

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 8672

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with the enterprise either as clients or as providers of goods and services, citizen action groups, community development corporations, labor unions, etc.

The important relationships among these groups are:

a) Elected Government to the Board: Who appoints the Board? How is the tenure of the Board related to that of government officials? Are there government officials with voting power on the Board? Are there required consultations between members of the government and the Board?

b) Constituents to the Board: How are the interests of constituents represented to or on the Board?

c) Professional Staff to Board and Constituents: Whose interests does the staff tend to promote? Are they under effective control by anyone?

Relationship of the Government to the Board

With the comic exception of some of Robert Moses' one-member authorities, the Boards of public enterprises are appointed by the Chief Executives of the political jurisdictions in which they operate. The Chairman, if he is designated as such by the Chief Executive, generally serves at that official's pleasure and is often a cabinet member. Such is the case with most state development authorities. As pointed out in the CDA profile, this

situation carries costs as well as benefits. In addition to the benefits of coordination of Authority activity with executive promotional and overall economic policy, staff may be pressured to undertake loans which are politically useful, but financially unsound. In Maine, for instance, the Commissioner of Commerce, as Chairman of the Main Guarantee Authority, pushed through the approval of a guarantee on a \$12 million loan to a sugar beet processing factory. This enterprise quickly went bankrupt, and the state was able to recover only 15 percent of its money through liquidation. It was later discovered that the Commissioner of Commerce had financial connections to the project.

This situation (of top staff being subordinated to the Board) is reversed at the Massachusetts Bay Transportation Authority (MBTA), which services the metropolitan Boston area. There, the five-man Board is chaired by the Chief Executive Officer (CEO), who serves at the pleasure of the Governor. The other four directors serve simultaneous four-year terms coterminous with the Governor's. Their powers are limited and mostly advisory. Massachusetts' Secretary of Transportation, who framed these regulations, justified the authority structure by claiming it was necessary to provide "a stronger basis for holding the Commonwealth's chief executive accountable to the legislature and the people of the region and state for the use of the state funds for

the MBTA." This provision does make the CEO an easy target in times of crises. On the other hand, it tends to strengthen the Governor's ability to direct the agency when public attention is not directed towards it.

In Europe, especially in France, government representatives on the boards of public and mixed enterprises are generally granted veto power over Board decisions involving the raising or expenditure of capital. This power has usually been used to delay the implementation of controversial decisions until they can be worked out between the management of the enterprise and its supervising Ministry.

The relationship between the government and the public enterprise can take other forms. For instance, these might consist of required consultations for various types of transactions or activities, the submission of reports and auditing by some agency within the government designed specifically for that purpose. In general, these controls are seldom exercised. They do not play an important role in the operations of any of the institutions reviewed except the NEB. The relationship between NEB and the Secretary of State for Industry is described extensively in that institution's profile.

Relationship of Constituencies to the Board

The interests of an enterprise's constituencies are most effectively represented to the Board by direct membership on it. Frequently, the distribution of directors among constituencies is dictated by the enabling legislation. This is not the case with CDC, and all 19 of its voting members are business executives. Certainly this provides no counterbalance to the profit-maximizing policies of that institution's management.

The distribution of Board membership is usually designed to accommodate political conflicts which are anticipated to arise in the operation of the enterprise. Thus the NEB, which is charged with making nationalized industries more efficient, is composed of six representatives of business firms, three representatives of labor unions, and an economic consultant. Similarly, the Board of CDFC is composed of three cabinet secretaries, two financiers, three representatives of community development corporations, and a representative of organized labor.

While such an approach to Board composition seems to be a logical strategy for dealing with political conflict, the record of this strategy has been ambiguous or worse. In Yugoslavia, where workers, union officials, management and consumers' representatives sit on the Boards of industrial enterprises, most observers report that management practices have not changed signif-

icantly in the directions desired by the workers. In Germany, the similar Mitbestimmung system has long been recognized as an instrument for the cooptation of labor. The record to date of non-expert representation on the Boards of development banks is, unfortunately, filled with more hope than effect.

The Role of Staff

The staff of a public enterprise generally outlasts its directors. Like most bureaucracies, it tends to operate in its own best interest. This is an area of public affairs which is virtually undocumented, but Jameson Doig's article on the PNYA provides some substance for the average social scientist's suspicions.

The Authority's top management is appointed by the Board and can serve indefinite terms. During the Sixties, the average length of company experience among the top staff officers was 30 years.

Realizing the threat to PNYA solvency posed by public pressure to acquire commuter lines, Doig reports that the staff orchestrated an elaborate resistance which included lobbying of the state legislatures, both directly and through favored contractors, wide-scale publicity campaigns and influencing a purportedly independent study committee formed by the state legislature to investigate the problem.

Such overreaching may be countered by the imposition of civil service or other personnel and conduct regulations on the staff. This tactic has its costs, since sufficiently skilled personnel will not be attracted by civil service salary scales and may be put off by complicated hiring procedures. The Connecticut Development Authority has experienced this difficulty. So has SBA in much more severe fashion. The real power in SBA resides in the regional officer positions, which are appointive. The regional financial officers may override loan decisions made at lower levels. Lately, there have been several documented cases of political uses of SBA funds by persons in the regional offices over the objections of the district level loan officers.

Professional staff competence is the most important element in determining the performance, financial and otherwise, of all the development banks reviewed for this report. For the most part, the top staff consists of men experienced in banking who have been able to transfer their experience and judgment to the public sector with considerable financial success. In general, they tend to reject the idea of being bound by the social consequences of their investments, claiming the institution will accomplish nothing unless it maintains its financial credibility. Statements to this effect have been made publicly and privately by the executive directors of CDC and CDA. The directors of EIB

and NEB have explicitly pledged themselves to the accomplishment of social goals, such as the rationalizing of industry and the provision of employment opportunities. So far, however, they have not discovered a framework for bending their organization's energies to those purposes.

D. Operating Sanctions

There are essentially two types of operating sanctions which can be imposed on the management of a public enterprise. One is the removal of responsible personnel; the other is the control of the flow of funds to the enterprise. These sanctions are imposed only after an enterprise's problems have reached crisis proportions.

Removal of Personnel

In public enterprises, the government can remove Directors only, usually only for cause. Where such action has been taken or threatened, it has usually been in response to evidence of financial failure or personal abuse of corporate power on the part of Directors. This is the case with current investigations of the private use of Authority facilities by Directors of the PNYA. Edward King, former Chairman of the Board of the Massachusetts Port Authority, was removed by Governor Dukakus for policy reasons. King had been openly antagonistic towards citizens' groups seeking

a noise-prevention curfew on Logan Airport, which was one of the key factors. This is, however, the exception that proves the rule.

Control of Funds

There are two basic types of capitalization for public enterprises. One is essentially private. Investment funds are raised through the sale of securities backed by the revenues of the bank and often guaranteed or leveraged by the tax revenues of the political unit of which it is a subdivision. The second is the direct provision of tax revenues to the enterprise under various conditions set by the government. Our investigation provides no clear indication of which type of financing is the most effective in holding an enterprise financially or socially accountable. However, we will review the evidence before us for each type.

Private Market Finance

The experience of PNYA and the commuter lines has demonstrated that reliance on the bond market--even the claim of such a reliance--can be used by an Authority to delay or refuse action on a potentially desirable and widely demanded social project.

On the other hand, recent experience of public authorities has discredited the frequently-heard claim that dependence on the

bond market imposes "market discipline" on the management of public enterprise. For example, by the time the New York state legislature refused to bail out the Urban Development Corporation in February of 1975, the agency had run up over a billion dollars in debt it could not cover from operating revenue. It was estimated that the state would have to put up \$240 to \$320 million simply to complete projects UDC had left unfinished. Investors had counted on the political power of UDC's management and had largely ignored its internal finances once the Corporation had been cleared by the rating agencies. The arbitrariness of this particular system is well-documented by John Peterson in The Rating Game.

Still, the use of bonds can work and can effectively redistribute capital if the institution is prudently managed. This is the case of the European Investment Bank and B.C. Central, whose financial operations are described in the profiles section. CDA's Umbrella Bond Program is another good example of the redistributive possibilities of using private market finance. Here, the Authority performs the function of evaluating the prospective risk and return of lending to small- and medium-sized firms for institutional and individual investors in market securities. It has thus opened up a hitherto untapped source of funds for its borrowers. Ultimately, the market discipline of this system is under-

mined by the extensive backing the state offers the program. Its success to date has been due primarily to high-quality management.

Financing Through Tax Revenues

Control over the provision of state revenues to public investment banks ranges from nil to finicky. At the bottom of the scale is CDC, to whom the Canadian government has provided a block initial capitalization of nearly \$300 million. This policy has assured CDC's virtual freedom from any type of control or accountability.

At the upper end of the scale, NEB's investment funds are provided on an annual basis, and their release must be justified to the Secretary by three-year plans covering both financial and non-financial aspects of the firms designated to receive funds. So far, the Secretary's office has shown little regard for the social aspects of NEB-financed enterprise.

The Small Business Administration relies on periodic Congressional appropriations to finance its lending and guarantee operations. This method of funding imposes costs in that it is cumbersome and time-consuming. Theoretically, it should yield benefits in terms of increased oversight of agency operations. However, the sheer number of loans SBA makes and the complexity of the decentralized administration of the program have made

Congressional oversight impossible. As we have noted, as late as 1974 it was assumed by the SBA's observers that its high loss rate on guaranteed loans was due to chronic instability in the small business sectors. A 1975 study of a large sample of SBA loan records revealed that many guarantees were made for reasons other than to finance the expansion of small business facilities. Over 20 percent of the loans guaranteed were used to pay off existing debt, and of these about one-quarter were to firms which did not meet minimum standards of creditworthiness.

Contrasting the NEB and SBA experiences, one might reasonably conclude that executive oversight may be more rigorous than legislative oversight.

CDFC's capitalization demonstrates a compromise between the lack of control inherent in CDC's capitalization and the complex, potentially disruptive day-to-day supervision of NEB's flow of investment funds. CDFC has been granted a modest, non-renewable sum of \$10 million which it may use as it sees fit within the administrative process laid out in the legislation. The legislature, in providing this form of capitalization, has essentially recognized the experimental nature of the program. If this experiment turns out to be successful, on financial, political, or social terms, the state legislature may choose to augment the original capitalization. The technical details and consequences of CDFC's capitalization are fully explained in its profile.

The problem with most financial sanctions is that they come into play only after the damage of mismanagement has been done. Continuous governmental control over an enterprise's flow of funds imposes costs in terms of limiting public bank's investing flexibility. The benefits, in terms of use of funds which corresponds to government policy or statutory mandate, have not yet materialized in practice.

E. Conclusion

The problem of holding public enterprises accountable for their performance is largely unsolved. Total accountability is neither possible nor efficient; public supervision itself is costly, and it can damage as well as promote performance in the public interest. The contribution of specific institutional structures and prescribed administrative procedures is largely unpredictable.

The workings of accountability systems is further complicated by the fact that public enterprises themselves control information on plans and operations. Past experience has shown that concerned officials have had to undertake extraordinary measures to get enough information to understand what is really going on in these enterprises. If this kind of vigilance were constantly maintained, the purpose of having the public enterprise

would be undermined. Generally, public enterprises are set up to relieve the government of a portion of the costs of administering some area of responsibility which, like assistance to productive economic activity, should generate enough surplus to finance the institutions set up to pursue this purpose.

On the financial side, the success of public banks has depended for the most part on the honesty and competence of their staff. Most public financial institutions rank high on these dimensions when compared to state-owned industrial or service firms. A set of acknowledged reporting conventions and simple criteria of success exist for the financial operations of public banks. These have been developed in the private sector and transferred intact, through the importation of management, to the operations of public financial institutions. As assets and profits mount, management's position becomes more secure, its decisions less open to question and influence by the government and its various constituencies.

On the other hand, public banks have been relatively unsuccessful in taking the social consequences of their activity into account. It must be said that they face substantial problems in doing so even if they are committed to the effort. First, reporting conventions and performance criteria are at a primitive stage of development and are subject to a great deal of controversy.

Second, management tends to be unfamiliar with what has been done in the field.

Social costs and benefits generated by an enterprise are distinguished from the phenomena that show up in its balance sheets mostly because they are not given a money value in the market. Still, the realization of these benefits or the minimization of costs requires that money be spent or that certain income-generating activities be restricted. This is a form of redistribution of the economic product of the enterprise which requires a political decision on the form the benefits and costs are to take and how they are to be distributed.

Therefore, the Permanent Fund must provide a forum in which the range of choices can be exposed and conflicting interests heard. It must then provide a means by which to assure that the decisions reached are carried out, especially when this implies a deviation from conventional commercial practice. Here the record of public enterprise is, to date, unfortunately quite uninformative. In such an enterprise, the framers of the Alaska Permanent Fund must follow their state's tradition; they must be pioneers.

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Results of
PERSONAL HEARING-IN-THE-HOME PROGRAM
concerning
THE ALASKA PERMANENT FUND

Sponsored by
The Alaska State Senate
Permanent Fund Committee

Dittman Research Associates
October-December, 1977

Market and Public Opinion Research

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INTRODUCTION

In the November, 1976, General Election, Alaskan voters overwhelmingly approved a constitutional amendment which established the Alaska Permanent Fund--the vote was over 8:1 in favor. The Amendment stipulates that no less than 25% of all the money the State receives from mineral lease rentals, royalties, royalty sale proceeds, bonuses, and Federal mineral revenue-sharing must be set aside in a "permanent fund", the principal of which must be used for "income producing" investments. Unless otherwise provided for by law, the earnings (interest) from those investments are scheduled to be placed in the State's General Fund.

During 1977, the Alaska State Senate established the Senate Committee on the Permanent Fund under the Chairmanship of Senator George Hohman, and assigned the committee the responsibility for providing essential information to the Senate regarding the Permanent Fund and priorities for its use.

In order to be certain to include the views and recommendations of Alaskans throughout the state, the Permanent Fund committee prepared a series of "out-reach" questionnaires and public meetings were held. In addition, the committee commissioned Dittman Research Associates to complete a state-wide "public hearing-in-the-home" program in which the topics of the central location public hearings regarding the Permanent Fund were presented to Alaskans in their homes to receive their personal and private recommendations and comments.

- s. Add to General Fund to be used as Governor and Legislature determine
- t. Make cash distribution in the form of grants and revenue-sharing to Alaskan communities
- u. Make cash distribution in the form of dividends and shared revenue to Alaska residents
- v. Pay off Alaska's bonded indebtedness
- w. ...and an open-ended space was provided for suggested uses not included in the preceeding list.

The answers to these questions and many others are included in the body of this report, and regional findings are also provided (Anchorage, Fairbanks, Southeast, and Northern to Southwestern villages). Also, demographic findings based on business ownership, education, family income, employment, Sex, voter registration, length-of-time-in-Alaska, political party preference, and age. In addition, cross-references are made between respondents who have participated in state-sponsored public hearings, workshops, town-meetings, and symposiums, and non-participants.

METHODOLOGY

Research design- A random sample design was featured which provided that all Alaskans within the sampled communities (Anchorage, Fairbanks, Juneau, Ketchikan, Barrow, Nome, Kotzebue and Bethel) had essentially the same chance of being included--these communities total approximately 80% of the residents of Alaska.

Sample selection- The randomly selected locations (streets, roads, lanes, avenues, house numbers, etc.) were starting

points and the interviewers completed the required number of interviews for their assignment in homes in those pre-selected locations. In the cases where there weren't enough homes in the assigned cluster area, the interviewers were instructed to go to the nearest dwelling units to complete their assignment. In order to assure the most representative sample and include the majority of working people in the correct proportion, all interviews took place during the evening hours between 5:30 and 9:00 PM. The interviewing was accomplished simultaneously throughout Alaska and was completed during the period October 30-November 21, 1977.

Sample fieldwork- Professional Dittman Research interviewing employees with up to 10 years Alaskan experience were detailed on assignment throughout Alaska. They are members of the only professional interviewing staff in Alaska which complies fully with all Federal and State tax and employment security requirements, and in association with the noted national research firms listed below, they complete the majority of all private research assignments in Alaska.

Opinion Research Corporation
Princeton, New Jersey

Market Facts, Inc.
Chicago, Illinois

Starch/INRA/Hooper
New York, New York

Field Research, Inc.
San Francisco, California

National Analysts (Division of
Booz, Allen and Hamilton)
Philadelphia, Pennsylvania

PROCESSING OF THE DATA

Dittman Research employees completed coding and editing, while all keypunching, verification and data processing was completed by Boeing Computer Service, Inc. featuring the Statistical Package for the Social Sciences (SPSS) program. The SPSS package is the most sophisticated research-oriented data processing program available, and is available in Alaska through the BCS Enhanced Kronos System, which features powerful CDC 6600 and Cyber mainframes located in McLean, Virginia and is accessed through Cope terminals located in the Anchorage headquarters of the Dittman Research firm.

The various programs included within the Statistical Package for the Social Sciences have been developed by statisticians, analysts and researchers at Stanford University and the National Opinion Research Center at the University of Chicago, and they have been designed exclusively for processing and analyzing data involving attitudes and opinions gathered through survey research.

DESCRIPTION OF SAMPLE

The total sample consists of 400 Alaskan residents over the age of 18. The sample was taken essentially proportional to population within the four main areas, with the largest number (165) taken from Anchorage, followed by (109) in Fairbanks, (70) in Southeastern, and 56 from the Northern to Southwestern village regions.

(Note: An exact proportional relationship was not followed in order to prevent spurious percentages due to the smaller populations in the villages. For example, Barrow, Bethel, Kotzebue and Nome account for approximately 2.5% of the total state population. Using the total sample as the base figure, the total of the village regions would be allocated only 10 interviews (2.5% of 400), which would be meaningless--all percentages would be in multiples of 10%. In order to assure the most meaningful findings and provide for regional breakouts, a larger than exact proportional sample was drawn from the village regions, with a corresponding under-representation from Anchorage, which with its' total of 165 respondents is still assured sufficient numbers for analysis. The net effect upon the total is a slight over-representation of rural views (approximately 1% toward the village point of view when urban/rural differences are the greatest), while the usefulness of the total state-wide study effort is greatly enhanced).

SUMMARY OF FINDINGS

Taken as a whole, Alaskans have generally well-defined ideas regarding how they want their Permanent Fund to be used:

** They favor placing the principal in bank accounts and high-grade securities (not stocks), and using the earnings from those investments for state loan programs, etc.

** They want to use the Permanent Fund for things Alaskans need now, rather than waiting and using it for things we may need in the future.

** They want to use the Permanent Fund for: (Top 5 out of 22)

#1 Loans for renewable resource development
(fisheries and timber)

#2 Loans for farming and agricultural development

#3 Loans for senior-citizen housing programs

#4 Loans for large-scale electrical power
development (hydro-electric/geothermal)

#5 Loans for small business development

** They do not want the Permanent Fund used for: (Bottom 5 of 22)

#22 Deposits to General Fund to be used as
Governor and Legislature determine

#21 Deposits to General Fund with corresponding
reduction in state business and corporate taxes

#20 Cash distribution in the form of grants and
shared-revenue for Alaskan communities

#19 Cash distribution in the form of dividends
and revenue-sharing for Alaskan residents

#18 Loans for tourism industry development

- ** By a slight margin, Alaskans feel the Permanent Fund loans should be made available through existing private banks and financial institutions, rather than through State offices.
- ** They are receptive to new ideas--48% were in favor and 40% were opposed to the concept of an Alaska Revenue Bond Fund program when described as listed below.

"Rather than using Permanent Fund money directly for state loan programs, there has been a suggestion to use the Permanent Fund earnings to guarantee an Alaskan Revenue Bond Fund program. With the Permanent Fund earnings guaranteeing repayment, Alaska would be able to sell the bonds at a low interest rate (5-6%), then use the money received from the bond sale for the loan programs--the Permanent Fund principal is never used"

- ** Alaskans are very concerned that a large amount of the Permanent Fund will be lost through mismanagement and poor investments (42%); and by a 7:1 margin, they do not want the Permanent Fund used for investments which private lenders and financial institutions consider questionable or "risky".
- ** Alaskans are optimistic and remain highly in favor of the Permanent Fund--in spite of concerns regarding possible mismanagement of the Fund, by a 10:1 margin they feel the average Alaskan will be better off due to the establishment of the Permanent Fund.

TABULAR DATA

QUESTION:

"As far as basic management principles are concerned, do you feel the Permanent Fund principal should be used directly for such things as low-interest loans for community development, fisheries enhancement, etc.; or do you feel the principal should be invested in bank accounts and high-grade securities, with only the earnings used for community development, fisheries enhancement, etc?"

ANSWER:

Use Permanent Fund principal.....	23%
Use Permanent Fund earnings.....	59%
Use combination of principal and earnings.....	4%
Don't use any part of the Permanent Fund.....	7%
No opinion/Undecided.....	8%

Dittman Research/Dec. 1977

QUESTION:

"Rather than using Permanent Fund money directly for state loan programs, there has been a suggestion to use the Permanent Fund earnings to guarantee an Alaskan Revenue Bond Fund program. With the Permanent Fund guaranteeing repayment, Alaska would be able to sell the bonds at a low interest rate (5-6%), then use the money received from the bond sale for the loan programs--the Permanent Fund principal is never used."

ANSWER:

Favor Alaska Revenue Bond Fund.....	48%
Oppose Alaska Revenue Bond Fund.....	40%
No opinion/Undecided.....	12%

Dittman Research/Dec. 1977

QUESTION:

"Do you feel there is a shortage of money available for borrowing by businesses in Alaska?"

ANSWER:

Yes.....	47%
No.....	38%
No opinion/Undecided.....	15%

Dittman Research/Dec. 1977

QUESTION:

"If 'yes' to shortage of money available for borrowing by businesses, where should the additional money come from?"

ANSWER:

Permanent Fund principal.....	14%
Permanent Fund earnings.....	46%
General Fund.....	10%
Revenue Bond Fund.....	11%
Combination of principal/earnings.....	8%
Combination of revenue bond/earnings...	5%
Other.....	4%
No opinion/Undecided.....	2%

Dittman Research/Dec. 1977

QUESTION:

"Do you feel there is a shortage of money available for borrowing by individuals in Alaska?"

ANSWER:

Yes.....	49%
No.....	41%
No opinion/Undecided.....	10%

Dittman Research/Dec. 1977

QUESTION:

"If 'yes' to shortage of money available for borrowing by individuals, where should additional money come from?"

ANSWER:

Permanent Fund principal.....	16%
Permanent Fund earnings.....	50%
General Fund.....	12%
Revenue Bond Fund.....	7%
Combination of principal/earnings.....	7%
Combination of revenue bond/earnings..	2%
Other.....	4%
No opinion/Undecided.....	2%

Dittman Research/Dec. 1977

QUESTION:

"Regarding loans from the Permanent Fund, do you feel the money should be made available through Alaska's banks and financial institutions, or should State loaning offices be used?"

ANSWER:

Banks and financial institutions....	47%
State loaning offices.....	44%
No opinion/Undecided.....	8%

Dittman Research/Dec. 1977

QUESTION:

"While some people have expressed concern that a large amount of the Permanent Fund will be lost through bad investments and poor management, other people say it will most likely be managed safely and wisely."

What do you think?

ANSWER:

Large amount will be lost.....	42%
Will be managed safely and wisely....	42%
No opinion/Undecided.....	11%
Principal safe, earnings unwise.....	5%

Dittman Research/Dec. 1977

QUESTION:

"If additional money were available at current interest rates, either through private financial institutions or state loans, would you borrow more?"

ANSWER:

Yes.....	35%
No.....	57%
No opinion/Undecided.....	8%

Dittman Research/Dec. 1977

QUESTION:

"If private investors and financial institutions consider certain business ventures to be 'questionable' or 'too risky', should money from the Permanent Fund be made available to help finance those ventures?"

ANSWER:

Yes.....	11%
No.....	78%
No opinion/Undecided.....	11%

Dittman Research/Dec. 1977

QUESTION:

"Should we increase timber resource development?"

ANSWER:

Yes.....	71%
No.....	15%
No opinion/Undecided.....	14%

Dittman Research/Dec. 1977

QUESTION:

"Should we increase fisheries resource development?"

ANSWER:

Yes.....	75%
No.....	13%
No opinion/Undecided.....	12%

Dittman Research/Dec. 1977

QUESTION:

"Should we increase agricultural resource development?"

ANSWER:

Yes.....	75%
No.....	13%
No opinion/Undecided.....	12%

Dittman Research/Dec. 1977

QUESTION:

"From your personal point-of-view, do you think the average Alaskan will be better off, or worse off because of the Permanent Fund?"

ANSWER:

Better.....	77%
Worse.....	8%
No opinion/Undecided.....	15%

Dittman Research/Dec. 1977

QUESTION:

"Do you feel we should use the Permanent Fund for things Alaskans need now, or should we wait and use it for things Alaskans need at some future time?"

ANSWER:

Use it now.....	50%
Use it later.....	27%
Some now/some later.....	14%
No opinion/Undecided.....	9%

Dittman Research/Dec. 1977

FINDINGS

By a margin of 2.5 to 1, Alaskans as a whole favor investing the Permanent Fund in high-grade securities or bank accounts, then using the earnings (interest) from those investments for community development loans, fisheries enhancement, etc. State-wide, a total of 23% felt the principal should be used directly, 59% felt only the earnings should be used, and 4% felt some combination of both would be appropriate. Seven percent didn't want any part of the Permanent Fund used, and 8% were undecided.

By region, Anchorage, Southeastern and Fairbanks respondents voiced nearly identical opinions regarding the topic of using principal or earnings--in Anchorage, 22% felt the principal should be used; in Southeastern, the percentage in favor of principal usage was 23%; and in Fairbanks, it was 21%. Likewise, the percentages supporting the usage of only earnings were nearly identical in the "urban" regions, with 62%, 63% and 62% respectively for Anchorage, Southeast and Fairbanks. In the communities of Barrow, Kotzebue, Nome and Bethel, more residents were undecided (24%), while 29% favored principal usage and 38% would recommend using only the earnings for Alaska loan programs.

Rather than using Permanent Fund money directly for loan programs, there has been a suggestion to use the Permanent Fund earnings to guarantee an "Alaska Revenue Bond Fund" program. With Permanent Fund earnings guaranteeing repayment, Alaska would be able to sell the bonds at a

lower interest rate, then use the money received from the bond sale for state loan programs--the Permanent Fund principal would never be used. When asked what they thought of such a program, 48% said they favored the idea and 40% were opposed--12% were undecided.

Evaluating the responses by region, the residents of the villages were again more undecided (25%), while half (50%) favored the idea and 25% were opposed. In Anchorage, more were opposed than in favor (46% "against", 42% "for"), while residents in Fairbanks and Southeast were more in favor. In Fairbanks, 54% favored an "Alaska Revenue Bond Fund" program, 39% were opposed, and 7% were undecided.

When all respondents were asked whether they thought there was a shortage of money available for borrowing by businesses in Alaska, 47% said "yes", 38% replied "no", and 15% said they had no idea. When they were asked if they thought there was a shortage of money available for borrowing by individuals, 49% replied they thought there was, 41% said "no", and 10% didn't know. In both cases, those who felt there was a shortage of money available for borrowing were asked where they felt additional money should come from, and by a large plurality, they suggested "Permanent Fund earnings" (generally 3-4:1 over Permanent Fund principal, Alaska Revenue Bonds or the Alaska General Fund).

After six more questions were asked, the respondents were questioned regarding whether they would borrow more if additional money were available at current interest rates--either through private financial institutions or state loans, and 35% said they would. By region, those who said they would borrow more "fit" with the perceived shortage of money available for borrowing at the present time--the highest percentage who said they would probably borrow more was in the Village regions (45%), followed by Anchorage (36%), Fairbanks (34%), and Southeast (29%).

"Regarding loans from the Permanent Fund, do you feel the money should be made available through Alaska's banks and financial institutions, or should State loaning offices be used?" When asked this question, 47% replied "banks and financial institutions", and 44% favored "state loaning offices". Two percent volunteered some combination of both should be offered, and 8% were undecided.

Regionally, Fairbanks residents were most in favor of private financial institutions (56%), while villages were least in favor of private banks and financial institutions (25%). Support for state loaning offices were within 5-6% in all four regions (39%-45%).

Regarding the "safety" or "permanence" of the Permanent Fund, there appears to be a great deal of concern or cynicism--when asked the question on the following page, the results were evenly split...

"While some people have expressed concern that a large amount of the Permanent Fund will be lost through bad investments and poor management, other people say it will most likely be managed safely and wisely. What do you think?"

Results: Large amount lost..... 42%
Managed safely and wisely..... 42%

From a geographic region point-of-view, 46% of Anchorage residents anticipate "large losses", while Southeast and Fairbanks respondents anticipate serious problems by 43% and 42% respectively. Village respondents were more undecided, but generally much more optimistic--36% felt it would be well-managed, while 27% anticipated losses.

Regarding whether the Permanent Fund should be used to help finance business ventures which are considered "questionable" or "risky" by private investors and financial institutions. Alaskans by a 7:1 margin say "no." The state-wide total indicate only 11% would favor loaning Permanent Fund money to businesses which couldn't qualify for private loans. The findings in all regions were consistent concerning this question--even tho Alaskans fear a large amount of money will be lost, they definitely want the Fund managed with high security in mind.

Many people have said that one of the main purposes of the Permanent Fund should be to broaden the economic base of Alaska by developing renewable resource industries such as timber, fisheries and agriculture.

On the other hand, some people have expressed concern over further development of Alaska's renewable resources. During the course of the "personal hearing-in-the-home", Alaskans throughout the state were asked their views concerning renewable resource development--particularly timber, fisheries and agriculture, with the following results:

	<u>Yes</u>	<u>No</u>	<u>Undecided</u>
Increase timber resource development...	71%	15%	14%
Increase fisheries development.....	75%	13%	12%
Increase agricultural development.....	75%	13%	12%

Regionally, Southeastern respondents are most in favor of timber and fisheries development (80% and 90% respectively), however both Anchorage and Fairbanks also consider timber and fisheries development high priority. Village residents are less in favor of timber development, however they are highly in favor of fisheries enhancement. Agricultural development is most highly favored in Fairbanks (82%), least supported in Southeastern (57%), and equally favored in Anchorage and Village regions.

Although up to 42% of all Alaskans feel a large portion of the Permanent Fund will be lost, by a 10:1 margin they feel the "average Alaskan" will be "better off" due to the Permanent Fund. When asked, "From your personal point-of-view, do you think the average Alaskan will be better off, or worse off because of the Permanent Fund?", 76% replied "better off", 8% "worse off", and 16% thought it could go either way.

Regarding when to begin "using" the Permanent Fund, Alaskans are generally in favor of using it for things we need now (50%), rather than waiting and using it for things we may need at some future time (27%). The basic 2:1 margin in favor of using the Fund "now" is maintained in all geographic regions, with the exception of Southeast. In Anchorage, 50% prefer using it now, with 25% "later"; in Fairbanks, it's 56% "now" and 28% "later"; and 41% of village residents favor current usage, with 20% suggesting it would be better to wait. In Southeast, while 50% favor using the fund "now", 36% would prefer to save it until later.

Concerning specific uses of the Permanent Fund, twenty-two specific options were presented to establish a rank-order listing of priorities. Each respondent was presented with a list of options and a rating scale ranging from "strongly approve" to "strongly oppose", with "moderately approve", neither approve nor oppose, and "moderately oppose" in between. For purposes of analysis, the results are presented in two ways on the following pages:

- #1 On the next page, the state-wide results in a "net percentage" format. In this case, the negative percentages are deducted from the positive percentages to yield a "net percentage in favor"--a negative percentage means that more were opposed than in favor of the option listed.
- #2 In the 23-page "graphics" section, each option is graphically portrayed with a separate "profile" for each of the four geographic regions.

"HOW SHOULD IT BE USED...?"

Loans for renewable resource development (fisheries and timber).....	56.5% *
Loans for farming and agricultural development....	52.2%
Loans for senior citizen housing programs.....	47.6%
Loans for large-scale electrical power development (hydro-electric/geothermal).....	41.6%
Loans for small business development.....	40.6%
Loans to students for vocational and academic training following high school.....	31.4%
Investment and reinvestment in high-grade securities.....	27.8%
Loans for purchase, construction and remodeling of homes.....	26.5%
Loans to communities for capital improvements (buildings, streets, etc.).....	18.6%
Loans for small-scale electrical power development (solar/wind).....	14.4%
Loans for mining and mineral development.....	13.6%
Add to General Fund then reduce income taxes for individuals.....	6.9%
Loans for child-care facility development.....	2.5%

POSITIVE

Loans for petrochemical industry development.....	-2.3%
Pay-off Alaska's bonded indebtedness.....	-4.6%
Loans for petroleum exploration and development...	-8.0%
Continually deposit in savings account.....	-8.9%
Loans for tourism industry development.....	-11.0%
Cash distributions in the form of dividends and revenue-sharing to Alaskan residents.....	-30.4%
Cash distributions in the form of grants and shared-revenue for Alaskan communities.....	-33.0%
Add to General Fund then reduce state taxes for business and corporations.....	-48.4%
Add to General Fund to be used as Governor and Legislature determine.....	-83.6%

NEGATIVE

*net percentages in favor

GRAPHIC DATA

In the following "graphics" section, the horizontal axis at the bottom of the page describes the degree of "favorableness" or opposition to the option listed at the top of the page. The "1" indicates strongly favor, the "2" is for somewhat in favor, the "3" indicates neither favor nor oppose, the "4" describes a somewhat opposed rating, and a "5" is for strongly opposed.

The vertical axis at the left of the page describes the percentages ranging upward from "0" at the bottom.

A graphic line or "profile" which declines from a high point on the left to a lower point on the right indicates a higher "favorable" rating, and a relatively lower "opposed" rating. (Note: Graph #1 entitled "Use Fund for Fishing and Timber", page 34).

A graphic line or "profile" in the shape of a "w" indicates a high degree of polarity (a high percentage in favor, a high percentage in the middle, and a high percentage opposed). Issues with "w" profiles are especially volatile and require careful study due to the dichotomous relationship described by the two outer points on the "w". (Note: Graph #12 entitled "Add to General F/Reduce Individ Tax", page 45).

A graphic "profile" which begins at the lower left corner and extends generally upward to the right indicates opposition in excess of support. (Note: Graph #22 entitled "Add to General F/Gov-Leg Determine", page 55).

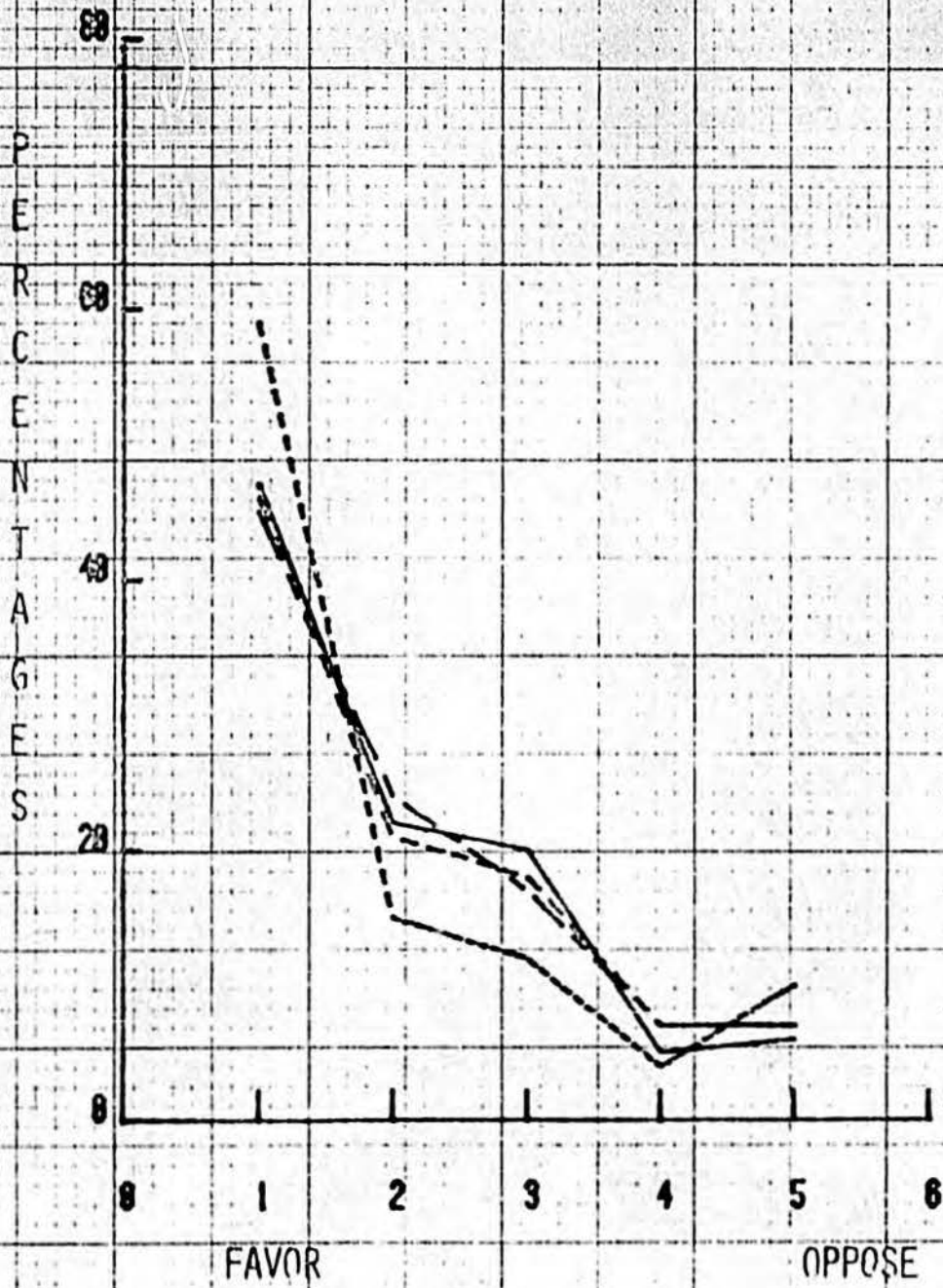
Each region has been independently graphed, then all four regions were "overlayed" on a single grid so differences between regions can be observed. (Note: Graph #8 entitled "Use Fund for Home Ownership Loans". page 41).

This graph shows that using the Permanent Fund for purchase, construction and remodeling of homes is favored in all regions, however Village residents are much more strongly in favor.

When evaluating the graphic descriptions, the over-all profile describes state-wide priorities. To the extent that the profiles have similar outlines, the regional views are comparable; when the profiles are widely divergent, regional differences become more obvious.

USE FUND FOR FISHERIES & TIMBER

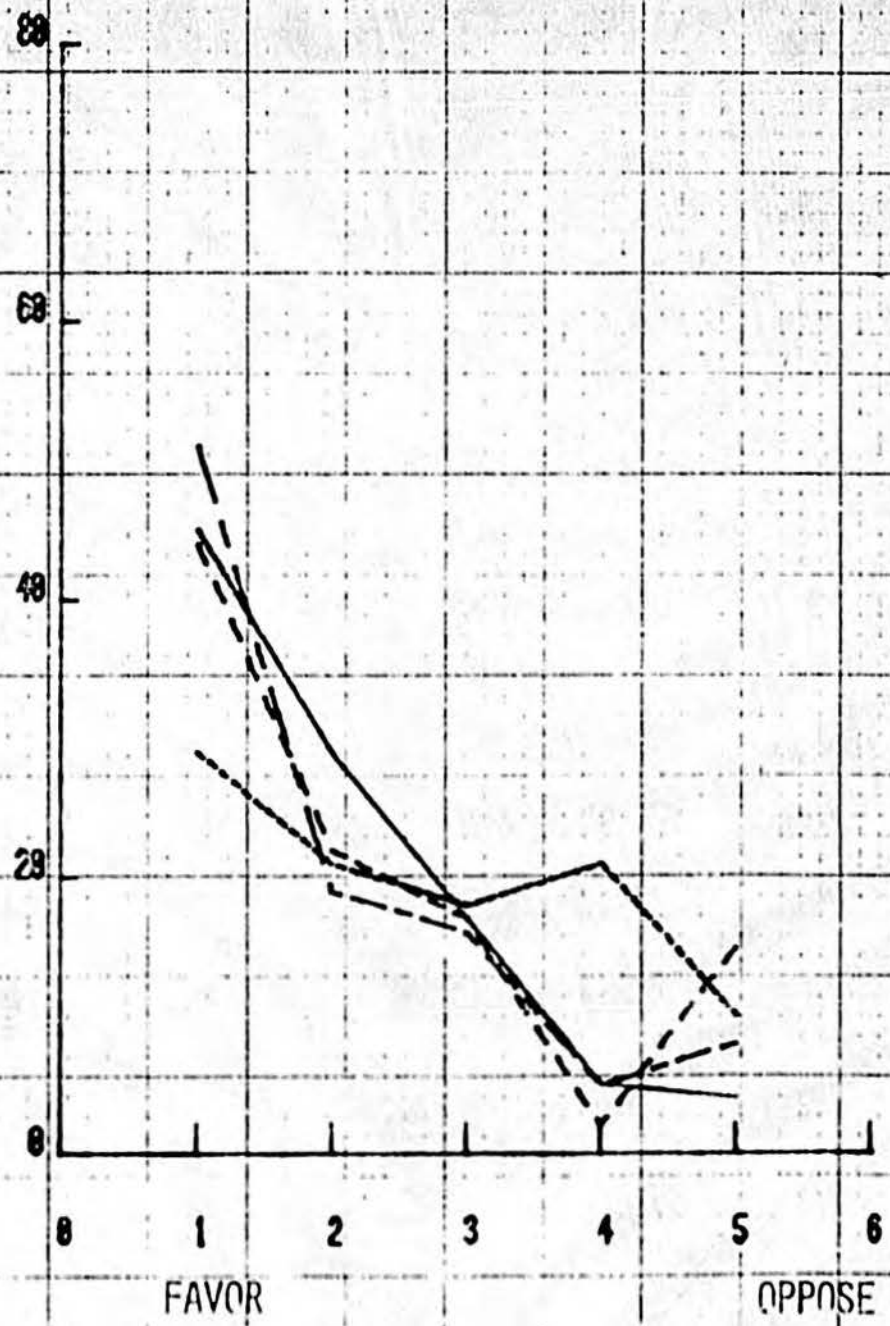
ANCHORAGE
SOUTHEAST
FAIRBANKS
VILLAGE



USE FUND FOR AGRICULTURAL

ANCHORAGE
SOUTHEAST
FAIRBANKS
VILLAGE

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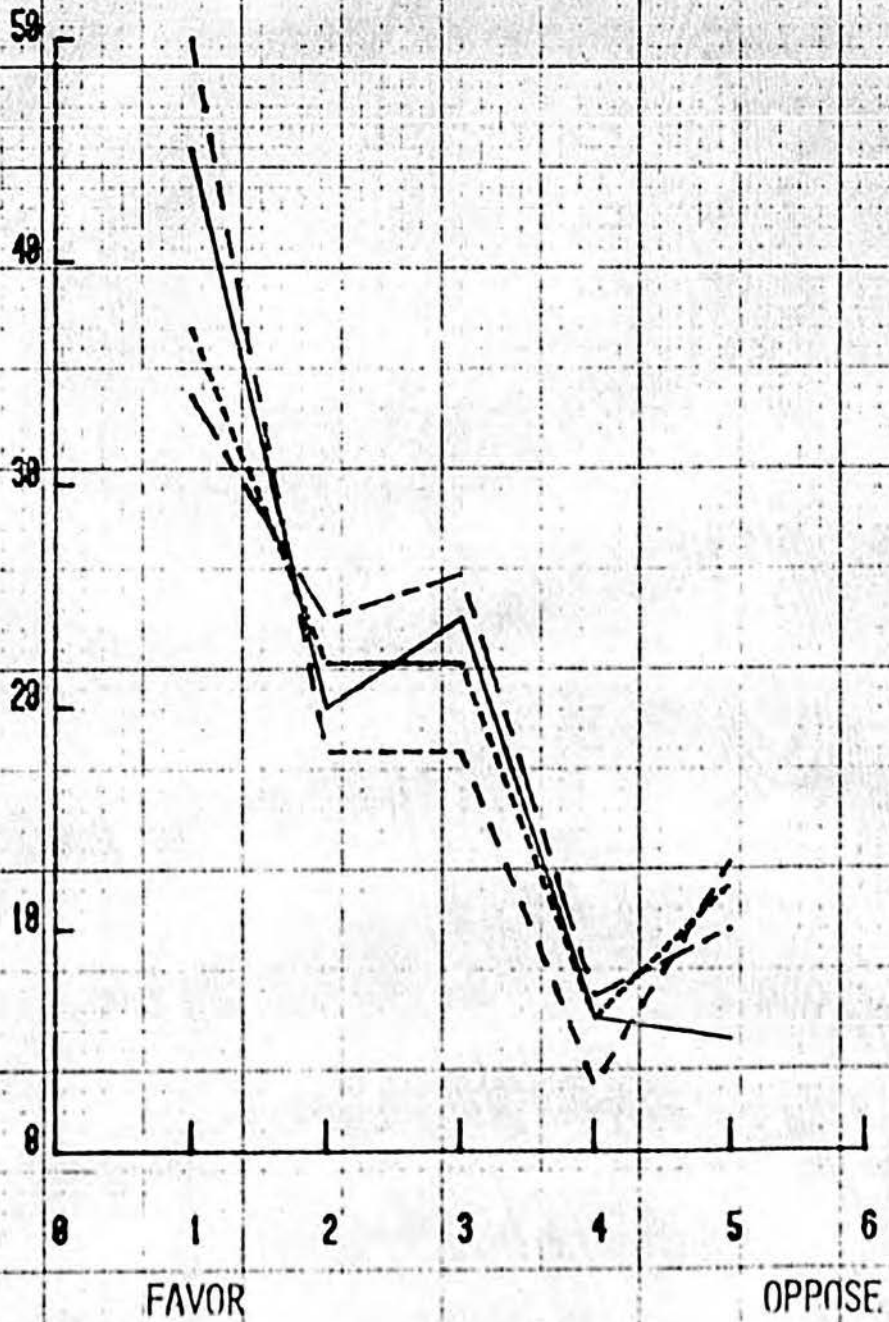


TELETRONIX INFORMATION DISPLAY DIVISION 006 103R CO 10 x 15 mm. LINEAR

USE FUND FOR SENIOR CITIZEN HOUSE

ANCHORAGE _____
SOUTHEAST _____
FAIRBANKS _____
VILLAGE _____

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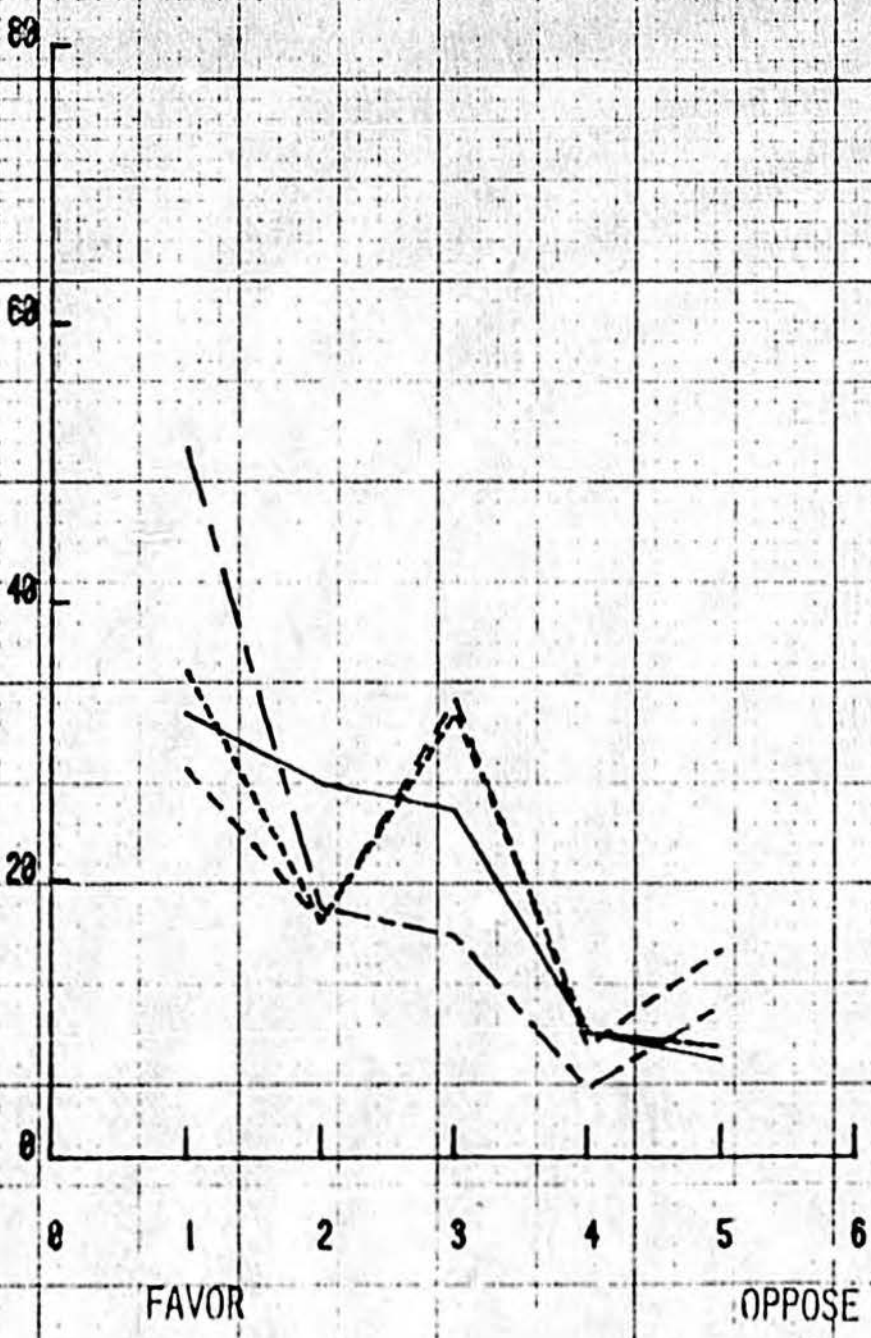


TEKTRONIX INFORMATION DISPLAY DIVISION
006 1698-00 10 x 15 in. LINEAR

USE FUND FOR HYDRO-ELECTRIC DEV.

AVERAGE
SOUTHEAST
FAIRBANKS
VILLAGE

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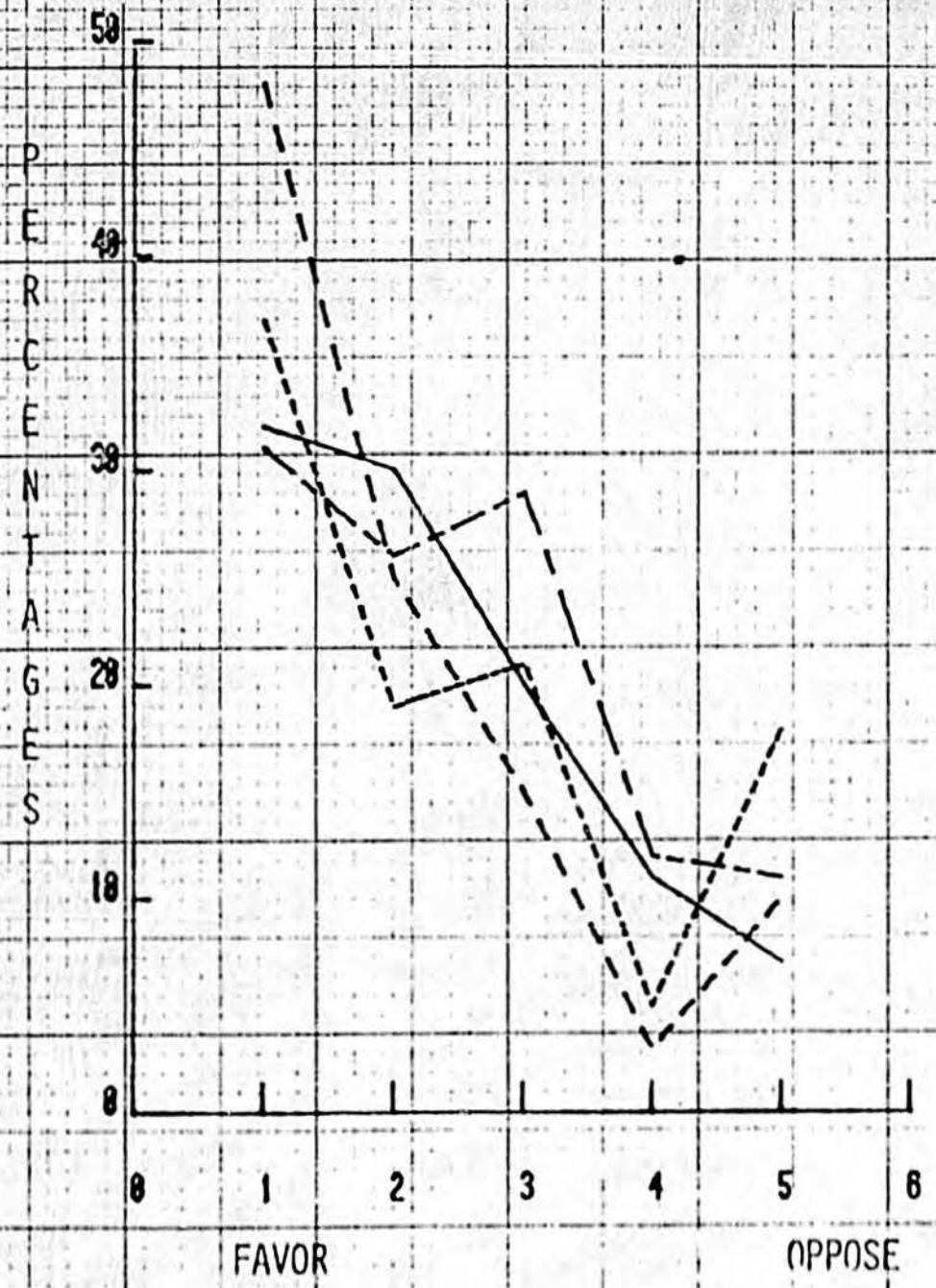


0063692 10 x 15 m. LINCAA

TELEPHONE INFORMATION DISPLAY DIVISION

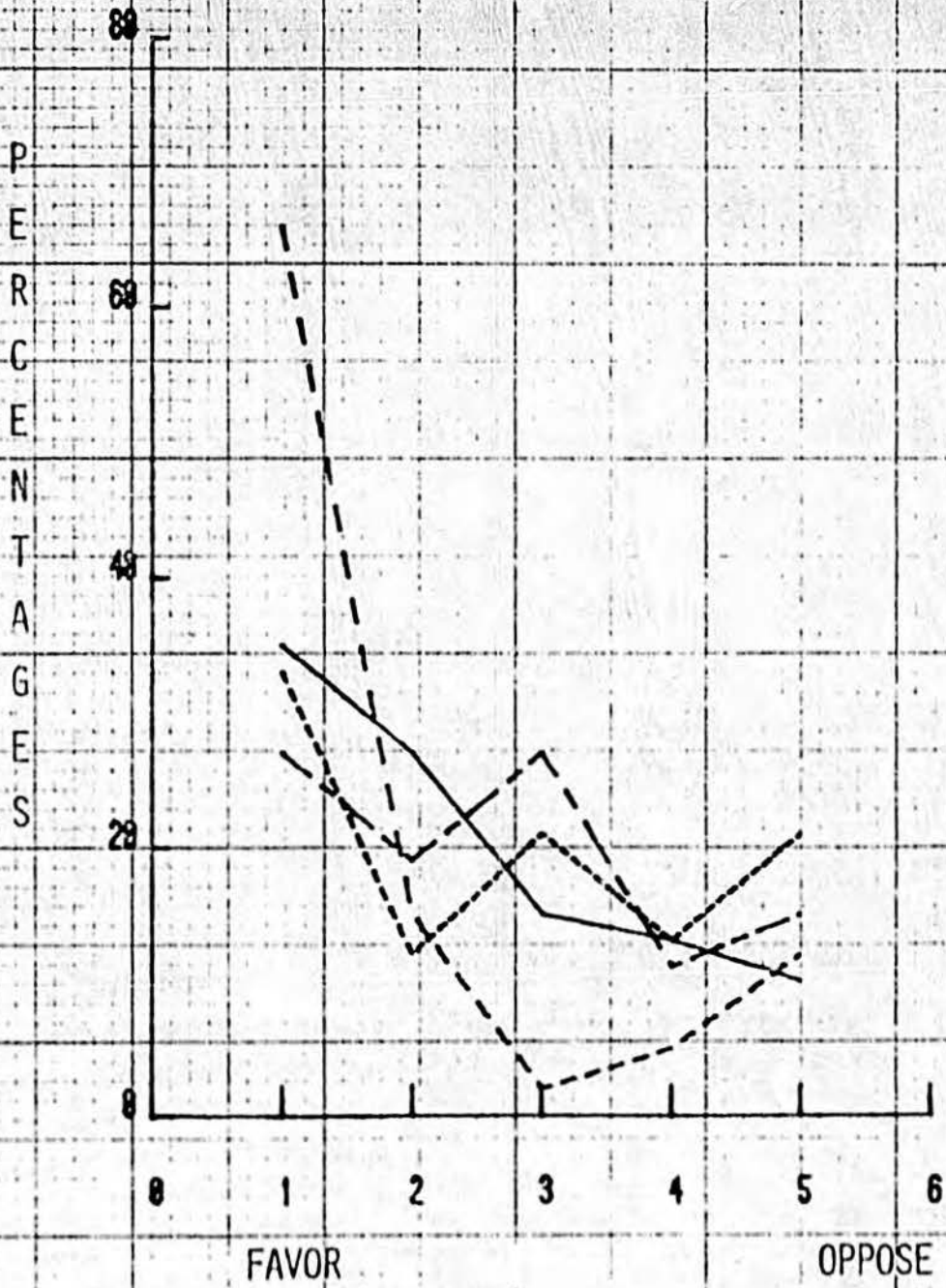
USE FIND FOR SMALL BUSINESS DVL.P.

ANCHORAGE _____
SOUTHEAST _____
FAIRBANKS - - - - -
VILLAGE - - - - -



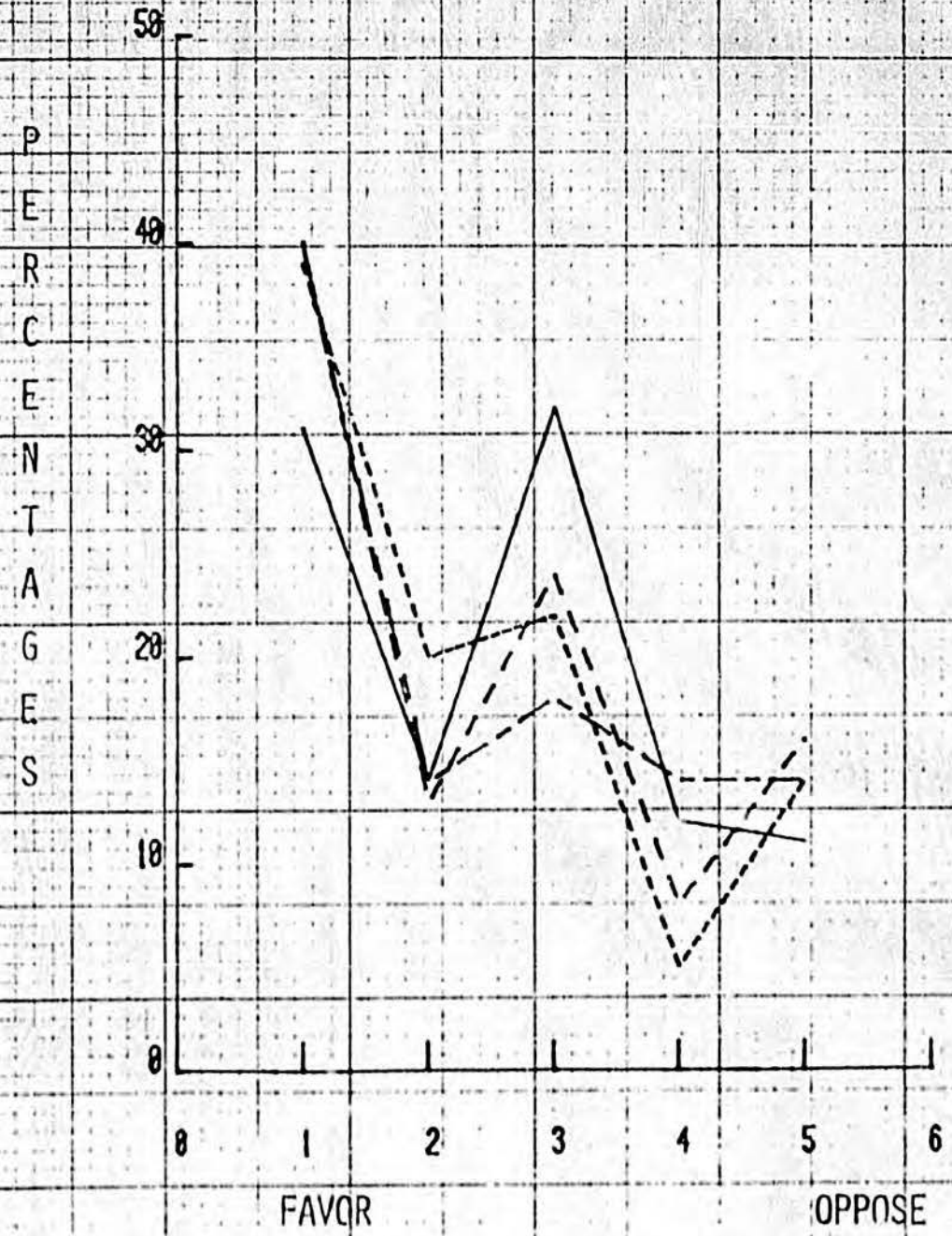
USE FUND FOR ACADEMIC TRAINING

ANCHORAGE
SOUTHEAST
FAIRBANKS
VILLAGE



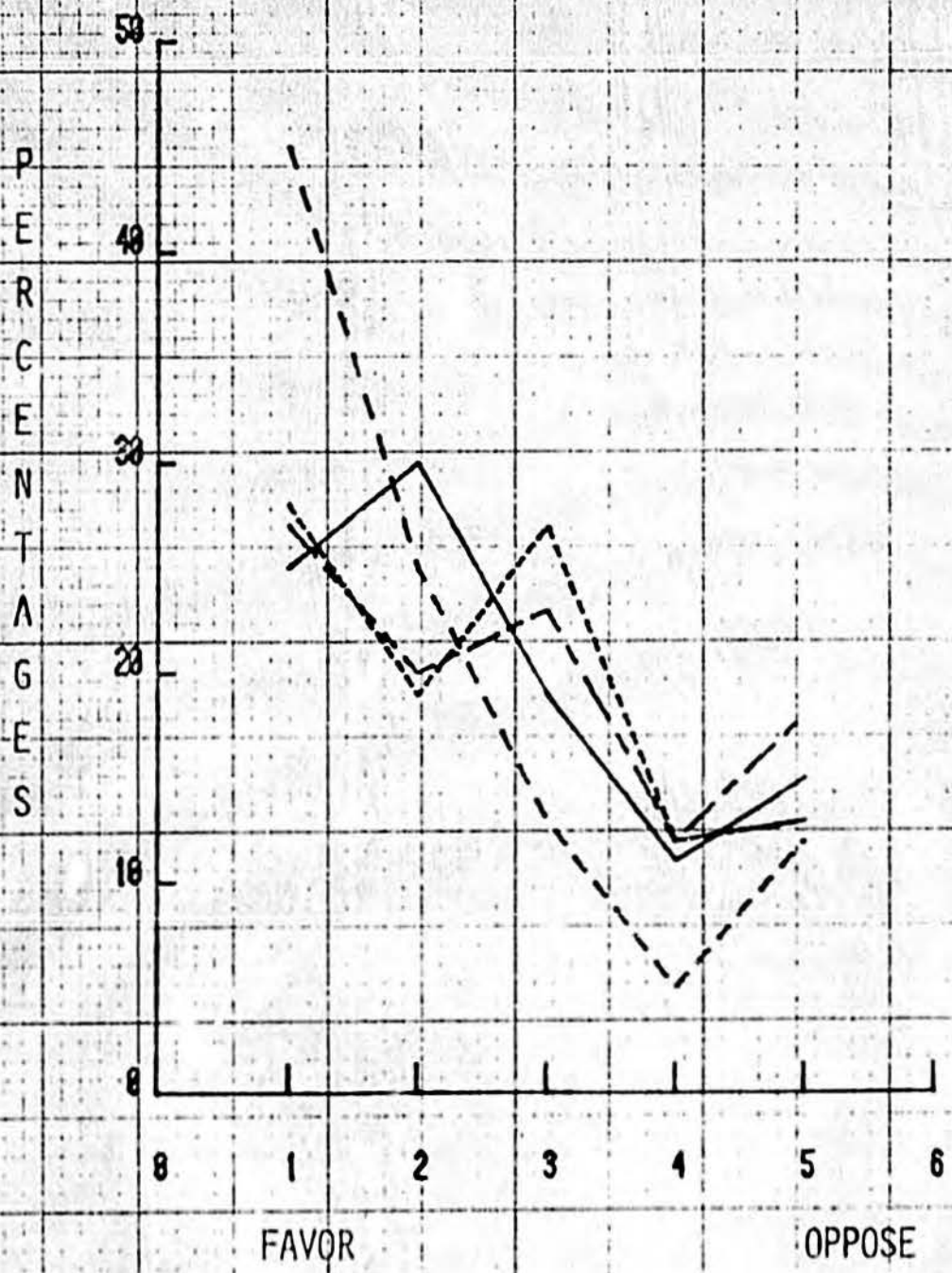
USE FUND FOR HIGH GRADE SECURITIES

ANCHORAGE _____
SOUTHEAST _____
FAIRBANKS _____
VILLAGE _____



USE FUND FOR HOME OWNERSHIP LOANS

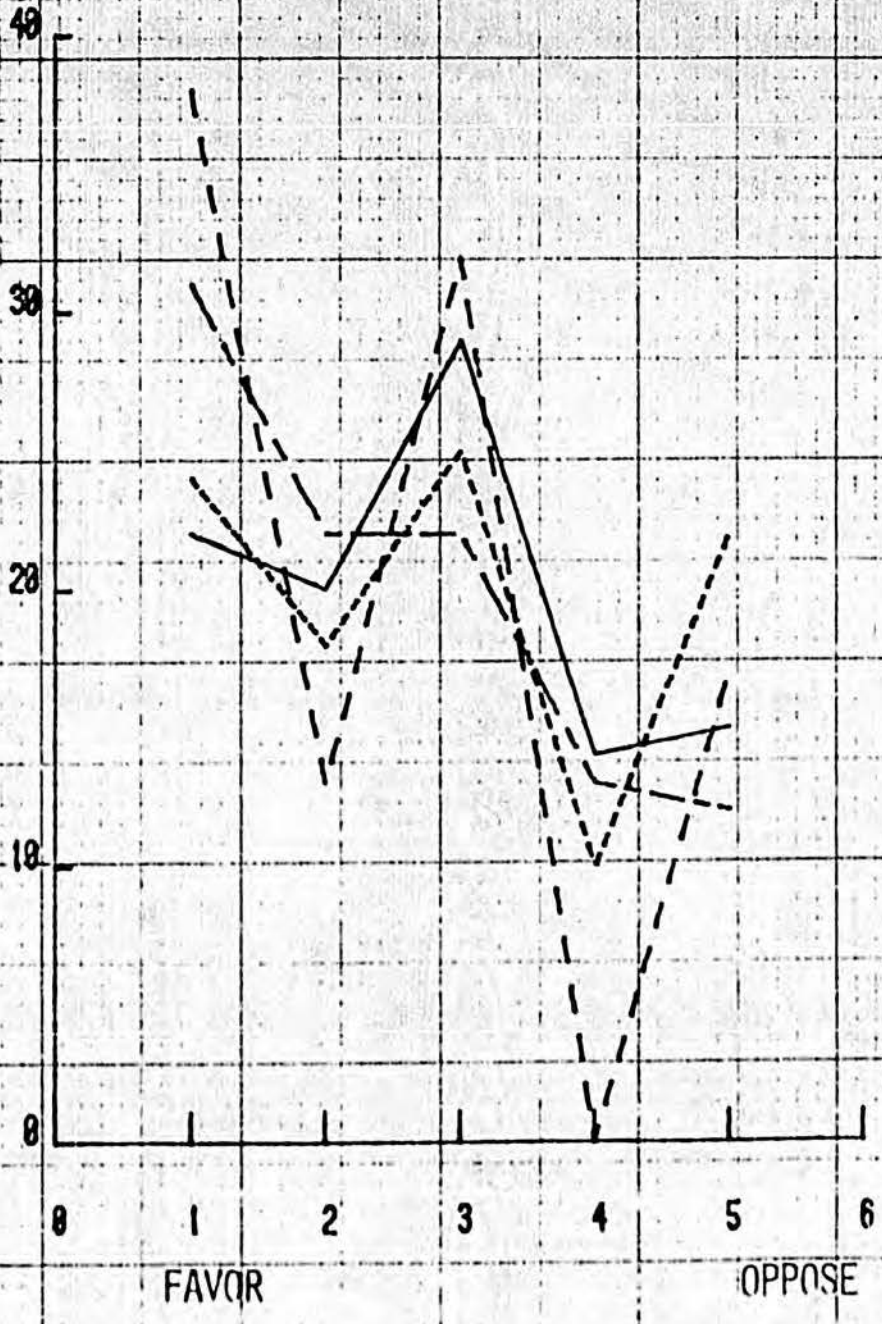
ANCHORAGE _____
SOUTHEAST _____
FAIRBANKS - - - - -
VILLAGE - - - - -



USE FUND FOR CAPITAL IMPROVEMENTS

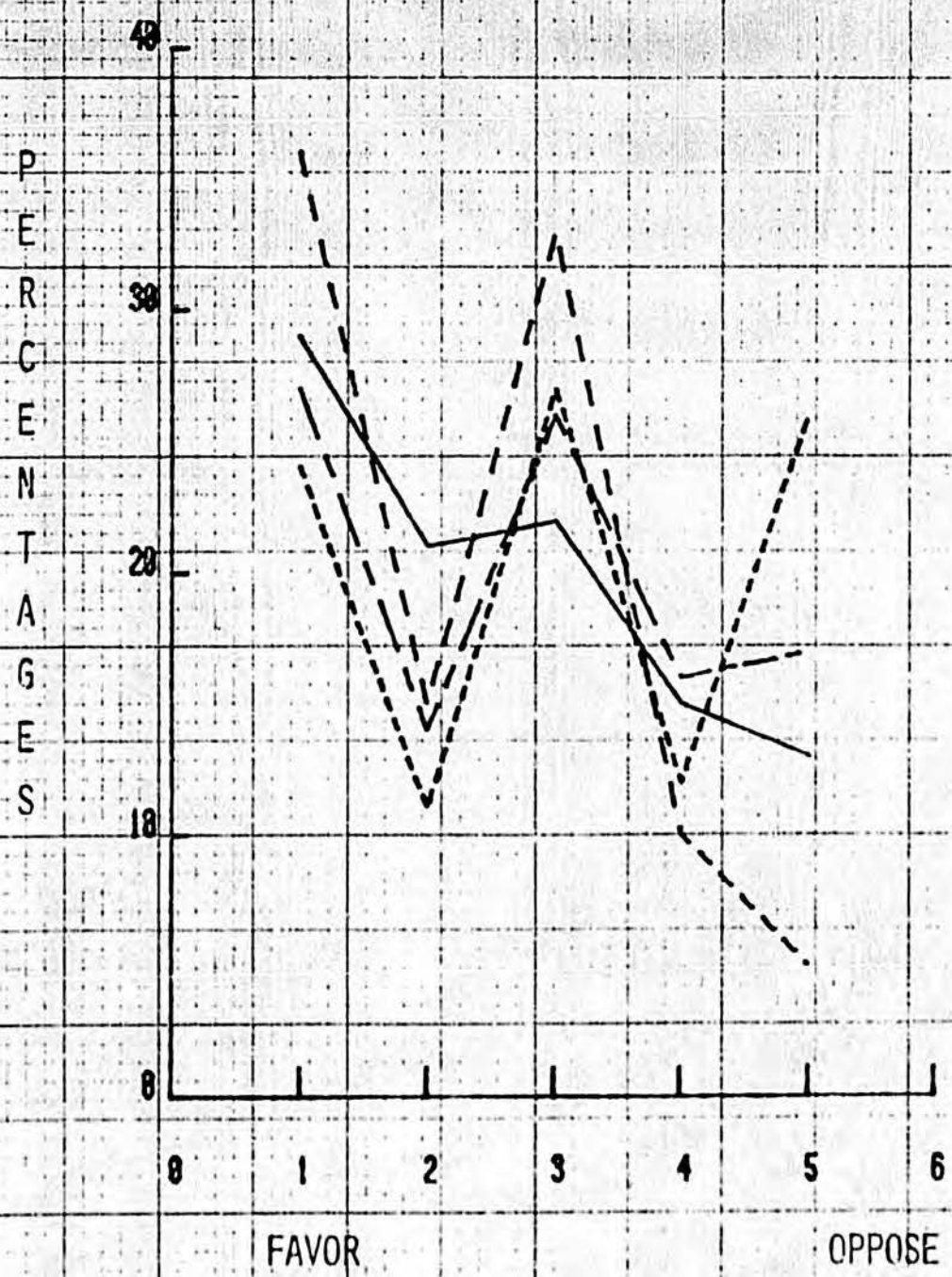
ANCHORAGE ———
SOUTHEAST - - - -
FAIRBANKS - · - · -
VILLAGE - - - -

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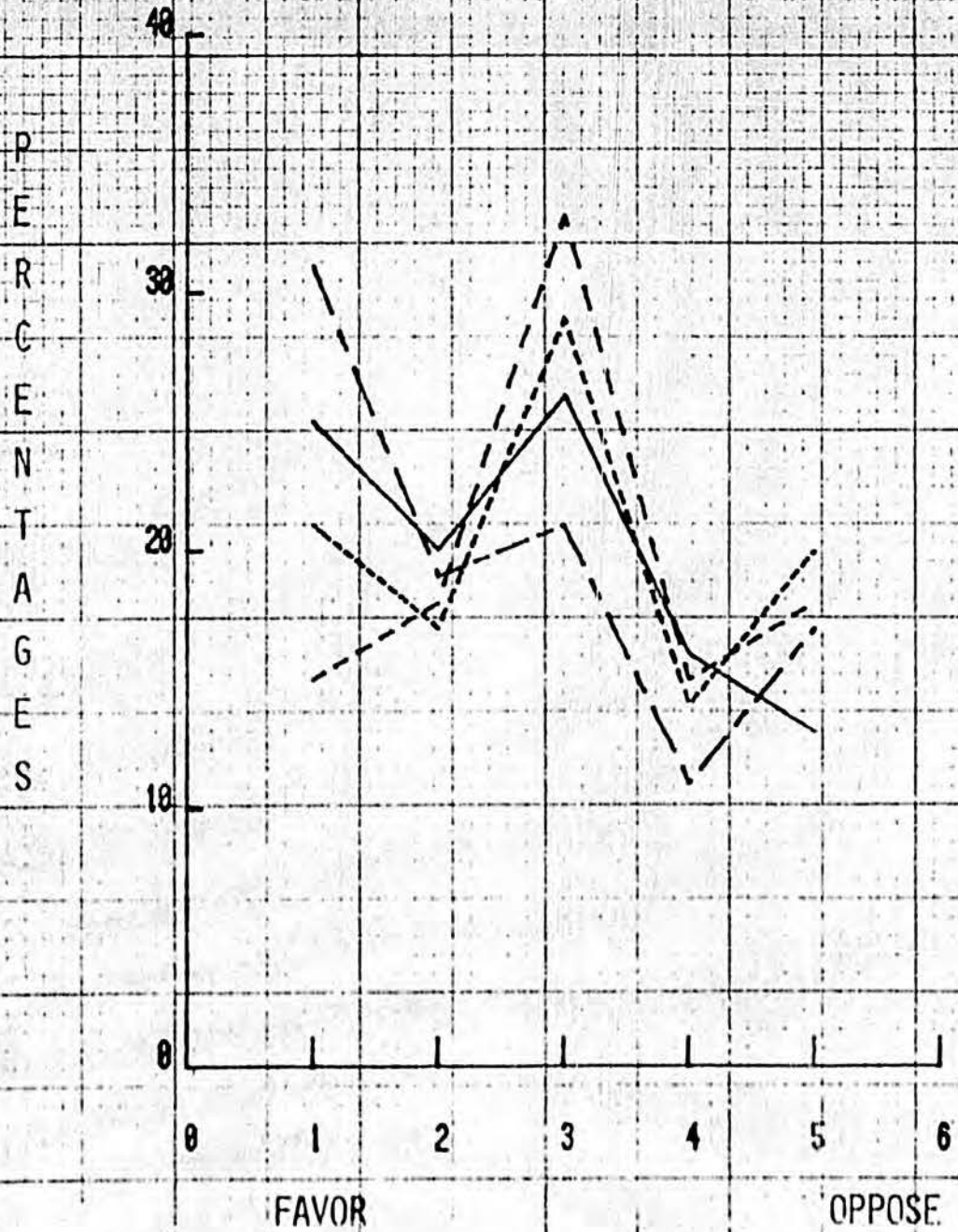
USE FUND FOR SMALL/SOLAR, WIND POWER

ANCHORAGE
SOUTHEAST
FAIRBANKS
VILLAGE



USE FUND FOR MINING AND MINERAL

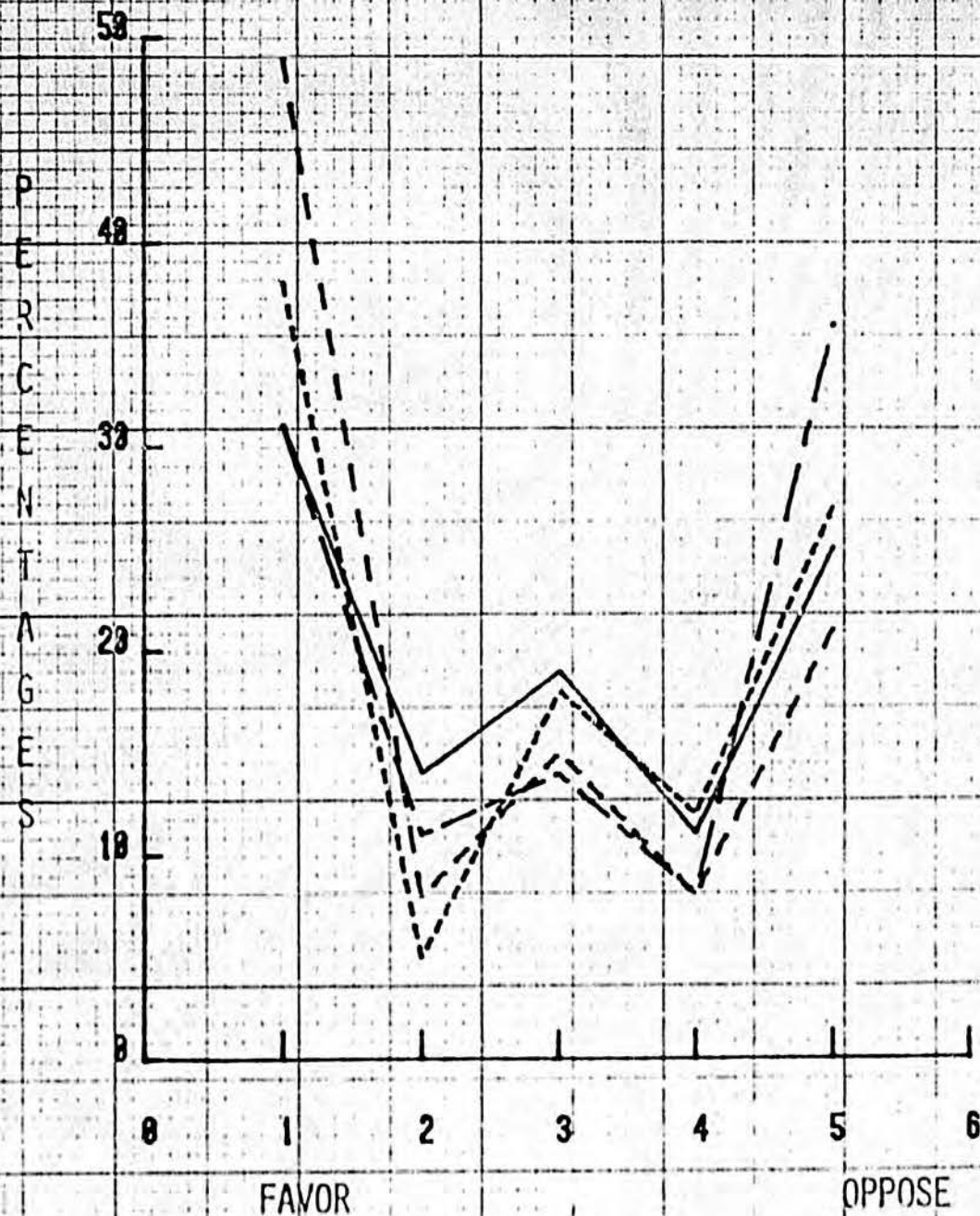
ANCHORAGE _____
SOUTHEAST
FAIRBANKS - - - -
VILLAGE - - - -



TELETRONIX INFORMATION DISPLAY DIVISION
1970

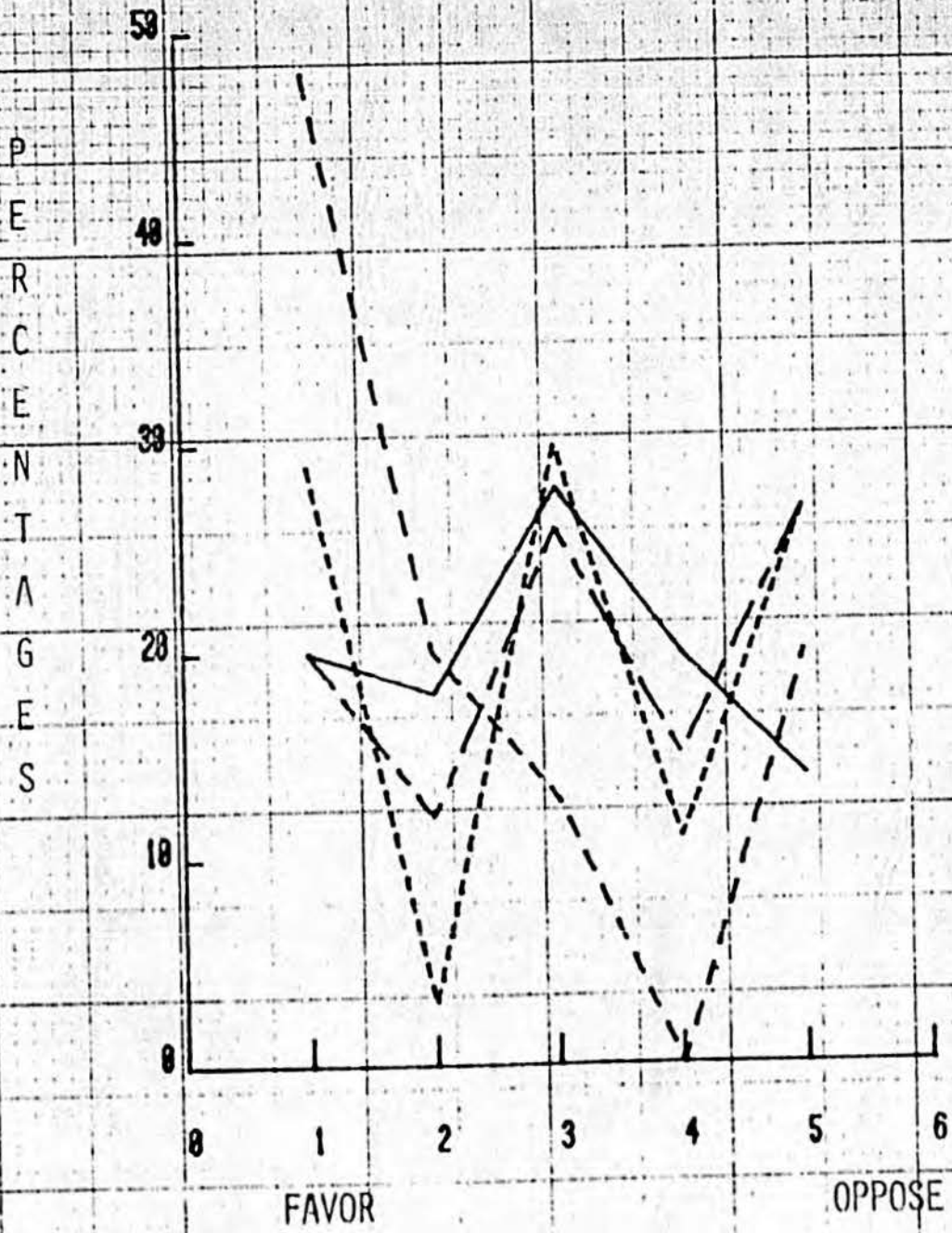
ADD TO GENERAL F./REDUCE INDY TAX

ANCHORAGE _____
SOUTHEAST _____
FAIRBANKS - - - - -
VILLAGE - - - - -



USE FUND FOR CHILD-CARE FACILITY

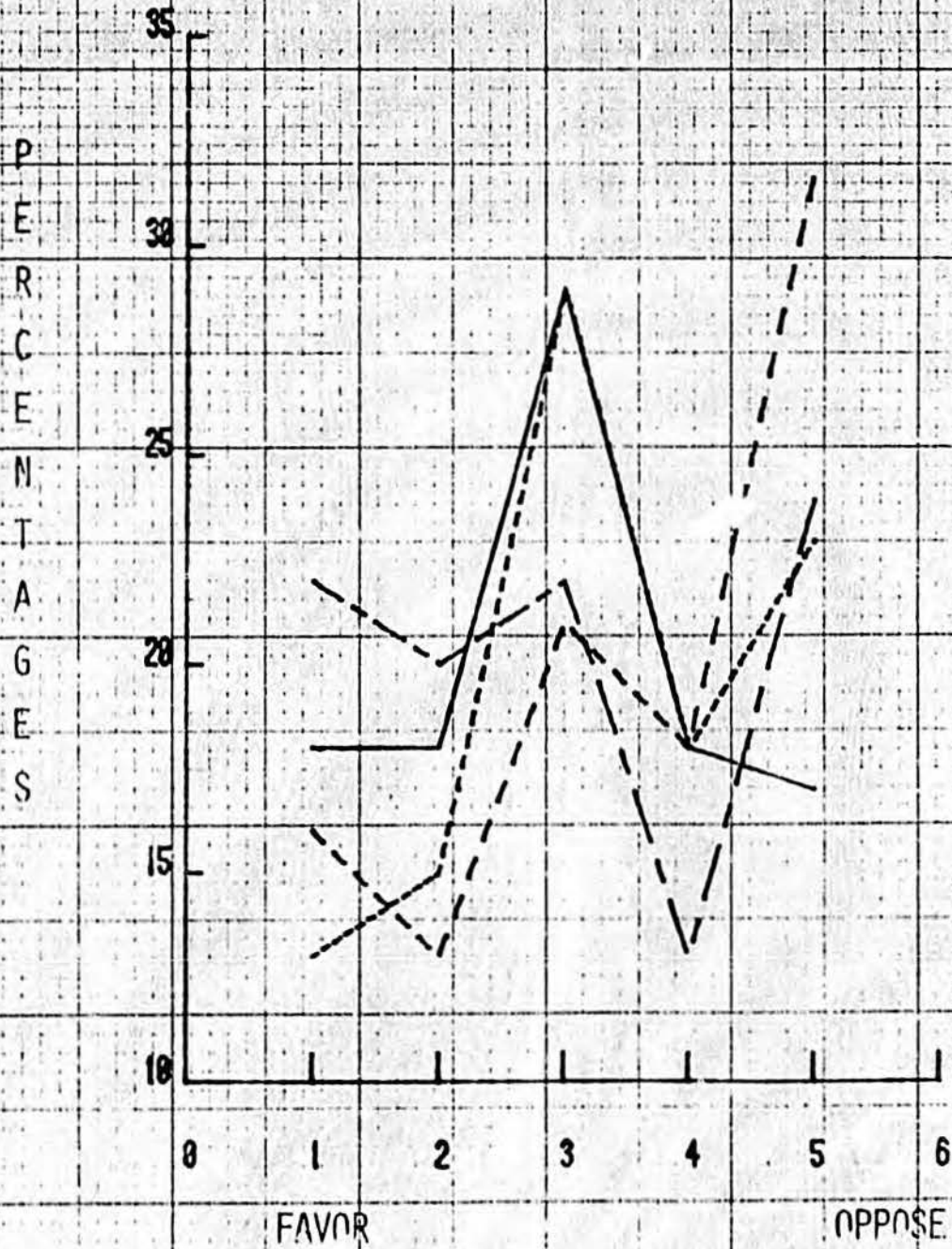
ANCHORAGE
SOUTHEAST
FAIRBANKS
VILLAGE



ELECTRONIX INFORMATION DISPLAY DIVISION 505 1839 00 10 11 18 000000

USE FUND FOR PETROCHEMICAL DEVELOP

ANCHORAGE
SOUTHEAST
FAIRBANKS
VILLAGE

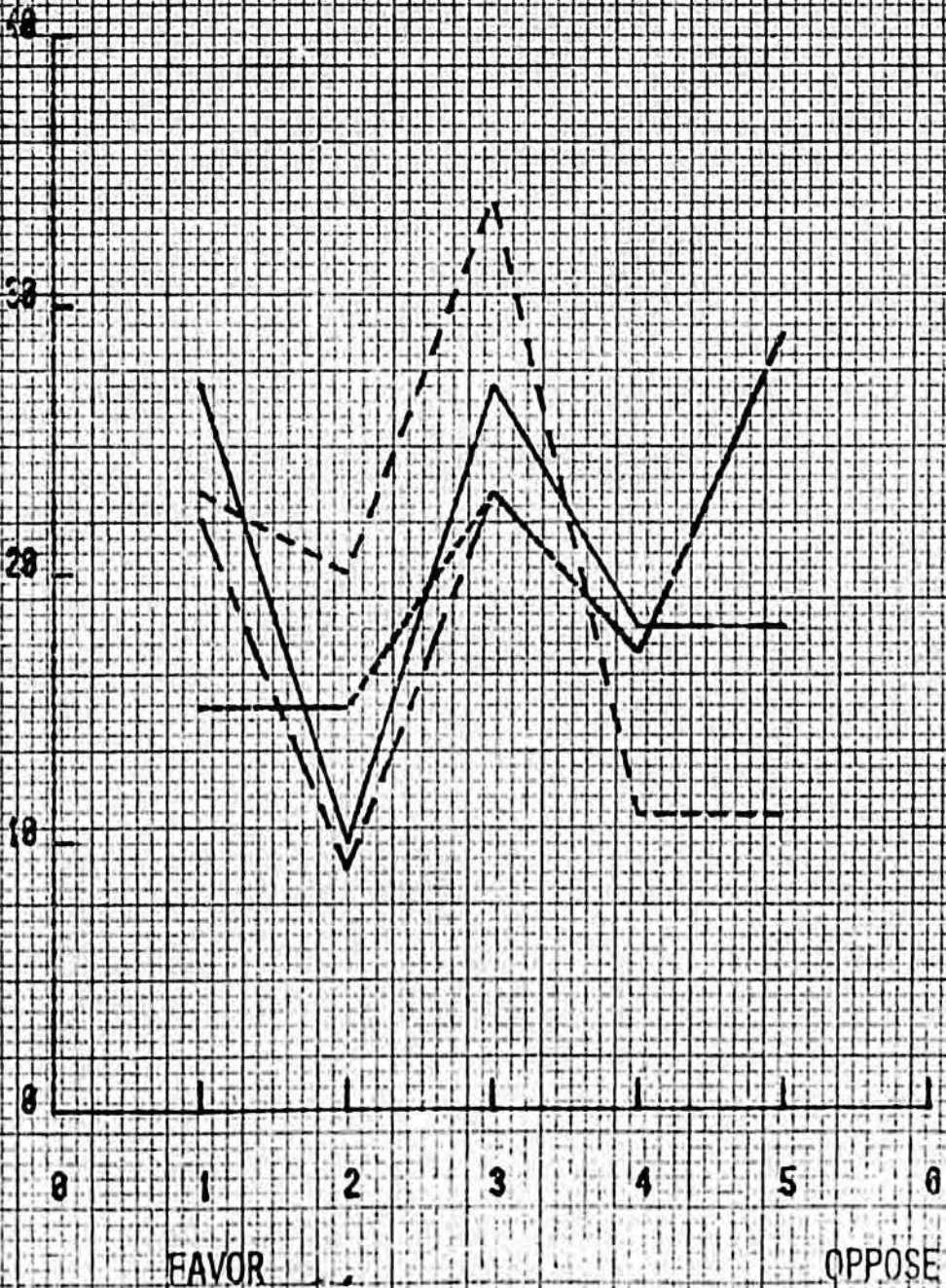


PERFORMIX INFORMATION DISPLAY DIVISION
066 1618 50 10 x 15 H. LINEAR

USE FUND TO PAY BOND DEBT

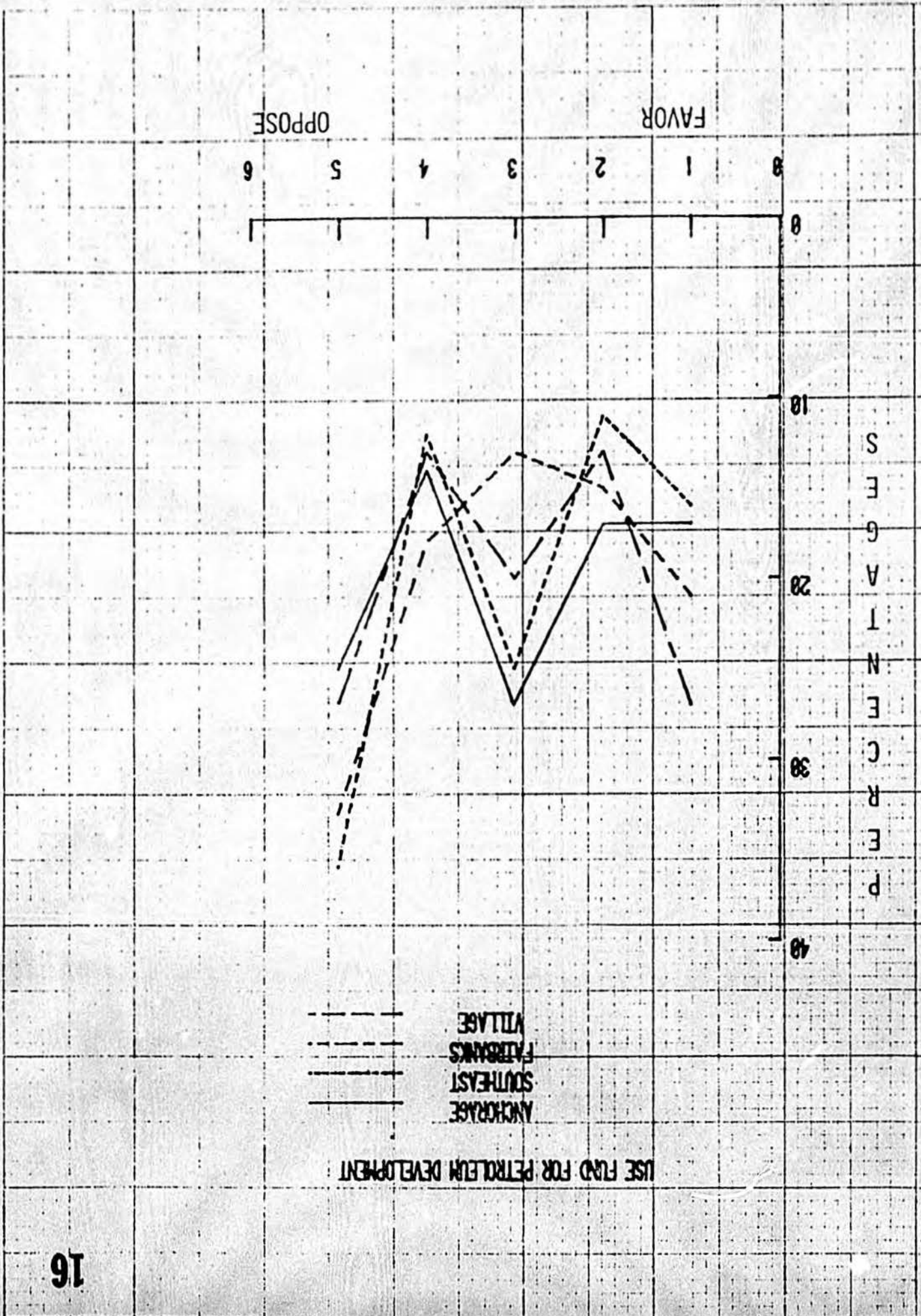
ANCHORAGE _____
SOUTHEAST _____
FATBANKS _____
VILLAGE _____

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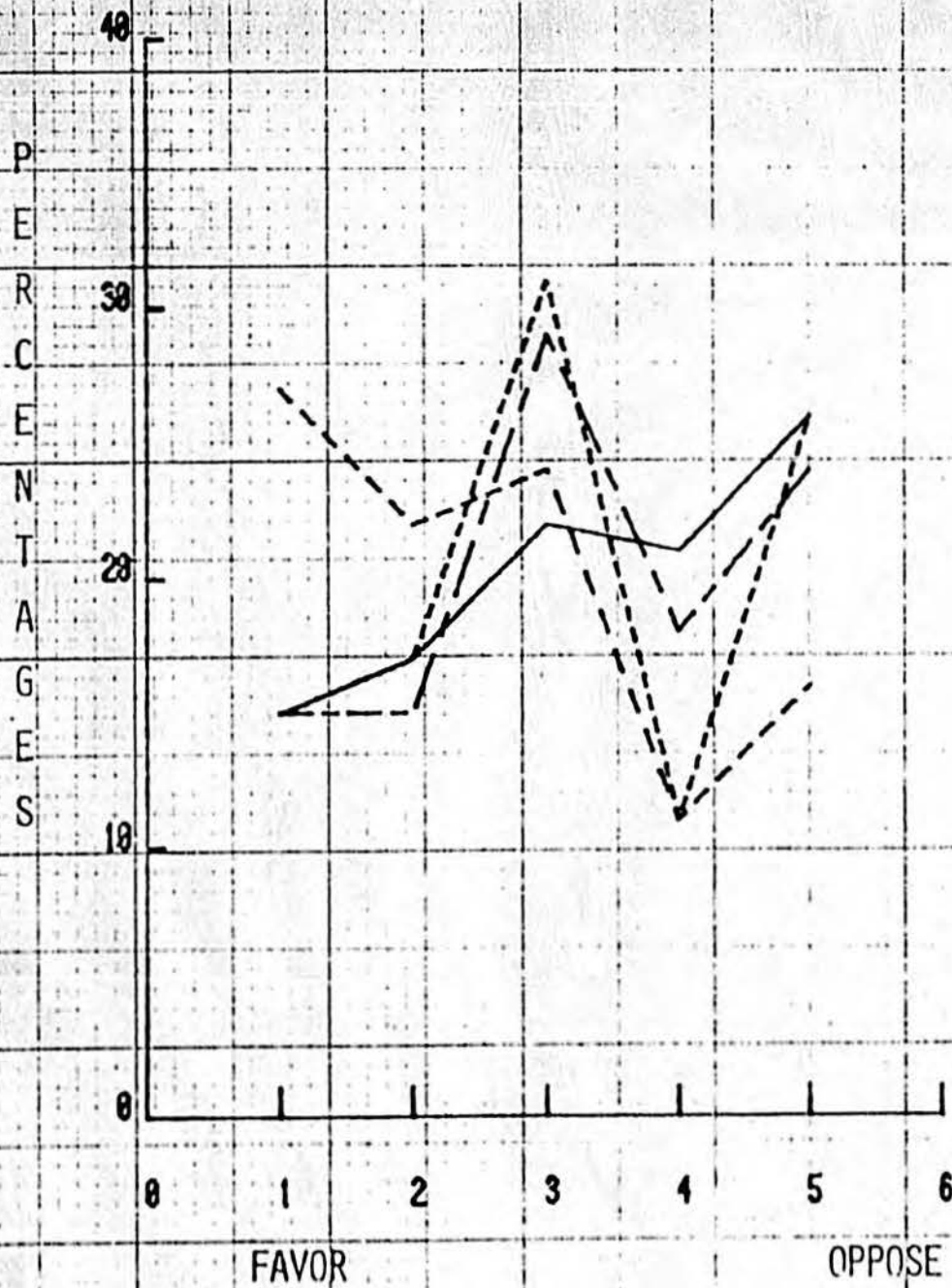
FAVOR

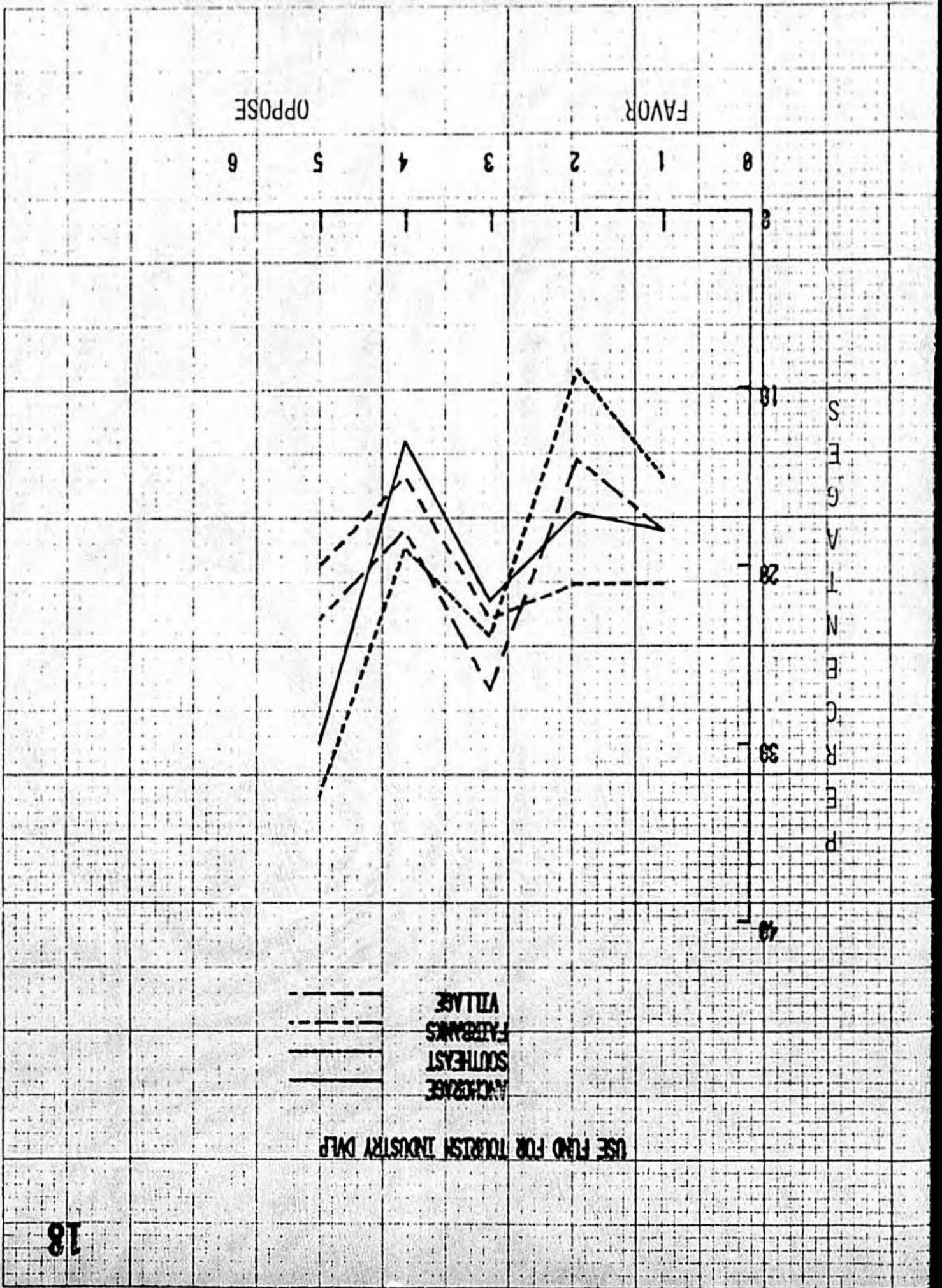
OPPOSE



USE FUND FOR SAVINGS ACCOUNT

ANCHORAGE _____
SOUTHEAST _____
FAIRBANKS _____
VILLAGE _____

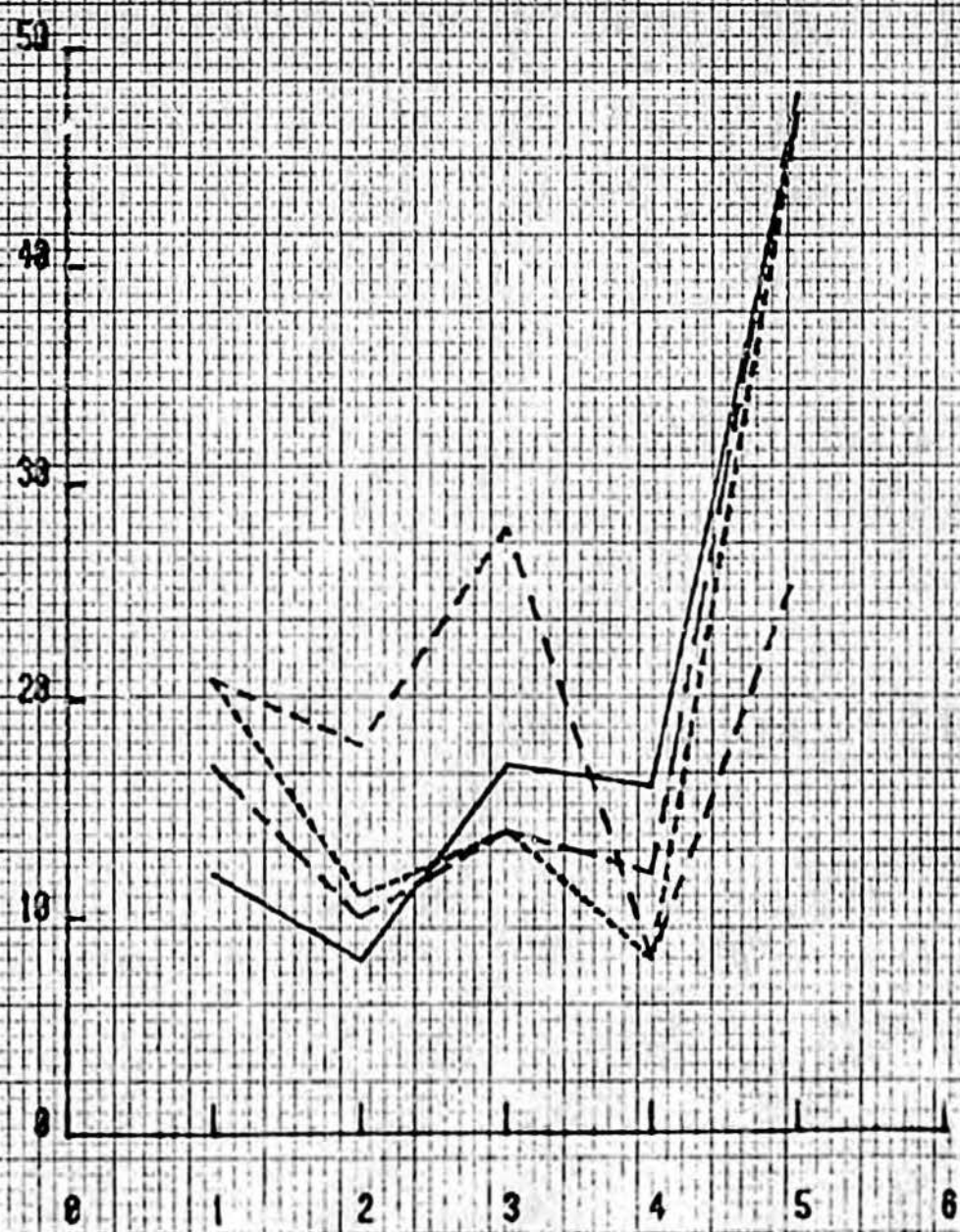




USE FUND FOR RESIDENT GRANTS

ANCHORAGE
SOUTHEAST
FAIRBANKS
VILLAGE

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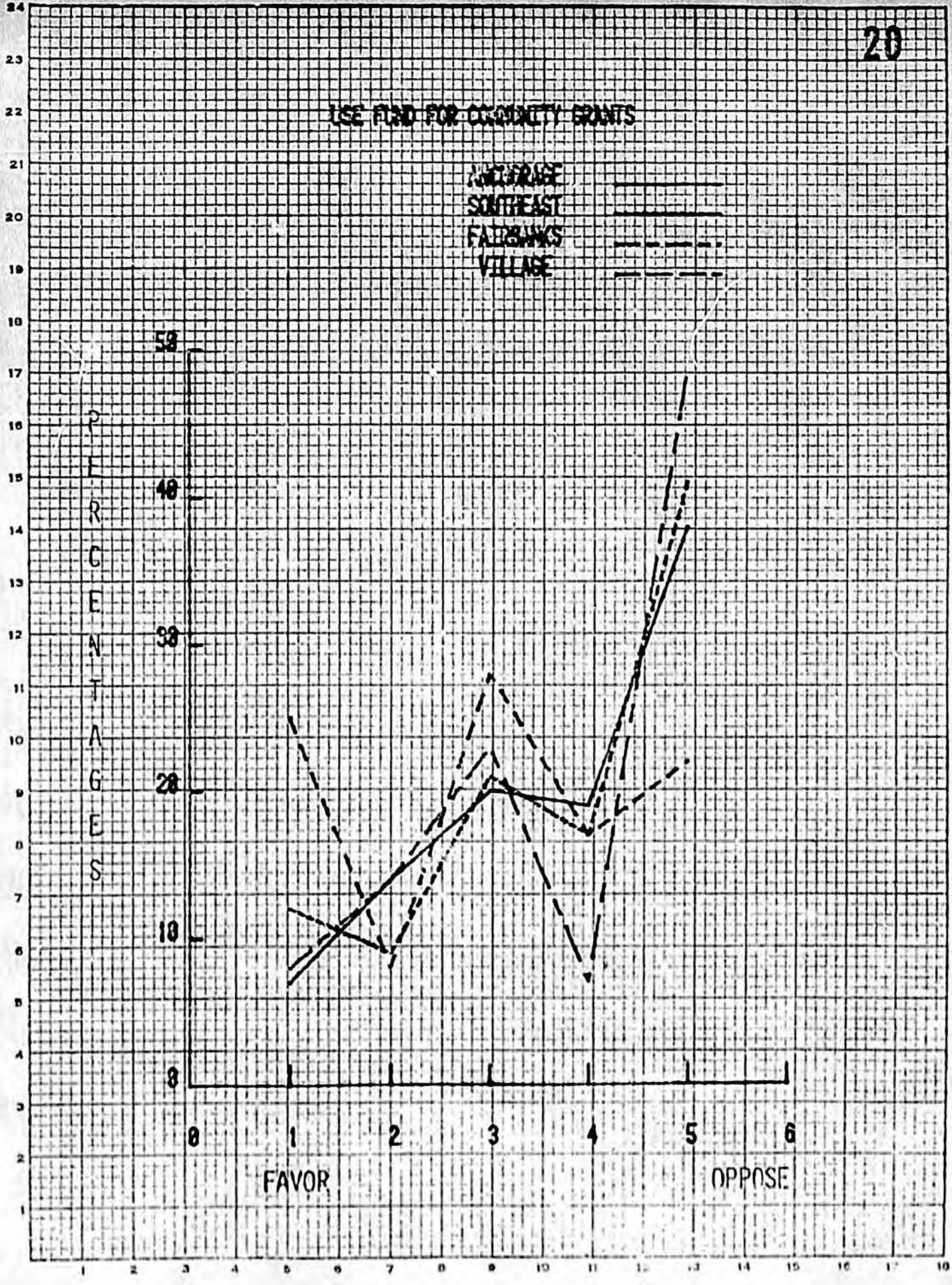


FAVOR

OPPOSE

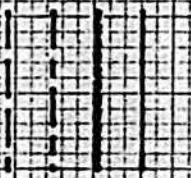
USE FUND FOR COMMUNITY GRANTS

WATERGISE
SOUTHEAST
FAIRBANKS
VILLAGE

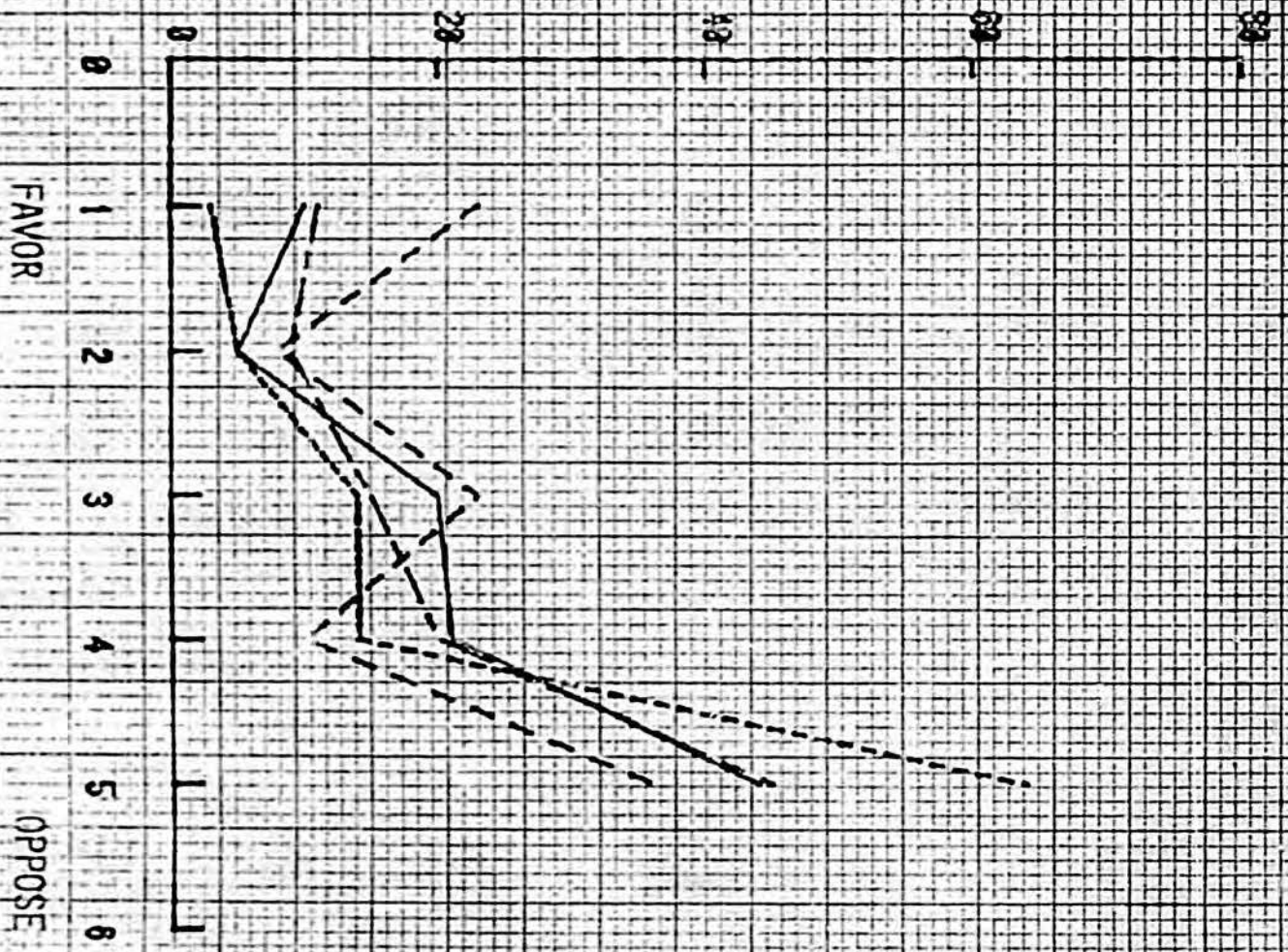


ADD TO GENERAL FAVORING OR OPPOSING

AMERICAN
SOCIETY
FARMERS
VILLAGE

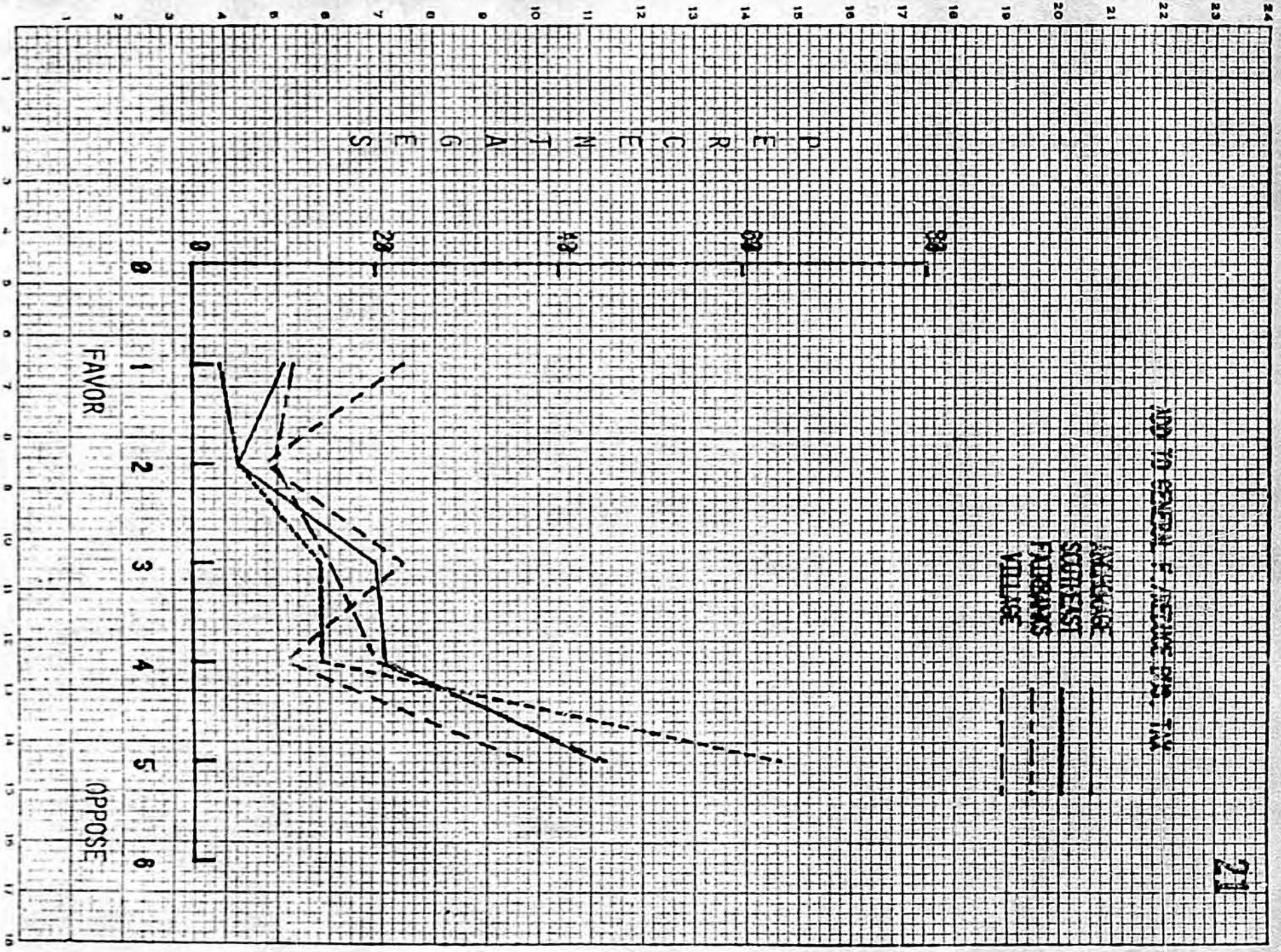


P E R C E N T A G E S



FAVOR

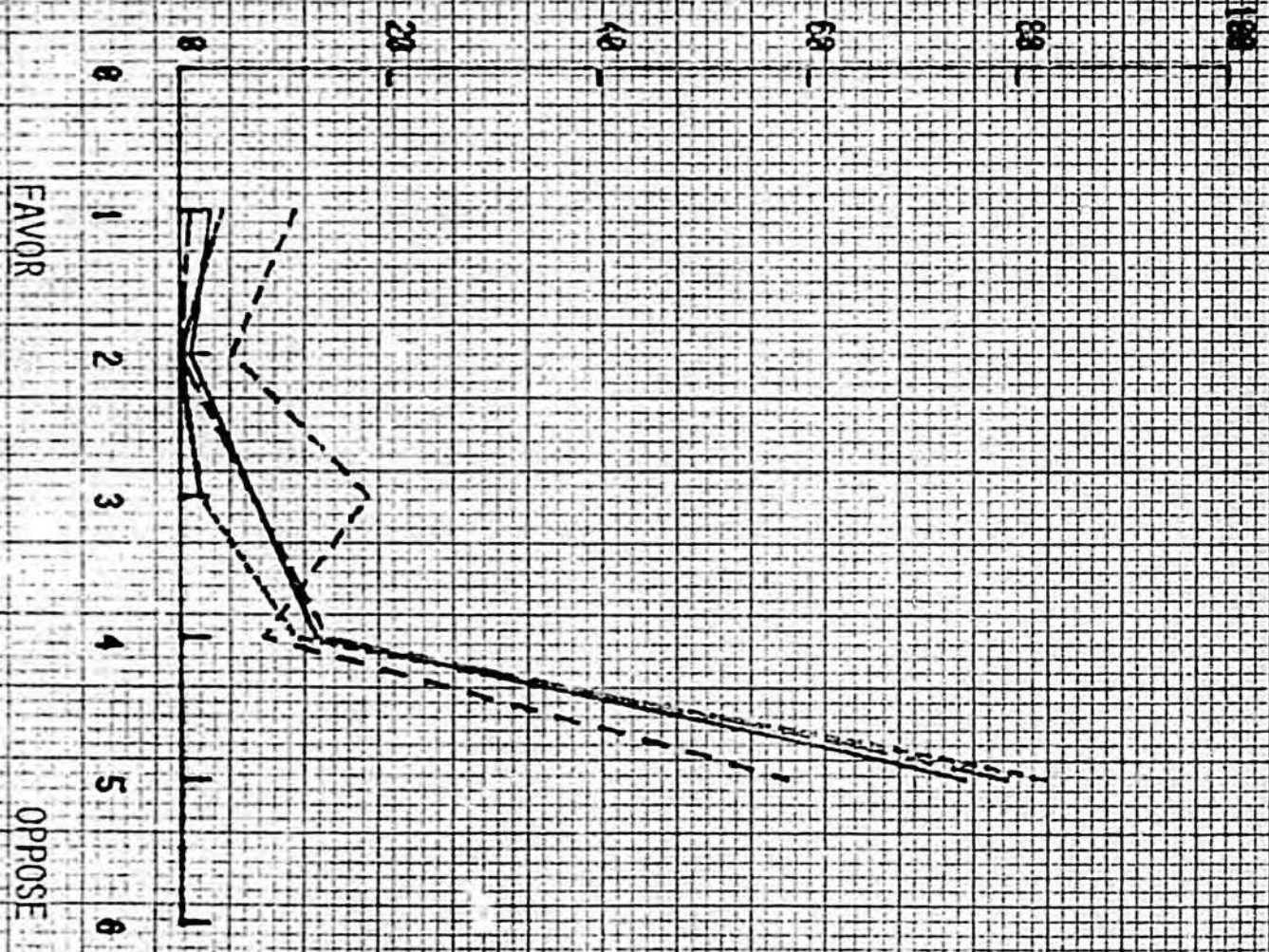
OPPOSE



ADD TO GENERAL FAVOR/OPPOSE DEFINITION

AMMUNITION
SOUTHEAST
FARMERS
VILLAGE

P E R O E N T A G E S



FAVOR

OPPOSE

DEMOGRAPHIC COMPOSITION
OF SAMPLE

Market and Public Opinion Research

Sample Composition:

Business ownership

Yes.....	23%
No.....	72%
No Response.....	5%

Sample Composition:

Last level of education completed

Elementary school.....	2%
Some high school.....	5%
High school complete/GED.....	21%
Some college.....	33%
College complete.....	17%
Post-Graduate college.....	12%
Vocational training.....	8%
No Response.....	2%

Sample Composition:

Family income level before taxes

Over 60,000.....	3%
45-60,000.....	16%
30-44,000.....	28%
20-29,000.....	24%
10-19,000.....	15%
6-9,000.....	5%
0-6,000.....	3%
No Response.....	6%

Sample Composition:

Employment

Executive and management.....	17%
Professional and services.....	38%
Construction and skilled trades.....	23%
Home-maker.....	6%
Armed Forces.....	3%
Student.....	1%
Subsistence.....	2%
Unemployed.....	4%
Other.....	3%
No Response.....	3%

Sample Composition:

Sex

Male.....68%

Female.....32%

Sample Composition:

Voter Registration

Yes.....	80%
No.....	17%
No Response.....	3%

Sample Composition:

Length of time in Alaska

Under one year.....	4%
1-3 years.....	15%
4-6 years.....	13%
7-10 years.....	15%
11-15 years.....	10%
Over 16 years.....	41%
No Response.....	2%

Sample Composition:

Political party preference

Democrat.....	26%
Republican.....	17%
Non-partisan.....	51%
No Response.....	6%

Sample Composition:

Age

18-24.....	11%
25-34.....	33%
35-49.....	36%
50-64.....	14%
65 and Over.....	4%
No Response.....	2%

Sample Composition:

Participation in State sponsored public meetings,
hearings, workshops, forums, symposiums, etc.

Yes.....	13%
No.....	87%

2/10/78

To: Clark Gruening

Fr: JoAnn Lesh

Attached are the request for opinion and AG's response on Trust Lands.

According to Pete Froehlich (Ass. AG) there is some question about whether Mental Health is really a trust under Federal Statute. The issue is complex and the AG's office will be rendering an opinion sometime in the future. The School Land Trust status is currently before the court and they are just waiting for that.

As it stands now, University, School and and Mental Health are treated as trusts and do not go into the Permanent Fund.

Hon. Guy R. Martin
Commissioner
Dept. of Natural Resources

March 7, 1977

Close file

Avrum M. Gross
Attorney General

Trust land, receipts
from mineral resources

BY: Rodger W. Tegues
Assistant Attorney General

The trust imposed by federal statute prevails under the Supremacy Clause of the federal constitution over the dedication of revenues provided for by the recent amendment to our constitution. If there are any doubts on this point, we will be happy to prepare a more detailed, formal opinion.

RWP:chp