel's proposal, Alaska residents would form the corporation and, initially, purchase British Petroleum's share of the trans-Alaska gas pipeline. A nine-member board would run the corporation, with dividends being paid to "stockholders" on a quarterly basis.

The Alaska legislature declined to approve the plan earlier this year, prompting Gravel to launch a petition drive to place the AGSOC proposal before the voters. He says a statewide education program is needed to tell Alaskans about the plan.

"If we get 13,000 signatures, it'll go on the ballot," Gravel told the Dining and Speaking Society Tuesday. "I don't expect to have to go to the ballot because I think the state legislature will approve it, but what this does is force us to launch a state educational program."

Gravel says if the corporation bought British Petroleum's share of the pipeline for \$3.4 billion, it "could pay a dividend to every person in Alaska of between \$75 and \$100" its first quarter. Such secondary income could have far-reaching effects in Alaska,

especially in the bush, he added.

Looking ahead to the year 2000, Gravel said, "If we had a portfolio of \$10 billion, every person would realize a return of \$10,000 a year; a family of four would receive \$40,000."

Describing his proposal as "an effort to try and find a way to diffuse the wealth of our society," Gravel denied charges that the plan represents state involvement in private enterprise, and repeated his claim that a state loan guarantee wouldn't be necessary to finance the purchase.

"We're not doing anything that isn't already being done in the private sector," he said. "What I'm trying to do is create more democracy in the economic marketplace. Our job is to make people free and help them live better economic lives."

Saying that 52 percent of this nation's wealth is owned by 25 percent of the people, Gravel said, "So this great affluence we think we have is only our salary and not our ownership. Today we have freedom in our political structure, as best we find it, but in the private sector, in the economic sector, that was never done. Our economy is based on an autocratic and dictatorial system."

"If I'm right, Louis Kelso's (originator of the employee stock ownership concept) name will become more famous than Karl Marx. It will change the course of the free enterprise system."

"If I'm wrong, I'm prepared to suffer the consequences. I think this opportunity is so unique that if we are successful, for the rest of my career, I'll never equal this accomplishment."

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# The Legislative Session

By Tom Fink

**THIS LEGISLATIVE SESSION** ended with more pluses than minuses. It will be several weeks before we find out what all happened in the last 10 days but the overall balance is good.

There were many bills introduced which would have been damaging had they been passed. The pressure by the Senate president for a 100-day session was a big aid.



He set deadlines which some called arbitrary. However, unless you do establish a time schedule in the Legislature, it will go on indefinitely as it has in recent years.

First of all, the Legislature didn't pass any of the numerous tax increase bills the governor had introduced with the exception of the increased tax on fishing. We didn't need that tax, but that's still a pretty good score.

The Legislature didn't approve the salary increases, which although partially meritorious were too big. We have an expanding and uncontrollable state salary schedule. The fact that the Legislature did not fund the salary increase that the administration had agreed to will bring the issue to a head. The governor introduced legislation to put on the ballot any increases in case of a dispute. He really didn't push the bill. In fact, he introduced it in the House where he knew the bill would go to Mike Miller's committee, in which it would not move. He could have introduced it in the Senate where the bill would have been given consideration. In any case, the state salary schedules will be a topic of discussion between now and the next session.

**THE LEGISLATURE** didn't pass the Alaska General Stock Ownership Plan, which is a big plus. When the state has extra money, it should reduce debt, pay for capital improvements with cash and reduce taxes. I think most Alaskans would rather invest their own money than have another state corporation do it for them.

The Legislature stood up to the governor's pressure on making a commitment to the Northwest gas pipeline. The Legislature said it didn't have adequate information to make a decision and further than the state's decision was not necessary for the line to go forward. The legislature's position certainly has the support of the vast majority of the people of this state.

The Legislature did pass a new land law. It probably doesn't go as far as it should, but it will make land finally available to the residents of this state. The fact that the Legislature withheld 35 percent of the budget for the Division of Lands will be extremely helpful in seeing that land is made available. Also by the Legislature putting pressure on Mike Smith, we're told that he will be removed from the decision-making position.

The Legislature did make an accommodation to continue the various state loan programs. Unfortunately, it raised the interest rate from 7½ to 9½. With a little public pressure between now and next January, that increase in rates can be reversed.

The Legislature also made money available to start some small dam projects for power generation throughout the state. This is certainly an appropriate way to spend surplus state funds.

**THE LEGISLATURE** did not agree on a permanent fund bill. In my view this is a plus since the bills that were being proposed were not satisfactory. The House intended to tie up most of the money in conservative outside investments. The Senate, on the other hand, had a fancy system of leveraging money, but at least it intended to use all of the money within the state. The House bill also had proposed increasing the contribution to the permanent fund above 25 percent which would have been of no benefit to the state.

The Senate passed a resolution in favor of the Beaufort Sea sale in December and the House passed a resolution against the Beaufort Sea sale. The only important thing is that both houses did not agree to call it off. Hopefully, the governor will not hang his hat on the House's position and call the sale off.

The budget could have been worse. The fact that it is 2 percent less than last years is an achievement. The operational budget did go up. It should have gone down.

The Legislature did not come up with a solution to the capital move. It did pass a resolution directing the governor to negotiate with the Matanuska-Susitna Borough. If the borough keeps the pressure on the governor, it is possible that the next session will not be able to resist taking action with money.

With some trepidation, since I have not seen the final budget, I want to congratulate the 1979 Legislature and particularly the president of the state Senate.

*Tom Fink, an Anchorage insurance man, is a former speaker of the Alaska House of Representatives.*

# \$3 million set aside for interim work

By CHARLIE SPENCER  
News-Miner Bureau

JUNEAU—Legislators have allowed themselves nearly \$3 million for "interim committee work" during fiscal year 1980—more than \$1 million over what will have been spent for comparable activities in the fiscal year ending this June.

Interim spending two years ago, when all appropriations and newly passed legislation were added in, was, however, higher than last interim and amounted to about \$1.9 million.

Such interim spending generally is high in the off-election years. Budget records are complicated, with the amount set aside in the just-enacted 1980 budget bound to increase when all the figures filter down, say financial personnel in the Legislative Affairs Agency.

For example, for fiscal 1979, an item marked for the Legislative Council and interim committees was given about \$650,000. But more than double that amount ended up being spent out of the account.

The figure would be even higher, though some of the money will carry over another year.

This year for the same line item, the legislators are starting with \$2.7 million. All of that money will not be spent during the interim period between sessions. Some of the interim activities or committees continue year-round.

And besides the Legislative Council account, there is other money that will be spent in the interim.

The Legislative Finance Division budget, which was beefed up by about 70 per cent for 1980, supports interim

activities and staff for both houses' finance committees. The Legislative Budget and Audit Committee, funded through another account, also works during the off-session.

Though more will be spent during this interim than ever before, Sen. George Hohman, Legislative Council chairman, says it may make a bigger dent in next year's work.

"The interim work will streamline things next session," says Hohman, a Bethel Democrat.

Several committees have announced they will be studying and holding hearings on controversial and complicated issues this summer and fall.

Examples are a complicated school funding bill, which was held this session, and the controversial Alaska General Stock Ownership Corp. proposal.

That could speed up lawmakers' committee work next year during what many expect to be a much longer session than this year's 112-day stint.

Hohman also hopes to have faster, and better qualified staff, composed partly of graduates or participants of a new legislative internship program. Money for the program comes from the \$2.7 million line item.

Also in that line item is \$786,000 for activities of the 40-member House of Representatives. Some of the chamber's regular committees get a portion, topped by the Resources Committee with \$193,000 to be spread among subsistence, agriculture land and foreign investment activities.

A House special oil and gas leasing policy committee gets \$150,000.

Those committees had to submit proposed budgets to the House leadership, and each is now listed with its allocations on the newly printed budget document approved last weekend by the Legislature.

The balance, about \$1.9 million, goes primarily to committees of the 20-member Senate, with some left over for the council activities, additional House work and remodeling in the Capitol.

Hohman said Senate activities not broken out in the budget are mineral resources, Alaska in the Pacific Rim marketplace, beefing up the teleconference network, state tax policy and the constitutional convention project that is required every 10 years.

Hohman said that at the end of each decade the voters are given a choice of holding a constitutional convention. The interim work will focus on the issues around which the next session

could revolve.

Panels such as the Legislative Regulation Review Committee and the Personnel Blue Ribbon Commission are funded from the \$2.7 million.

For the present fiscal year as a control on the spending, the Legislature wrote into the budget the requirement that each interim committee chairman submit a report to the Legislative Council, for presentation to the Legislature next February.

"The reports shall include the business addressed by each committee, the recommendations made by each committee, and full fiscal information on committee expenses," says the document.

Additional guidelines will be set Tuesday by the council when it meets in Anchorage, says Hohman. Committee chairmanships and memberships will be filled then.

# House Panel Passes AGSOC

By NANCY HARRIS  
Empire Staff Reporter

After two months of extensive hearings, the House State Affairs Committee Wednesday adopted a substitute bill for creation of an Alaska General Stock Ownership Corporation. The bill attempts to alleviate fears of some witnesses and legislators that the proposed citizen-owned corporation would become an all-powerful economic and political force in the state.

Work on the bill (HB 240) seems to be at an end for this session. It is not clear what, if anything, will happen to the measure this year.

Sen. Mike Gravel, who pushed legislation through Congress last year to provide for AGSOC, has been in Juneau this week urging passage of the bill this session. But Juneau Rep. Mike Miller, chairman of the State Affairs Committee, indicated he might want to "take it on the road" in the interim to get comment from Alaskans.

"That doesn't preclude you from trying to sell your idea," Miller told Gravel, who has

also been lobbying members of the Senate Finance Committee to pass out a companion measure.

The Senate panel has had the bill (SB 170) for more than a month, but has done little work on it. Gravel said he is attempting to get that committee to adopt the House bill as a substitute.

The AGSOC proposal calls for creation of a general stock ownership plan in Alaska. The corporation would be exempt from federal corporate income taxes under the federal law allowing for GSOPs. Under the federal provisions AGSOC would have to distribute 90 percent of its earnings to its shareholders, who would pay personal state income taxes on the dividends.

All Alaskan residents as of the effective date of the bill would receive a free share in AGSOC.

AGSOC would set up as a private corporation and would borrow funds to finance its investments.

Gravel appeared before the House committee three times this week to explain why he

thinks AGSOC must be approved this session. Wednesday he outlined a scenario for getting the corporation in action which he said places it dangerously close to the five-year deadline, after which the special federal tax provisions will be revoked.

Gravel told the committee if any of the necessary start-up procedures take longer than expected, Alaska will have missed the opportunity to show whether a state-wide AGSOP will work.

"To wait until next year could be condemning all your efforts to naught," he said.

The committee has made numerous changes in the bill, adding an entire chapter to Alaska corporate law to govern AGSOC.

Several witnesses told the committee Alaska corporate law would be inadequate to govern AGSOC because the law concentrates too much power in the corporate directors.

Provisions to insure more director responsiveness to shareholders were added to the bill, including:

—Prohibiting the use of proxies. In their place, the corporation would send out a

ballot and information pamphlet. This would prevent proxy battles and give more voice to the individual shareholder, according to the committee.

—Allowing shareholders to amend the articles of incorporation and bylaws, place issues on the corporate ballot and nominate board of directors candidates through a petition signed by 1,000 shareholders.

—Requiring three-fourths of the board of directors to be Alaskans. The bill also requires that board and shareholders meetings be held in Alaska and that they may be teleconferenced throughout the state.

Some witnesses and legislators worried that AGSOC, with its large number of shareholders, would become a major political influence in the state if it were allowed the rights of other private corporations.

The committee substitute, in an attempt to reduce AGSOC's potential political activity, provides that:

—AGSOC could not endorse candidates or issues, spend money on political activity or

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## Hammond Favors Delay In AGSOC's Creation

By Empire Staff

Gov. Jay Hammond Wednesday said he does not want to see an Alaska General Stock Ownership Corporation created until his proposal for sharing Alaska's resource wealth with its citizens, "Alaska, Inc." is enacted.

In an outline of his position on AGSOC, he said he supports the concept of Alaskans receiving "some direct benefit from their resource wealth rather than simply receiving whatever more government we politicians think they should have."

But he said Alaska's long-term best interest would be served better if his Alaska, Inc. program is operating before AGSOC.

Under Hammond's Alaska, Inc. proposal, each Alaskan would receive one share of half the earnings of the Permanent Fund according to his length of residence.

Hammond has introduced a modification of his Alaska, Inc. proposal (HB99), under which the dividends would come in the form of tax credits. That measure so far has seen no action.

"The conclusion that an Alaska, Inc." type program should be established before an AGSOC proposal was reached primarily because of the potentials of an AGSOC to place the shareholders' interests precisely at odds with the state's interests," Hammond's position paper states.

For example, he said, if AGSOC purchased a portion of the trans-Alaska pipeline, one possible investment which has been discussed, AGSOC would be interested in the highest possible tariff to ensure higher profits for the corporation.

On the other hand, Hammond said, the state treasury's interest would be in a lower tariff so contributions to it and the Permanent Fund are higher.

## AGSOC...

Continued from page 1

employ lobbyists.  
—The incorporators would be appointed by the Governor, House Speaker and Senate President. The original board, named by the incorporators, would have to stand for election at the first shareholders' meeting. Under the original bill, the governor would have appointed all the incorporators, but Gravel, saying the administration was trying to block AGSOC, asked the committee to change that provision.

—The articles of incorporation and the bylaws must be submitted to the Legislature for approval.

—The Legislature would have the right to amend laws relating to AGSOC.

The committee decided the bill should limit the financial commitment of the state to

AGSOC. Under the substitute bill:

—There would be no commitment by the Legislature to finance AGSOC investments. Financial assistance would require legislative approval.

—The fund to guarantee private credit for AGSOC start-up expenses would be limited to \$5 million.

The committee substitute also provides that shareholders may not retain their shares if they leave Alaska. Federal law prohibits the sale of shares during the first five years unless the shareholder leaves Alaska. To discourage shareholders from leaving the state just to sell their shares, all sales during the first five years would have to be made to the corporation at book value.

After that, shares could be freely traded within the state.

HB 240

# Gravel Mounts <sup>Empire</sup> 5/1/9

## AGSOC Drive <sup>HB 240</sup>

By NANCY HARRIS  
Empire Staff Reporter

Fearing the Alaska Legislature won't pass it next session, Sen. Mike Gravel has started an initiative drive to get his Alaska General Stock Ownership Corp. plan on the ballot in 1980.

Gravel was scheduled to leave Juneau today after more than a week of intense lobbying to get the Legislature to act this year on a bill setting up the citizen-owned corporation. He said Monday it would be "counter-productive" to continue the effort since he has met with "concern, suspicion and various levels of ignorance" among legislators.

Gravel called the AGSOC measure worked up by the House State Affairs Committee an "excellent bill," saying "It's obviously time to go forward."

She State Affairs panel worked on the bill, HB 240, and its Senate companion measure, SB 170, for more than eight weeks, holding hearings and taking testimony from several expert witnesses. But committee chairman Mike Miller of Juneau wants more public comment on the AGSOC proposal, possibly by holding hearings throughout the state during the period between sessions.

The legislation would set up a private corporation whose stockholders would be all Alaska residents on the effective date of the bill. With the help of state guarantees, the corporation would seek private financing to invest in capital-intensive projects.

Under federal legislation allowing for general stock ownership plans, 90 percent of the earnings of AGSOC would have to be paid out to shareholders.

Gravel said he didn't think the bill would be improved by more hearings and said he doubted hearings would add to the public's understanding of the AGSOC proposal.

"We've had hearings and teleconferences,"

Gravel said. "State Affairs has had over 30 meetings on AGSOC, all open to the public. You can just about hear something to death."

Gravel termed AGSOC is a very "esoteric" idea. "The only people who understand it will be the experts who bother to read economic theory," he added.

"I would venture to say there won't be 20 people who will read the entire 60 pages of legislation," Gravel said.

But Gravel said his initiative drive, which will force him to gather 13,000 to 14,000 signatures, will be an educational process, also.

Gravel admitted that it is "a little unusual" for a U.S. senator to lobby a state legislature on a bill and said he doesn't think his failure to get action on the bill reflects adversely on him.

More than half a million dollars in government funds has been spent to far on the AGSOC proposal, Gravel said. His office has been working on the idea for more than four years, he said. In addition, the Legislature contracted with Louis Kelso, a San Francisco economist who fathered Employee Stock Ownership Plans, for \$180,000 to come up with a similar plan for the citizens of Alaska.

Jerry Gauche, a tax lawyer on Gravel's staff, has been in Juneau since early March working on AGSOC legislation. Gravel said his office pays Gauche's salary, but the Legislature paid his per diem expenses while here. Gauche was not a "lobbyist" for the bill, but a staff person, Gravel claimed.

Gravel said he plans to spend a lot of his time promoting the initiative, and said he doesn't see a conflict in using government funds to plug AGSOC at the same time he is running for re-election.

"It would be an unfair criticism to say that I am doing this for political reasons," he said.

"It would be cruel, bad criticism."

## Gravel Mounts Drive <sup>HB 240</sup> <sup>Empire</sup> 4/23/9 To Get AGSOC Passed

By The Associated Press

Sen. Mike Gravel, saying he was prepared to spend all of the week here if needed to get an Alaska General Stock Ownership Corporation bill out of committee, said there is "no logical reason for delay other than timidity."

The House State Affairs Committee, which has done the bulk of the work on the proposal, is holding several more hearings on it this week.

Gravel testified on Saturday that "a great momentum" would be lost if the bill is held over until next session. He also stressed that an AGSOC must be in operation within five years or the federal legislation providing tax and other special treatment of the plan would expire.

Under an AGSOC, all Alaskans would be shareholders and the citizen-owned corporation would invest in capital intensive projects.

Gravel said the "real test" on whether the

idea has merit will come in the bond marketplace on Wall Street.

He said AGSOC is an "esoteric" subject for which it would be pointless to hold further public hearings on..

The senator, who pushed general stock ownership legislation through the last Congress, said it was difficult to discuss what an AGSOC would invest in, saying a professional management team would come up with specific investment proposals.

Rep. Terry Gardiner, D-Ketchikan, suggested that AGSOC invest in petroleum production facilities.

He also said that the state has already aided Alaska Airlines, by selling revenue bonds so it can get reduced interest on its borrowing, and has already (last year) set up the mechanism to issue bonds for Northwest Alaskan, builder of the U.S. portion of the Alaska highway natural gas pipeline.