

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 86 / 2

133 SCOMM 9: HOUSE SPEC. COMM. ON PERMANENT FUND 1977-78

CONSTRUCTION AND BUILDING MATERIALS

AFRICA 1969-72

Research in several areas into ways of promoting improvements in the efficiency of building operations at intermediate levels in developing countries, followed by the publication of teaching manuals on small contractor training; undertaken on behalf of the Ministry of Overseas Development.

GHANA 1972-73

Development of low-cost, self-help building techniques in collaboration with the Department of Housing and Planning Research, University of Science and Technology, Kumasi; supported by Christian Aid and Scottish War on Want.

INDIA 1973-74

Research into small-scale building materials industries in India and the possible transfer of the technology employed to the African continent; supported by the Wates Foundation.

SUDAN 1973-74

Development of prototype ferro-cement river craft for local construction and use on the Upper Nile, carried out on behalf of the Sudan Council of Churches in collaboration with the Southern Region Ministry of Cooperatives and Rural Development and supported by Christian Aid.

GHANA 1974

A study of the feasibility of establishing small-scale manufacture of lime pozzolana undertaken at the request of the Ghana Building Research Establishment.

TANZANIA 1974

Advice to the Tanzanian Government on the establishment of a production/training centre for small-scale lime production and other building materials.

SUDAN 1975-76

Advice and assistance to the S. Sudan Regional Development Corporation on the up-grading of the local building materials industry and the establishment of labour-intensive bricks and tiles manufacturing facilities; undertaken at the request of the Corporation and the Sudan Council of Churches.

LESOTHO 1976

A market study for the development of the brick, block, stone and related building materials industries, with special reference to the feasibility of local manufacture on behalf of the Commonwealth Secretariat through the Commonwealth Fund for Technical Cooperation.

TANZANIA 1976

A technical assessment of prospects for small-scale lime-pozzolana manufacture in Arusha region, undertaken on behalf of the Small Industries Development Organisation.

TANZANIA 1976

Advice and assistance in establishing production/training in brick and tile manufacture by village cooperatives. Undertaken on behalf of the Ministry of Overseas Development at the request of the Small Industries Development Organisation of the Government of Tanzania.

TANZANIA 1977

Examination of manpower, education and training aspects of the construction and related industries for the Ministry of Works on behalf of SIDA, as part of the Tanzania Construction Industry Study.

TANZANIA 1977

Preparation of course material for, and lecturing at, the ILO African Regional Course for construction management trainers on behalf of ILO/NORAD.

GENERAL

Report for the Building Research Establishment describing the range of brickmaking technologies in developing countries (1977).

In addition to the above, the Group's resident civil engineer has participated in ILO missions to Indonesia (1974 - site and service schemes relative to resettlement programmes), Lesotho (1975 - labour intensive road construction methods) and Sudan (1975 - regeneration of local building industries).

SMALL INDUSTRIES - GENERAL

KENYA 1969

Advice on the development potential for rural industries with special reference to sisal, wood, metal and leather work.

TRINIDAD AND TOBAGO 1969

To advise on the development potential for small-scale industries in rural areas; a joint ILO/ITDG mission.

TANZANIA 1969

A report for the ILO on small industry potential in rural areas.

BOTSWANA, LESOTHO AND SWAZILAND 1970

A study of small enterprises and recommendations for entrepreneurial development in the countries concerned, conducted at the request of the Ministry of Overseas Development.

TOGO 1970

Survey of the most effective means of establishing small-scale industries, undertaken at the request of the Economic Commission for Africa in collaboration with UNIDO experts.

CAMEROON 1971 and 1976

Assistance in establishing a rural crafts industry; followed up in 1976 with a further visit to report on development progress.

NIGERIA 1971-73

Research into the feasibility of establishing light industry production/training capability in the Northern States, followed by the establishment of a prototype workshop at Zaria to manufacture hospital equipment, school and domestic furniture, agricultural implements, etc., at the request of the North Central State Government, on behalf of the Ministry of Overseas Development.

MAURITIUS 1972

Survey and report to the Ministries of Economic Planning and Development and of Finance on the development of employment generation programmes using intermediate, self-help techniques.

PAKISTAN 1974

A techno-economic feasibility study of the possibilities of developing mini-plants for the manufacture of basic chemicals, fertilisers, insecticides, essential pharmaceuticals and minerals with particular reference to the selection of products, the scale of operation, availability of local inputs, viability, financial profitability and safety control requirements carried out at the request of the Government of Pakistan, on behalf of the Ministry of Overseas Development.

GUYANA 1974

A survey and report on the development of small industries with particular reference to the utilisation of natural resources and waste products, undertaken on behalf of GUYBAU - (Guyana Bauxite) Ltd.

TANZANIA 1974

Survey and recommendations to the Small Industries Development Organisation on the development of small industry possibilities, undertaken on behalf of the Commonwealth Fund for Technical Cooperation.

SUDAN 1975-77

A two-year project undertaken on behalf of Christian Aid and the Sudan Council of Churches to construct ferro-cement river craft and to examine the feasibility of establishing a local boat building industry in Southern Sudan.

KENYA 1976

To advise the Government of Kenya on improved procurement and marketing of hand tools and equipment for the Rural Access Road Programme on behalf of the Ministry of Overseas Development.

TANZANIA 1976

Advice to the Small Industries Development Organisation on the development of small-scale leather goods production, including the identification of appropriate machinery; undertaken on behalf of the Ministry of Overseas Development.

WATER DEVELOPMENT

BOTSWANA 1967-68

A pilot project carried out at the request of the Central District Council and the Department of Education, Botswana to research into and introduce rainwater catchment tanks and micro-irrigation systems.

SWAZILAND 1970-73

At the request of the Government of Swaziland, the establishment of rainwater catchment tanks in rural areas, on a self-help basis, as an extension of the pilot project undertaken in Botswana.

ETHIOPIA 1971

Recommendations for the introduction of village water supplies and small-scale conservation works in Tigray Province.

JAMAICA 1971-73

A techno-economic survey carried out at the request of the Department of Geological Surveys, Jamaica and the Ministry of Overseas Development, London of the feasibility of establishing rainwater catchment tanks in the limestone regions of Jamaica; followed by the construction of a prototype installation.

BRAZIL 1973-74

A project to introduce and develop low-cost methods of rainwater conservation in the Fundacao Ruralista project, N.E. Brazil undertaken at the request of the Brazilian Government on behalf of the Ministry of Overseas Development.

ETHIOPIA 1973-74

The identification of sites and construction of prototype surface water retention and spreading systems for irrigation of fodder crops in the N.E. Rangelands of Wollo Province; undertaken at the request of the Ethiopian Government's Livestock and Meat Board as part of its relief programme, on behalf of the Ministry of Overseas Development.

ETHIOPIA 1974-76

Provision of a senior consultant to the National Water Resources Authority to advise and assist in the planning and establishment of low-cost rural water supplies; undertaken on behalf of the Ministry of Overseas Development.

ETHIOPIA 1975-77

A two-year pilot project to establish village water supplies through self-help programmes; undertaken on behalf of OXFAM, Quebec.

ETHIOPIA 1975

Advice on the adaption and up-grading of locally manufactured windmills for irrigation; undertaken on behalf of OXFAM, UK.

GENERAL

1977 - Advice on the need and potential for a journal on water supplies and sanitation in developing countries for the International Development Research Centre (IDRC).

DEVELOPMENT - INSTITUTIONAL AND RURAL

TANZANIA 1968

Report to Tanzanian Government on a strategy for economic development to promote small-scale, rural industrial development.

ZAMBIA 1969

Advice on institutions and methods to promote the development of rural areas in Zambia; undertaken at the request of H.E. the President of Zambia.

GHANA 1971

Advice and assistance on the establishment of a Technology Consultancy Centre at the University of Technology, Kumasi.

CANADA 1973

A report on the feasibility of establishing rural development programmes among Metis communities; undertaken on behalf of the Metis Association of Canada.

PAKISTAN 1973

Advice to the Government of Pakistan on the establishment of an Appropriate Technology development unit and on the introduction of intermediate technology programmes into its National Rural Development Plan; undertaken on behalf of the Ministry of Overseas Development.

KENYA 1974

Survey and report to the Kenya Government on progress in the establishment of village polytechnics; undertaken in conjunction with NORAD.

RWANDA 1974

An evaluation of existing trades schools and recommendations for the establishment of a training centre for urban youth; undertaken on behalf of Christian Aid.

SRI LANKA 1975

Advice on the establishment of a national Appropriate Technology Centre undertaken on behalf of the ILO.

TASMANIA 1976

Advice to the State Government on plans for the generation of local industrial activity and employment creating opportunities over the next 5 years; undertaken on behalf of the Government of Tasmania.

CANADA 1976

Assessment of the Treaty 3 Community Development Programme and to advise on a future programme on behalf of the Grand Council Treaty No. 3, Kenora, Ontario.

CARIBBEAN 1976

Study tour to Barbados and the Eastern Caribbean to assess possibilities for the creation of small, employment-generating enterprises on behalf of HM Foreign and Commonwealth Office and the Ministry of Overseas Development.

CARIBBEAN 1976

Consultant to USAID mission to prepare recommendations for the creation of appropriate technology institutions for the Commonwealth Caribbean nations.

KENYA 1976

An investigation of appropriate transport systems for rural communities, with emphasis on the goods transport needs of the small-scale farmer. A joint mission on behalf of the International Bank for Reconstruction and Development.

COLOMBIA 1977

Consultancy undertaken at the request of SENA, the Colombian national training and apprenticeship organisation, to advise on the setting up of an appropriate technology group with special reference to agricultural machinery needs and equipment of urban small industries in the informal sector on behalf of UNDP.

UN ECONOMIC COMMISSION FOR AFRICA 1975 -1978

Adviser on Low Cost Technologies, three year secondment 1975-78, to assist governments to identify requirements for low cost technologies and their application in selected African countries, and to stimulate national IT centres for research and development. Countries visited include Tanzania, Kenya, Zambia, Lesotho, Botswana, Niger, Upper Volta, Sierra Leone, and Ghana.

Village Technology Expert Pan-African Training and Research Centre for Women, three year secondment 1975-78, to advise governments and local groups on programmes and project implementation concerning appropriate technologies for women's activities in rural areas. Countries visited include Sudan, Tanzania, Kenya, Gambia, Sierra Leone, Liberia, Ghana and Nigeria.

PLEASE NOTE: THE PRECEDING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT.

Intermediate Technology Development Group Ltd

9 King Street, London WC2E 8HN, U.K.

Telephone: 01-836 0434/39; 836 6379

Cables: IT/DEV, LONDON WC2

Company Reg. No. 871954

Vice Presidents: J. C. Cadbury, H. Hanning

Dr. Dudley Seers, Sir George Sinclair, CMG, OBE, MP.

28th September 1977

Representative Clark Gruening
940 Tyonek Drive,
Anchorage,
Alaska 99501
USA

Dear Representative Gruening,

You may already have learned from other sources of the recent death of Dr. E. F. Schumacher, Chairman of our Group, about a fortnight ago. The news of his death came as a great shock to all of us here at the Group and to his many friends around the world. Having spent a typically busy workweek with the Group and his other activities in England, he had given a major address on Saturday in Switzerland. On Sunday, en route by train to another engagement he was suddenly taken ill. He was taken from the train but died from heart failure before reaching hospital.

Words of sympathy and appreciation for the man and his ideas have flowed in from all over the world, from leaders and common people who felt he expressed "their" ideas, concerns and hopes. Those expressions have been deeply appreciated by the family and his close colleagues in his many works. He will be sadly missed by all of us, but we in his Group look forward to carrying on the work he inspired.

In the week preceding his death, our Group held a Board of Directors Workshop out of London to consider our current situation and explore future needs and actions. In the course of one of our discussions the subject of Alaska was raised by Dr. Schumacher and we then became aware of the fact that he had received a letter from you directly at home (March 8, 1977) and our office had received one from Mr. Brian Rogers (March 22, 1977). Since we did not have direct access to our files at the time, Dr. Schumacher promised to forward his file to me. He did so just prior to his departure for Switzerland with an accompanying note reporting that he did not have time to locate his answer, if any, to your letter, but would look further upon his return. He further noted that he was deeply interested in pursuing the matter further and felt that the Group should be actively responsive.

Perhaps in the course of time we shall sort out his personal files and locate his response to your letter. However, I have located

....in our/

in our files our response to Mr. Rogers, but fail to locate anything further from him. I believe our letter of May 3, 1977 to him indicates our various activities and capacities. However, I would like to reiterate the interest we indicated in that letter as underscored by Dr. Schumacher's final directive. We would appreciate hearing further about prospects for collaboration on the problems and alternatives facing Alaska and would welcome any opportunity to participate with you in those directions. In our letter Mr. Frost, our Director of Operations specifically mentioned the particular qualifications of Mr. John Davis and I would hope that it might be possible at some point for Mr. Davis, perhaps along with Mr. Frost or another senior staff member might be helpful to you in discussing and initiating further action.

We look forward to hearing further from you.

Sincerely,



Dr. W. E. Adams,
Economic Adviser, ITDG

cc: Mr. D. H. Frost } ITDG
Mr. J. Davis }

HOLCOMBE
WEALD WAY
CATERHAM
SURREY

Tel. Caterham 42506

9th March, 1977.

Mr. Brian Rogers,
Administrative Assistant,
Alaska Permanent Fund Committee,
Pouch V,
Juneau, Ak 99811.

Dear Mr. Rogers,

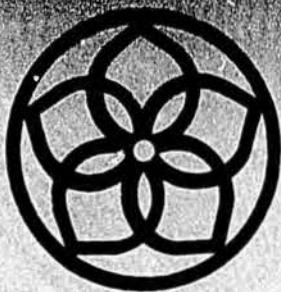
Re: Your letter to Dr. E. F. Schumacher,
dated March 3, 1977.

Dr. Schumacher is at present on an extended lecture tour through the United States and has asked me to acknowledge receipt of your letter, inviting him to contribute ideas and proposals towards the objectives of the Permanent Fund. Dr. Schumacher will, no doubt, greatly appreciate your invitation, and will reply to you personally upon his return to this country early in April.

Yours sincerely,

Loli Carter

Loli Carter (Mrs.)



Intermediate Technology

556 Santa Cruz Avenue Menlo Park, California 94025 (415) 328-1730

15 July 1977

Dear Brian:

I'm not much of one for writing formal-type letters, but the enclosed one isn't too funky, so that you can give it to your legislators, other colleagues and so on.

What I thought I might tell you for your personal information is that I have been hooked on Alaska for many years, starting with a personal friend who told me tales about the country in my childhood in the 1930s.

In the mid-50s I spent 18 months based at Fort Richardson, and my work in the army took me to some fairly weird and remote places, out on the Chain and up to Point Hope and Point Wales and so on. I have told many people many times that one weekend, in which two other guys and I borrowed a car and drove down and spent the night at our base on the Kenai, then spent the next day in Homer and ate crab at the tiny little restaurant which then sat out on the end of the hook-shaped peninsula, was one of the most memorable times of my life.

My father, now dead, was a geologist. In the early 1960s I put together a group which for several years held underwater mining rights on I don't know how many thousand acres of the Seward Passage and other inland-passage waters. Then a little stock market crash of that period called "Blue Monday" mopped up some of the necessary capital and everybody had to go on to other things.

But the net result of all this is that if I and my colleagues are ever able to do anything that would help Alaska to get on a more stable and healthy and broad-based economic footing, it would be profoundly gratifying to me personally.

Best
Peter

P.S. Are you in fact located in Anchorage, or Juneau, or back and forth? That is, which address is better for you? I'm sending this to Anchorage simply because your letter was sent from there.

png



Intermediate Technology

556 Santa Cruz Avenue Menlo Park, California 94025 (415)328-1730

15 July 1977

Mr. Brian Rogers, Administrative Assistant
House Permanent Fund Committee
528 West Fifth Street, Suite 270
Anchorage AK 99501

Dear Mr. Rogers:

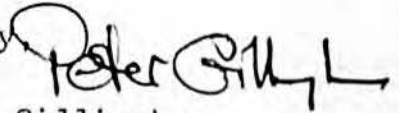
The Postal Service managed to take ten days to deliver your letter postmarked July fifth, perhaps out of eagerness to collect a grand total of eleven cents postage due. The letter was put in my in-basket when I was lighting my pipe with a match from a folder left by a friend which reads "Bird House -- 27 Miles South of Anchorage.." Considering the fact I haven't set foot in your state, other than the Anchorage airport, since 1955, maybe somebody is trying to tell me something.

If I could help by performing consulting services for the Committee I should be delighted. Intermediate Technology charges \$500 per day plus expenses for my work on a short term basis, which we call "brain-picking" and are doing less and less of. I spent fifteen years on the international development "capitol-city-Hilton jet set" traveling-expert circuit and I am firmly against doing any more of the shoot-from-the-hip stuff on the basis of what is usually slender detailed knowledge of local realities. If the Committee is interested in a package which could, if necessary at a lower cost per day, let me do some intensive homework and then spend perhaps one to three weeks in Alaska before writing my report, I would be interested. Most of our other consulting work with States and smaller units is set up on a similar basis, looking toward what may be hard work over the long haul. As you probably know, Montana has a situation which is vaguely analogous to yours, with their extraction tax on coal and with about 85% of new college graduates having to leave the state to find work.

My near-term commitments here are heavy, particularly the need to complete my part of Good Work, which Dr. Schumacher and I are contracted to deliver to Harper & Row by September. What I might be able to do, assuming we can reach an appropriate arrangement, is to catch him during his Canada visit in October to discuss my preliminary work and approach on the Alaska project and get his reactions and advice. (I've already checked and a side trip for him to Alaska is completely impossible this year.) Then I might be able to come north in late October or early November, if such a schedule fits in with your own priorities, or later of course. Having never shot a bear I still qualify as a tenderfoot, but cold weather doesn't scare me as much as tourists or black flies.

PNG:ms

c: Dr. E.F. Schumacher, CBE

Sincerely, 
Peter N. Gillingham

SCOMM

#9:37

26 June 77
Piper Station 3

DEAR CARL

NICE OF THE TIMES TO FEATURE YOUR PHOTO OPPOSITE HAMILTON'S IN ITS SUMMARY ARTICLE ON THE LEGISLATIVE SESSION. CONGRATULATIONS.

IT WOULD BE NICE TO OFFER SIMILAR CONGRATULATIONS TO THE STATE, WERE THE STATE OF ALASKA A PERSON, FOR MANAGING ITS FINANCES WELL; HOWEVER, WE SEEM TO BE RUNNING THINGS BACKWARDLY.

WHEN CONSTRUCTION BOOMS, THE STATE SPENDING RATE INCREASES DRAMATICALLY, WORSENING INFLATION. WHEN CONSTRUCTION CEASES AND FAIRBANKS DRIES UP (I HAVEN'T BEEN TO ANCHORAGE YET; HOW ARE THINGS THERE?), THE STATE TRIES TO CUT ITS BUDGET, WORSENING THE SLUMP.

THIS UPSIDE-DOWN SITUATION MIGHT BE SOMEWHAT IMPROVED IF A VIGOROUS PERMANENT FUND (PF) WERE NOW ENGAGED IN EXCHANGING "OUTSIDE" INVESTMENTS FOR ALASKAN ONES.

Yes, I know you've heard this from me before ... perhaps you agree, besides ... when does the program/policy of using the PF to counteract economic cycles go into effect? (Soon, I hope.)

Fred Brown suggested that the Legislative Council would (last Saturday) fund interim committees. If the PF now has funds for an executive director, I'd like to apply; if not, please hold application until comparable position does exist.

Now, with governmental openings such despite my qualifications, I'm working ^{ON} AND PHOTOGRAPHING THE PIPELINE'S COMPLETION. HERE AT PUMP 3, WE'D 6 INCHES OF SNOW ON JUNE 24, JUST AFTER THE OIL PASSED THROUGH THE PIPE HERE.

Cordially,

Joe

EXECUTIVE SUMMARY: RESUME OF DR. JOSEPH A. SONNEMAN

306 S. Willoughby
Juneau, Alaska 99801
(907) 586-3850

Education

Ph.D. Government	(Public Finance
M.A. Government	Fellowship)
B.S. Management	(Honors Day)

Professional Experience

President, Consulting Firm
Graduate Economics Instructor
State Departmental Internal Auditor
State Program Budget Analyst
State Administrative Assistant
Federal Administrative Assistant
Corporate Assistant Convention Coordinator

Political Experience

Finance Officer, State Central Committee
Alternate, National Convention
Delegate, State Conventions
Borough Committeeman
Mayoral Candidate
State House Candidate
Voter Registrar

Media Experience

Producer, Political Television Spots
Director & Producer, Film
Reporter & Broadcaster, Television News
Cameraman, Television
Announcer & Engineer, Radio
Photographer

"Real World" Experience

Rig Oiler, Alaskan Pipeline
Commercial Fisherman, Glacier Bay
Laborer, Pinnell Mountain Trail

Military Experience

Radar, Avionics & Radio Repair, US Army

Personal

Birthdate: April 22, 1944
Birthplace: Chicago, Illinois
Hair: Black Eyes: Green
Height: 5'10" Weight: 190#
Marital Status: Single

Dissertation Synopsis:

Generally, budgeting is incremental in "normal" times and is comprehensive in "crisis" periods; specifically, in Alaska.

RESUME OF: JOSEPH A. SONNEMAN

306 Willoughby
Juneau, AK.

Position

Applied for: EXECUTIVE DIRECTOR,
ALASKA PERMANENT FUND

or ~~421 W 7th~~
~~Claremont, CA 91711~~

EXPERIENCE

November 1976--Present Job: COMPLETED Completing Doctoral research
at Claremont Graduate School, Claremont, California 91711. Topic:
"Decision-making in Government Finance," with particular reference
to changes in Alaskan budgeting style following the 1969 receipt of
\$900 million for the sale of North Slope oil leases.
Reason for leaving: Graduation (Ph.D.) by June 1977.

April 1976--October 1976 Job: Rig Oiler (I.U.O.E.#302)
Working on and maintaining heavy equipment--principally truck and
tracked cranes (to 75 ton)--and, as a service oiler, maintaining
pickups, buses, and trucks for various construction companies on
the Trans-Alaskan Pipeline.
Salary: \$1200-1400 per week Hours: 70-90 per week
Reason for leaving: Work on campaign, return to school thereafter.

November 1975--March 1975 Job: Continuing Doctoral research
at Claremont Graduate School. Details as above. Also performed
research assistant work on Medi-Cal drug purchasing study.
Reason for leaving: Income opportunities and requirements.

July 1975--October 1976 Job: Rig Oiler (I.U.O.E.#302)
Working on and maintaining heavy equipment--principally cable and
hydraulic backhoes, briefly ditcher, crane, and clam; working as
a welders' helper, preparing work surfaces and providing welding
supplies; briefly assisting grader operator in road construction
in Juneau--other jobs for various construction companies on the
Trans-Alaskan Pipeline.
Salary: \$850-1400 per week Hours: 70-98 per week
Reason for leaving: Return to graduate school.

January 1975--June 1975 Job: Graduate School Instructor
Employer: University of Alaska, Juneau, Alaska 99801
Organizing, researching, preparing and delivering class lectures
for the graduate-level class "Economics and Public Policy;" also
encouraged student participation and evaluated student work.
Salary: \$1050 per semester Hours: 4 class hours per week
Reason for leaving: Completed semester.

March 1975--May 1975 Job: Television News Reporter
Interviewing and photographing elected Alaskan officials; collating
and editing news to TV format; presenting legislative news on-camera
to state-wide audience via ATS-6 communications satellite.
Salary: \$35 per show (weekly) Hours: 8-10 per week for ½ hr show
Reason for leaving: U.S.State Dept. & NASA moved ATS-6 to India.

January 1975--March 1975 Job: Television Cameraman
Employer: Office of Telecommunications, State of Alaska, Juneau
Operating TV camera, setting lights, arranging sets, calming and
instructing guests, monitoring sound levels, constructing sets and
preparing graphics.
Salary: \$50-100 per week Hours: 10-20 per week
Reason for leaving: Promotion to Television News Reporter.

May 1974---Present Job: Photographer (Self-employed)
Documenting construction of the Trans-Alaskan Pipeline using an
8x10 view camera; performing regular photographic services on demand.
Salary: Varies Hours: Varies
Reason for leaving: None; will continue as avocation.

May 1974---Present Job: Consultant (Self-employed)
Performing organizational and budgeting studies for business and
governments.
Salary: Varies Hours: Varies
Reason for leaving: None; will lie dormant during employment.

June 1973--May 1974 Job: Departmental Internal Auditor
Employer: Dept. of Health & Social Services, State of Alaska, Juneau
Preparing budget for new agency; researching special topics for
Commissioner; reviewing field audits for correctness; developing
information system for Federal regulations; reviewing full-cost-of-
care institutions' rates.
Salary: \$340-380 per week Hours: 37½ per week
Reason for leaving: Opportunities for personal growth.

November 1972--June 1973 Job: Program Budget Analyst
Employer: Div. of Budget & Management, State of Alaska, Juneau
Participating in budget preparation and administration; testifying
in hearings before Governor's Budget Review Committee; discovering,
researching, and reporting on Alaskan issues (from "Training for
Accountants" to "Economic Impact of the Pipeline.")
Salary: \$275 per week Hours: 37½ per week (+ unpaid o.t.)
Reason for leaving: Promotion to more responsible position.

June 1972--July 1972 Job: Program Budget Analyst (Temp.)
Employer: Dept. of Fish & Game, State of Alaska, Juneau
Preparing Fish Hatcheries budget according to Legislative and
Executive directives.
Salary: \$200 per week Hours: 37½ per week
Reason for leaving: Completed budget.

April 1972--May 1972 Job: Administrative Asst. (Temp.)
Employer: Dept. of Health & Social Services, State of Alaska, Juneau
Managing Case Service Unit, supervising 5-8 people in the assignment
of unique numbers to Social Service cases, meeting varied deadlines.
Salary: \$188 per week Hours: 37½ per week
Reason for leaving: Participate in State Democratic Convention.

September 1971--January 1972 Job: Graduate School Instructor
Employer: University of Alaska, Juneau, Alaska
Teaching graduate-level class, "Economics and Public Policy." For details, see identical job above.
Salary: \$900 per semester Hours: 3 class hours per week
Reason for leaving: Completed semester.

June 1971--September 1971 Job: Commercial Fisherman
Employer: M/V Teal, Ken Marlowe, Captain, Glacier Bay, Alaska
Painting, cooking, oiling, steering; baiting, throwing, pulling and repairing shrimp pots; cleaning and freezing shrimp; other duties as required.
Salary: One Share Hours: Extensive
Reason for leaving: Not enough shrimp; began teaching.

June 1970--September 1970 Job: Administrative Asst. (Summer)
Employer: N.A.S.A., Manned Spacecraft Center, Houston, Texas
Compiling educational materials for cross-training of budget and procurement personnel; compiling contract record list for Preventive Medicine Division of Lunar Receiving Laboratory--on own initiative, devised low-cost computerized contract record system, later implemented.
Salary: \$160 per week Hours: 40 per week
Reason for leaving: Return to graduate school.

June 1969--September 1969 Job: Laborer
Employer: Bureau of Land Management, Fairbanks, Alaska
Building isolated mountain hiking trail 100 miles north of Fairbanks, using hand tools, living in tents, rotating as camp cook, backpacking supplies.
Salary: \$240 per week Hours: 48 per week
Reason for leaving: Return to graduate school.

June 1968--September 1968 Job: Assistant Convention Coordinator
Employer: Illinois Bell Telephone Company, Chicago, Illinois
Organizing work flow of pre-engineered circuits for Democratic National Convention, maintaining Convention cable records, answering customer and installer inquiries.
Salary: \$145 per week Hours: 40 per week
Reason for leaving: Attend graduate school.

EDUCATION

From: September 1968 Subject: Government Degree: M.A. (Ph.D.) †
 To: January 1971 School: Claremont Graduate School
 (Also 11/75-4/76, 11/76-) Honors: Lincoln School of Public Finance Fellow

From: March 1966 Subject: Management Degree: B.S.
 To: June 1968 School: University of Illinois at Chicago Circle
 Honors: Dean's List*, Honors Day ('67, '68)

From: September 1961 Subject: Physics
 To: January 1963 School: University of Illinois at Urbana
 Honors: Illinois State Scholarship

MILITARY

From: February 1963 M.O.S.: Radar Repair Specialist
 To: February 1966 Service: U.S. Army in Missouri, New Jersey,
 Discharge: Honorable Colorado, Korea, & Wisconsin
 School: Radar Repair School, Ft. Monmouth

PERSONAL

Born: April 22, 1944
 Birthplace: Chicago
 Hair: Dark Brown
 Eyes: Green
 Marital Status: Single

Interests and activities:
 1966-68: College of Business Representative
 to Circle Center Board, Dean of Students
 Advisory Board, Homecoming Parade Chairman,
 Sailing Club, Pottery Instr., Photography, AK
 1972-76: President, Juneau Council on Arts
 and Humanities; one-man photographic show
 at Alaska State Museum; Finance Officer,
 Alaska Democratic State Central Committee;
 Delegate or Alternate to National and
 State Democratic Conventions; Juneau Mayoral
 and State House Candidate; American Economic
 Association; National Press Photographers
 Association; Juneau Democratic Committeeman

† Expected June '77

* Every quarter

Form 6/78



STATE OF ALASKA

EMPLOYMENT APPLICATION

DEPARTMENT OF ADMINISTRATION
DIVISION OF PERSONNEL

Main Office: Pouch C
Juneau, Alaska 99811
465-4448

Field Office: 121 W. 4th Street
Anchorage, Alaska 99501
278-6441

INSTRUCTIONS: A SEPARATE APPLICATION IS REQUIRED FOR EACH JOB CLASS FOR WHICH YOU ARE SEEKING EMPLOYMENT. COMPLETE AND SPECIFIC ANSWERS WILL AID IN RAPID AND ACCURATE PROCESSING OF THE APPLICATION. DETERMINATION OF WHETHER YOU QUALIFY FOR THE JOB CLASS SPECIFIED WILL BE BASED UPON THIS APPLICATION. APPLICATIONS FOR TEMPORARY EMPLOYMENT SHOULD BE SUBMITTED DIRECTLY TO THE STATE AGENCY WITH WHICH YOU ARE SEEKING WORK. APPLICATIONS FOR PERMANENT EMPLOYMENT, INCLUDING SEASONAL, SCHOOL YEAR, AND PART TIME WORK, SHOULD BE SUBMITTED TO THE DIVISION OF PERSONNEL AT ONE OF THE ABOVE ADDRESSES. PLEASE USE TYPEWRITER OR PRINT LEGIBLY WITH INK.

1. TITLE OF JOB CLASS FOR WHICH I AM APPLYING:

Executive Director, Alaska Permanent Fund

PERSONAL DATA

2. SOCIAL SECURITY NO.

359 34 1147

DO NOT COMPLETE
Class Code Range Date

3. NAME (Last) (First) M. I.

Dr. SONNEMAN

Joseph

A

NAME, IF DIFFERENT, UNDER WHICH PREVIOUSLY EMPLOYED:

4. ADDRESS (Street &/or P.O. Box)

306 S. Willoughby

(City)

(State)

(Zip Code)

5. TELEPHONE (Home) (Business)

907 586 3850

Same

6. DATE OF BIRTH

04 22 44

MO DAY YR

REPORT ADDRESS AND TELEPHONE CHANGES PROMPTLY

11. I LEARNED OF THE POSITION FOR WHICH I AM APPLYING FROM: (ENTER CORRECT CODE IN BOX AT LEFT)

E

E-Employment Center

F-Personal Friend

S-State Employee

P-Div. of Personnel

D-A Dept. Personnel Office

R-Radio Station

T-T.V. Station

N-Newspaper

O-Other

12. I AM APPLYING FOR: (ENTER CORRECT CODE IN BOX AT LEFT)

H

H - INITIAL HIRE IN PERMANENT POSITION

P - PROMOTION (Currently in a Permanent Position)

T - TEMPORARY EMPLOYMENT

7. EQUAL OPPORTUNITY EMPLOYMENT: THE STATE OF ALASKA IS REQUIRED BY FEDERAL LAW TO HAVE AN AFFIRMATIVE ACTION PROGRAM WHICH WILL ENSURE FAIR EMPLOYMENT PRACTICES. THE FOLLOWING QUESTIONS ARE MADE IN COMPLIANCE WITH THE ADMINISTRATION OF THIS FAIR EMPLOYMENT PRACTICES PROGRAM. ACTIONS TAKEN WILL NOT BE BASED ON RACE, SEX, NATIONAL ORIGIN, NOR OTHER NON-MERIT FACTOR.

7. a) I AM . . . (PLEASE CHECK ONE OF THE FOLLOWING BOXES:)

	White	Black	Spanish	American Indian	Asian	Eskimo Aleut	Other
FEMALE	<input checked="" type="checkbox"/> H	<input type="checkbox"/> C	<input type="checkbox"/> E	<input type="checkbox"/> A	<input type="checkbox"/> B	<input type="checkbox"/> D	<input type="checkbox"/> J
MALE	<input type="checkbox"/> T	<input type="checkbox"/> X	<input type="checkbox"/> O	<input type="checkbox"/> S	<input type="checkbox"/> K	<input type="checkbox"/> L	<input type="checkbox"/> P

7. b) I WAS BORN IN: THE UNITED STATES OF AMERICA (ENTER "Y" IN BOX)

Y ANOTHER COUNTRY: _____ (ENTER "N" IN BOX)

8. I AM A USA CITIZEN, OR, I AM A RESIDENT ALIEN WITH A WORK PERMIT ISSUED BY THE USA DEPARTMENT OF JUSTICE. (YES-enter "Y" in box; NO-enter "N" in box)

9. I AM A RESIDENT OF ALASKA (FROM 2/71 to Present)

10. I AM A VETERAN (List date, Branch & Type of Discharge)

2/63-2/66 US Army Honorable

DO NOT COMPLETE THIS SECTION						
EXAM RECORD						
	SCORE	DATE	PF	WT	S	
MO						
W						
TE						
ORAL						
O						
AV						
VP						
EC						
FA						

DO NOT COMPLETE

PLEASE PRINT AND INCLUDE ANY PERIOD OF UNEMPLOYMENT WHEN APPLICABLE. USE ADDITIONAL PAGES IF NEEDED TO GIVE COMPLETE HISTORY. START WITH LAST OR PRESENT POSITION AND WORK BACKWARDS.

EMPLOYING FIRM:	FROM:
FIRM ADDRESS:	TO:
JOB TITLE: DUTIES:	HOURS PER WEEK:
	STARTING SALARY:\$ PER
	FINAL SALARY:\$ PER
	NO. OF EMPLOYEES SUPERVISED:
	NAME OF SUPERVISOR:
REASON FOR LEAVING:	MAY WE CONTACT YOUR PRESENT EMPLOYER?

EMPLOYING FIRM:	FROM:
FIRM ADDRESS:	TO:
JOB TITLE: DUTIES:	HOURS PER WEEK:
	STARTING SALARY:\$ PER
	FINAL SALARY:\$ PER
	NO. OF EMPLOYEES SUPERVISED:
	NAME OF SUPERVISOR:
REASON FOR LEAVING:	

EMPLOYING FIRM:	FROM:
FIRM ADDRESS:	TO:
JOB TITLE: DUTIES:	HOURS PER WEEK:
	STARTING SALARY:\$ PER
	FINAL SALARY:\$ PER
	NO. OF EMPLOYEES SUPERVISED:
	NAME OF SUPERVISOR:
REASON FOR LEAVING:	

EMPLOYING FIRM:	FROM:
FIRM ADDRESS:	TO:
JOB TITLE: DUTIES:	HOURS PER WEEK:
	STARTING SALARY:\$ PER
	FINAL SALARY:\$ PER
	NO. OF EMPLOYEES SUPERVISED:
	NAME OF SUPERVISOR:
REASON FOR LEAVING:	

EMPLOYING FIRM:	FROM:
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JOB TITLE: DUTIES:	HOURS PER WEEK:
	STARTING SALARY:\$ PER
	FINAL SALARY:\$ PER
	NO. OF EMPLOYEES SUPERVISED:
	NAME OF SUPERVISOR:
REASON FOR LEAVING:	

EMPLOYING FIRM:	FROM:
FIRM ADDRESS:	TO:
JOB TITLE: DUTIES:	HOURS PER WEEK:
	STARTING SALARY:\$ PER
	FINAL SALARY:\$ PER
	NO. OF EMPLOYEES SUPERVISED:
	NAME OF SUPERVISOR:
REASON FOR LEAVING:	

PLEASE SEE ATTACHED RESUME

PLEASE SEE ATTACHED RESUME

PLEASE SEE ATTACHED RESUME

PLEASE SEE ATTACHED RESUME

CONDITIONS OF EMPLOYMENT

PLEASE READ CAREFULLY THE ANNOUNCEMENT FOR THE JOB FOR WHICH YOU ARE APPLYING. YOUR NAME WILL BE MADE AVAILABLE ONLY TO VACANCIES THAT MEET THE CONDITIONS OF EMPLOYMENT INDICATED BY YOUR ANSWERS BELOW. RESTRICTIONS NOT COMMON TO THE JOB MAY RESULT IN NOT BEING CONSIDERED. YOU MAY ALTER YOUR CONDITIONS OF EMPLOYMENT BY NOTIFYING THE DIVISION OF PERSONNEL IN WRITING AT ANY TIME DURING THE PERIOD OF YOUR ELIGIBILITY. FAILURE TO ACCEPT A JOB OFFER UNDER THE CONDITIONS YOU HAVE INDICATED MAY RESULT IN REMOVAL OF YOUR NAME FROM THE ELIGIBLE LIST.

27. I AM WILLING TO ACCEPT EMPLOYMENT IN THE FOLLOWING LOCATIONS:

- ANY AREA OF STATE
- ANCHORAGE FAIRBANKS JUNEAU KETCHIKAN

28. I AM WILLING TO WORK FOR THE FOLLOWING DEPARTMENTS:

- | | | |
|--|---|--|
| <input checked="" type="checkbox"/> ANY DEPARTMENT | <input type="checkbox"/> 07 LABOR | <input type="checkbox"/> 13 PUBLIC WORKS |
| <input type="checkbox"/> 01 OFFICE OF THE GOVERNOR | <input type="checkbox"/> 08 COMMERCE | <input type="checkbox"/> 14 HIGHWAYS |
| <input type="checkbox"/> 02 ADMINISTRATION | <input type="checkbox"/> 09 MILITARY AFFAIRS | <input type="checkbox"/> 15 ECONOMIC DEVELOPMENT |
| <input type="checkbox"/> 03 LAW | <input type="checkbox"/> 10 NATURAL RESOURCES | <input type="checkbox"/> 18 ENVIRONMENTAL CONSERVATION |
| <input type="checkbox"/> 04 REVENUE | <input type="checkbox"/> 11 FISH & GAME | <input type="checkbox"/> 19 STATE OPERATED SCHOOL |
| <input type="checkbox"/> 05 EDUCATION | <input type="checkbox"/> 12 PUBLIC SAFETY | <input type="checkbox"/> 21 COMMUNITY & REGIONAL AFFAIRS |
| <input type="checkbox"/> 06 HEALTH & SOCIAL SERVICES | | |

29. I WILL ACCEPT A POSITION REQUIRING TRAVEL TO THE FOLLOWING EXTENT:

- NO TRAVEL OCCASIONAL FREQUENT CONTINUOUS REMOTE AREAS

30.

I WILL BE ABLE TO REPORT TO WORK 14 DAYS AFTER BEING NOTIFIED THAT I WAS HIRED.

CERTIFICATE OF APPLICANT

I HEREBY CERTIFY THAT ALL INFORMATION MADE ON OR IN CONNECTION WITH THIS APPLICATION IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE AND BELIEF. I UNDERSTAND THAT ANY MISREPRESENTATION OR CONCEALMENT OF MATERIAL FACT WILL BE SUFFICIENT GROUND FOR REJECTION OF MY APPLICATION, REMOVAL FROM THE ELIGIBLE LIST, OR REMOVAL FROM EMPLOYMENT.

DATE 26 Sept 77 SIGNATURE (IN INK) 

CHECK YOUR APPLICATION! BE SURE THAT YOU HAVE FILLED IT IN COMPLETELY.

TYPING SKILL CERTIFICATION

IF THE JOB CLASS FOR WHICH YOU ARE APPLYING HAS A TYPING REQUIREMENT, YOUR APPLICATION WILL NOT BE CONSIDERED UNTIL THIS SELF-CERTIFICATION HAS BEEN COMPLETED. READ THE STATEMENT BELOW AND ESTIMATE YOUR TYPING SPEED AT THE LEVEL WHICH YOU ARE COMPLETELY CONFIDENT YOU CAN PERFORM. IF YOU ARE NOT CONFIDENT ABOUT YOUR TYPING SPEED, CONTACT THE LOCAL EMPLOYMENT CENTER AND ARRANGEMENTS WILL BE MADE FOR A TYPING TEST.

I HEREBY CERTIFY THAT I CAN TYPE AT A SPEED EQUAL TO OR GREATER THAN _____ WORDS PER MINUTE WITH FEWER THAN _____ TOTAL ERRORS (MINIMUM 5 MINUTE EXERCISE). I UNDERSTAND THAT I AM BEING EXAMINED ON THE BASIS OF THIS CERTIFICATION AND THAT INABILITY TO PERFORM AS CERTIFIED MAY CONSTITUTE BASIS FOR SEPARATION DURING THE PROBATIONARY PERIOD.

DATE _____ SIGNATURE (IN INK) _____

Referred by STATE OF ALASKA IS AN EQUAL OPPORTUNITY EMPLOYER
Employment Center

Draft Hq
on cart.

ECONOMIC POSSIBILITIES FOR THE PERMANENT FUND: ALASKA

FRED —
THOUGHTS YOU'D
FIND THIS INTERESTING.
JOE

by Joseph A. Sonneman
Government Department
Claremont Graduate School
Claremont, California 91711

December, 1976

ECONOMIC POSSIBILITIES FOR THE PERMANENT FUND: ALASKA

In September of 1969, the State of Alaska sold its fabled North Slope oil leases for \$900 million; the State budget for that year was about \$150 million.

Since that time Alaska's operating budget has grown faster than recurring revenues: the windfall \$900 million has now been exhausted and the State's budget for fiscal 1978 alone is now projected at \$900 million.

The Alaskan people, while appreciating the funds spent on their behalf, have become concerned that future oil lease sale bonuses and oil and gas royalties might be spent at the same rapid rate. However, the Alaskan Constitution, a model document when drawn up in 1959, specified that all revenues of the State would go directly into the General Fund--the disbursement of which is controlled by the Legislature and the Governor. Accordingly, the Legislature put before the people constitutional amendments which would permit the establishment of a "permanent fund", reserving at least 25% of future bonus and royalty principal from the spending authority of the State. On November 2, 1976, the Alaskan citizenry voted to adopt those amendments.

Governor Hammond of Alaska, whose style runs to high use of councils, committees, and task forces, has appointed a Growth Policy Council to advise him on directions for development in Alaska. The Growth Policy Council will also advise the Governor on the use of monies in the Permanent Fund.

Recently, the Growth Policy Council has asked the Alaskan citizenry for their advice; the Council has set up a series of public meetings, called "Public Forum", to discuss Alaskan issues--including the question of how the principal of the Permanent Fund should be used to earn interest. While Public Forum will debate the relative merits of loans to industry, individuals, communities and renewable resource development, we will not duplicate that discussion here.

Instead, concentrating attention on the potential stabilizing effect of the Permanent Fund, we note that the economic history of Alaska has been one of persistent booms and busts. The 18th Century Russian invasion for furs to the 19th Century stampedes for gold, the more recent rise and fall in interest in Alaskan copper and salmon--all tell the story of rapid depletion of economic resources. The prevailing philosophy appears to be "Get it while you can."

Now oil development is said to be different. In a study of economic effects of the pipeline contracted by Alyeska, Mathematical Sciences Northwest concluded that "there will not be a boom and a bust. Instead, there will be a period of rapid growth followed by a steady period."

There is in economics a relationship between the rate of economic growth and new investment known as the "accelerator principle." Briefly, the accelerator principle shows that investment is dependent upon economic growth--if an economy

does not grow, then there will be no new investment even if the economy had been at a very high level. Then "rapid growth followed by a steady period" translates as "a period in which new investment is high followed by a period in which there is no new investment." And this in turn translates into "a boom and a bust", the very results which that early study attempted to deny.

Now there is no denying that Alaskans like some aspects of the boom period. There are even some who profess to like the bust that always seems to follow, for the economic depression sends back home all the "Outsiders" that came up to get rich quick. In actual fact, however, many of the newcomers stay and settle in the state, despite the economic hardships of the post-boom eras, and many old-timers suffer economic difficulties during the boom period as well, usually because their income sources are not tied to the new industry that causes an extreme inflation in prices.

The point of all of this is that the permanent fund can and ought to be used in such a way as to lessen these adverse effects, to lessen the wildness of the boom and the disaster of the bust. It is not hard to do in theory-- the State need only concentrate its investments in Alaska during the busts, shoring up a sagging economy, and send Permanent Fund monies out of the state when Alaska is booming along on its own. In its simplest expression, this is just saving money for a rainy day.

The stabilizing use of the Permanent Fund will be more difficult--though not impossible--to ensure in practise.

Even in boom times, there will be those who will profit by additional investment. Typically, one may expect some portion of those anticipated profits to go into lobbying efforts and campaign contributions designed to sway Alaskans' government from the stabilizing course set forth above. The strong feelings of many Alaskans that Alaskan money should be used to promote the Alaskan economy all the time will likewise be hard for candidates to ignore--and equally difficult for elected officials to turn aside. In part, it is the relatively short terms of office--two or four years--which keep Alaska's government representative at the same time as it's those same short terms which prevent the long-range view necessary to the solution of this problem.

What, then, is to be done?

The structure of the Federal Government provides a clue. Just as the Federal Reserve was created as an independent agency whose goal is to promote stable growth and whose Chairman is appointed for a 14-year term, so the Permanent Fund Commission in Alaska should be created as an independent agency whose goal is to promote stable growth and whose Fund Manager is appointed for a 10-year term.

It is the purpose of this paper, then, to show that both the economic problem and the political problem are capable of solution and to suggest that the solutions be carried out.

Government Department
Claremont Graduate School
Claremont, California 91711

March 21, 1977

Robert B. Atwood
Editor & Publisher
Box 40, Anchorage Alaska 99510

Dear Mr. Atwood:

Thank you very much for your extended letter of March 10 and for the sincere and interested tone you use in it. My concerns about your possible reactions appear to have been groundless, for your genuine nature is better by far than that ascribed to you by your enemies-- or even by your supposed friends.

You are right, too, in much of your assessment of Alaska's economic growth. You say, quite correctly, that Alaska's economic history has been "a sequence of periods when growth was rapid, separated by periods when growth was not so rapid." The metaphor I like to use is that Alaskan economic growth is like a series of waves coming on to shore in a rising tide: each wave, as it advances and retreats, leaves the tide line of flotsam and jetsam at a higher level than the one preceding.

While Alaskans overall are certainly better off now than the Natives alone were before 1741--there are probably some iconoclastic lovers of primitive conditions who might argue this with us--the effects of those receding waves have not always been particularly pleasant, especially for those who understandably hoped for the crest to continue to rise.

Why this should be so is perhaps explained most clearly by example; here follows the explanation of the accelerator principle by Richard G. Lipsey and Peter O. Steiner, Economics (New York: Harper and Row, Publishers, 1969), pp. 567-570: (Other standard economic texts say much the same thing about the accelerator principle; see Paul A. Samuelson's Economics, for example.)

Very well. First let us distinguish between replacement investment and new investment. If we have five machines, say printing presses for example, which have each a life of five years, have each been bought in a succeeding year, and have each the same cost, we will have to continue to buy a new press every year to replace the one which is just wearing out: this is just replacement investment. If, however, population grows and with that growth comes a greater demand for the newspapers turned out on the presses, we may have enough potential sales to justify the purchase of a sixth machine: this is new investment, also called net investment.

Schneeman
Clark
P.F. Correspondence
continues.
Joe

Somebody will have had to save (invest, not consume immediately) in order for there to be money available for the purchase of this sixth machine; it does not matter for our purposes whether the savings have occurred by the newspaper owner or by the depositors at the bank from which a loan is secured or by investors who buy stock or bonds of the newspaper company. For growth to occur, someone, somewhere must have postponed immediate satisfactions to save and invest the capital that will be required for growth.

Now in our mythical newspaper business a certain amount of capital stock is required to run the business: buildings, presses, staff, newsprint, wire services, darkroom equipment, and so on. Let's assume that for a newspaper with annual sales of \$10 million, this initial capital stock is \$50 million. Economists would say the business had a capital-output ratio of 5:1. Let's also assume, in this simplified model, that the capital-output ratio remains at the same level of 5 to 1 over a fairly broad range. (Economists are forever making models with unrealistic assumptions and insist that the models be judged on the results, not on the realism of the assumptions.)

Then the history of the firm may look like this:

Year	Sales	Change in Sales	Required Capital Stock (5:1 c-o ratio)	Net Investment
11	\$10 M		\$50 M	
12	\$10 M	\$0	\$50 M	\$0
13	\$11 M	\$1 M	\$55 M	\$5 M
14	\$13 M	\$2 M	\$65 M	\$10 M
15	\$16 M	\$3 M	\$80 M	\$15 M
16	\$19 M	\$3 M	\$95 M	\$15 M
17	\$22 M	\$3 M	\$110 M	\$15 M
18	\$24 M	\$2 M	\$120 M	\$10 M
19	\$25 M	\$1 M	\$125 M	\$5 M
20	\$25 M	\$0	\$125 M	\$0
21	\$25 M	\$0	\$125 M	\$0
22	\$24 M	-\$1 M	\$120 M	-\$5 M
23	\$22 M	-\$2 M	\$110 M	-\$10 M
24	\$22 M	\$0	\$110 M	\$0

This is a particularly interesting table, for it shows that a period in which growth is not rapid--a "steady period"--may mean that there is no net investment, even though sales may be at more than double the initial level. See years 19-22. Perhaps growth is limited by the amount of money which has been saved up, perhaps it is limited by external reasons for slowing sales (the population does not grow quite so fast, for example, or the development of television provides a competitive alternative); this is not our concern here. The question is: what are the requirements for investment and growth? (Negative net investment just means that ordinary replacement investment does not take place: the publisher of this imaginary newspaper lets one of his presses wear out in year 21-22 and does not replace it; two worn-out presses are not replaced in year 22-23.)

"The main prediction of the accelerator theory is that rising, rather than high, output and sales are needed to maintain a high level of investment. As long as output and sales are rising at a constant amount per year, investment will be a constant amount per year. Should output and sales stabilize at a constant level, however, investment will fall off drastically. The accelerator theory thus also predicts that the economy may show unstable tendencies. As soon as the rate of expansion of a boom slows up, investment will fall off, and this will tend to reduce the level of national income, which will depress investment still further."

Now, to be fair, the accelerator theory is a theory like many other theories in economics: some people find it persuasive and some do not; the statistical evidence is--as it seems nearly always to be--mixed and inconclusive. If, however, the accelerator principle has a germ of truth in it, then we have real reason to be concerned over these "steady periods" and times of "limited retrogression."

To smooth out the inflationary effects of booms and avoid the declines and disasters and unemployment of recessions and busts, the permanent fund can be used to provide additional investment capital for Alaska when the wave of development appears to be receding; permanent fund investments must be withdrawn from Alaska when the wave of development is advancing, however, in order to avoid wild inflation and a growth rate which cannot be sustained. (This is speaking in general terms; if development is regional, rather than state-wide, P.F. investments should go to areas where development is in a decline. Perhaps, for example, both Fairbanks and Anchorage will need P.F. investments to avoid ill effects of the winding down of pipeline construction in the next few years.)

It is true that talking about good times to come can help to instill the confidence in investors that in fact leads to good times; considering potential recessions may perhaps bring them about. It is also true, however, that realism is healthy; "steady periods" and "limited retrogressions" seem, in the light of the accelerator principle, to be euphemisms for "recessions," "depressions" or "busts." If we consider that the Alaskan economy may head downward on occasion unless helped, then

we can also think of ways to help it if it does turn down.

I think we should plan ways of helping it "just in case." The potential of the Permanent Fund for smoothing out Alaskan business cycles is such a plan, ideally resulting in a steadier rate of growth which avoids wild inflation and severe depressions. The enactment of an Alaskan Full Employment Act, paralleling the 1946 Act on the federal level, would be a useful preliminary step in this direction. You can, and I hope you will, use your influential editorials to argue in favor of these ideas and plans.

To reply briefly to your other points: 1. Up until the Native Land Claims Act, over 99% of Alaska was already owned by one or another governmental body; while the governments could buy up the rest of Alaska, they fortunately seem to be releasing their holdings, although at a fairly slow rate. 2. Alaska's change to Statehood status, which you helped to bring about, meant that it assumed greater responsibilities for roads, for the judiciary, for its own affairs in many fields; it is not likely that the Legislature would then be able to meet for the limited times customary in Territorial days. 3. While the Legislature is indeed subject to many pressures and has many flaws, the Executive branch is hardly free of pressures and flaws itself; we fortunately have both, plus a Judiciary, to prevent the excesses of any one part.

Thank you for your interest in the dissertation, which is nearly finished. Perhaps I have made it too long in order to make it complete; at about 350 pages, even a Xerox copy costs about \$15. I will be glad to send you an abstract in the near future gratis, so that you may decide if the work itself interests you. It is not so much on the use of the Permanent Fund as it is upon changes in budgeting styles during "crisis" and "normal" periods; nearly half is a reasonably thorough history of Alaska that you may enjoy, however. If accepted, microfilm copies will eventually be available through University Microfilms.

Thank, too, for your continuing interest in improving Alaska's economic stability. Of the comments on my earlier card, I hope you will remember only my wishes for a Happy St. Patrick's Day.

Sincerely and cordially,



Joseph A. Sweeney

Though I may again use copies of this letter as explanations for other interested people--and you may show this to those you wish to comment-- I will not copy your letters without permission.

Dear Fred:

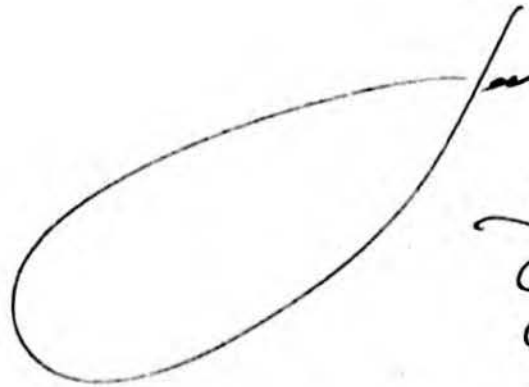
Thanks for your note of appreciation; typewriter broke down last night so I'm writing this reply longhand, speed being more important than perfection in this case.

Glad you like the basic idea of P.F. use. Some expansion of these ideas in letters to Terry Barkiner, who presumably will be willing to share them with you. (He wrote back first)

Since he reports P.F. mechanism will not be enacted this year, I recommended to him - as I especially counsel you, because of your chairmanship (congratulations!), that: as the Federal Reserve and the Treasury both use for their justification of economic stabilizing actions the Full Employment Act of 1946, and as Alaskan unemployment is likely to rise sharply this year with the pipeline's end, there is an excellent opportunity to pass an Alaskan Full Employment Act this year which will have the added benefit of laying the groundwork for the stabilizing use of the P.F. next year. As the Alaskan Full Employment Act can be justified in and of itself, there is now no need even to mention the P.F. in the A.F.E.A. Hope you can get this done promptly.

Finally, as I sit here in my all too typical student garret, while I am glad that some few Members listen and occasionally read what I write, at sometime someone is going to have to pay for the ideas I have so far given freely. Let me know if you need a consultant - I wouldn't be as expensive as Walter Levy, but I hardly expect to be cheap, either. Fuller reports can be studied, surely; the essential idea is really what's most valuable, however, and you already have that. *

Cordially,



Joseph A. Sonneman*
Government Dept
Claremont Graduate School
Claremont, CA 91711

* The document you got is a proposal for future action, not a report of past performance.

O.B.A. Five Star Consulting + Research

Tenneco

15-5

El Paso

15-5

Southern

still up,

assume

15-5

Croft

Ferguson

Huber

Rodey

Sackett

Government Department
Claremont Graduate School
Claremont, California 91711

February 28, 1977

Robert B. Atwood, Editor & Publisher
The Anchorage Times
Box 40
Anchorage, Alaska 99510

*Clark
brought
might be to see
this opinion of P.F.
USL.*

Dear Mr. Atwood:

Thank you for your courteous reply of February 18. Your brief words cause me to do considerable thinking to compose an appropriate answer; in the meantime I finished up the Alaskan history section (1741-1971) of the dissertation I'm working on here.

Your newspaper and you personally appear throughout much of the modern history of Alaska. Your chairmanship of the Statehood Committee, your part in promoting Richfield's entry to the Kenai assure you an ineradicable position in the story of Alaska. Your newspaper constitutes a record of the oil years which I have read so closely and often as to reveal, from often repeated editorial comments, your stance on several issues. (If you write the editorials, that is.)

It seems more productive to dwell on areas of agreement rather than disagreement, so I will suggest one relatively innocuous difference only. From repeated editorials, you seem to wish for a limited length for Legislative sessions; I would just as soon have them meet year-round and take all the time they need to do the job right.

I am a graduate student of government finance who came to Alaska to do research on changes in budgeting style caused by the \$900 million; Alaska's beauty captured me and got me more interested in living there instead, though my dissertation is finally nearing completion after all. I have had an Alaskan variety of jobs in the meantime, indoor and out; in one of them, as a budget analyst for the State, I testified to the Alaska Historical Commission--and Evangeline Atwood--on the need for an oral history program in the Pioneers' Homes. There was a populist movement in the traditional American model of government by the governed which intrigued me; I joined Ad Hoc and eventually served as the Finance Officer for the Democratic State Central Committee.

Little of this has to do with the economics of the state except my training in economics and government finance.

Okay, economics lessons. (I know you are smarter than you make out; your understanding is intuitive, while I have to learn the darned stuff in school.)

It used to be thought that government should pretty much keep its hands off the economy. The workings of the business cycle were supposed to be such that periods of expansion and contraction would follow one another without either wild inflation or extreme depression and, as long the economy was in fact relatively stable, this seemed like a good idea: keeping government and business in separate categories, that is.

The Depression of the 1930's changed all that.

What John Maynard Keynes did for economics was to show the theoretical reasons for what the whole world knew in all too sad practical reality: that the lowering of the interest rate to provide easier capital for businesses would not always result in a new expansion; for there was some interest rate that was so low that investors would rather hold on to the money instead.

From this and other analyses, Keynes showed that government spending was the economic variable capable of control (and few of them can be controlled) which could bring the country out of a depression. Ideally, the requirements of deficit spending to recover from depressions would be offset in the long run by lowered government spending and/or increased taxes during boom times. The hitherto apparently unimportant element of government was proved to be a controlling factor in the overall business economy.

This is incredibly brief; hope you can make it through my thick prose.

In the federal government, the Kennedy Tax Cut of 1964 is a clear example of Keynesian economics. Congress and the President now annually consider explicitly what used to be ignored: the effect of government spending on the economy and the relation of expenditures to receipts.

One reason for this behavior, politically speaking, is the Full Employment Act of 1946; Congress then established full employment as a national goal, setting up the Council of Economic Advisors and giving the Federal Reserve, the President and future Congresses the justification for keeping the economy (supposedly) on the track of smooth and stable growth.

So much for the nation; now for the state.

The economic history of the state of Alaska is one of recurring booms and busts. The Russian fur rush, the 1898-1902 gold rushes, the 1930's copper boom, the 1940's war boom and the 1950's cold war defense construction boom all tell the story of brief periods of expansion followed by quiet, poverty, and recession.

From your editorials you seem to hope the oil industry will prove different, even though the completed pipeline will employ about 800 people instead of the 20,000 on it during the construction period. Another economics lesson suggests why you may wish to reconsider.

There is in economic theory something called the "acceleration principle." Without going into the details, this basically shows that growth is dependent on net additions to investment. Paradoxically, you can't get a net addition to investment unless the economy is growing at an ever-faster rate. If the economy is steady, even at a very high level, disinvestment is taking place and a downturn will follow.

So, in this light, what do you make of the Mathematical Sciences Northwest Study commissioned by Alyeska which forecasts that the pipeline's economic effects will be rapid growth followed by a steady period? If you are with the brief reasoning given here, you'll agree that "rapid growth followed by a steady period" is just using other words for, what they did not want to say, "a boom and a bust." The Fairbanks experience after the "mini-boom" of 1970 is a good example of how unpleasant a "steady period" can be.

What can be done about all this? The politicians, who should have raised taxes in Alaska during the construction period to slow inflation and lowered them afterwards to encourage other industries, often have political reasons for not doing what is economically required. The creation of the permanent fund offers a pot of money big enough to be used as an economic balancing tool, despite the possibly less than appropriate actions by other elements of state government.

When Alaska is booming along quite nicely by itself, the monies in the P.F. should be invested outside the state, in order to avoid the dangers of inflation. When the tide turns, as history shows it generally does, P.F. funds should be brought back into Alaskan investments to keep the economy of the state from sliding into a depressed situation. This procedure of putting the money where it's needed may or may not increase P.F. earnings; it definitely will help the general Alaskan economy and the businesses and employees in it.

Atwood

-4-

February 28, 1977

Now, far from Alaska though I presently am, I understand that the Permanent Fund concept will remain under legislative study until next year.

There is still something to be done this year, however.

Just as the Full Employment Act of 1946 gives Congressional justification to federal agencies for their attempts at balancing the economy on the path of stable growth, so Alaska could use a similar Act to justify its future efforts in maintaining this ideal state.

Since Alaska is in any case the state with the highest unemployment rate (in most years), there is sufficient reason for the Legislature to establish the goal of full employment for all Alaskans irrespective of any consideration of the P.F. Such an Act is suggested here and in earlier letters named the "Alaska Full Employment Act."

You are quite right that this is not yet a hot topic in the legislative halls on the second floor of the Capitol. You can, however, help make it of greater interest by editorializing in its favor in the Times, a newspaper which is not only "The Largest In Alaska" but is also the most influential: copies are delivered daily to the Senators and Representatives.

Because you seem to have such a strong feeling of support for the business conditions in the state, I hope you agree that your sponsorship of an Alaskan Full Employment Act can, without once mentioning this year the relation to the P.F., set the groundwork for the Permanent Fund's eventual use in maintaining excellent business conditions on a continuing basis in Alaska.

Hope this helps explain things; if not, perhaps I'll go back to fishing in Glacier Bay or building trails through the Crazy Mountains.

Sincerely and cordially,


Joseph A. Sonneman

SCOMM

#9:38

STATE OF ALASKA

WILLIAM A. EGAN, GOVERNOR

DEPARTMENT OF ADMINISTRATION

DIVISION OF INTERNAL AUDIT

POUCH C-JUNEAU 93371

November 28, 1973

Mr. Jack Baker, Supervisor
Division of Legislative Audit

Dear Mr. Baker:

Coopers and Lybrand's audit report on the Alaska State Development Corporation was reviewed by the Department of Commerce, the agency and the Department of Administration.

The agency concurs with audit recommendations presented in the report. Comments were considered fair and presented in a helpful manner.

The matter captioned, Enabling Legislation, is presented without recommendation or solution. We will review this subject when we examine the agency for effective compliance to other comments. Since the program administrator just changed, we feel it advisable to postpone our action.

Sincerely,

Richard A. Smith

Richard A. Smith
State Internal Auditor

RECEIVED
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LEGISLATIVE
AUDIT

ALASKA STATE DEVELOPMENT CORPORATION

REPORT ON EXAMINATION OF FINANCIAL STATEMENTS
for the year ended June 30, 1973

AND

REPORT TO MANAGEMENT ON ACCOUNTING
AND OPERATING CONTROLS AND PROCEDURES

October 1973

COOPERS & LYBRAND
CERTIFIED PUBLIC ACCOUNTANTS

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COOPERS & LYBRAND

CERTIFIED PUBLIC ACCOUNTANTS

IN PRINCIPAL AREAS
OF THE WORLD

Legislative Audit Committee

The Honorable Governor of Alaska

The Board of Directors
Alaska State Development Corporation
Juneau, Alaska

We have examined the balance sheet of Alaska State Development Corporation as of June 30, 1973 and the related statement of changes in fund balances and statement of revenues and expenditures - General Revenue Fund for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The prior year financial statements, which have been restated (Note 7), were not examined by us and are included in this report for comparative purposes only.

In our opinion, the aforementioned financial statements present fairly the financial position of Alaska State Development Corporation at June 30, 1973 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Coopers & Lybrand

Anchorage, Alaska
September 28, 1973

ALASKA STATE DEVELOPMENT CORPORATION
COMBINED BALANCE SHEETS - ALL FUNDS

	June 30, 1973				All Funds	June 30, 1972 Combined
	General Revenue Fund	Development Loan Fund	Loan Loss Reserve Fund	Principal Reserve Fund		
ASSETS (Note 2)						
Current assets:						
Cash	\$ 8,740				\$ 8,740	\$ 54,151
Investments, at cost, which approximates market value (Note 6)	270,066	\$1,293,465	\$515,736	\$600,000	2,679,267	2,367,544
Current portion of development loans receivable		335,000			335,000	325,000
Current portion of notes receivable	1,694				1,694	1,600
Accrued interest receivable	62,416				62,416	75,617
Other receivables	4,924				4,924	9,811
Total current assets	<u>347,840</u>	<u>1,628,465</u>	<u>515,736</u>	<u>600,000</u>	<u>3,092,041</u>	<u>2,833,723</u>
Development loans receivable, net of current portion		3,605,204			3,605,204	4,185,386
Notes receivable, net of current portion and allowance for doubtful note of \$5,760	6,887				6,887	7,040
Furniture and equipment, at cost, net of accumulated depreciation of \$8,347 (Note 1)	827				827	827
Organization costs, net of accumulated amortization of \$35,398 (Note 1)	10,080				10,080	20,160
Bond insurance costs, net of accumulated amortization of \$99,395 (Note 1)	101,059				101,059	111,139
Interfund accounts		551,650	(551,650)			
	<u>118,853</u>	<u>4,156,854</u>	<u>(551,650)</u>	<u>-</u>	<u>3,724,057</u>	<u>4,324,552</u>
	<u>\$466,693</u>	<u>\$5,785,319</u>	<u>\$ (35,914)</u>	<u>\$600,000</u>	<u>\$6,816,098</u>	<u>\$7,158,275</u>

See notes to financial statements.

	June 30, 1973				June 30, 1972
	General Revenue Fund	Development Loan Fund	Loan Loss Reserve Fund	Principal Reserve Fund	
LIABILITIES					
Current liabilities:					
Note payable (Note 4)	\$ 95,000				\$ 95,000
Current portion of Class A revenue bonds payable		\$ 600,000			600,000 \$ 600,000
Accrued interest payable	87,771				87,771 96,521
Other accrued expenses	834				834 1,296
Foreclosure expenses payable					24,578
Total current liabilities	<u>183,605</u>	<u>600,000</u>	<u>-</u>	<u>-</u>	<u>783,605</u> <u>722,395</u>
Long-term debt:					
Revenue bonds payable (Notes 2 and 5):					
Class A, net of current portion		2,950,000			2,950,000 3,550,000
Class B		1,500,000			1,500,000 1,500,000
Class C certificates payable (Notes 2 and 3)			\$515,736		515,736 515,736
Accrued interest on Class C certificates payable (Notes 2 and 3)			84,411		84,411 74,096
Note payable, State of Alaska (Note 4)	175,000				175,000 270,000
	<u>175,000</u>	<u>4,450,000</u>	<u>600,147</u>	<u>-</u>	<u>5,225,147</u> <u>5,909,832</u>
	<u>358,605</u>	<u>5,050,000</u>	<u>600,147</u>	<u>-</u>	<u>6,008,752</u> <u>6,632,227</u>
FUND BALANCES					
Restricted	103,425		(636,061)	\$600,000	67,364 (85,132)
Unrestricted	4,663	735,319			739,982 611,180
	<u>108,088</u>	<u>735,319</u>	<u>(636,061)</u>	<u>600,000</u>	<u>807,346</u> <u>526,048</u>
	<u>\$466,693</u>	<u>\$5,785,319</u>	<u>\$(35,914)</u>	<u>\$600,000</u>	<u>\$6,816,098</u> <u>\$7,158,275</u>

COMBINED STATEMENT OF CHANGES IN FUND BALANCES - ALL FUNDS
for the year ended June 30, 1973

	General Revenue Fund		Development Loan Fund	Loan Loss Reserve Fund	Principal Reserve Fund	All Funds Combined
	Unrestricted	Restricted				
Balance June 30, 1972, as previously reported	\$ 23,640	\$113,925	\$ 671,680	\$ (814,600)	\$600,000	\$594,645
Prior period adjustments:						
1) Cancellation of Class C certificate received in bankruptcy proceeding in 1970, not previously recorded				5,500		5,500
2) Interest on Class C certificates, not previously accrued				(74,097)		(74,097)
3) Adjust unrestricted fund based on 1/12th of budgeted current expenses, as defined, for the year ended June 30, 1973	(17,380)		17,380			-
4) Partial recovery of development loan receivable previously written off, credited to Development Loan Fund instead of Loan Loss Reserve Fund			(84,140)	84,140		-
Balance June 30, 1972 as restated	6,260	113,925	604,920	(799,057)	600,000	526,048
Excess of revenues over expenditures	167,554					167,554
Transfer per Section 505 of the trust indenture	(167,554)				167,554	
Reduction in reserve for payment of principal and interest of Class A revenue bonds for the next six months		(10,500)			10,500	
Payment of Class A revenue bond principal			600,000		(600,000)	
Transfer of unrestricted funds due to the reduction of budgeted current expenses, as defined, for the following month	(1,597)				1,597	
Transfer 1/4 of 1 percent of development loans receivable balance at June 30, 1973 per Section 510 of the trust indenture			(9,850)	9,850		
Transfer 1 percent of development loans receivable balance at June 30, 1973, per Board of Directors' authorization			(39,402)	39,402		
Partial recovery of Seldovia Inn development loan receivable previously written off				20,820		20,820
Reduction of allowance for doubtful notes				83,239		83,239
Reduction of estimated foreclosure expenses				20,000		20,000
Class C certificate interest expense for year ended June 30, 1973				(10,315)		(10,315)
Transfer of funds to meet the next principal payment requirement of Class A revenue bonds			(420,349)		420,349	
Balance June 30, 1973	<u>\$ 4,663</u>	<u>\$103,425</u>	<u>\$735,319</u>	<u>\$ (636,061)</u>	<u>\$600,000</u>	<u>\$807,346</u>

See notes to financial statements.

COMBINED STATEMENT OF CHANGES IN FUND BALANCES - ALL FUNDS
for the year ended June 30, 1972

	General Revenue Fund		Development Loan Fund	Loan Loss Reserve Fund	Principal Reserve Fund	All Funds Combined
	Unrestricted	Restricted				
Balance June 30, 1971, as previously reported	\$ 26,150	\$124,425	\$512,286	\$ (790,399)	\$600,000	\$472,462
Prior period adjustments:						
1) Cancellation of Class C certificate received in bankruptcy proceeding in 1970, not previously recorded				5,500		5,500
2) Interest on Class C certificates not previously accrued				(63,781)		(63,781)
3) Adjust unrestricted fund based on 1/12th of budgeted current expenses, as defined, for the year ended June 30, 1972	(19,133)		19,133			-
4) Correction of Class C certificates outstanding previously reported as treasury shares				(60,500)		(60,500)
Balance June 30, 1971 as restated	7,017	124,425	531,419	(909,180)	600,000	353,681
Excess of revenues over expenditures	119,642					119,642
Transfer per Section 505 of the trust indenture	(119,642)				119,642	
Reduction in reserve for payment of principal and interest of Class A revenue bonds for the next six months		(10,500)			10,500	
Payment of Class A revenue bond principal			600,000		(600,000)	
Transfer of unrestricted funds due to the reduction of budgeted current expenses, as defined, for the following month	(757)				757	
Transfer of 1/4 of 1 percent of development loans receivable balance at June 30, 1972, per Section 510 of the trust indenture			(11,480)	11,480		
Transfer 1 percent of development loans receivable balance at June 30, 1972, per Board of Directors' authorization			(45,918)	45,918		
Partial recovery of development loans receivable previously written off				84,140		84,140
Class C certificate interest expense for the year ended June 30, 1972				(10,315)		(10,315)
Transfer of funds to meet the next principal payment requirement of Class A revenue bonds			(469,101)		469,101	
Write off of development loans receivable				(21,100)		(21,100)
Balance June 30, 1972	<u>\$ 6,260</u>	<u>\$113,925</u>	<u>\$604,920</u>	<u>\$ (799,057)</u>	<u>\$600,000</u>	<u>\$526,048</u>

See notes to financial statements.

STATEMENT OF REVENUES AND EXPENDITURES -
GENERAL REVENUE FUND
for the years ended June 30, 1973 and 1972

	<u>1973</u>	<u>1972</u>
Revenues:		
Interest income from:		
Development loans receivable	\$293,133	\$332,992
Time certificates of deposit	74,897	63,247
Savings and loan certificates	42,269	32,256
U.S. government securities	<u>15,837</u>	<u>8,347</u>
	426,136	436,842
Other income	<u>543</u>	<u>303</u>
	<u>426,679</u>	<u>437,145</u>
Expenditures:		
Salaries and administrative services	12,693	20,956
Bank service fees	9,653	13,903
Trustee charges	1,772	1,981
Travel and per diem	989	2,273
Insurance and bonding	548	848
Telephone and telegraph	544	705
Payroll taxes	202	786
Legal	-	9,164
Bad debt	-	10,800
Other operating expenses	164	2,525
Amortization of organization costs	10,080	10,082
Amortization of bond issuance costs	<u>10,080</u>	<u>10,080</u>
	46,725	84,103
Interest expense:		
Class A revenue bonds	\$136,600	\$157,600
Class B revenue bonds	72,000	72,000
Note payable	<u>3,800</u>	<u>3,800</u>
	<u>212,400</u>	<u>233,400</u>
	<u>259,125</u>	<u>317,503</u>
Excess of revenues over expenditures	<u>\$167,554</u>	<u>\$119,642</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

1. The Corporation:

The Alaska State Development Corporation is a tax exempt corporation created by the State of Alaska Legislature to provide development loans to encourage and assist development of new business and industry in Alaska and to rehabilitate and expand existing business and industry in the State.

The significant accounting policies of the Corporation are as follows:

- a) Furniture and equipment have been depreciated over their estimated useful lives, to their estimated salvage value, principally by the straight line method. There is no depreciation expense for the year ended June 30, 1973. Depreciation expense for the year ended June 30, 1972 is \$454.
- b) Organization costs were being amortized over twenty years by the straight line method until June 30, 1971. Beginning July 1, 1971 the remaining balance is being amortized over three years, by the straight line method. The effect of this change is to increase amortization by \$7,560 and to decrease excess of revenues over expenses by a like amount for the year ended June 30, 1972.
- c) Bond issuance costs are being amortized over twenty years (the original lives of the bond issues) by the straight line method.

2. Funds and Restricted Assets:

The Alaska statutes establish four separate funds to be operated by the Corporation; the bond trust indenture defines more specifically the composition of each fund and its function. These funds are a) the General Revenue Fund, b) the Principal Reserve Fund, c) the Loan Loss Reserve Fund and, d) the Development Loan Fund.

The assets of the General Revenue Fund are restricted to payment of current expenses, as defined by the trust indenture, and the interest on Class A and Class B revenue bonds.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

2. Funds and Restricted Assets, Continued:

The assets of the Principal Reserve Fund are restricted to payment of the current maturities of the Class A revenue bonds and, as approved by the Board of Directors, to retire Class B revenue bonds at maturity.

The assets of the Loan Loss Fund are restricted as collateral for the payment, at maturity, of the principal and accrued interest of the Class C certificates. This fund is charged with all development loan receivable losses and is credited with the proceeds of amounts recovered.

The assets of the Development Loan Fund are pledged as collateral for the Class A and Class B revenue bonds payable.

3. Class C Certificates Payable:

Borrowers of development loan funds receive 95 percent of their loans in cash and 5 percent evidenced by Class C certificates payable with interest at 2 percent. The certificates and accrued interest are subordinated to the Class A and Class B revenue bonds and mature on August 1, 1983.

4. Notes Payable:

Notes payable of the Corporation at June 30, 1973 are as follows:

Non-interest bearing note, payable to the State of Alaska at such time as the surplus of the corporation makes reimbursement possible, subordinate to all other debts of the corporation, not collateralized.

\$175,000

Note payable to Governmental Statistical Corporation at 4 percent interest, payable annually, due August 1, 1973.

\$ 95,000

NOTES TO FINANCIAL STATEMENTS, CONTINUED

4. Notes Payable, Continued:

The note payable to Governmental Statistical Corporation was assigned to a third party; the identity of the legal owner of the note at August 1, 1973 is uncertain. A \$95,000 escrow account was established on August 1, 1973 for payment of the note upon the determination of the legal owner.

5. Revenue Bonds:

Class A revenue bonds are collateralized by the full resources and credit of the Corporation and take priority in payment of principal and interest to Class B revenue bonds and Class C certificates.

The Class A revenue bonds mature serially from 1973 thru 1983 and bear interest from 3.7 percent to 3.9 percent payable semi-annually. The Class A revenue bonds are redeemable in whole or in part, under certain conditions, on August 1, 1973 and thereafter on interest payment dates at redemption prices declining from 101-3/4 percent of face value to face value on and after August 1, 1977.

The Class B revenue bonds mature August 1, 1983 and bear interest at 4.8 percent, payable semi-annually. The Class B revenue bonds are redeemable in whole or in part, and under certain conditions, on August 1, 1973 at 104 percent of face value and at each interest payment date thereafter at declining redemption prices. The Class B bonds shall not be redeemable, either in whole or in part, unless there shall have first been deposited in the Principal Reserve Fund, an amount equal to the principal amount of the three largest annual maturities of the Class A bonds.

6. Investments:

Investments owned by the corporation are as follows:

NOTES TO FINANCIAL STATEMENTS, CONTINUED

6. Investments, Continued:

	June 30,	
	1973	1972
Time certificates of deposit	\$1,890,000	\$1,500,146
Savings and loan certificates	727,230	689,223
Federal Land Bank bond		
maturing January 21, 1974	100,044	-
Federal Home Loan Bank bond		50,193
U.S. Treasury note		89,975
	<u>\$2,679,267</u>	<u>\$2,367,544</u>

7. Restatement and Reclassification of June 30, 1972 Financial Statements:

The June 30, 1972 financial statements have been restated as explained by the adjustments in the statements of changes in fund balances.

Certain amounts have been reclassified in the June 30, 1972 financial statements, principally current assets and current liabilities, to conform to the classifications presented in the June 30, 1973 financial statements.



COOPERS & LYBRAND

CERTIFIED PUBLIC ACCOUNTANTS

IN PRINCIPAL AREAS
OF THE WORLD

October 5, 1973

Legislative Audit Committee

The Honorable Governor of Alaska

Board of Directors,
Alaska State Development Corporation
Juneau, Alaska

Gentlemen:

We have examined the financial statements of Alaska State Development Corporation for the year ended June 30, 1973, and have issued our report thereon dated September 28, 1973. As a part of our examination, we reviewed and tested the Company's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. Under these standards the purpose of such evaluation is to establish a basis for reliance thereon in determining the nature, timing, and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be

circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management with respect either to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of the Company's system of internal accounting control for the year ended June 30, 1973, which was made for the purpose set forth in the first paragraph above, would not necessarily disclose all weaknesses in the system. However, such study and evaluation disclosed the following conditions that we believe to be weaknesses. Our detailed findings and recommendations are included in this report which are indexed on the following page.

Should you have any questions concerning the matters in this report or any other matter relating to our examination, we shall be pleased to discuss them at any time.

Noopus & Lybrand.

C O N T E N T S

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A) Cash receipts	1
B) Vendor's invoices	1
C) Accounting Manual	1
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I. Accounting Controls:

A. Controls over cash receipts could be improved.

We recommend that cash receipts by mail should be listed by the person opening the mail. The list should indicate date received, payee and amount. The list should later be compared to the cash receipts book listing and bank deposit slips, by someone independent of the cash receipts functions, to ascertain that all receipts are accounted for by the Company and recorded by the bank on a timely basis. These procedures are recommended to strengthen controls of cash receipts.

B. Vendor's invoices paid are not now being cancelled to indicate payment.

We recommend all invoices be appropriately marked "paid" and the check number be inserted in an appropriate space on a block stamp imprint, before the check and related invoices are routed to the check signer. All duplicate invoices should be destroyed upon receipt. This procedure should minimize the likelihood of duplicate payments.

C. An accounting manual is not now in use.

We recommend an accounting manual be prepared to provide a descriptive analysis of the accounting system and the various accounting functions. The manual should define the various items in the chart of accounts and should interpret the fund accounting regulations and restrictions as set forth in the Company's enabling legislation and trust indenture.

The advantages of such a manual are that operating and management decisions need be made only once. Without such a manual, decisions are often made at a clerical level and with turnover of personnel, the probable result is inconsistency in recording, summarizing and reporting financial data. The manual also provides a written document which can be useful in training new personnel.

I. Accounting Controls, Continued:

- D. Internal audit functions performed by corporate personnel are not formalized.

We suggest that certain reviews of clerical accounting and operating functions be made monthly by someone independent of the clerical group, and the reviews be documented by having the reviewer initial and date the documents reviewed. We suggest these reviews include the following:

- a) Review of distribution, summarization and posting of cash receipts and cash disbursed to the general ledger and subsidiary ledgers.
- b) Review of non-recurring journal entries.
- c) Review of computation and posting of standard journal entries.
- d) Review of bank reconciliations and investigation of unusual reconciling items.
- e) Review reconciliations of subsidiary records to the general ledger for development loans, interest receivable, etc.
- f) Review of funded reserves activity.
- g) Review of collectibility of receivables, particularly development loans and related interest.

II. Enabling Legislation:

During our review of the development loan portfolio, three violations of the Alaska Statutes Title 44 Chapter 59 (the enabling legislation for Alaska State Development Corporation) were noted. They are:

- a) Section 44.59.350; the present terms of the Matanuska Maid development loan results in a maturity date later than the maturity date of the Class B bonds. The

II. Enabling Legislation, Continued:

development loan receivable balance at the maturity date of the Class B Bonds approximates \$50,000 providing that Matanuska Maid, Inc. continues to amortize their loan according to the present agreement.

- b) Section 44.59.310; the loan to Mr. & Mrs. A. W. Jurgeleit is wholly owned by the Company with no participation by a lending institution.
- c) Section 44.59.380; the loans to Fourth Avenue Investments and Matanuska Maid, Inc. had principal balances at June 30, 1973 greater than ten percent of the sum of the principal outstanding on the Class A and Class B Bonds.

Neither the statutes nor the trust indenture with Franklin National Bank indicate any remedies that may be available to the holders of the Company's securities when violations of the above type occur. However, these violations are brought to your attention for your further consideration as to any corporate action you may feel necessary.

III. Trust Indenture:

- A. The Company's current policy is to carry one-twelfth of total budgeted annual expenditures (including interest) in the unrestricted portion of the General Revenue Fund. The unrestricted portion of the General Revenue Fund should have a balance equal to the ensuing month's budgeted current expenses as defined in the trust indenture. This definition makes no mention of interest on Class A and Class B bonds and Class C certificates as being a part of current expense. The restricted portion of the General Revenue Fund has subaccounts which contain provisions for the Class A and Class B bond interest. The Class C certificate interest is provided for in the Loan Loss Reserve Fund.

Continued

III. Trust Indenture, Continued:

We recommend that accounts in the General Revenue Fund be related to the governing definitions and trust indenture requirements.

- B. The trustee is not sending a duplicate copy of a certificate of cremation of all matured and paid bonds to the Company as is required by Section 509 of the Trust indenture.

We recommend that the Company contact the Franklin National Bank and ask them to comply.

IV. Class C Certificate Accrued Interest:

The interest accruing on Class C certificates has not been recorded as a liability on the books of record of the Company and the current year expense is not included in the annual budget. The Alaska statutes and interpretations thereof by the Alaska Attorney General's Office, indicate that the interest on Class C certificates is a liability of the Company.

We recommend that interest on Class C certificates be accrued and recorded monthly even though it is subordinate to the principal and interest on the Class A and Class B bonds and principal of the Class C certificates.

V. Fund Accounting:

The enabling legislation and trust indenture of the Company establish certain funds and set forth certain accounting requirements and restrictions on the assets of these funds. At present the Company is partially following fund accounting by proper segregation of fund balances and funded reserves.

Continued

V. Fund Accounting, Continued:

We recommend that the assets and liabilities of the Company be identified with their respective funds and the designated amounts be noted in the general and subsidiary ledgers.

The purpose of fund accounting is to insure proper recording and reporting of pledged and trust assets as required by the trust indenture for the holders of the Company's securities.

SCOMM

#9:39

STATE INVESTMENT ADVISORY COMMITTEE

MEETING

October 13, 1976

Anchorage, Alaska

Reported By
TAKU REPORTERS

FRANCES B. SANDERS
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JUNEAU, ALASKA 99801

1 STATE INVESTMENT ADVISORY COMMITTEE

2 October 13, 1976

3 Anchorage, Alaska

4
5 Chairman Eric Wohlforth called the meeting to order
6 at approximately 9:45 a.m. on Wednesday, October 13, 1976,
7 in the Conference Room, Department of Revenue, 509 West
8 Third, Anchorage, Alaska.

9 Members present were:

10 Dr. Logsdon, Associate Director, Agricultural Experi-
11 ment Station, University of Alaska, Palmer.
12 Mr. Eric Wohlforth, Attorney at Law, Anchorage
13 Robert Barnes, President, Alaska State Bank, Anchorage
14 Mr. Dennis Waldock, Foster & Marshall, Anchorage
15 Mr. Martin Pihl, Vice President and Comptroller,
16 Ketchikan Pulp Company, Ketchikan
17 Mr. Robert Thorstensen, Petersburg Fisheries, Inc.,
18 Petersburg
19 Jim Edenso, Deputy Commissioner, Department of Revenue
20 Mr. Jamie Love, Alaska Public Interest Research
21 Group, Anchorage
22 Mrs. Lanie Fleischer, Anchorage
23 Representative Hugh Malone, Kenai
24 Representative Richard Urion, Anchorage
25 Representative Clark Gruening, Anchorage
Langhorne Motley, Commissioner, Department of Commerce
R. LeResche, Office of Governor, Juneau

Absent Members:

Mr. Emil Notti, President, Alaska Native Foundation,
Anchorage
Mr. Robert McFarland, First Federal Savings & Loan,
Anchorage
Senator John Burtrovich, Fairbanks
Senator Jalmar Kerttula, Palmer
Senator John Sacket, Fairbanks
Andrew S. Warwick

1 Others present were:

- 2 Peter B. McDowell, Price Waterhouse
- 3 Paul Dodson, Alaska Dept. of Revenue
- 4 Vincent Wright, Alaska Dept. of Revenue
- 5 Carol A. Greil, Area Realtors, Inc.
- 6 Dona K. Lehr, Policy Development & Planning
- 7 Kenneth Jensen, Arthur D. Little, Inc., San Francisco
- 8 Ken Butler, White, Weld & Co., San Francisco
- 9 Gary Larson, Price Waterhouse & Co.
- 10 L. Patrick Oden, White, Weld & Co.
- 11 Charles J. Fuhrmann, White, Weld & Co.
- 12 Jack O'Quinn, Alaska Oil & Gas Assn.
- 13 William Batko, Institute for Local Self-Reliance
- 14 Lisa Jorgenson, AKPIRG
- 15 Dan Regis, Price Waterhouse & Co.
- 16 Bradford Tuck, Fed/State Land Use Planning Commission
- 17 Susan Andrews, Anchorage Times
- 18 Paul Engelman, Fed/State Land Use Planning Commission
- 19 Thomas R. Packer, Alaska National Bank
- 20 Dave Rose, Bond Bank Authority
- 21 Jim Weber, BLM - State Office
- 22 Jim Rhode, Staff, House Finance Comm.
- 23 Frank Reed, Jr., Dean Witter & Co.

24 Advisee:

25 Sterling Gallagher, Commissioner, Department of Revenue

1 MR. WOHLFORTH: We're calling the meeting to order.
2 My name is Eric Wohlforth, I'm pinch-hitting for Bob McFarland,
3 the Chairman, who is embarking on a round-the-world cruise
4 for some seven weeks and left yesterday. The first item of
5 business on the agenda is opening comments by Commissioner
6 Gallagher.

7 There is a sheet being passed around the room for
8 convenience. If you can simply sign your name when it reaches
9 you, or print your name, your firm, unless you're a member
10 of the Committee, and your address, it will be helpful.

11 So we'll now hear Commissioner Gallagher's opening
12 comments.

13 MR. GALLAGHER: I would like to welcome you all to the
14 second meeting of the State Investment Advisory Committee con-
15 cerning the establishment of the proposed Permanent Fund.
16 The last meeting served to introduce the new members of the
17 Committee and to initiate the process of establishing the
18 Permanent Fund. This meeting will allow the Committee the
19 opportunity to begin evaluating the work currently being under-
20 taken by the Consultants for the Permanent Fund.

21 Bob Richards will further describe the State's economy
22 by providing a sectional analysis of each segment. His input
23 will allow the Committee to begin focusing on the potential
24 investment opportunities available in Alaska. Information
25 of this nature will be useful for considering investment

1 policy.

2 Price Waterhouse will present their report on the
3 organizational structure, management and control of existing
4 funds which currently undertake the administration, management,
5 and investment of large development projects. Their report
6 compares the characteristics of funds which are similar in
7 nature to the proposed Permanent Fund, e.g., the limitation
8 which permits only income earning investments.

9 White, Weld and Company will present their report on
10 existing permanent funds. Characteristics of these funds
11 will be reviewed and outlined for the Committee.

12 The Governor has asked the State Investment Advisory
13 Committee to actively pursue the establishment of the Perma-
14 nent Fund. This Committee was expanded to include a broader
15 base of Alaskans to provide a greater breadth of ideas and
16 input for establishing the Permanent Fund.

17 There has been some concern expressed in the news
18 media that the State Investment Advisory Committee has become
19 a "powerful board." This is a basic misunderstanding of the
20 State Investment Advisory Committee. The State Investment
21 Advisory Committee is mandated by statute to advise the Com-
22 missioner of Revenue on investment policy for the State's
23 funds. The use of the State Investment Advisory Committee
24 for the Permanent Fund is an exception and its expansion is
25 intended to be temporary. Upon the event that the Permanent

1 Fund is established, it is anticipated that the State Invest-
2 ment Advisory Committee will return to its previous status.

3 There has been much concern expressed concerning the
4 goals of the Permanent Fund. Let me share with you at this
5 time my view on the potential goals of the Permanent Fund.
6 Briefly, I see three major goals of the Permanent Fund.

7 The Permanent Fund could have as one of its goals the
8 strengthening of the State's economic base. This could be
9 accomplished by adopting policies for the investments which
10 tend to stabilize the economy, a flattening out of the so-
11 called peaks and troughs in the economy. Investments into
12 renewable resources using non-renewable resource funds will
13 help future economic conditions. Policies which tend to
14 reduce the seasonality of employment would provide greater
15 employment opportunities for more Alaskans. The benefits of
16 the Permanent Fund should reach a broad population base of
17 the State.

18 A second goal could be to provide assistance in the area
19 of community development. This idea falls within the broad
20 population based concept. Assistance in communication develop-
21 ment, housing assistance and other socially related programs
22 could be the goals for the permanent fund.

23 Finally, a third goal could be to support the "savings
24 account" concept. This would affect the economic growth of
25 the State and allow for greater selectivity and participation

1 in future development. Additional benefits could be derived
2 from direct earnings received on the funds. Finally, this
3 could provide a "cookie jar" for the occasional rainy day.

4 Many people have expressed concern for safeguarding
5 the funds. There are many ways of developing safeguards, and
6 some of these have been traditionally used by other organi-
7 zations with similar responsibilities. Safeguards are generally
8 provided procedurally through the management and control of the
9 organization.

10 Management provides safeguards by building checks and
11 balances into the decision-making process, e.g., a loan com-
12 mittee in a bank; limited lending authority; banking and
13 cash handling procedures, etc. A further control is the use
14 of generally accepted accounting reporting and auditing pro-
15 cedures. Annual audits are a very effective check on manage-
16 ment activities which enhance greater control procedures.
17 Further, public reporting requirements on a regular basis
18 greatly inhibit the misuse of funds.

19 A brief review of our activity will establish that
20 there is a major effort by the State to establish the Per-
21 manent Fund: the cooperation between the administration and
22 the legislature in establishing the Permanent Fund; the use
23 and expansion of the State Investment Advisory Committee as a
24 human resource pool to develop the Permanent Fund; the hiring
25 of consultants to provide research and data relevant to the

1 development of the Permanent Fund; and the use of the public
2 forum, the Alaska Growth Policy Board, to carry the dialogue
3 of the Permanent Fund to the general public.

4 MR. WOHLFORTH: Thank you, Commissioner. Before we
5 get to the next item, I think Mr. Edenso wants to make a few
6 remarks to the members of the Committee about the materials
7 which are here today.

8 MR. EDENSO: Before we start the meeting formally
9 beyond this point, I'd like to find out if the members of the
10 Committee, all of you have received copies of the Price
11 Waterhouse report and the White, Weld report as well as a
12 copy of the agenda.

13 MR. LOVE: I just got mine this morning and I didn't
14 have a chance to really review it.

15 MR. EDENSO: The reason we're concerned, I'd like to
16 point out that Alaska Airlines has posed some problems for
17 delivering the reports and delivering the mail through South-
18 eastern and through Anchorage actually. The White, Weld
19 report took six days to get here, and that was by special
20 messenger. So we did have some difficulties in distributing
21 and obtaining the report. However, if you are missing the
22 agenda and a copy of the reports, I do have a couple extra
23 reports with me and if I run out I'd be happy to provide
24 those to you at a later point.

25 MR. WOHLFORTH: Thank you. We will appropriately now

1 formally convene the meeting of the State Investment Advisory
2 Committee, and the Chair does note the presence of a quorum
3 (the Acting Chair).

4 The item of business next before you is adoption of
5 the minutes of the August 26 meeting which have been in your
6 hands for some time, and I'll entertain a motion for their
7 adoption.

8 MR. LOGSDON: I so move.

9 MR. WALDOCK: I'll second that.

10 MR. WOHLFORTH: Is there any discussion? If not, all
11 those in favor of adoption signify by saying "aye."
12 Contrary? They are adopted.

13 The next item of business is slightly out of order
14 on the agenda, but I've been advised it would be convenient
15 to turn to Mr. Vince Wright, who I believe is Director of
16 Research for the Department of Revenue, to give an update on
17 revenue projections -- if he's ready to go.

18 MR. WRIGHT: Yes. Each quarter the Department of
19 Revenue publishes what we call a Revenue Journal. In that
20 Journal we feature what we consider to be the results of
21 vital research efforts. This particular Journal is devoted
22 to Permanent Funds. Now, in presenting this thing we are
23 not advocating any ideas whatsoever. We're simply presenting
24 a series of thoughts, concepts and ideas that council members,
25 administration and the legislature have developed over a

1 period of time in relation to the Permanent Fund concept. .
2 The idea is just to get thoughts out to the voters, such
3 that he or she can comment on them, scrutinize them, perhaps
4 develop them a little further.

5 The numbers on the back of the Journal here are an
6 update of the charts that I presented last time. Now, in
7 these projections what we have done is listed those items
8 that Joint Resolution No. 39 has specified as being quali-
9 fiable for the Permanent Fund monies. Right now the amend-
10 ment reads at least twenty-five percent, and I stress that --
11 at least twenty-five percent of State oil royalties, State
12 gas royalties, Federal royalties, mineral lease rentals and
13 bonus sales will be set aside for Permanent Fund purposes.

14 Now, on page nine we have listed these items in
15 numerical amounts that are attributable to each one of these
16 categories by year commencing in FY 77 and going out through
17 fiscal year '85.

18 On the second page over, immediately on the back, page
19 ten, which is titled "Permanent Fund Analysis at 25% Contri-
20 bution Rate" we have calculated what the actual contribution
21 rate would be on a per year basis in the third column there.
22 The last column, we have simply accumulated those figures,
23 so that you see by fiscal year '85, based on 25% contribution
24 rate you're now calculating to roughly 1.8 Million Dollars
25 with the accumulated permanent fund.

1 Now, in developing these projections there are many
2 assumptions that go into them such as pricing of oil, thrupt
3 assumptions, tariff rates, etc., and due to the changing
4 conditions out there in the real world we constantly have
5 to update these figures. I would like to, in conception
6 terms, indicate how we derived wellhead value. I don't want
7 to get into the numbers. I think the numbers are going to
8 be constantly changing. For those of you who are not familiar
9 with wellhead value and its importance, I would like to go
10 into it.

11 It's on the basis of wellhead value that we determine
12 our royalties; it's 12-1/2 percent. You start out first of
13 all with what we call refinery products. In this case we're
14 assuming what we call OPEC prices, world-wide prices. We're
15 adopting Saudi, Arabian crude prices, and from that we sub-
16 tract what we call a series of tariff rates. There are
17 various tariffs. For example, you have the tax tariff, which
18 represents the line itself, you have the tanker tariffs.
19 The tanker tariffs, in this case one set coincides with
20 shipment from Valdez to Long Beach. The third set of tariffs
21 in this particular instance, for a six-month period we have
22 assumed to be connected with the Panama Canal route. We're
23 assuming that for a six-month period we're going to ship oil
24 through the Panama Canal.

25 The fourth set of tariffs we've identified with what

1 we call the SOHIO line project. In other words, assuming
2 that everything is approved, there will be a line running from
3 Long Beach to Midland, Texas. Now, what that line consists
4 of is partially an El Paso gas line which El Paso has agreed
5 to convert to an oil line should the FPC approve it, and it
6 also consists of two hundred miles of new line that have to be
7 built across Southern California.

8 Now, all those items in the tariffs, we crank those
9 out and you've got refinery prices and we derive what we
10 call wellhead value. From that wellhead value you then take
11 your royalties, which amount to 12-1/2 percent.

12 If you have questions in regard to anything in the
13 Journal at this time around you can call us down there at
14 the Department of Revenue. It might take some time to digest
15 what is in the Journal today. Are there any questions right
16 now?

17 MR. MOTLEY: What was the allocation for going
18 around the Panama Canal, how much did that add to the bill?
19 I didn't see that.

20 MR. GALLAGHER: It's Seventy-Five Cents, Tony, to
21 Long Beach, and it's probably about a Dollar, another Dollar
22 to the East Coast, about a Dollar Sixty, Dollar Seventy-Five.
23 Other tariff is Two Dollars and Twenty, so that's about
24 Forty-Five, Fifty Cents.

25 MR. MOTLEY: Just for the Panama Canal?

1 MR. LAGHER: It adds about Forty-Five or Fifty
2 Cents by taking it through the Panama Canal.

3 MR. MOTLEY: Past Long Beach?

4 MR. GALLAGHER: Past Long Beach and going by water.

5 MR. REED: So you end up with, you're saying, about
6 a Dollar Fifteen to a Dollar Twenty by the time you get to the
7 East Coast; is that it?

8 MR. GALLAGHER: No, I'm saying a Dollar Sixty to
9 Two Twenty.

10 MR. REED: I thought it was Seventy-Five Cents to
11 Long Beach.

12 MR. GALLAGHER: That's right, then there's another
13 tariff, an additional tariff, if you're taking the surplus
14 oil to ---

15 MR. MOTLEY: In other words, let's say Fifty Cents
16 roughly through the Panama Canal.

17 MR. GALLAGHER: Added to that. I said it totals a
18 Dollar Seventy-Five for surplus oil going to Pad 3. It would
19 be Seventy-Five Cents to Long Beach, and if you go by sea
20 to Pad 3, Two Dollars and Twenty Cents.

21 MR. REED: What's Pad 3?

22 MR. WRIGHT: Petroleum District Number 3, which is
23 Midland, Texas.

24 MR. MOTLEY: It's the Gulf area.

25 MR. GALLAGHER: Most of the Saudi crude is based on

1 shore. It's the closest market, Two Twenty, where you can
2 displace Saudi crude.

3 MR. LOGSDON: I'd like to commend the Department of
4 Revenue for the picture on the front of your Journal, of the
5 oat and pea silage in the shadow of Byers Peak. I think
6 that's very nice, especially with "Permanent Fund" written
7 across the front of it.

8 MR. WRIGHT: We had Senator Kerttula in mind here.

9 MR. WOHLFORTH: Thank you. If you would identify
10 yourself before you speak, it would be helpful to the secretary.
11 There is a verbatim transcript of these minutes taken.
12 It was Dr. Logsdon that just spoke and made the comments about
13 the picture on the Revenue Journal.

14 MR. WRIGHT: Are there any other questions about the
15 Journal?

16 MR. LOVE: What would happen -- I mean, have you got
17 really any projections on this, what would happen if the tax
18 rate was changed drastically? I guess there's an area that
19 taxes will go into this, or something, the net effect.

20 MR. WRIGHT: That is correct, taxes do not go into
21 this, only percentages of royalties.

22 MR. LOVE: Would that affect the royalties or anything?

23 MR. WRIGHT: Let's put it this way, depending on which
24 route the oil goes, the tariff rates can be affected. There-
25 fore, wellhead value can be affected, therefore, royalties.

1 MR. LOVE: I'm talking just about the question of
2 Alaska State taxes.

3 MR. WRIGHT: The tax doesn't.

4 MR. WALDOCK: Dennis Waldock. Sterling, have you taken
5 any consideration into shipping any of this excess oil, rather
6 than through the Panama Canal, until this new line is built
7 over to Midland, Texas -- have you taken into consideration
8 of shipping it over to Japan and what the savings would be
9 by exchanging of shipping oil to Japan by going ahead and
10 exchanging oil with the Middle East coming to the East Coast?

11 MR. GALLAGHER: We have done projections on that.
12 There is a considerable savings to the State. The advantage
13 to the United States is very minimal because, of course, you
14 just displace the Saudi crude. You know, there may be a great
15 savings to the United States, but there is no very large net
16 savings to the U. S. because the oil is shipped. Just
17 different people get it, the income. In one case shippers
18 seem to get the money, or pipeline companies, and in the
19 other case it would go to the owners of the property. We,
20 being an owner, would receive quite an income differential,
21 but the nation as a whole would not get that much difference.

22 MR. WALDOCK: Do you know any statistics on how much
23 it would save us, the Alaskan people?

24 MR. GALLAGHER: The tariff roster in our office, which
25 is the Saudi, Arabian report for oil to Japan versus this

1 world tanker rate from Valdez to Yokohama, there's about a
2 Nine Cent differential per barrel. I'm saying the advantage
3 to the Japanese is somewhere around Nine Cents. I'm saying
4 that the advantage to the Japanese of trade is about Nine
5 Cents a barrel, us versus Saudi, Arabia.

6 MR. LOVE: These are preliminary figures, aren't they?

7 MR. GALLAGHER: You know, the whole tariff to Long
8 Beach is only Seventy-Five Cents under the American flag. If
9 you're talking other flags, you're talking about lower rates,
10 but Japan isn't that far away.

11 UNIDENTIFIED: When you're talking about Seventy-Five
12 Cents, that's the tanker tariff, that's not including the
13 TAPS tariff?

14 MR. GALLAGHER: That is correct.

15 UNIDENTIFIED: What is an estimate for the TAPS tariff?

16 MR. GALLAGHER: TAPS tariff is Five Twenty-Five down
17 to Three Fifty, depending on the thruput -- in the Five
18 Twenty-Five range.

19 MR. WOHLFORTH: If there are no further questions,
20 questions may occur to members or others during the course
21 of the meeting, there will be time later as you've had a
22 chance to further digest the report and some of the statements
23 from Commissioner Gallagher and Mr. Wright. If there are
24 no further specific questions, or if neither of them have
25 anything further to say at this point we turn to Mr. Bob