

ALPHA TESTS / CONTROL POINTS

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FUND 1977-78

The President of the World Bank is selected by the Board of Executive Directors. The bank has a staff of 3,500.

World bank loans must be to governments, or their instrumentalities, or if to private enterprise must be guaranteed by member governments, loans must be for productive purposes based on bank analysis, and the bank must consider the ability of the borrower to obtain foreign exchange necessary to service the loan. Loans are also carefully monitored to assess their economic and social contribution.

Since inception the World Bank has made \$31-billion in loans to 95-countries, and currently has an outstanding loan portfolio of almost \$28-billion. Largest borrowers are Brazil, Mexico, Korea, Yugoslavia, Columbia, Iran, Turkey, Philipines, and Nigeria.

The world funds and their affiliates are of interest, because it was to the management structure of these entities that state consultants on the permanent fund looked in making their recommendations for the management of the Alaska fund. The World Bank has a sizable staff partially due to the evaluation, technical assistance, and monitoring that is a part of the bank's function. It is likely that an Alaska Fund would not have such a staff, and indeed might have a quite small one. Nevertheless, a subsidiary question in the development of the Alaska Permanent Fund will be " . . . to what extent evaluative services --not simply of benefit to the fund in analysis of a loan, but of use to the borrower in developing the loan and entire financial package-- and additionally, to what extent ongoing technical assistance, will be available to development loan packages. Such a decision will determine whether the Permanent Fund staff is large, or quite small.

It should also be noted that the Alaska Fund, like the World Bank, could construct affiliates to operate 1) in the less developed areas of the state, and 2) a second affiliate designed to grant very long-term loans at very low interest. The later affiliate would operate where there is extreme needs to meet employment and social problems, could receive special technical help and monitoring, and would be "separated" in such a manner so that the legislature and executive could "knowingly" watch the performance of this high risk unit. Additionally, the fund might be protected by the legislature reimbursing from the general fund a subsidy against the low-interest, or agreeing to in principal appropriate for the high risk frontier losses (note: the words "in principal" are used since no legislature can bind a future legislature --the arrangement would have to be one of moral commitment).

OTHER INTERNATIONAL DEVELOPMENT BANKS

Other International Development Banks tend to be more regional, and in most respects are similar in structure to the World Bank. Such banks will be discussed only briefly, and are: The Inter-American Development Bank, the Asian Development Bank, and the African Development Bank.

INTER-AMERICAN DEVELOPMENT BANK

Founded in 1959 the bank has assets of \$3-billion, authorized capital of \$6.3-billion, and paid-in-capital of \$983-million. Membership consists of 24-American governments and 10-non-American governments.

The bank has a management structure of a board of one-each from member nations, and eleven executive directors. The board hires the President, and the directors the vice-president.

Loans are made to member nations, or are guaranteed by those nations. The bank has experienced two defaults totaling \$11.2-million, and resulting in a net loss of \$1.8-million.

Funds for the bank are derived from member nations, and also a number of special grant trust funds. A U.S. grant of \$537-million funds the Social Progress Trust Fund --for land settlement, land improvement, low income housing, water supply, and sanitation (119-loans). The Special Operations Fund, from special subscription of bank members, deals with special circumstances (special long-term loans, low interest). Assets 453-loans at \$4.3-billion. The Venezuelan Trust Fund consists of \$500-million granted by Venezuela in 1975, and loans are aimed at the "smaller members."

ASIAN DEVELOPMENT BANK

Established in 1966 and has assets of \$2.8-billion, authorized capital of \$3.3-billion, and paid-in-capital of \$1.1-billion. Funds come from member nations. Managed by a Board of Governors and Board of Directors, but with most power vested in the Board of Governors. The bank has 31-member nations, and loans in 15-member countries. Loans to other industrial development banks 27%, for utilities 35%, transportation and communications 21%, agriculture 14%.

AFRICAN DEVELOPMENT BANK

The smaller of the banks the African Bank has authorized capital of \$400-million, and issued capital of \$370-million. Established 1964 it now has 39-members, 16 of which are in the U.N.'s list of least developed nations. Management is by Board of Governors through a Board of Directors.

Funds come from member country subscription, retained earnings, and barrowing, but the bank also operates the African Development Fund, a fund established by grants from 16-non-African nations, and a separate organization of private participants, with the fund providing interest free loans for as long as 50-years. Present portfolio consists of loans in 31-countries for \$192-million total.

EUROPEAN INVESTMENT BANK

The EIB established in 1957 by the same treaty creating the European Common Market (European Economic Community -EEC), consists of members of the EEC, with its purpose to contribute to the balanced and orderly development of the market among member states. Assets \$6.4-billion, authorized capital \$471-million, and paid-in-capital of \$471-million.

A three tiered management structure consists of a Board of Governors (member each nation), a Board of 18-Governors, and a management Committee appointed by the governors on advice of the Board of Directors. In 1975 loans were apportioned 30% energy, 24% industry, and 17% transportation.

EUROPEAN COAL AND STEEL COMMUNITY

Established 1975 with assets of \$3.5-billion (by treaty). Membership 9-European nations, with the purpose of the fund being to aid the economies of member nations through creation of a common market for coal and steel. The fund structure is highly complex and subjects itself to the Court of European Justice (treaty interpretation), and the European Parliament (which can compel the resignation of the governing commission). Income is derived from a monthly levy on participating countries yielding \$100-million per year, and \$3.3-billion in barrowing.

The European fund seeks to protect investments by government, bank, industrial guarantee, or by mortgage. In 1975 the fund earned revenues on investments of \$307-million (57% interest, 26% levies, 15% from interest investment and contributions), and paid out 55% to pay interest (on fund borrowings for relending) and retained 16% excess, most of which went to the loan guarantee fund.

THE RESOURCE BASED FUNDS

A quite separate category of special funds, development banks, and etc., are those funds based on a generous income from a natural resource. Contrary to popular belief they are somewhat rare, with several exceptions confined to the Middle East oil nations, and are relatively NEW!

Additionally, only several might be comparable to an Alaska Fund, since the Alaska circumstance is one of a sizable special fund in a state with a relatively small population, a population highly educated, and existing in a sophisticated democratic and economic framework. The Middle East funds possess the initial circumstance --the sizable fund-- but lack the remainder (education, democratic framework, economic sophistication). However, to a greater degree the Alberta Heritage Fund and the Venezuelan Fund offer some comparison.

SAUDI DEVELOPMENT FUND

Established 1974 the fund is believed financed directly from Saudi Arabian revenues. The fund is managed by a six member Board of Directors selected by the Council of Ministers. The purpose of the fund goes beyond Saudi borders to foster development with loans to developing states. The fund limits loans to no more than 5% of fund capital, and 50% of the project being financed.

Reported capital of the Saudi Fund is 10-billion Saudi Riyals, with total assets uncertain (\$2.8-billion in U.S. dollars).

ARAB DEVELOPMENT BANK

A regional development bank established 1974. Authorized and subscribed capital \$231-million. Membership 18-Arab nations with oil nations contributing greater capital, and other members only about \$1-million each. Typical Development Bank Board of Governors/Board of Directors management structure. Much of portfolio goes to African nations, with present portfolio believed to be 20 - 25 loans in about 20 African nations.

ARAB FUND FOR ECONOMIC AND SOCIAL DEVELOPMENT (Kuwait)

Organized by Arab League in 1968, with operations beginning 1973. Reported 21-member countries, with purpose financing of economic development projects in member Arab nations. Source of funds by subscriptions. Reported interest rates generally low --4% to 6%. Capital is \$400-million Kuwait Dinars, and since 1973 loans totalling \$93-million Kuwait Dinars have been made for 18-projects in nine nations.

ABU DHABI FUND FOR ARAB ECONOMIC DEVELOPMENT

A great deal is not known about the Abu Dhabi Fund, except that its funds come internally from Abu Dhabi revenues, and that loans exceeding \$500-million are outstanding to the fund in 11 countries. Loans go to Arab, African, and Asian nations within the Islamic sphere.

ISLAMIC DEVELOPMENT BANK

Bank established in 1975, based in Saudi Arabia, capital \$2-billion Islamic Dinars, paid-in capital \$755-million Islamic Dinars.

The purpose of the bank is to foster development in Islamic countries, with present membership numbering 29-nations. The bank is permitted to purchase equity, make loans in the public and private sector, establish and operate trusts or special funds, assist members in matters of foreign trade and economic cooperation, and invest surplus funds. Funds come from members' capital subscriptions, leverage is permitted but not yet used. The bank uses the development bank, more typical format, of a senior board of Governors, then appointing a Board of Executive Directors and President to be responsible for management. Executive Directors approve all loans.

KUWAIT FUND FOR ARAB ECONOMIC DEVELOPMENT

Authorized capital \$1-billion Kuwait Dinars, paid-in-capital \$328-million Kuwait Dinars. The purpose is to assist Arab and other developing nations in development through loans and the guarantee of loans. Funds appropriated annually. Management structure is Prime Minister as Chairman of the Board, with nine other directors serving two year terms. Chairman appoints Director General of the fund. Net profits are credited to the reserve account until reserves equal 20% of capital, thereafter profits added to the capital of the fund.

COMMENTS ON ARAB RESOURCE FUNDS

It should be noted that the Arab funds are regional development banks, whose primary purpose reaches beyond the borders of the sponsoring nation, or nations. The funds are based on resource revenues, but not in a statutory or specified amount. Generally the capital comes from membership subscription or special appropriation by the nation, or nations, to the fund. The fact the funds are of relatively recent origin is of interest, and marks the rapid

expansion of Middle East economic affairs that came with swelling oil revenues after the successes of OPEC in the early 1970's.

FONDO DE INVERSIONES DE VENEZUELA

Established in 1974 following the OPEC oil price increases, the fund has assets and capital of over \$5-billion (paid in as of 1974 - 1975). The purpose of the fund is to: 1) create a professionally managed reservoir of public funds that would be kept out of the domestic money supply until needed; 2) to invest in external capital markets funds not immediately needed in Venezuela, 3) to assure a rational and diversified internal investment program designed to reduce Venezuela's dependence on oil revenues, and 4) to generate economic growth that creates full employment, redistributes national income, and encourages technological independence.

Sources of funds come from yearly allocations of oil revenues determined at the highest level of government and approved by the President.

Fund operations overseen by General Assembly consisting of State Ministers and high level government officials. Policy dictates from the Assembly and other high level political sources, with management by an Executive Directorate (specific investment decision level).

Internal staff divided into three groups: 1) International Financial Group (external market investments), 2) International Financial Cooperation Group (loans to non-Venezuelan government agencies), 3) the National Investment Group (debt and equity investments in Venezuelan entities). The Venezuelan Fund is one of the more sizable funds, and in just two years of allocations is about what the Alaska Permanent Fund might be expected to be by 1984.

COMMENTS ON THE VENEZUELAN FUND

The Venezuelan Fund is of interest because of its size and its basis on oil revenues. Secondly, like the Alaskan fund one of the purposes is to keep a deluge of public revenue temporarily out of the local money supply "until needed." In Alaska the same rationale is geared towards problems of excess revenue government and government growth, while in Venezuela it is likely geared to the same plus inflationary and trade problems. Third, like the Alaskan Fund may have to do, the Venezuelan Fund recognizes specifically a need to invest prudently in external markets excess funds (keeping them out of the local supply and prudently invested). Fourth, the Venezuelan Fund like the Alaskan Fund has a declared purpose of diversifying with internal investment to reduce Venezuela's dependence on oil revenues. Fifth, the Venezuelan Fund declares normal investment bank purpose of investing to create full employment, redistribute income, and gain technological independence. Similarly in Alaska the fund seeks to smooth Alaska's economic cycles, and diversify the economy.

ALBERTA HERITAGE SAVINGS TRUST FUND

Established in May 1976 to invest a portion of non-renewable resource revenue to the future benefit of the people of Alberta.

The fund may invest up to 20% of its total in projects of long-term economic and social benefit to the people of Alberta, but which will not yield returns to the fund. However, funds in this category must be specifically appropriated by the legislature. The fund may invest up to 15% in loans to the Crown, or to other Provinces, or in loans guaranteed by the Crown.

An Investment Committee may invest in other loans yielding a profit to the fund and which strengthen and diversify the Alberta economy. The basic funding derived from original funding of \$1.5-billion, plus 30% of the non-renewable resource revenue to be received in fiscal 1976-'77, and each fiscal year thereafter if the Legislative Assembly enacts a Special Act authorizing such transfers.

However, in the Alberta Fund is managed in a very ordinary government way, with the fund principally lodged in their equivalent of our Department of Revenue, with actual management in the Provincial Treasurer's Office. The Treasurer interacts with an Investment Committee composed of all 24-members of the Provincial Executive Council.

It should be noted the fund has no ability to guarantee the loans of others, or to act to leverage its funds in a development bank manner.

COMMENTS ON THE ALBERTA FUND

The Alberta Fund could prove to be a sizable fund, and like the Alaskan Fund operates in a northern region, is not an absolute sovereign (a Province within a nation), and like Alaska exists in a modern democratic framework with a highly educated population.

In relationship to structuring, it is interesting to observe that Albertans felt little need to give their fund "political shelter," and instead clearly run the fund with the political principals in command. In addition, Albertans expressed caution in committing infinite years of oil revenue to the fund, perhaps as Alaskan lawmakers were hesitant of such unilateral commitment and hedged on including severance taxes within the

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framework of the 1976 constitutional amendment creating the permanent fund.

GENERAL COMMENTS

The reader can draw their own conclusion from the previous brief rundown on the large world monetary funds. However, several things do stand out, and some of those features challenge some usual misconceptions.

First, while Alaskans were cautious in 1970 concerning rushing into dedicated resource funds, it would appear in looking at the World Funds that such caution was not unusual (and perhaps not unjustified). Some of the U.S. state funds date to the early 1900s, a few to the nineteenth century, but most of those funds also reflected quite narrow dedications and lack of flexibility in use of funds. A few of the regional development banks pre-date World War II (Mexico), but most date from the 1950s period. Lastly, quite contrary to what may be the standard conception, few resource based pre-date the 1970s.

Secondly, not only do few resource funds pre-date the 1970s, but they are relatively few in number (Alberta, Venezuela, Middle East), with most being keyed to the early 1970s run-up in oil prices and the creation of the "excess revenues problem."

Thirdly, it becomes obvious that there are few classic models to follow for something like the Alaska Fund, partly because other funds are of such recent history, and partly because Alaska's existence in a sub-sovereign condition in a sophisticated democratic and economic infrastructure is akin perhaps only to Alberta.

Thirdly, a variety of sophisticated management structures are reflected, with many funds opting to involve the fund in high levels of decision making, rather than attempting to insulate the fund (Alberta, Venezuela, Mexico, etc.).

Fourth, the structure forecast for the Alaska fund seems to require a complexity equal with the more complex of the development funds. The Alaska fund may be a trust account to earn future security, part development bank to loan debt, acquire equity, provide loan guarantees, to leverage and reloan borrowed funds, plus the overseer of a Consumer Bank, or a consumer bank affiliate (or affiliates), designed to handle a large portfolio of consumer level loans (for which there is scarce capital or unreasonable terms). Note, the latter consumer orientation is perhaps a by-product of the Alaska fund existing in the previously mentioned condition of: 1) a sophisticated democratic structure, and 2) a sophisticated economic infrastructure.

Finally, in comparing the monetary funds it is difficult not to be impressed by the fact that the Alaska Fund may be among the larger funds, depending ultimately on what percentage of resource income (above the constitutional 25%) Alaskans wish to dedicate to the fund.

The Alaska Fund could rank among the world leaders, and therefore implicit in that fact is a challenge to Alaskans for management and control that will combine with "size" to make Alaska a credible and respected entity in the financial markets. In fact, the prestige of a well managed Alaskan fund could spin off benefits to "investments Alaskan" completely outside the framework of the fund itself.

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ALASKA'S GROWTH AND FUTURE CHOICES --
STATEWIDE POLICY ISSUES FOR THE ALASKA PUBLIC FORUM PROGRAM

DRAFT

Alaska Growth Policy Council
September, 1976

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ALASKA'S GROWTH AND FUTURE CHOICES --
STATEWIDE POLICY ISSUES FOR THE ALASKA PUBLIC FORUM PROGRAM

DRAFT

September 24, 1976

Introduction

In his "State of the State" message of January, 1976, Governor Hammond had the following things to say about individual citizens' involvement in public decisions affecting their own future and Alaska's:

Alaskans are perhaps the most involved, interested and curious citizens in these United States - and perhaps the world. This interest stems, I believe, from an ingrained desire to make our dream of Alaska - as it was and as we'd have it be - a product of and a program for Alaskans...

.....

Since no one man has the only road map, what we need up here are many alternative visions of where Alaskans want to go, and from this amalgamation put forward positive images of tomorrow. The major question is, of course, what kind of Alaska do we want, both for ourselves and for our children's children?...

.....

So we could promote anticipatory democracy. "Anticipatory" because we'd better start anticipating the future, rather than just permitting it to come about. "Democracy" because unless we find ways to involve thousands of Alaskans in the process, we'll find the future staked out by a handful of corporate, political, academic and other elitists, each of whom has carefully looked after number one while no one is taking time to look out for the public as a whole.

The Governor went on to point out that the Alaska Growth Policy Council and Public Forum Program "are tools designed to solicit public input," and that he had directed the Council to initiate the Forum program

to determine what the people think our goals should be - first, to formulate the questions, and then ask Alaskans such things as: what's your view on population growth? should we industrialize more rapidly? emphasize renewable resource enhancement and utilization? place more weight on recreational tourism? encourage or discourage community development in areas now uninhabited? build a petrochemical industrial complex? and many, many more.

The Growth Policy Council has followed the Governor's directions. It has established an extensive program of research and survey work, public information, and citizen participation in state government decision making. The program is highlighted by a series of regional and statewide workshops in which people in all parts of the state will meet to consider and express their views on critical policy issues facing the State of Alaska. These issues and the basic choices to be made are described in detail below. The choices on these issues -- the development and uses of Alaska's oil wealth, land use planning and management, human resources development, the role of government and its relationship to the people, and state growth policy generally -- will largely determine the future of Alaska. For underlying all of these issues is the question posed by Governor Hammond: what kind of Alaska do we want, both for ourselves

and for our children's children?

Because the choices to be made are so fundamental, the clearest possible expressions of public needs and preferences are essential to guide state decision makers. And it is to facilitate such public expressions and involvement that the Alaska Public Forum Program has been established. There are three major goals to be achieved through the Alaska Public Forum:

- To inform Alaska citizens of critical problems and opportunities facing the state, of basic choices to be made, and of the consequences of key decisions that must be made in the next few years.
- To assure every interested citizen an effective voice in shaping the future of the state, an opportunity to be heard on basic decisions which will be made on issues of oil wealth, land use, human resources, and government.
- To make government more responsive to concerned citizens throughout Alaska, to tune government to the expressed needs of an informed public.

At the heart of the Alaska Public Forum Program, therefore, is a series of basic policy issues and specific choices on which citizen viewpoints are sought by legislative and executive officials of state government. This paper provides background information on those issues and tentatively identifies the choices that can be made. All of the issues and choices presented have important implications for future patterns of growth in Alaska: how much, how fast, and what kinds of growth we want and where we want it to occur. They all point to the basic issue of how large a role state government should have in managing growth, controlling its effects, and achieving agreed upon social objectives that petroleum wealth will make possible. And they all relate to the overriding question of what kind of future Alaska we want.

The purpose of the Alaska Public Forum Program is to assist Alaskans to better understand the problems of Alaska's growth and to participate more directly with state government in finding solutions to them. The Forum is intended primarily as a means of strengthening the two-way communication between Alaska's people and their state government. It is thus an extension of the democratic process and a supplement to normal channels of communication, such as campaigns, elections, letters, and personal contacts between citizens and government officials. If it functions well, the Alaska Public Forum will facilitate citizen involvement in state government's efforts to meet the challenges of growth in Alaska, and it will enable government to better inform the people

of the problems to be met and the choices they can make.

This paper consists of three sections. The first describes the general background of Alaska's growth since statehood, and presents some projections of future population and economic growth. The second section presents a series of selected statewide policy issues and related choices. These, or revisions and refinements of them, will be the subjects of public discussion and response in regional workshops in all parts of the state; through newsletter, newspaper, and other media distribution; and in a statewide workshop and TV "town meeting" to be held in mid-1977. Since this paper is still a working draft subject to comments, criticisms, and revisions, the final section indicates the general kinds of responses that would help make it most useful for informing the public and soliciting their views on the role that state government should play and the course it should chart toward Alaska's future.

Alaska's Growth

This section provides an overview of growth in Alaska, including past patterns and future projections, and discusses some emerging growth policy issues that must be dealt with by state government in the next few years. In general, the picture that comes into focus shows an Alaska in rapid transition from a struggling new state in the early 1960's to an oil-rich boom economy in the 1970's and 80's, where problems of growth and opportunities for dealing effectively with them are as challenging as they are unprecedented.

This history of economic development in Alaska suggests a recurring pattern of generally unguided responses to major external forces of change, with the benefits of development flowing disproportionately to "outsiders." First it was furs, then gold and the fisheries, followed by the massive defense build-up of World War II and the Cold War of the 1950's. In what respects and to what extent will the new era of development, based on the production of potentially vast petroleum resources, prove to be different? Will the people of Alaska and their leaders and institutions have greater influence in determining the nature, rate, and consequences of development than they have been able to exert in the past? If, in the petroleum era, the state government is a major owner of the resources and the great wealth they represent, there might be reason to expect that now the State of Alaska can effectively negotiate if not independently chart its future course of

growth and capture its fair share of the benefits. How fast the state develops its petroleum resources and how it chooses to use the wealth they produce will have a very large impact on the shape of Alaska's future.

But it also must be recognized that the State of Alaska is not the sole, or even the dominant resource owner, nor can Alaska be insulated from national and world forces which determine energy development policies. The federal government, now as in the past, is the biggest landlord and resource manager in Alaska and likely will remain pre-eminent in the future. Native corporations created under the Alaska Native Claims Settlement Act are also establishing their places in the development process. And as federal and state governments and Native corporations look toward development of the resources they own, they are bringing the international petroleum industry into the process. It is not clear what Alaska will look like in the future, what kind of place it will be to live. What does seem clear is that the scale of development will be much larger and the consequences for Alaskans at least as far-reaching as any previously experienced.

The Setting for Growth

There was a serious question in the early 1960's whether the new State of Alaska might survive economically. Its economy, which was dependent on federal government expenditures and a few unstable resource extraction industries, was capital poor, high cost, and

underdeveloped. Steady growth in the values of fisheries and forest product industries production, however, were indicators that, by the mid-1960's, the state could survive, though not in any high style. What made the difference during that period was the onset of major oil and gas production from the Kenai-Cook Inlet fields.

By the end of the decade, the wellhead value of production from Kenai-Cook Inlet had surpassed the values of production from the fisheries and forest products industries, rising to an amount almost equal to the values of fisheries and forest products combined. (See Table 1.) This, of course, was merely the prelude to what would follow the Prudhoe Bay discovery in 1968, when Alaska would move into the top ranks of the oil-rich regions of the Western Hemisphere.

During the 1960's, Alaska's population and economy grew at a relatively rapid pace:

- The population increased from 237 thousand in 1961 to 302 thousand in 1970, an increase of 28 percent.
- Civilian employment rose even faster, from 68 thousand to 105 thousand, for a 55 percent increase.
- The total market value of all goods and services produced in the state (Gross State Product) doubled, rising from \$681 million in 1961 to \$1.4 billion in 1970.

- Total state government revenues amounted to only \$46 million in 1961; they were almost six times higher, \$260 million, in 1970 (not counting the one-shot \$900 million sale of Prudhoe Bay leases in that fiscal year).
- Recurring state government revenues from oil and gas production at Kenai-Cook Inlet rose from \$4 million in 1961 to \$39 million in 1970. (See Table 2.)

The basic push to Alaska's economy was provided at the end of the decade by oil and gas production from the established fields, and this was reinforced by the early gearing up for Prudhoe Bay developments.

Alaska was thus enjoying a steady upward pace of growth at the end of the 1960's, based on increasing values of natural resources production, with oil and gas taking the lead. But the stage was re-set for a major leap with the Prudhoe Bay discovery, and the question for the 1970's and beyond became one of whether the state is capable of managing and accommodating the massive surge in wealth and growth that petroleum development is now bringing to Alaska.

The surge began with the discovery of oil at Prudhoe Bay in 1968. This was followed in quick succession by the state's \$900 million sale of Prudhoe Bay oil leases, passage of the Alaska Native Claims Settlement Act by Congress, the start of construction of the

\$8 billion trans-Alaska oil pipeline, planning for a Prudhoe Bay gasline, and the federal government's announcement of an accelerated OCS oil and gas leasing program weighted heavily toward Alaska offshore regions. Thus, the Prudhoe Bay discovery was but the first of a current series of massive developments now changing the face of Alaska.

Pressures for development of Alaska's oil and gas resources multiplied rapidly after the Prudhoe Bay discovery, due largely to the settlement act and the national and world-wide energy crisis. The settlement act awarded over 40 million acres of land and \$1 billion to Alaska's Native Eskimos, Indians, and Aleuts in compensation for their aboriginal claims to most of the land of Alaska. Organized into profit-making corporations under the Act, Native leaders now have obligations and strong incentives to develop the resources on their lands, and to enter into other forms of profit-making enterprise. Further, the settlement act removed one major legal block to construction of the pipeline from Prudhoe Bay and made it possible for the state to resume efforts to select its own 103 million acre entitlement under the Statehood Act.

Thus, in addition to compensating Alaska Natives for their aboriginal claims, the settlement act triggered a massive reallocation of land in Alaska. Native village and regional corporations would select over 40 million acres, the state would proceed to select its 103 million acres, and the federal government would designate up to 80 million acres of public domain as additional

national parks, wildlife refuges, forests, and wild and scenic river areas. And all of these land designations and selections would be scattered and interspersed throughout most of the state rather than falling into neat blocks. This land transaction in itself would have been a major event and force of change in Alaska even if no oil had been discovered.

Then came the energy crisis--the sudden increase in oil prices and the withholding of oil exports by the Arab nations and other members of the Organization of Petroleum Exporting Countries. Since the United States was heavily dependent on these exports, these events led to a series of emergency measures by the federal government having even greater significance for Alaska. The most important is the accelerated Outer Continental Shelf (OCS) oil and gas leasing program. Nine of the twenty-four lease sales under the program have been scheduled for Alaska offshore areas within a three-year period. Further, exploration was renewed in U. S. Naval Petroleum Reserve No. 4 (now National Petroleum Reserve, Alaska) west of Prudhoe Bay on the North Slope, an area that may itself contain as much oil or more than Prudhoe Bay's 10 billion barrels.

Also about this time, Congress passed the trans-Alaska Pipeline Authorization Act and related legislation that removed the second major legal block to pipeline construction. Permits were soon granted and construction of the trans-Alaska oil pipeline began in

the spring of 1974.

Finally, the federal Bureau of Land Management in the same year undertook a "primary corridor system" study in Alaska as a basis for the reservation of easements across public and prospective Native lands, with particular emphasis on transport needs for "high value energy resources" development. The trans-Alaska oil pipeline and the prospective gas pipeline from Prudhoe Bay may thus be only the first of a series of pipeline utility and related "corridors" that would criss-cross the state.

Thus, by early 1974, interests in Alaska petroleum resources and prospects for large-scale development had multiplied. Now, it was not only the state and major oil companies looking at the North Slope. It was also the federal government looking to the development of both onshore and offshore oil lands as a means of increasing domestic energy supplies and reducing dependence on imports. And it was the Native regional corporations making plans to develop the commercial values of lands, including oil and gas resources, granted them by the settlement act. Meanwhile, trans-Alaska pipeline construction was bringing boom conditions to Alaska.

Petroleum development, like the larger growth cycle it has set in motion, is also self-reinforcing. Prudhoe Bay and the pipeline have "opened up" the North Slope, the adjacent seas, and lands along the pipeline corridor to new federal, state, and Native corporation leasing and exploration activity. NPR-Alaska activities are similarly

likely to encourage further developments on northwestern and western Alaska lands and seas, since it is generally easier and cheaper to extend development from existing areas, and to share or expand transportation facilities than to open new and isolated areas. And the geologically promising oil lands of Alaska are widespread. In the future, this "opening up" of Alaska lands may also help make possible large-scale development of other mineral resources such as coal, copper, tin, lead, and other commodities that are now uneconomic to develop.

For fiscal reasons, Alaska's state government has added its own push to the growth momentum. The state operating and capital budgets expanded rapidly after the \$900 million sale of Prudhoe Bay leases in 1969. The budget doubled a year later and then kept climbing, requiring the state to draw on the "investment" fund established with the Prudhoe Bay money.

Soon after the state received the \$900 million, the decision was made to start spending part of it to expand and improve public services and facilities. It was anticipated at this early stage that the trans-Alaska oil pipeline would be completed by 1973, and that state oil royalties and severance taxes would fairly quickly restore the initial drawdowns from the fund. Thus, the fiscal 1971 General Fund budget of \$321 million (not including federal and other restricted and special purpose funds) was double the previous year's budget of \$162 million. The next biggest overall increase,

a 26 percent rise, occurred in the fiscal 1975 General Fund budget, due mainly to pipeline construction impacts. As a result of these successive increases, the fiscal 1976 General Fund budget was over three times larger than the pre-lease sale budget of fiscal 1970.

In general, increases were made across the board in state programs, with the largest and most expensive programs--in education, health and social services, public works, highways, and debt service--accounting for the largest dollar increases. However, since expenditures in all other program areas were also substantially increased, these "big programs" did not increase their proportions of the total General Fund budget over the 1970-1976 period. (See Table 3.)

These General Fund program increases account for the largest share of the drawdowns from the original \$900 million, as well as from the estimated \$330 million in capital gains and interest generated by major investments of the lease sale money. Smaller amounts were put into various state loan and mortgage programs (under \$100 million for housing, veterans, small business, municipal, and similar loans) and invested in the stock market (about \$18 million) in which losses of about \$7 million were incurred.

While the fund was emptying and higher plateaus of state expenditures were being created, delays occurred in pipeline construction and there were no new oil revenues to replenish the fund. The result was that a "fiscal gap" was opened for the two-year period

before Prudhoe Bay oil and revenues from it would begin to flow in late 1977. In response, state officials had to examine additional sources of income, including a tax on oil reserves and the leasing of additional areas for oil exploration. The situation now appears to be in hand, given the reserves tax and general increase in tax revenues generated by the growth accompanying the pipeline boom. But the strains are still there, and the schedule for completing the pipeline is still uncertain and critical to the state's short-term fiscal health.

Even if state officials had been more determined to make the \$900 million last a while longer, pressures for ever-increasing expenditures could not have been easily resisted. Prudhoe Bay developments, the settlement act, trans-Alaska pipeline construction, and the national energy crisis set off boom conditions in Alaska-- rapid increases in economic activity and employment opportunities, the prospect of higher incomes, expansion of trade and service enterprises, and, drawn by the new jobs and income opportunities, heavy migration into Alaska. As a result, "impact" conditions had to be met and demands on public services and facilities grew, while the costs of government and everything else in the over-heated economy continued upward. And all of this was on top of a long contained backlog of public facility and service needs in the new and still underdeveloped state.

Thus, dating roughly from the winter of 1973-1974 when pipeline construction activities began in force, and as a result of

all the conditions outlined above, Alaska's growth took off in a new surge. And the end is not yet in sight. Looking again at the indicators used to summarize 1960's growth in Alaska, bringing them up to 1975, and projecting them out to 1990, we see the following:

- A total population of 384,400 in 1975, an increase of 27 percent over 1970, almost doubling to over 700,000 by 1990.
- Total civilian employment of 164,500 in 1975, an increase of 57 percent over 1970, doubling to almost 330,000 by 1990.
- A Gross State Product of \$1.8 billion in 1975, a relatively small increase over 1970, more than tripling to \$5.7 billion by 1990.
- State oil and gas revenues of \$62 million in 1975, again a relatively small increase over 1970, skyrocketing to \$2.3 billion by 1990--an amount approaching forty times the total oil and gas revenues in 1975!
- And total state revenues of \$506 million in 1975, almost double those of 1970, increasing by another ten times to \$4.8 billion by 1990! (See Table 4.)

The fast growth in population and employment between 1970 and 1975 can be attributed almost fully to pipeline construction and

anticipation of it, with a large part of this growth occurring in 1974 and 1975. Since Prudhoe Bay oil will not begin to flow until 1977 or after, and other growth-inducing developments are expected in the future, the other indicators (gross product and state revenues) that are largely dependent on such events do not show their greatest growth until later.*

Emerging Policy Issues

It should by now be clear that the central issue for public policy making in Alaska is not whether the state should grow or should remain as it is. Alaska is already growing rapidly and it is inevitable that it will continue to grow in the future. Even if nothing else happened, events already underway -- most importantly the developments at Prudhoe Bay with all their consequences -- are sufficient to guarantee a high rate of growth for at least the next ten to twenty years. The crucial policy issue facing Alaskans today is: to what extent and how should Alaska's growth be moderated and directed to serve social objectives and the broad public interest.

*A word of explanation about the statistics presented above: The numbers for 1970 and 1975 are, of course, reasonably firm ones. The projections to 1980, 1985, and 1990 can only be characterized as good guesses. They are based not only on what is now in sight (e.g., Prudhoe Bay oil and new state revenues from it) but also on assumptions about additional developments (e.g., federal OCS leasing) and key factors (e.g., the future price of oil). There will always be room for argument and disagreement about such projections. Some may come out with lower figures and others with higher ones. The above projections are considered to be within the range of likely events and are based on generally conservative assumptions.

While growth is inevitable, its rate, level, and quality are not. The effects of growth on individuals, families, and communities, on the countryside and on fish and wildlife habitats and resources, are not foreordained. Growth can be a blessing or a curse, or it can be some varying mixture of both. And whether we see it and experience it as good, bad, or indifferent depends on what we want in life for ourselves and for our children, on what we give priority to, and on what we value. In other words, choosing the kind of future we want to see is possible -- recognizing that there are some basic "inevitableities" and "realities" -- and the act of choosing is above all a value judgement.

This means that there are few "right" or "wrong" answers. Rather, there are better or worse choices we can make, with "better" or "worse" being dependent on what it is we value or want. The notions of right or wrong, or correct or incorrect, come in mainly after we have decided where it is we want to go. It is then that we try to select the "right" or "most effective" means that will get us there.

For example, if you place high value on the personal relationships and experiences of small community life, you will not move to downtown Anchorage, and you probably will not favor locating a major industrial complex in or near your town or village. On the other hand, if you place high value on having a wide choice of goods and services and of different job opportunities, and you like the faster pace of urban life, you will not move to a small

rural community and you may favor an expansion of the industrial and commercial base of your city and growth in its population.

In reality, we often want contradictory or inconsistent things-- for example, both urban economic opportunities and rural wilderness and recreational experiences. In such cases, "trade-offs" often have to be made: you would give up just as much of one -- and no more -- to get a certain amount of the other. For example, from your small town or village you might move temporarily to the city to make more money and to enjoy the city's entertainments, but you would stay only part of the year and return home to live the rest of the year. Or, you might live permanently in the city and put up with driving ten miles in moderate traffic to reach a favorite rural recreational spot. But if you had to drive fifty miles in heavy traffic on weekends to compete for a spot on a stream bank, you might reconsider whether the benefits of urban life and the growth of the city were compensating adequately for the "bads."

These examples also point to decisions that can be made by government that may be supportive or not of our personal preferences and choices. Government can influence the rate, directions, and types of community growth and the availability and quality of rural recreational experiences through planning and zoning and other land use controls. It can promote new industrial and commercial development and jobs through tax breaks and loans and through expenditures on basic facilities such as ports, roads, and utilities.

It can moderate or discourage such developments by using the same means in lesser or opposite ways. It can increase the amount and improve the quality of education, health care, and recreational opportunities through expenditures on those programs and through reforms in how they are administered. And much more.

It is as often the case with government as with individuals that trade-offs will need to be made between competing "goods" as well as between "goods" and "bads." Further, for government it gets more complicated because it must not only try to accommodate the sometimes conflicting wants of individuals, but also to meet and reconcile the competing values of different population groups. And it must try to accomplish this in the context of forces, some of them national and international in scope, that it may have little or no control over.

We have already seen some of the changes and the prospects for growth that the national energy crisis and the discovery at Prudhoe Bay have brought to Alaska. But the basic point remains that Alaskans generally are still in a position to make some very important choices about what they want and what the future will bring. And state government, with the resources it controls and the wealth it will have, can be a powerful tool that Alaskans can use to shape the future they want.

Alaska is undoubtedly going to be called upon to contribute a large share of the energy resources required to meet national

policy goals. But Alaskans (as well as other U. S. citizens) also place high values on outdoor recreation, wilderness, subsistence life-styles, and protection of wildlife. Programs of land use planning and management, resource conservation, and environmental protection will be required in the face of pressures for a rapid rate of resource extraction and increasing demands on air, water, and land resources. The need for adequate fish and wildlife and other environmental protection is particularly critical because of the limited biological carrying capacity of Alaska's arctic and sub-arctic climes.

Exhaustion of the state's petroleum resources and wealth is possible within the period of one or two generations. To what extent can or should state policy makers attempt to slow the rate of oil and gas extraction? How much of the public revenue generated by that extraction should be invested in renewable resource industries, such as fisheries, forestry, and agriculture? In small business? In industrial development? How much revenue should be saved and invested for use by future generations? How much should be expended on education, health, housing, transportation and other community facilities and services?

The needs and interests of both current and the growing number of new inhabitants of Alaska have to be accommodated. As employment opportunities and incomes increase, larger numbers of migrants are attracted to the state. The result is that the jobs and economic

benefits are spread thinner, unemployment persists, and the average individual realizes a smaller gain. Some people experience many of the costs of growth and few of the benefits. They may directly experience the congestion and crowding, the higher prices, the increased crime, the family crises and breakdowns, and other problems that typically accompany economic booms. Others may find themselves in a position to take direct advantage of boom and growth conditions by increasing their incomes, avoiding many of the social costs, and enjoying a wider range of choice in commercial goods, services, and recreation.

Demands for public goods and services also grow with the population that is attracted by the economic opportunities based on resource development. At the same time, and often with a lag as has occurred in Alaska (the "fiscal gap" problem), the resource development generates the public revenues necessary to meet the expanded demand. Expenditure of these revenues then not only increases the level of services but also yields increases in economic activity (through creation of new jobs and incomes), which attracts additional population and, hence, stimulates additional public expenditures. With resource development generating both the growth and the revenues necessary to meet the new needs and demands accompany that growth, government size, complexity, and expenditures also increase.

The questions arise: How much is enough? Can or should the process be slowed? Can or should government itself be limited while the basic source of its expansion -- resource development -- continues at a rapid rate? Regardless of what might be done about the size of government bureaucracies and budgets, are there ways of restructuring state and local governments, defining their roles, and allocating their responsibilities so as to make them more effective and more responsive to the people? Perhaps the most basic question about government is: How much responsibility do the people of Alaska want their state government to take in meeting the social and economic problems of growth, in promoting or discouraging developments in the private sector, in protecting valued lifestyles, and in achieving some balance of environmental protection and resource development? In short, what do Alaskans want their state government to do, or to avoid doing, in making Alaska the kind of place they hope it will be?

In summary: Decisions must be made over the next few years that will affect the rate and quality of growth of communities and regions, the quality of the natural environment, and the well-being of all Alaskans. Many of the forces of growth in Alaska today are not under the control of state government. But the state does have means of influencing 1) the rate of growth through its own resource development and fiscal decisions, 2) the kinds and locations of growth through its regulatory, taxation, and expenditure powers, 3) the social and economic opportunities and well-being of Alaskans

through the ways in which oil revenues are saved, invested, and spent in the years ahead, and 4) the effectiveness and accountability of government structures and programs through structural and administrative reforms.

Future Choices

If the basic issues before Alaskans are:

- What kind of future Alaska do we want? and
- What role should state government play in getting us there?

then, how best can the people's values and preferences be determined and communicated to state and other policy makers?

It would be difficult to give direct answers to these two general questions about a preferred future and the state's role. This is because they are very broad questions and they are subject to a whole variety of meanings and interpretations. We need to know more specifically what it is about the future and the state role that most concerns people, that is possible to achieve given the tools the state has available and the general growth path Alaska is already on, and that can give clear guidance to state policy makers during the next few years when so many more specific decisions must be made.

Yet, it would be a mistake to ignore those general questions, because people's general ideas about them reflect the fundamental goals and values that give real meaning to the more specific choices that will be made. How can we decide, for example, whether the state government should take certain actions to increase private sector jobs unless we first know whether 1) the kind of industrial development required to create the jobs is consistent with the kind

of Alaska we want to see, 2) job-creation is something we want state government to take responsibility for, and 3) expansion of employment is really at or near the top of our list of priorities?

A solution to this problem of how to get clear guidance from the people on specific policy questions without losing sight of the underlying issues of citizens' goals and values is to approach these latter issues indirectly: to formulate more specific policy questions that have clear implications for Alaska's growth and quality of life in the future. People have to know that if state government does or does not do "x", then the kind of growth they may experience and their preferences and satisfactions may be affected for good or ill, or not at all.

The following sections of this paper have been prepared with that purpose in mind.

- First, four basic "issue areas" have tentatively been selected for attention--the development and uses of Alaska's oil wealth, human resources development, land use planning and management, and government and the people;
- Second, each of these issue areas is introduced with some general comments on how it ties into the broader matters of state growth and quality of life discussed earlier in this paper;

- Third, within each issue area specific problems are identified that state government must deal with in the next few years; and
- Fourth, specific choices that can be made to deal with these problems are presented, and background information needed to understand the choices and their implications is provided.

The general plan of this presentation, then, is to move in logical steps from the broad and general to the specific and concrete, making it as clear as possible at each stage how one level relates to the next. We have already discussed the broad background and present context of growth in Alaska, and looked at some projections of future growth. We have also considered how people's basic values and goals may determine both their more specific choices and their feelings about whether growth and change, and the public decisions that might be made, are "good" or "bad" for them. Now is the point where we look at some of those possible state government decisions that can shape Alaska's future.

Oil Wealth

✓ How Alaska uses its oil wealth -- both the resources themselves and the money the state will get from them -- will probably have the profoundest effects on Alaska's future growth and quality of life. Both the rate at which the state leases its oil and gas

resources and the ways it uses the revenues from oil and gas development can powerfully influence: 1) the general rate of state population and economic growth, 2) the kinds of economic development that occur, and 3) the social and economic well-being of individual Alaskans.

The greatest long-term effects will come through the uses of petroleum revenues. Leasing decisions in the shorter-run bring temporary boom conditions to individual communities directly affected by petroleum exploration and development activities such as at Prudhoe Bay and related pipeline construction. But the state's accumulation and uses of large-scale revenues over a longer period of time can either fuel and accelerate growth, or, through withholding them from the economy, slow or moderate the growth that would otherwise occur. Of course, the rate of leasing by the state will also determine the rate at which new revenues will become available for expenditures or savings.

The people of Alaska are the owners of the oil and gas and, through their state government, they authorize private industry -- through the selling of leases, for which the state receives "bonuses" -- to locate it. The industry's reward for finding the oil and gas is their opportunity to produce, transport, process, and sell the oil and gas for profit. Once oil and gas is found and produced, the industry pays severance, property, and income taxes, and makes royalty payments for that portion of the oil and

gas to which the state retains ownership rights. The state also has the option of taking the royalty oil and gas "in kind" and making it available for use within the state or selling it for export.

The federal government and Native corporations also likely own oil and gas resources in Alaska, and the federal government is already committed to a rapid rate of leasing on the Outer Continental Shelf. Leasing in the National Petroleum Reserve may follow. Federal and Native leasing will also have both short-term and long-term growth impacts in Alaska.

The state thus controls a large amount of oil and gas and will control large sums of petroleum revenues. The rate at which it leases new and yet undiscovered fields, the rate at which it saves and spends the revenues, and the specific ways it chooses to spend, are the most important overall growth management tools it possesses.

Petroleum Leasing--It is not known how much additional oil and gas remains to be discovered and produced on state lands. The best estimates now available suggest that the state probably does not own the equivalent of another Prudhoe Bay, a "super giant" field of 10 billion barrels of oil. However, we have seen that Prudhoe Bay alone will produce enormous sums of money for the state, and ensure a high rate of growth. It will do this for probably the next twenty years. If additional fields are found, which is likely, Alaska may be able to count on a flow of petroleum revenues and continued petroleum-based growth for thirty years, but probably not much longer.

The state can slow the rate of growth to some extent by restricting the sale or leasing of oil and gas on state lands. Or, it can speed the rate of growth by a rapid rate of leasing. This would be on top of the growth already generated by the leasing it has already done, and on top of the growth that will be stimulated by leasing likely to be done by the federal government and Native corporations.

Another thing that the state might do is take some amount of royalty oil "in kind" and make it available within the state for industrial development, such as petrochemicals, refining, power generation, etc. This, of course, would support a certain kind of growth, and it would ^{which} ~~would probably~~ require that the state sell the oil and gas at less than its market value in order to ^{attract} ~~promote~~ such industrial development.

CHOICE ONE: Should the state attempt to slow the rate of growth by restricting the sale or leasing of its own oil and gas resources, keeping them in the ground for future use?

FAVOR OPPOSE NO OPINION

CHOICE TWO: Should the state attempt to make its "in kind" royalty oil and gas available to private industry, at below market value if necessary, for development of petrochemical plants, refineries, power plants, etc. in Alaska?

FAVOR OPPOSE NO OPINION

Petroleum Revenues--Expenditure of petroleum revenues by the state has the greatest long-term growth effects because the money enters Alaska's economy and generates additional jobs, income, and hence, migration from outside. On the other hand, the state can slow the rate of growth by saving large amounts of petroleum revenues instead of spending them or otherwise letting them enter directly into Alaska's economy.

The proposed Permanent Fund could be used as such a method of saving. If it is to be used in this way, the petroleum revenues saved would be invested largely outside the state in such things as U. S. government securities, earning perhaps eight to ten percent or more a year in interest. (See Table 5 for some estimates of Permanent Fund principal and earnings, based only on Cook Inlet and Prudhoe Bay oil production, at a twenty-five percent savings rate for certain petroleum revenues.)

These Fund "earnings," in turn, could also be used for different purposes: They could be put back in the Fund and used to build up further earnings. They could be distributed directly as cash payments or "Permanent Fund dividends" to all Alaskans. They could be transferred to the General Fund and used to support state on-going programs, or simply to increase the amount available in the General Fund to spend or hold. And to the extent that any of these ways of using petroleum revenues --either directly or as earnings --lessens the need for tax revenues, the state could cut income taxes.

Instead of using the Permanent Fund as a "savings account" with earnings, the state could use it as a "loan fund." In this version of the fund, the money would be invested in Alaska for several purposes. These could include "infrastructure" development (ports, power plants, other utilities) the costs of which would be paid back by the users, like paying back a loan over time. Or loans could be made directly to attract or support such industries. The industries assisted in these ways could include any type that Alaskans want -- either renewable (fisheries, timber, agriculture) or non-renewable (mining, various kinds of manufacturing, etc.), small business or big, housing and construction, or others.

If the Fund is used as a "loan fund" in these and similar ways, it will probably make lower earnings, and it will clearly promote faster growth, than if it is used as a "savings account." This is because the money, as loans, would be used directly in Alaska, and it would help support developments that could not otherwise afford the higher interest rates that would be required by private banks, for example. Or the assisted businesses, industries, etc., may not even be able to qualify for such private loans because of high risk or simply because the funds are not available for the types of activities that the Fund might assist. Thus, the loans in this sense would have to involve subsidies (e.g., below market interest rates, state guarantees, etc.) to those assisted by them.

Whether the Permanent Fund is used as a savings account or a loan fund or both, it will of course take money that would otherwise be available to support on-going education, health and social services, highways, public safety, municipal revenue sharing, and all other programs of state government. And the larger the amount saved or loaned, the less would be available for such other on-going state programs. While money spent through such programs in Alaska serves public purposes determined by the State Legislature and Executive in each year's General Fund budget, it also adds its own push to the state's rate of growth, as we have already seen.

Instead of putting large amounts of petroleum revenues into the Permanent Fund, they could be allowed to build up in the regular General Fund. In this way, the State Legislature and Executive could decide, with a much larger amount of money available, how much should be used for on-going state programs, for capital expenditures, etc., just as they do at present. They could also decide how much to leave in the General Fund to grow and carry over from year-to-year. These General Fund "balances" make earnings, too, through short-term investments and by drawing interest in commercial bank accounts. And the earnings here, too, could be used for purposes similar to earnings under the "savings account" and "loan fund" versions of the Permanent Fund discussed above.

The above leads to petroleum revenue questions dealing with Permanent Fund size, use of the Fund as a savings account or as a loan fund, and use of Fund earnings.

CHOICE THREE: What should be done with the estimated \$1 to \$2 billion and more per year that the state will get from Prudhoe Bay and other oil production?

- A. Put all of the state's petroleum revenues into the Permanent Fund and permit only the earnings to be transferred to the General Fund.
- B. Put half the petroleum revenues into the Permanent Fund and half into the General Fund.
- C. Put one-quarter or less of total petroleum revenues into the Permanent Fund and put all of the rest into the General Fund.
- D. I don't favor the Permanent Fund at any level.

CHOICE FOUR: Which concept of the Permanent Fund would you favor most or give priority to?

- A. Permanent Fund as "savings account."
- B. Permanent Fund as "loan fund."
- C. Neither

CHOICE FIVE: To the extent that the Permanent Fund is used as a loan fund in Alaska, how would you like to see the money used?

- A. To build power plants, ports, utilities, and other infrastructure that will help support industrial development.
- B. To support development of renewable resource and related industries (fisheries, forestry, agriculture, tourism).
- C. To support development of other businesses and industry in Alaska:
 - 1. small business, housing construction
 - 2. mining
 - 3. manufacturing
- D. No opinion.

CHOICE SIX: What should be done with Permanent Fund earnings?

- A. Put back into Permanent Fund.
- B. Transfer to General Fund.
- C. Distribute as cash payments or dividends to Alaskans.
- D. Cut personal income taxes.
- E. No opinion.

Land Use Planning and Management

Petroleum development and revenue policies will affect both the rate and the quality of growth in Alaska. State land policies on the other hand, while having little direct affect on the rate of growth, can have an important affect on quality -- on where,

when, and what type of development occurs. And like petroleum policies, state land policies are strongly affected by what the federal government and Native corporations do in their own areas of ownership and jurisdiction.

The Alaska Native Claims Settlement Act granted over 40 million acres of federal public domain to the Native people. It also set aside another 80 million acres for possible inclusion in national parks, forests, wildlife refuges, and wild and scenic rivers ("d-2" national interest withdrawals). In addition, passage of the Act enabled the state to resume part of its own selections of over 100 million acres granted in the Statehood Act. (However, additional state selections were again halted in 1974 when the remaining federal public domain was withdrawn pending completion of Native selections and issuance of regulations affecting allocation of federal "public interest" or "d-1" lands under the settlement act.) Finally, the act helped make it possible for construction of the trans-Alaska oil pipeline construction to begin, removing the legal block that the claims issue represented.

The settlement act thus initiated a massive redistribution of land, set the stage for a vast increase in state and private ownership of land in Alaska, and helped open the way to the development and transport of energy and other natural resources.

At statehood, almost 100 percent of Alaska lands were owned by the federal government. Less than 500 thousand acres were in private hands, most acquired under the federal Homestead Act, and most in and around communities and along existing road networks. Today, 70 percent of Alaska lands are in federal reserves, the state has selected about 18 percent, and the Natives are completing their selections of over 11 percent of Alaska lands. (See Table 6.) When the state completes its selections, which must occur by 1984, it will have about 29 percent of the lands of Alaska, Native and other private holdings will amount to about 12 percent, and the federal government will still own the majority of the land, about 60 percent. (See Table 7.)

The resulting land ownership pattern will at best resemble a mosaic, but probably look more like a bizarre jig-saw puzzle of a thousand pieces of all possible sizes. This presents major problems of rational land use planning and management in Alaska. Watersheds, shorelines, fish and wildlife, subsistence patterns, transportation and utility systems, and many other affects of different land use activities do not conveniently stop at or confine themselves within legal boundary lines. The problem becomes more acute as we look ahead to a continuing period of rapid growth, bringing a higher level of competing demands for land, water, and other resource values, and increased access to remote areas of Alaska.

The state thus faces several critical policy issues in the area of land use planning and management in the years ahead. They include problems of state land selection, management, and disposal; cooperative federal-state-private land use planning and management; energy facility siting; mining and mineral development; pipeline routing; recreational and transportation easements; and community development. The following discussion of policy choices focuses on state land selection and disposal issues, and some critical land use planning problems facing Alaska generally.

State Land Selection and Disposal*--Since statehood, the state has generally selected lands with potential for a variety of human uses and, in the early years, acquired many small holdings near the larger communities. In more recent years, selections have been made of much larger blocks of land with mineral potential in remote areas. Most vacant land in and around communities was and is not available for state selection. By the time of statehood, most such lands had already been acquired by private parties under the federal homestead law. Consequently, most state-selected acreage is in rural areas quite beyond the range of most current urban economic and population growth.

*Some of the discussion of this section was adapted from Janet McCabe, Agenda for State Lands, Part II, Joint Federal-State Land Use Planning Commission, Anchorage, Alaska, 1975, pp i-iv.

In 1975, privately owned land in Alaska totaled about 1 million acres, with the majority of it located in the south central region. While the Alaska Native Claims Settlement Act adds almost 44 million acres of private land to the total, not much of this land is likely to be available for sale to other private parties for several years. The extremely slow pace of federal patenting to the Native owners is one reason for this. (The state itself has obtained patent to only about 16 million acres of the 70 million acres it has selected so far.) Federal lands are presently not available for private acquisition (beyond Native selections) nor are they likely to be in the foreseeable future. Without considering Native lands, Alaska land in private ownership equals about 2.5 acres per capita. Including Native lands, there are about 111 acres of private land per capita.

Land used for private purposes is located primarily in the southcentral, southeast, and interior regions. About 88 percent of the state's population lives in these areas, with concentrations in the Anchorage and Fairbanks areas accounting for 57 percent of the total population. Residential and private recreation land use is, therefore, also fairly concentrated. This concentration is emphasized by the fact that most of this land area even of the Anchorage and Fairbanks Census Divisions is unoccupied.

State land transferred to private ownership since statehood totals 124,200 acres, equivalent to an area of about 14 miles by 14 miles. Another 323,000 acres has been leased to private parties.

The greatest demand for state land has been from purchasers seeking land for investment purposes, either to hold speculatively or to subdivide and resell. Most of the land that the state has sold or leased still stands vacant.

A well-known state land disposal program in recent years was the open-to-entry program, which proved extremely difficult to administer and tended to invite public abuse (e.g., multiple holdings, speculative withholding, etc.). Also, it appears that the program fostered a scattered and wasteful pattern of land subdivision, and that it did not adequately reserve land in public ownership for public access and waterfront use. The state has recently been attempting to buy back land alienated under the program in order to provide such access.

The state has in some instances sold or leased property under terms requiring development consistent with an improvement plan and schedule. In locations suited to immediate development, this method has helped prevent speculative holding. Also, there are indications that leasing, instead of sale, as a disposal method has possibilities of reducing speculative acquisition, retaining some measure of control over land use, and allowing the state to share in revenue gained through rising land values.

The following two questions pose choices concerning state land selection and disposal policies.

CHOICE ONE: What do you think is the most important consideration in the state's selection of lands remaining under the statehood entitlement?

- A. Potential mineral development.
- B. Private residential and recreation sites.
- C. Public recreation, wilderness, and scenic areas.
- D. No opinion.

CHOICE TWO: What should the state's responsibility be for making state lands available for use by private parties?

- A. Maximum amount should be transferred to private ownership.
 - B. Selective amounts should be available for private use under restrictions.
 - C. State should retain ownership over all or most of its lands, but make them selectively accessible for recreation and similar uses by the public.
 - D. No opinion.
-

Land Use Planning Problems--The Alaska Native Claims Settlement Act, together with the Statehood Act, directly allocate and reallocate a total of 250 million acres, or two-thirds, of the total land area of Alaska. They do this not in accordance with any comprehensive plan for the rational and efficient use and protection of the land, but in terms of a broad array of mostly unrelated political, legal, and economic considerations, past events, and established ownership rights. The result is a complex pattern of scattered and interspersed holdings by the state, over 200 Native regional and village corporations, many federal agencies, several municipalities, and numerous private individuals.

While these land owners are mostly independent of one another, their uses of the land often are not. What one owner does to develop or protect his area can have repercussions on the adjacent owner's area. A pipeline corridor and access road near a small, remote settlement will certainly be felt here. The effectiveness of habitat protection on private lands can affect hunting and fishing or wildlife preservation programs on adjacent state and federal lands. Logging on federal lands may affect the fisheries downstream. And so on. All of this is to indicate the apparent need for some kind of cooperative land planning and management among independent land owners.

Effective cooperation may also mean that different owners will at times need to accept restrictions on what they do on their own land. The state, for example, may need to provide for additional

restrictions on mining and mineral development on some of its own lands in order to help protect resources on adjacent lands that might be affected by such access and use. Or, the state may need to withhold certain lands from selection by municipalities or sale to private parties in order to assure the protection of adjacent hunting and fishing areas. Or, the state may need to allow transportation access or a pipeline utility corridor through a wilderness, park, or wildlife area to support mineral development on federal or private lands.

In exchange for such actions by the state, federal and private owners would similarly need to accept certain restrictions on uses of their own lands. Such cooperative arrangements might ultimately take the form of statewide and regional land planning and management organizations in which all parties will participate. Both the State of Alaska and the Joint Federal-State Land Use Planning Commission have proposed such cooperative planning and management institutions, which would include at least the federal and state land owners.

CHOICE THREE: Should the state enter into strong cooperative land planning and management arrangements with federal and, possibly, private land owners?

FAVOR

OPPOSE

NO OPINION

Federal oil and gas leasing and subsequent development of the Outer Continental Shelf around Alaska will require that substantial support facilities be developed onshore. Such facilities include 1) supply and service bases, 2) local materials, supply -- sand and gravel, fresh water, etc., 3) platform fabrication sites, 4) submarine pipelines and landfalls, 5) crude oil storage and marine terminals, 6) liquified natural gas plants, 7) and, possibly, small refineries and petrochemical plants.

Activities associated with these facilities will advance and decline with the life of the offshore oil and gas fields. A service base, for example, can begin small as exploration commences, suddenly boom into a 50 acre, 24 hour-a-day complex as oil is discovered and developed, or fold up altogether if fields prove too small or even dry.

These support activities will require land and water resources in and near coastal communities. They will bring in many new workers for construction jobs and require fewer for operations. They will result in at least some unavoidable degree of air and water pollution. Familiar boom conditions, including crowding, housing shortages, excess demand for public services and facilities, price increases, and other such effects may be felt.

But there will be benefits for affected communities as well as costs. Jobs and incomes will be created, at least some portion of which will directly or indirectly flow to local residents, and

retail trade and services establishments will expand. The property tax base will grow and help provide the revenues to meet the new public needs (though adequate local revenues may not materialize until sometime after the needs arise). Some local residents will not only enjoy direct economic benefits, but they will also like the new character and pace of the community. Some resident young people may stay in the community rather than leave and seek their opportunities elsewhere.

Not all of the support facilities and activities are likely to be concentrated in just one or two locations, however. They may be dispersed to the most favorable locations in terms of proximity to different offshore fields, availability of sites, requirements for deep water ports, etc. Generally, the locational decisions made by the private companies involved will be in accordance with their determinations about what is most economical, profitable, and convenient, given technological requirements and the availability of suitable sites. Their locational and other decisions will not necessarily be made in terms of what is best for the community, its residents, and the natural environment. That is not their responsibility as businessmen, although they may well be willing and sometimes even eager to comply with such "public interest" criteria, provided such criteria are clear, reasonable, and applied equitably.

If such criteria are to be effectively developed and applied, this will require planning and enforcement by state and local governments. And this will mean that oil and gas support facilities would be allowed in some areas the companies might have chosen independently, but not in others. Both the benefits and costs, the "goods" and the "bads" of OCS development to local communities and coastal areas will be distributed differently than if there were no state and local facility site planning and effective controls.

CHOICE FOUR: To what extent should ^{state} ^{and} ^{local} governments ^{make efforts to plan for and} control the locations of major ^{Industrial} ~~support~~ facilities for the exploration, development, and production of oil and gas?

- A. Companies should be able to select sites without restrictions by state and local governments.
- B. State and local governments should plan for and select sites that conform as closely as possible to state and local public interests.
- C. No opinion.

Human Resources Development

Alaskans face serious social problems as well as major opportunities in what is likely to be a sustained period of rapid growth. This long-term growth will continue to be interspersed with short-term boom conditions that are felt with particular intensity in individual communities and regions.

Many of these problems and opportunities, and some of the policy choices that go with them, have already been discussed. We have seen that the long-term growth of Alaska will bring many changes and require many adjustments in our family, community, and work lives. One of the great potential benefits, or opportunities, of this petroleum-based long-term growth is the enormous revenues that the state will receive. And, in connection with the "Permanent Fund" idea, we have discussed how these revenues might be used both to influence the state's overall growth and to benefit Alaskans. Both benefits and costs of abrupt "boom town" growth in local communities have also been mentioned -- the new jobs and income, but also the crowding, family disruption, and other social costs.

All of this implies that we have already been dealing indirectly with issues of "human resources development" -- the changing problems as well as opportunities for the growth and fulfillment of individual Alaskans. Here we will focus more directly on some human resources issues emerging from state growth and change and some of the policy choices they may present.

Education, Health Care, and Incomes--If the state does realize anywhere near the revenues projected for the next twenty years or more, it will be in a position to do some rather far-ranging and innovative things in the field of human resources development. The state could subsidize the costs of a college education and career training and retraining for all interested and qualified Alaskans

by making the University a tuition-free institution, for example, and by providing generous grants to individuals going elsewhere for education and career training programs. It could provide support for a comprehensive health care system, covering a significant share of the costs of an "Alaska Health Maintenance Organization," which would concentrate on preventive care for all Alaskans who choose to participate. And it could follow through on the idea of "Permanent Fund dividends" by distributing a portion of the revenues derived from natural resources development to all Alaskans as shareholders in the state and its resource wealth.

A great deal of work, of course, would need to be done in designing such programs, determining their costs at different levels of support, and assessing their likely results and effects. There clearly would be some difficult problems and objections to consider. There would be objections to the state's taking on any further such responsibilities, particularly of such a magnitude. There is the question of whether such support should be provided only on a need and ability to pay basis, if at all. And there is the real difficulty of such programs themselves attracting migration to the state, which, along with adding to general growth pressures, spread program benefits thinner and raise their costs higher. The question is whether Alaskans think it would be worth looking further into such possibilities to see if state government should seriously pursue them in the future.

CHOICE ONE: Should the state look into the possibility of establishing some major new human resources development programs in the areas of education, health, and personal incomes?

FAVOR

OPPOSE

NO OPINION

Social Impacts--Many Alaskans have already experienced some of the more severe social impacts of rapid and large-scale development. Fairbanks, Valdez, and other communities along the route of the trans-Alaska pipeline have felt the direct effects, both good and bad, of the pipeline construction boom during the past two years. Here we will focus on some of the social problems that go with impact conditions.

A wide range of social problems accompanied the pipeline construction boom, particularly during its peak period. There were severe housing crises in some of the communities along the pipeline corridor. There were reports of increased family breakdowns and inadequate care of children. In Fairbanks, for example, the divorce rate, juvenile arrest rate, and cases of child neglect rose substantially. So did violent and non-violent crime. Native villages also appear to have experienced some serious social problems as a result of pipeline construction. In many villages, it appears that a large proportion of men left for pipeline jobs. Native organizations became concerned about such problems as food and fuel

shortages in the villages. In both Native and urban communities, increases in alcohol-related violence has been reported.

Social problems occurring in pipeline construction "boom towns" and other affected communities are likely to be repeated with other major petroleum development projects in the future, including Outer Continental Shelf leasing, development of the National Petroleum Reserve (Pet 4), and construction of other oil and gas pipelines across Alaska.

Does the state have a special responsibility to help impact communities through their crisis periods? Should there be a great deal more planning for social impacts in local communities throughout the state, which seem subject to many common and repeated problems? The state could help individual communities anticipate and prepare for their problems, based on experience of similar conditions in communities elsewhere in the state. And it could follow up with concentrated impact assistance to communities during peak periods, until local communities are able to catch up better with developments.

The knowledge and experience gained in handling social impact problems in a more organized and systematic way, with state guidance and assistance, might even carry over into more effective approaches to dealing with chronic, long-term social problems such as alcoholism, child neglect, crime, etc., that are only aggravated during severe impact periods. The state should be in an increasingly strong

position financially to provide such assistance as new petroleum-related revenues become available.

On the other hand, one could take the position that social impact problems are short-term, that benefits and costs may balance out over the longer run, and that individuals as well as communities are better off helping themselves rather than depending on the state to help them through such troubles. Besides, any such efforts are costly and would require money that might better be spent to improve education, health, social service and other on-going programs, or money that might be saved rather than spent at all.

CHOICE TWO: What should be the state's responsibility toward communities experiencing severe social and other problems of impact?

- A. The state should help communities plan for impact, and then move in with all possible forms of assistance when impacts hit.
 - B. The state should provide assistance to impact communities through its regular programs, but otherwise let the communities work through their own problems.
 - C. No opinion.
-

Alcohol Abuse--Alcoholism and alcohol abuse is not merely an impact problem in Alaska. It is chronic and long-term, and it is often intensified under impact conditions. Per capita consumption of alcohol in Alaska increased by 29 percent between 1960 and 1970. In 1970, per capita consumption was 44 percent above that for the U. S. as a whole. While fatal traffic accidents attributable to alcohol accounted for 57 percent of the national total, 75 percent of Alaska accidents involved alcohol. More than half of all arrests in the state were alcohol-related between 1960 and 1970.

In Alaska, as elsewhere, programs in the field of alcoholism and alcohol abuse are directed mainly at treating the individual problem drinker after the fact, and then helping him or her on an individual basis. While many individuals have undoubtedly been assisted through their problems at least temporarily, and such efforts are necessary, there has been no apparent progress in reducing the overall problem through these "remedial" treatment programs alone.

There is a different approach to the alcohol problem, one that focuses as much on the drink as on the drinker. It supplements rather than substitutes for remedial treatment, and it emphasizes methods of cutting down the consumption of alcohol in the first place. It is a strong "preventive" approach. It considers alcohol a "potentially dangerous drug" and alcohol abuse as a social health problem of great urgency and critical proportions.

In this approach, the state would attempt to reduce overall per capita consumption on the assumption that this would reduce the overall incidence of abuse leading to bad health, accidents, crime, violence, and death. The state might stiffen penalties for driving under the influence of alcohol (as has the Municipality of Anchorage). It might strictly limit the conditions under which alcohol could be sold -- where, what hours, to whom, etc. -- and strictly enforce such limits. And it might substantially raise taxes on alcoholic beverages, which might both discourage purchases by some, as well as raise additional revenues to help cover some of the costs of the problem and of the programs for dealing with it.

Among the possible objections to such an approach are first, that nobody really knows for sure if it will work, whether it might really succeed in cutting alcohol consumption, lowering alcohol abuse, and reducing some of the worst social problems. Further, it would increase the intervention of the state in individual decisions and require more restrictions on and closer monitoring of the sellers. And, besides, it all sounds rather harsh.

CHOICE THREE: What should the state do about the problem of alcohol abuse in Alaska?

- A. The state should view alcohol as a "potentially dangerous drug" and take strong preventive action as well as continue necessary remedial efforts.
- B. The state should continue the remedial programs only and try to improve them.
- C. The state should cut back on its alcoholism programs altogether.
- D. No opinion.

Subsistence Lifestyle--The rural Alaska subsistence issue is often thought of as a fish and game rather than as a "people" matter or as a human resources development problem. Actually, fish and wildlife management can be viewed as only a technical component, a means of dealing with a much broader set of concerns. For many Alaskans, including non-Natives as well as Natives, subsistence hunting, fishing, and gathering can be seen as part of a whole way of life in rural areas.

Viewed in such "life-style" terms, subsistence involves not only fish and game management, but also significant issues of rural development, long-term cultural change, transitions from subsistence to "mixed" economies in Native villages, and natural resource development issues generally.

The speed of growth and change in Alaska directly and indirectly affects people in all parts of the state. Some of these changes in work and occupational patterns, increases in cash incomes, and greater mobility from region to region and village to city, are on-going, long-term events regardless of petroleum development, the Alaska Native Claims Settlement Act, and rapid growth of the state generally. But it seems clear that rural lifestyles, too, are affected by these major developments, and there are increased pressures on rural communities, environments, and natural resources as a result of them.

Major land areas of Alaska are being reallocated to new owners and uses, and competition for limited land, water, fish and wildlife, and other resources is increasing with the overall growth of the state. This presents problems to state resource managers, particularly as natural events and human pressures result in short and long-term depletions of certain fish and wildlife populations and deterioration of their habitats. Most people are familiar with the long-term depletion of Alaska's salmon population and the recent severe decline in the size of the Arctic caribou herd.

In the light of these general and specific events affecting rural communities and lifestyles, as well as the fact that there are competing demands from commercial and recreational users on limited fish and wildlife population, what is the state's responsibility? The state could support and protect subsistence and mixed economics

in rural Alaska, for example, by giving hunting and fishing priority to those who actually depend on subsistence for some significant part of their living, who can show a need, or whose hunting and fishing is an integral part of their general pattern of life in rural areas.

Some of the greatest difficulties of such a policy lie in deciding who qualifies and in justifying more restrictions on competing users. And this would need to be done at the same time that increased efforts are devoted to maintaining fish and wildlife populations on a sustained yield basis and protecting the natural environment that produces them.

CHOICE FOUR: What position should the state take on the issue of subsistence?

- A. It should develop a strong policy and program that gives much greater priority to subsistence users on the basis of such factors as rural residence, need, and life-style.
 - B. It should treat subsistence users of fish and wildlife resources like any other users.
 - C. No opinion.
-

Government and the People

Development of Alaska's oil and gas resources brings growth-- growth in the population and economy; growth in needs and demands for public services, facilities, and regulation; and growth in the public revenues required to meet the new needs and demands. All of this translates directly into growth in the complexity and size of state government.

It is not difficult to react quite negatively to growth in "bureaucracies" and government "spending." But the matter can be kept in perspective if it is recognized that, to some extent, growth in the size of government and its budgets is a direct result of a larger population, increased demands for public goods and services, greater complexity in the economy and society, and inflation, as well as growth in the revenues available to spend.

This does not mean that the General Fund budget necessarily had to double the year following the Prudhoe Bay lease sale, of course, or that state expenditures have grown only in direct proportion to population growth. They have, in fact, risen much faster than the population. Total state expenditures in 1970 were about \$1,000 per capita. In 1975, they were almost \$2,000 per capita. This was an expenditure increase of 100 percent while the population grew by about 27 percent. But such figures do not tell the whole story of escalating needs and demands, or of the state's assumption of a larger share of the costs of public education, for example.

Nor do they tell us whether state government was spending the "right" amounts, in relation to current and past unmet needs, before the \$900 million became available.

The fact nonetheless remains that state government is growing and that it is likely to grow larger in the future. Although this may not in itself be bad, particularly if it meets real needs and performs efficiently and effectively, it does suggest that it might be time to consider whether government in Alaska--both state and local levels--might be better structured to meet future needs and to assure accountability and responsiveness to the people. Looking toward the next decade and more of rapid growth in Alaska, it may now be time to consider some basic changes in both state and local government structures and how they operate. Three areas to look at are 1) the allocation of functions and finances between state, borough, and city levels, 2) local government development in the unorganized borough (all of the area outside of the organized boroughs) and 3) reforms in services delivery systems.

Functions and Finances--The present distribution of functions and finances between state, borough, and city levels is not necessarily the ideal one, if such could be defined. From one point of view, it could be defined as one that maximizes accountability and responsiveness to the people; from another, one that maximizes efficiency; and from still another, one that is effective in performance and results. While we would like to have all of these, a little efficiency may need to be sacrificed if responsiveness is

increased, for example, and other such "trade-offs" might also need to be made. Responsiveness might be increased if local government assumed functions now provided in all or some areas of Alaska by the state.

Alaska's state government finances or administers all or a very large part of government functions that elsewhere are considered local or shared state-local responsibilities, for example, public safety, local road construction and maintenance, various health and social services programs. In recent years, state government has assumed a growing share of the costs of local public education. Further, there have been significant increases in the funds provided to local governments through the Municipal Services Revenue Sharing Program, which encourages local governments to perform certain functions locally.

In several Alaska boroughs, there continues to be some difficulty in determining whether the borough or the city or cities within it should have certain functions and powers.

The following are some possible choices about these issues.

CHOICE ONE: What level of government should ^{be responsible for the provision of:} provide (administer):

State Borough City

- A. Education
- B. Police protection
- C. Public health
- D. Zoning

CHOICE TWO: What level of government should finance:

- | | <u>State</u> | <u>Borough</u> | <u>City</u> |
|-----------------------|--------------|----------------|-------------|
| A. Education | | | |
| B. Police protection | | | |
| C. Public health | | | |
| <u>D.</u> Local roads | | | |

Regional Government--Most of the rural areas of Alaska are unorganized, that is, there are no borough governments as there are in urban areas and on the North Slope. This is considered by many to be both inequitable and inefficient. According to this argument, the inequities are that residents in unorganized areas have less opportunity to participate in public decision making that affects them, and that they do not participate on the same basis as residents in organized areas in paying for services that both receive, e.g., education or police protection. Inefficiency (and ineffectiveness) is believed to stem from the fact that existing service delivery mechanisms (cities and state regional offices) are not well equipped for or adequately familiar with varying rural conditions and needs.

Three major alternatives for extending regional forms of government to unorganized areas have been proposed: First, establish organized boroughs with essentially the same basic powers (education, taxation, planning and zoning) and structures (assemblies, school boards, planning commissions, etc.) that the urban boroughs have.

Second, divide the single unorganized borough into several "Unorganized boroughs," which would have some degree of local autonomy. The legislature could delegate any municipal power to it that an unorganized borough was ready for, including taxing authority. Like organized boroughs, the unorganized boroughs would have specific boundaries, powers, and a governing body responsible for more than one municipal function. Third, establish service areas with governing boards under the authority of the state legislature. Such a service area could provide any municipal service and taxes could be levied, but the powers and functions would need to be approved by the state legislature.

Assuming that local people in the areas affected would have an effective voice in determining the form and timing of regional government for them, what do you think is the best approach?

CHOICE THREE: What kind of regional government should be extended to presently unorganized areas of Alaska?

- A. Organized boroughs
- B. Unorganized boroughs
- C. Service areas
- C. More*
- D. No opinion

Services Delivery--Social service programs administered at the

state level, even if through regional offices, are often handicapped by distance from and lack of familiarity with local conditions and needs, particularly in rural areas. It has been suggested that effectiveness, and possibly efficiency, might be improved if the administration of programs in such areas as alcoholism, child care, assistance to the elderly, and health care, were carried out by local people in the local areas themselves.

There are regional non-profit planning and social service organizations in most areas of the state now without regional government. There are also organized city governments in most villages of 100 or more population. The suggestion is that, wherever possible and where there is a local interest, social service program administration, accompanied by adequate financing, be delegated to such local and regional entities. It may be that such an approach would cost more, but the argument is that programs would more than make up for this in increased effectiveness and in responsiveness to the people.

Concerning state government agencies and programs generally, it has also been suggested that a fairly comprehensive decentralization and regionalization of them be undertaken. The purpose would be to bring them closer to the people and to make them better attuned to different regional conditions and needs. The idea is that each major region of the state should have a regional center where all state agencies significantly involved in the area would

have offices and services located there. Again, higher costs may accompany increases in accessibility and responsiveness.

CHOICE FOUR: Should the state wherever possible delegate administration of social service programs to local governments and contract with non-profit organizations? ~~even if this costs more?~~

FAVOR

OPPOSE

NO OPINION

CHOICE FIVE: Should state government be decentralized so that every region has one major government center where all relevant state agency programs are located? *clarify regional concept*

FAVOR

OPPOSE

NO OPINION

Next Steps

This paper will undergo extensive review and comment before a final draft is prepared for distribution throughout the state and for use in regional and statewide workshops. In order to improve its usefulness, reviews and responses to this paper are needed particularly along the following lines:

1. Issue selection--Are the issue areas and policy choices that have been tentatively selected both manageable for public education and discussion purposes and central to problems of growth and change in Alaska? Do the issues and choices relate to critical issues within the potential control of state government? Can they lend themselves to discussion and deliberation in workshops by people without technical backgrounds and limited or no experience in the subject matter? What issues and choices should be added? Deleted? Why?
2. Issue presentation--Are the issues and choices presented objectively, accurately, and at an appropriate level of generality? How should the issues and choices be reformulated, keeping in mind that interested lay people and not experts and technicians are the primary audience? How should the questions themselves be reworded?
3. Information needs--Does the background information on Alaska's growth adequately set the stage for the discussion of issues,

and choices? What additional or different background information is needed to assure adequate understanding of Alaska's growth and of the particular issues, choices, and their implications? Can such new information be presented in a clear, simple, and relatively brief format without undue distortion or oversimplification? Does the information presented in this paper meet those criteria?

Table 1. Value (in millions) of Alaska Natural Resources Production, 1960-1970

<u>Year</u>	<u>Oil & Gas</u>	<u>Other Minerals</u>	<u>Fisheries Products</u>	<u>Forest Products</u>	<u>Agricultural Products</u>	<u>Furs</u>	<u>TOTAL</u>
1960	1.5	20.4	96.7	47.3	5.4	4.8	176.1
1962	31.7	22.5	131.9	52.3	5.8	4.3	248.5
1964	35.5	30.6	140.9	61.0	5.5	4.4	278.0
1966	50.4	35.9	197.3	73.7	5.5	7.0	369.8
1968	191.1	30.6	191.7	94.8	5.3	6.0	519.5
1970	250.0	30.0	150.0	108.0	5.0	6.0	549.0

Table 2. Alaska Population and Economic Growth
1961-1970

<u>Year</u>	<u>Population</u>	<u>Civilian Employment (annual average)</u>	<u>Gross Product (in millions)</u>	<u>State Gas & Oil Revenues (in millions)</u>	<u>Total State Revenues (in millions)</u>
1961	236,700	67,700	\$ 681	\$ 4	\$ 46
1965	265,200	82,100	830	16	163
1970	302,400	105,000	1,371	39	260

Table 3. Increases in Education and Other Major General Fund Expenditure Categories, FY 1970-1976

Budget Categories	Amounts		Percentages of Total		Percentage Change
	FY 70	FY 76	FY 70	FY 76	1970-1976
Dept. of Education	\$ 43.6	\$146.9	26.9%	27.4%	236.9%
State Operated Schools	3.5	19.7	2.2	3.6	445.7
University of Alaska	<u>11.9</u>	<u>34.1</u>	<u>7.4</u>	<u>6.4</u>	<u>186.6</u>
Total of Education	<u>\$ 59.0</u>	<u>\$200.1</u>	<u>36.5%</u>	<u>37.4%</u>	<u>239.2%</u>
Health & Social Services	\$ 23.8	\$ 63.0	14.7%	11.9%	168.5%
Public Works	15.8	41.7	9.8	7.8	163.9
Highways	13.0	34.0	8.0	6.3	161.5
Bond Committee	9.0	36.9	5.6	6.9	310.0
All Other	<u>41.3</u>	<u>160.3</u>	<u>25.5</u>	<u>29.8</u>	<u>288.1</u>
Total General Fund Expenditures	<u>\$161.9</u>	<u>\$536.9</u>	<u>100.0%</u>	<u>100.0%</u>	<u>231.6%</u>

Table 4. Alaska Population and Economic Growth
1970-1990

<u>Year</u>	<u>Population</u>	<u>Civilian Employment (annual average)</u>	<u>Gross Product (in millions)</u>	<u>State Gas & Oil Revenues (in millions)</u>	<u>Total State Revenues (in millions)</u>
1970	302,400	105,000	\$1,371	\$ 39	\$ 260
1975	384,400	164,500	1,754	62	506
1980	460,200	212,400	3,595	1,205	1,975
1985	568,000	263,100	4,717	2,048	3,442
1990	702,100	329,200	5,728	2,339	4,840