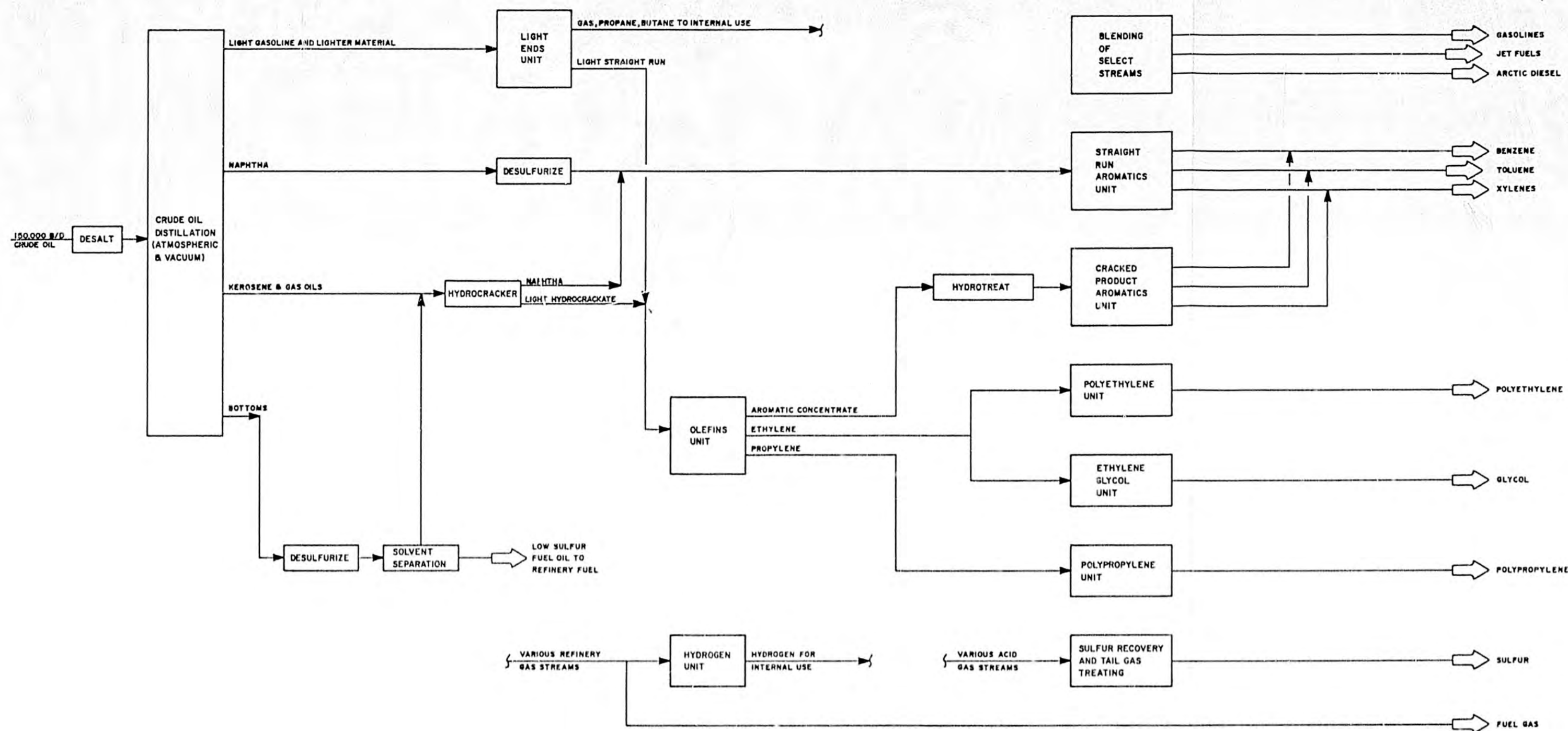


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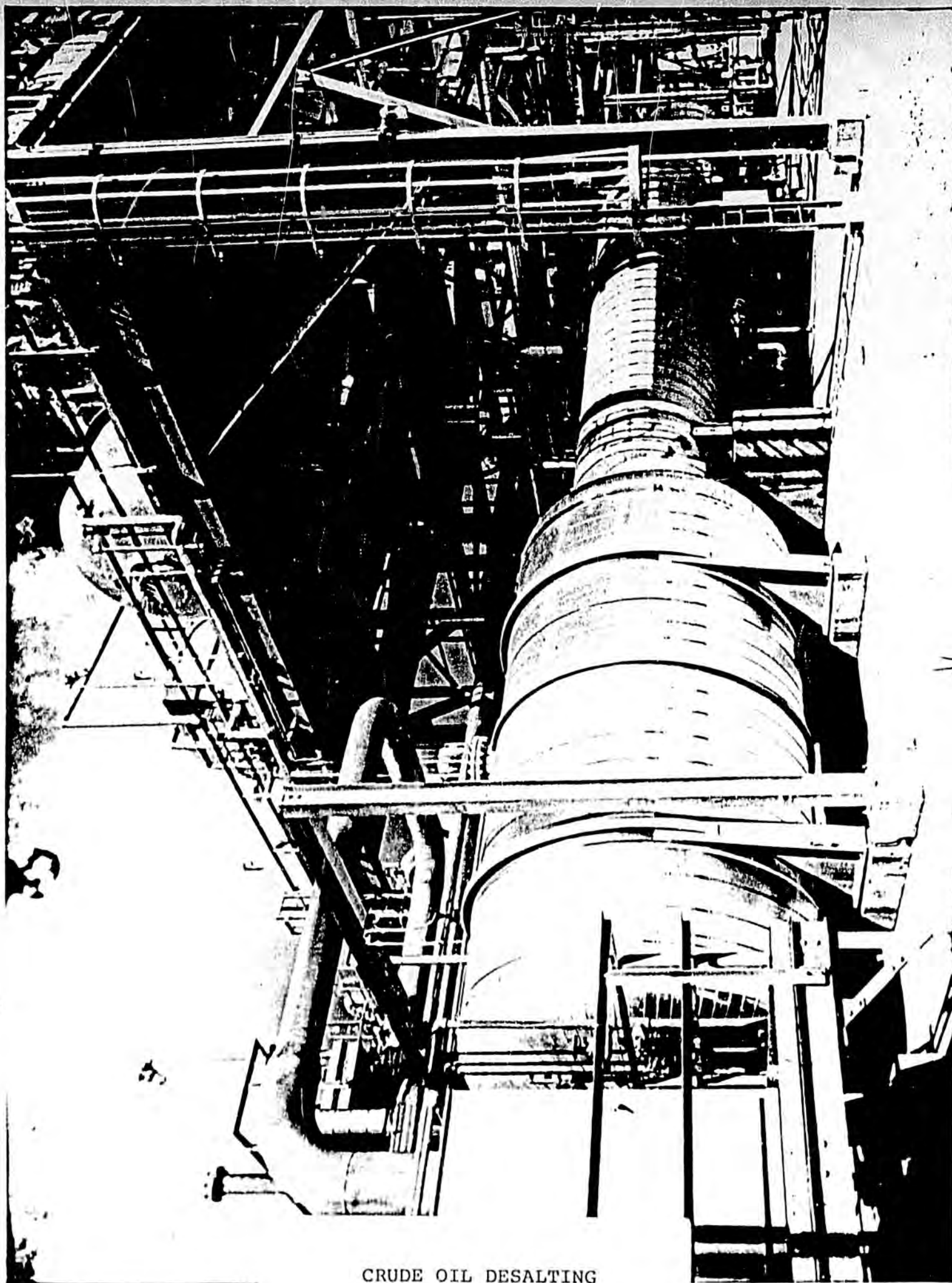
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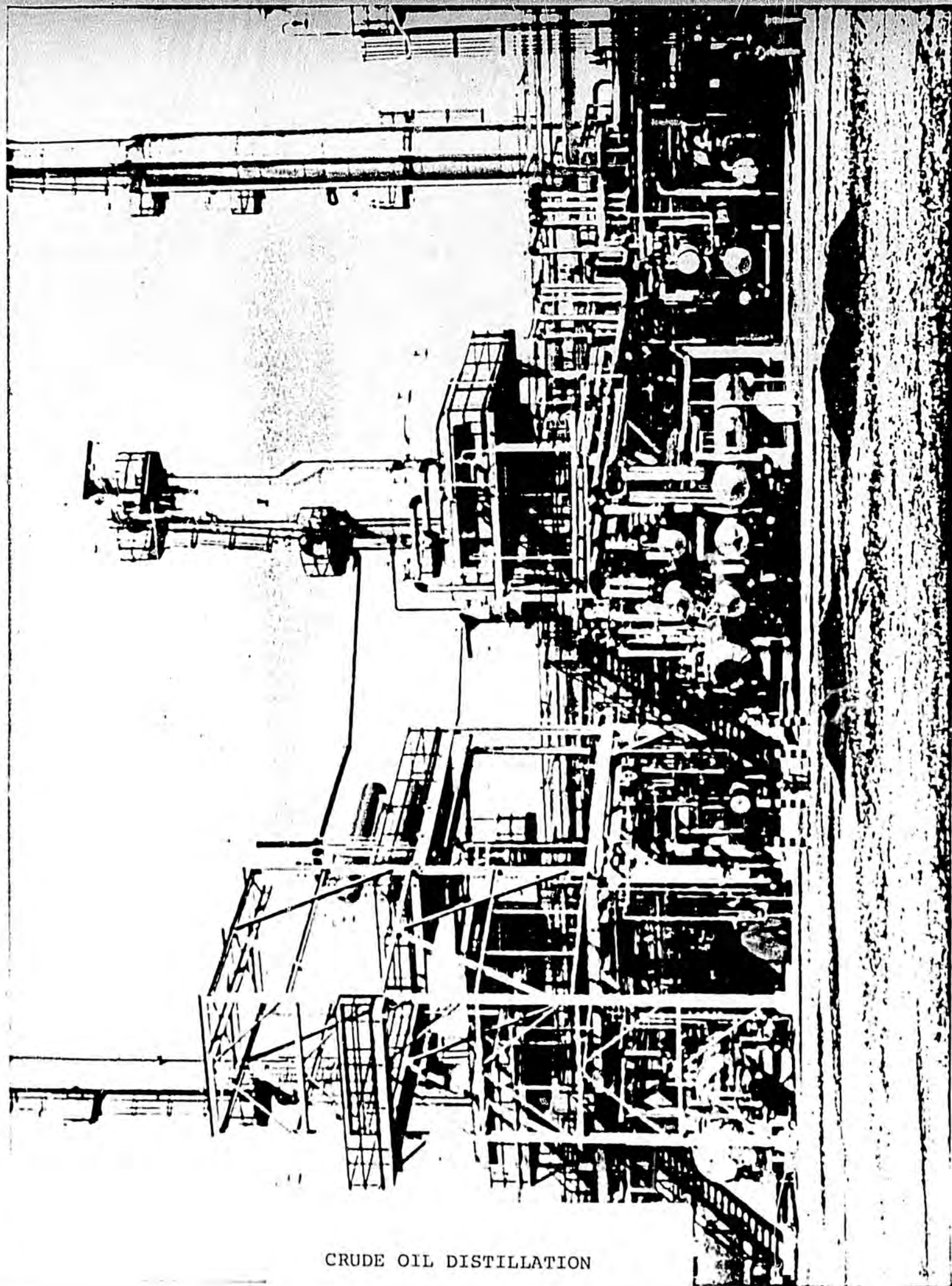
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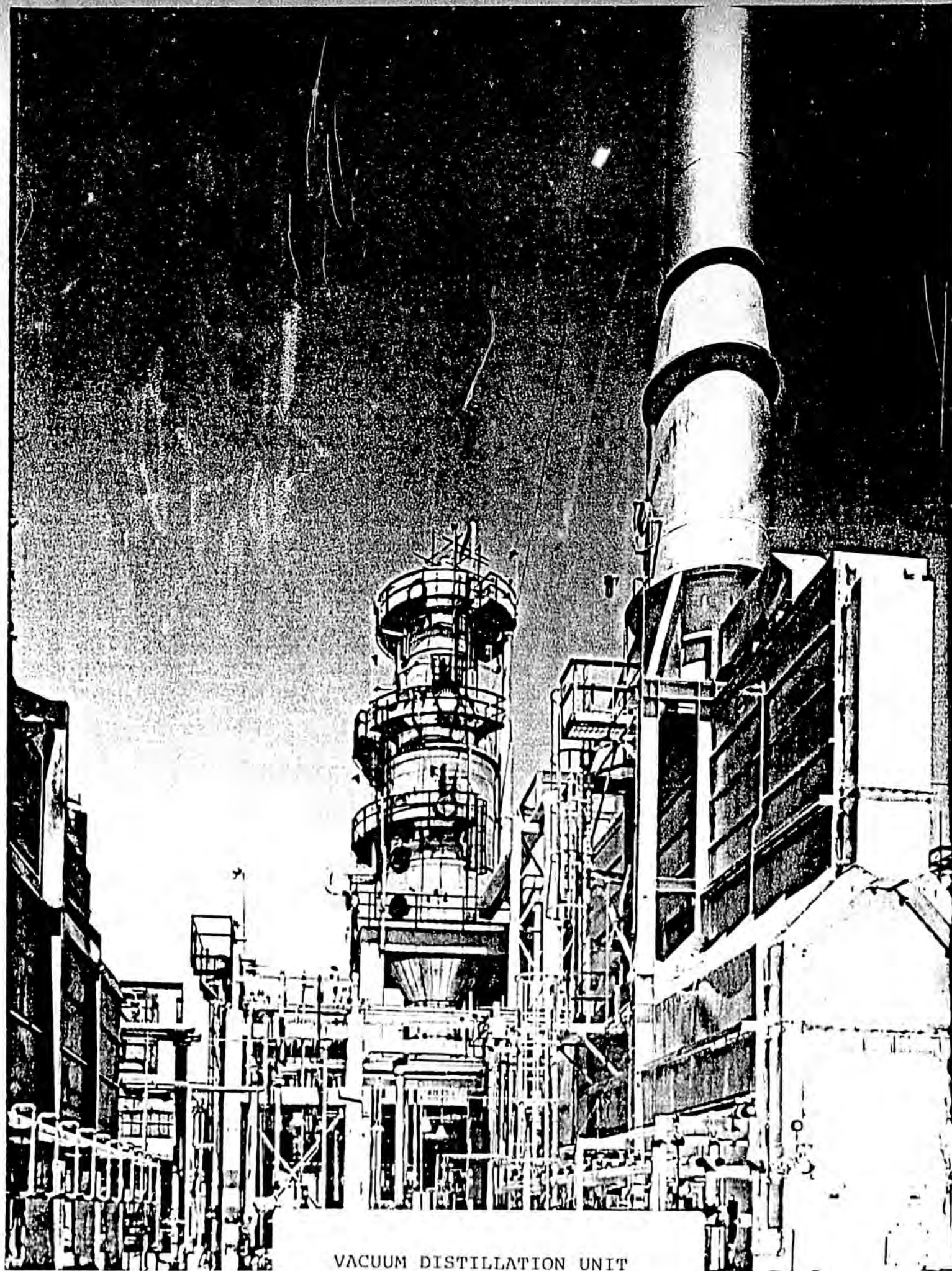
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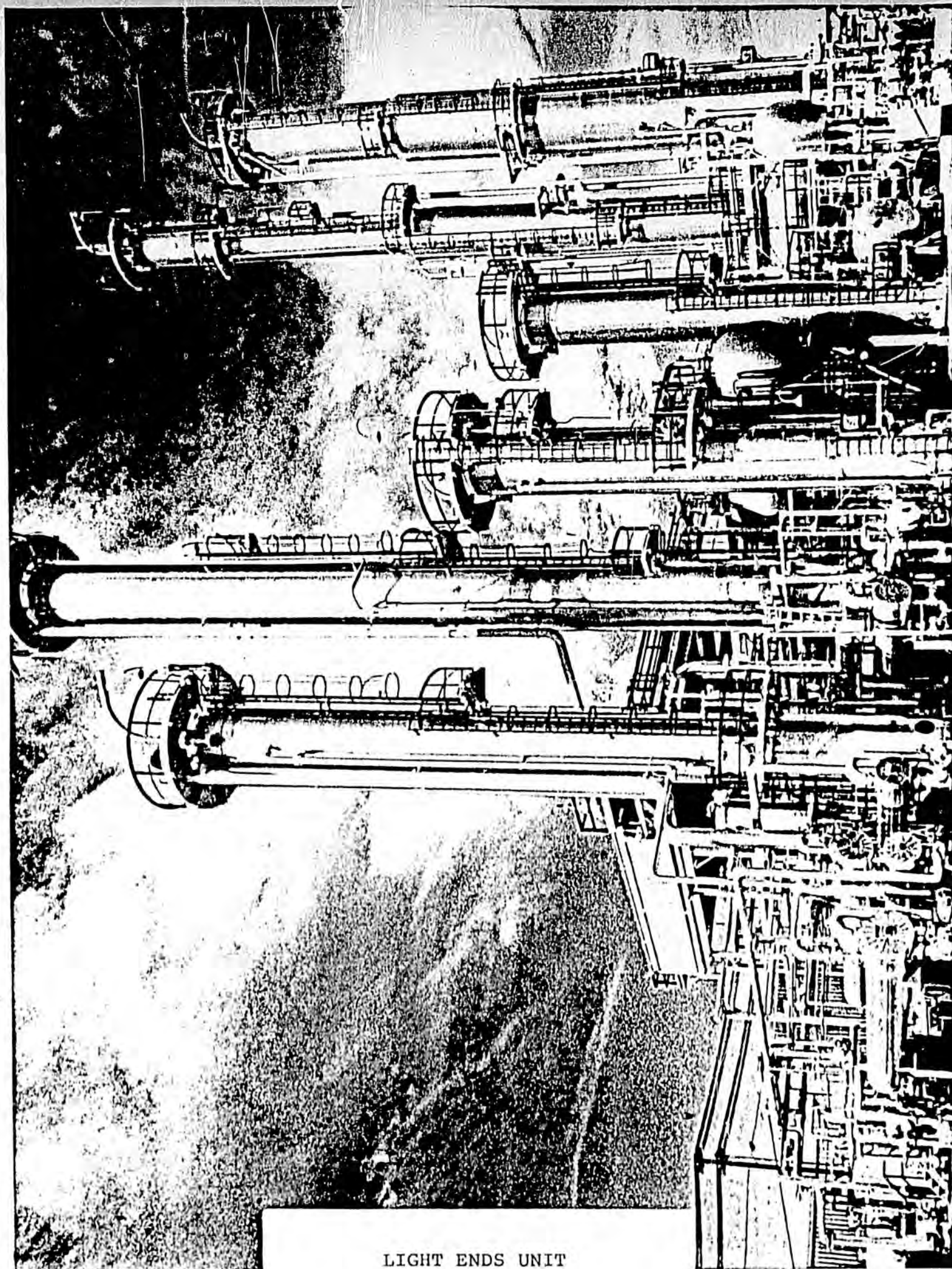
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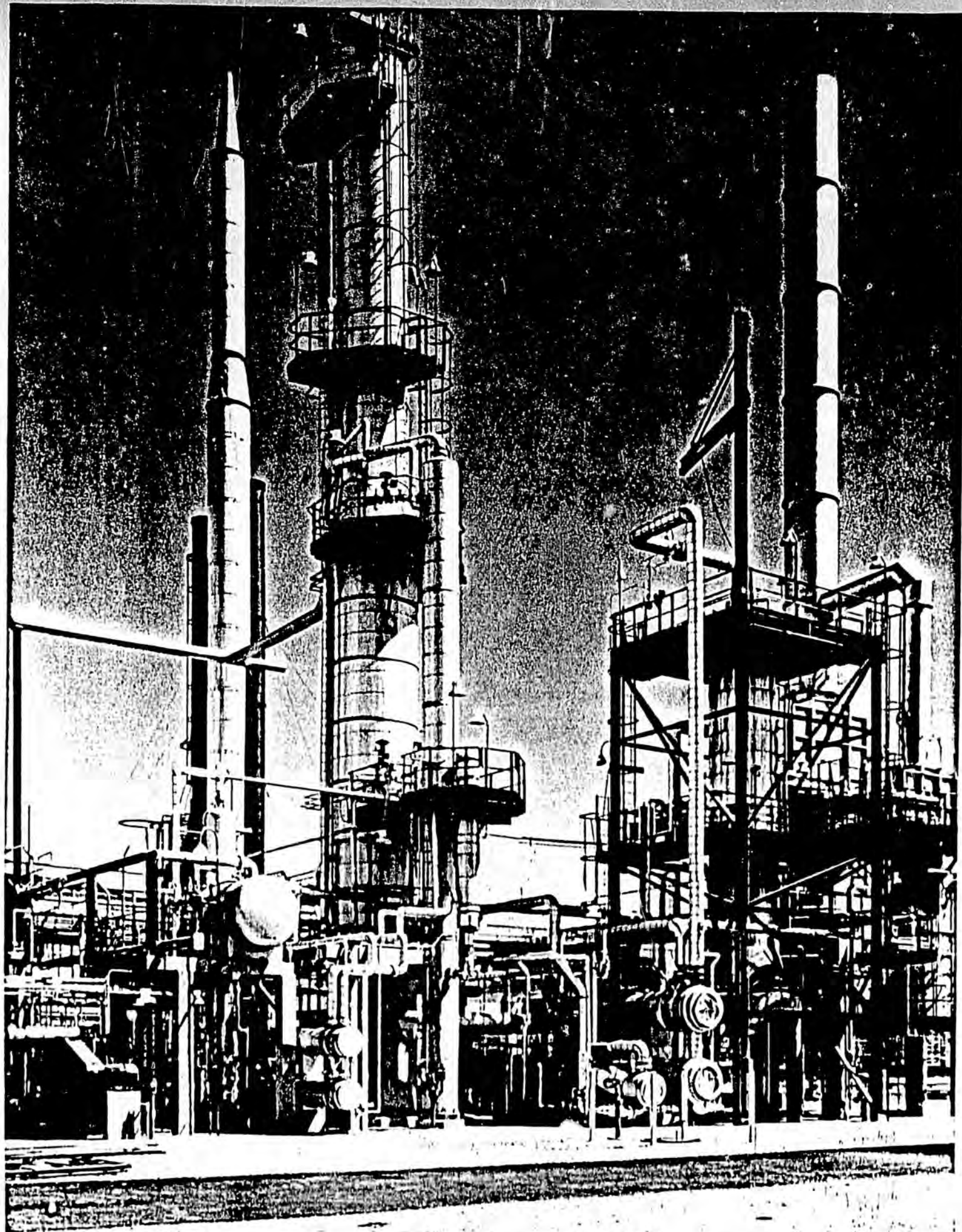
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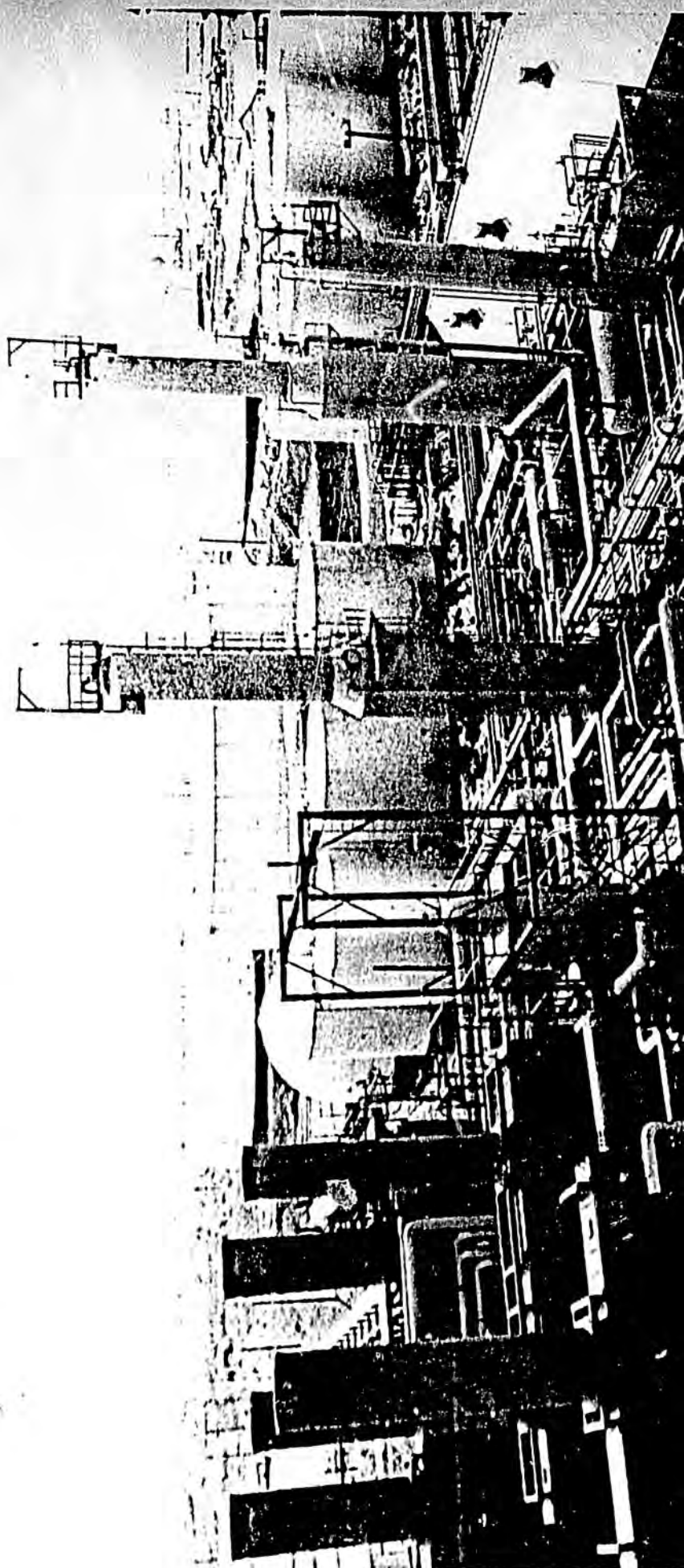
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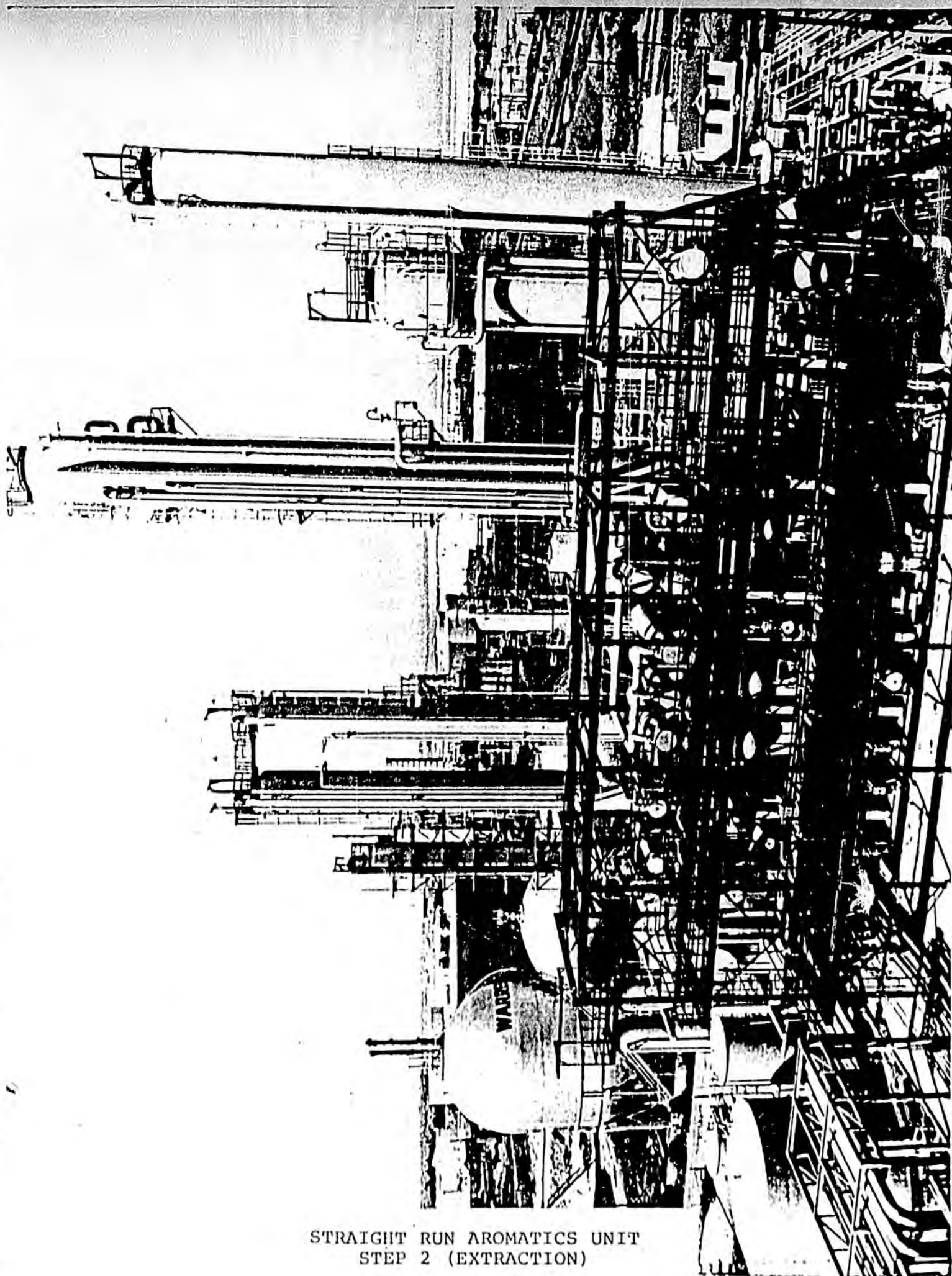
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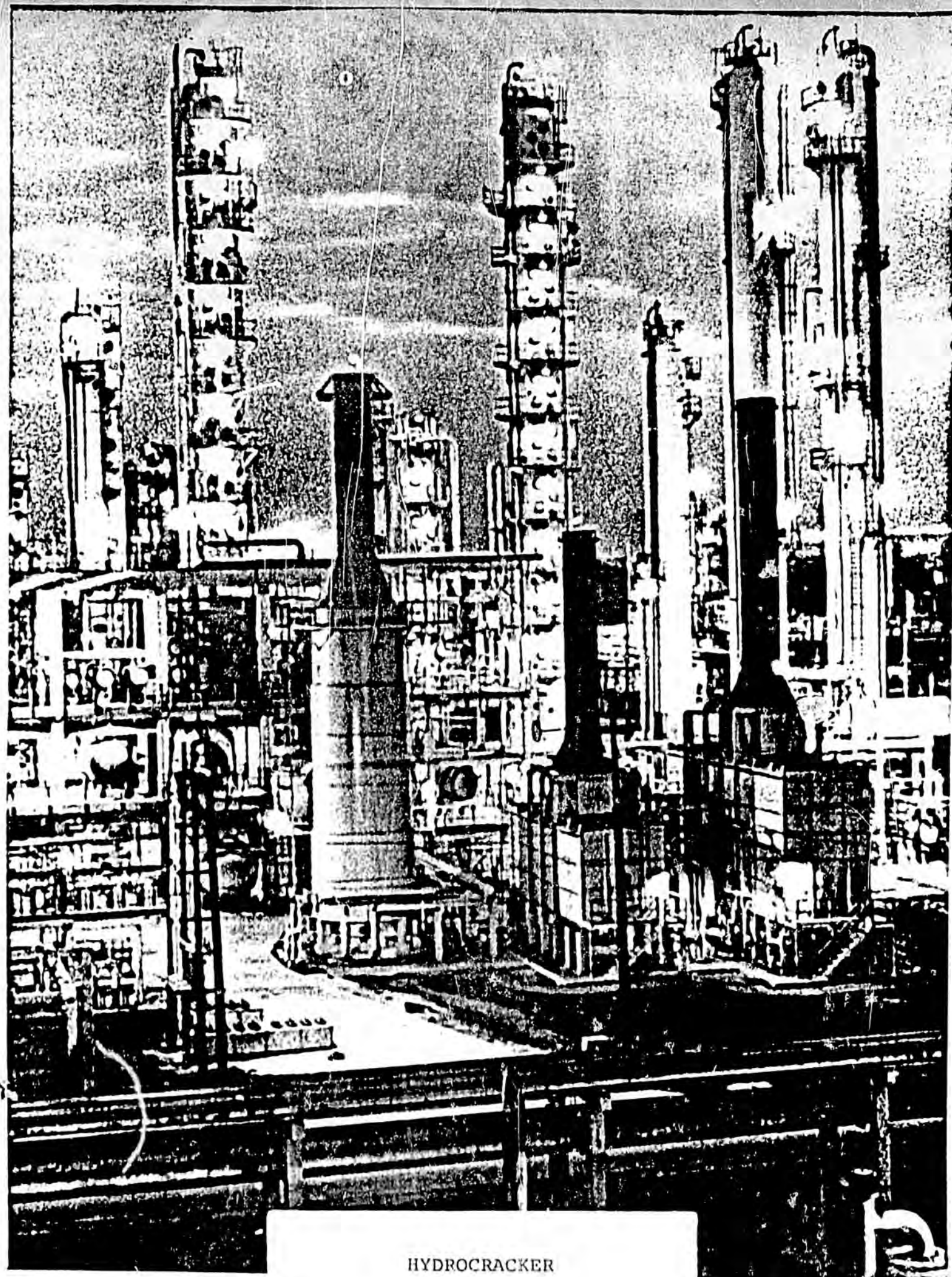
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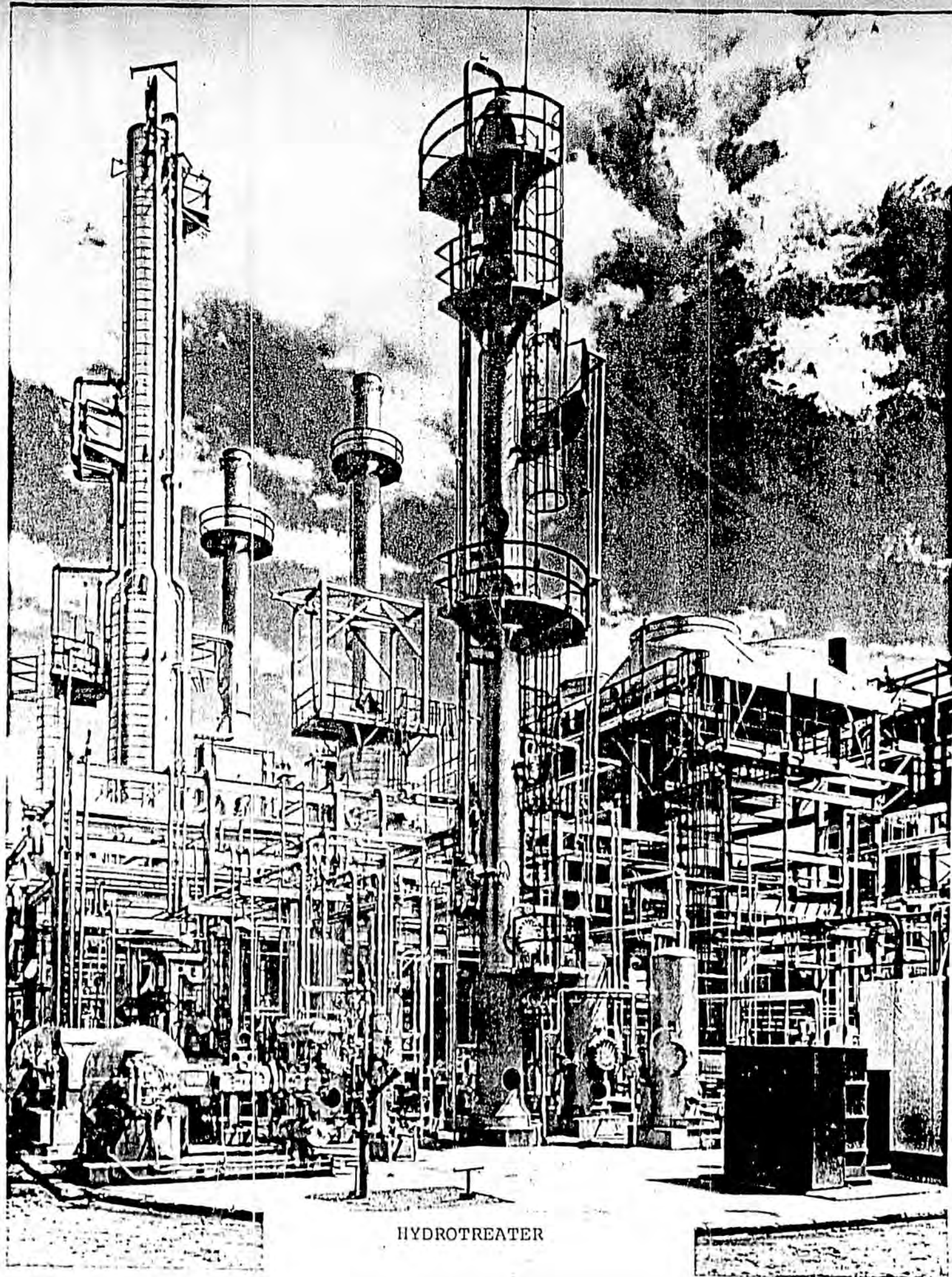
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STEP 1 (REFORMER)



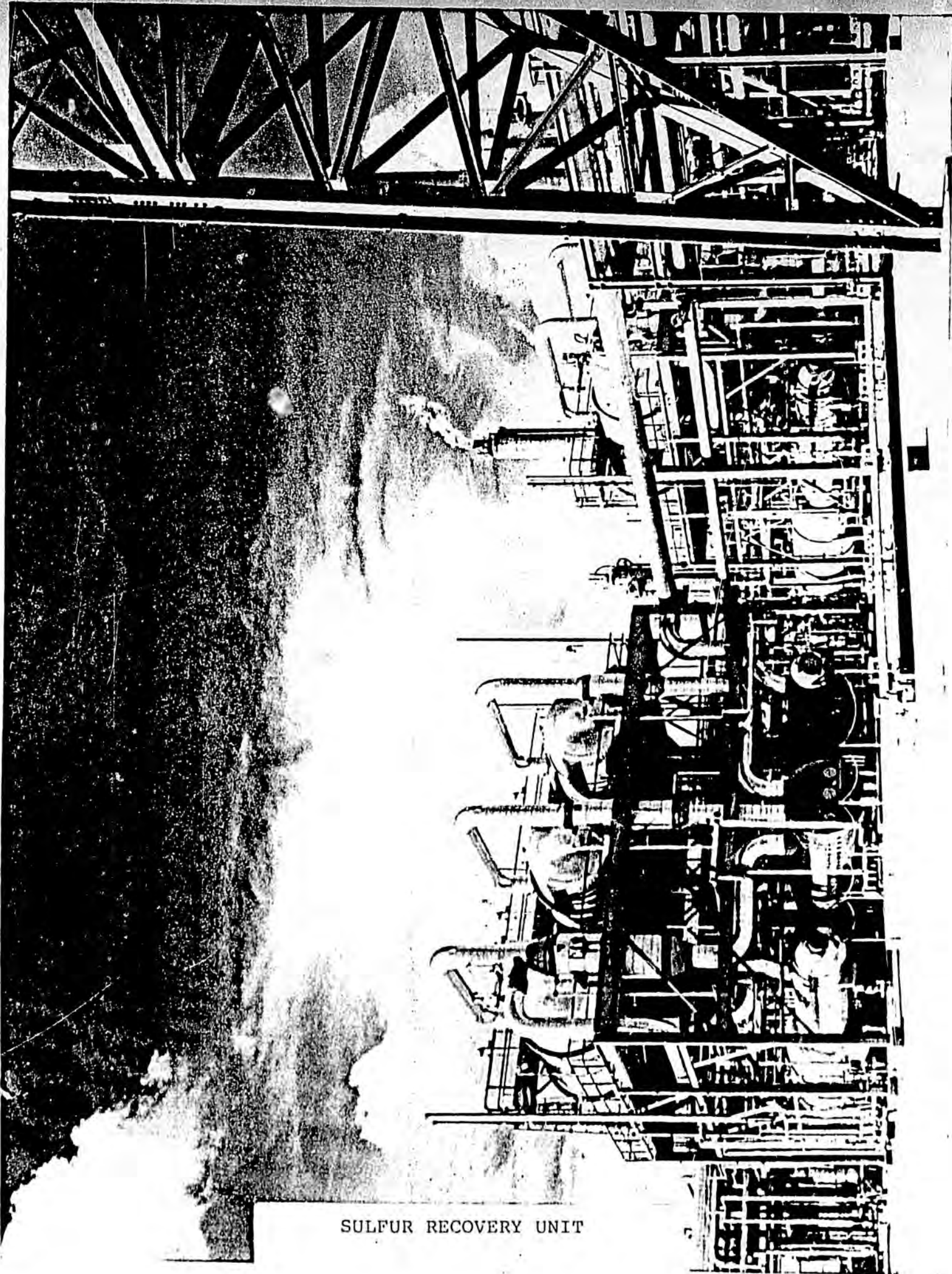
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STEP 2 (EXTRACTION)



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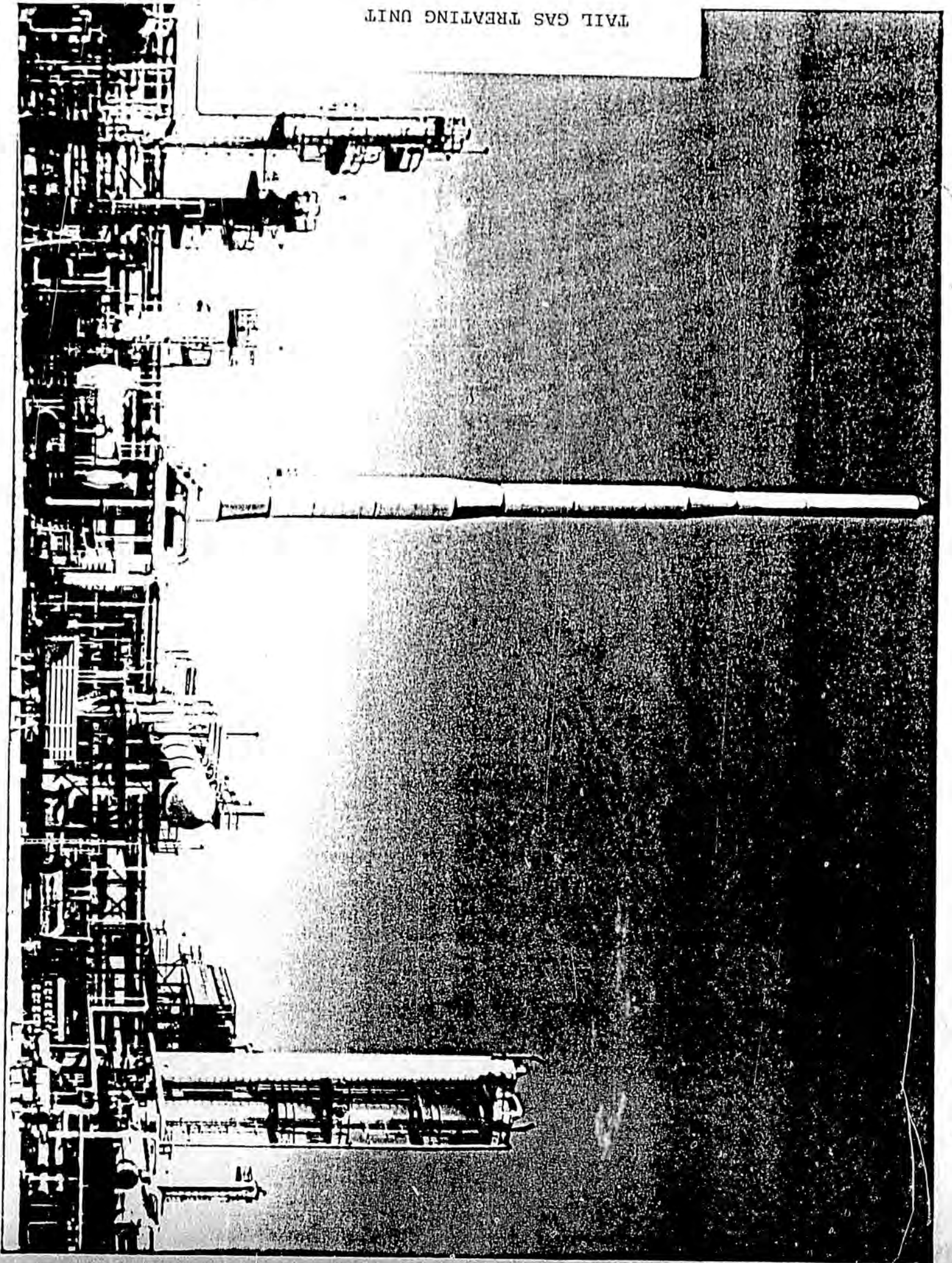


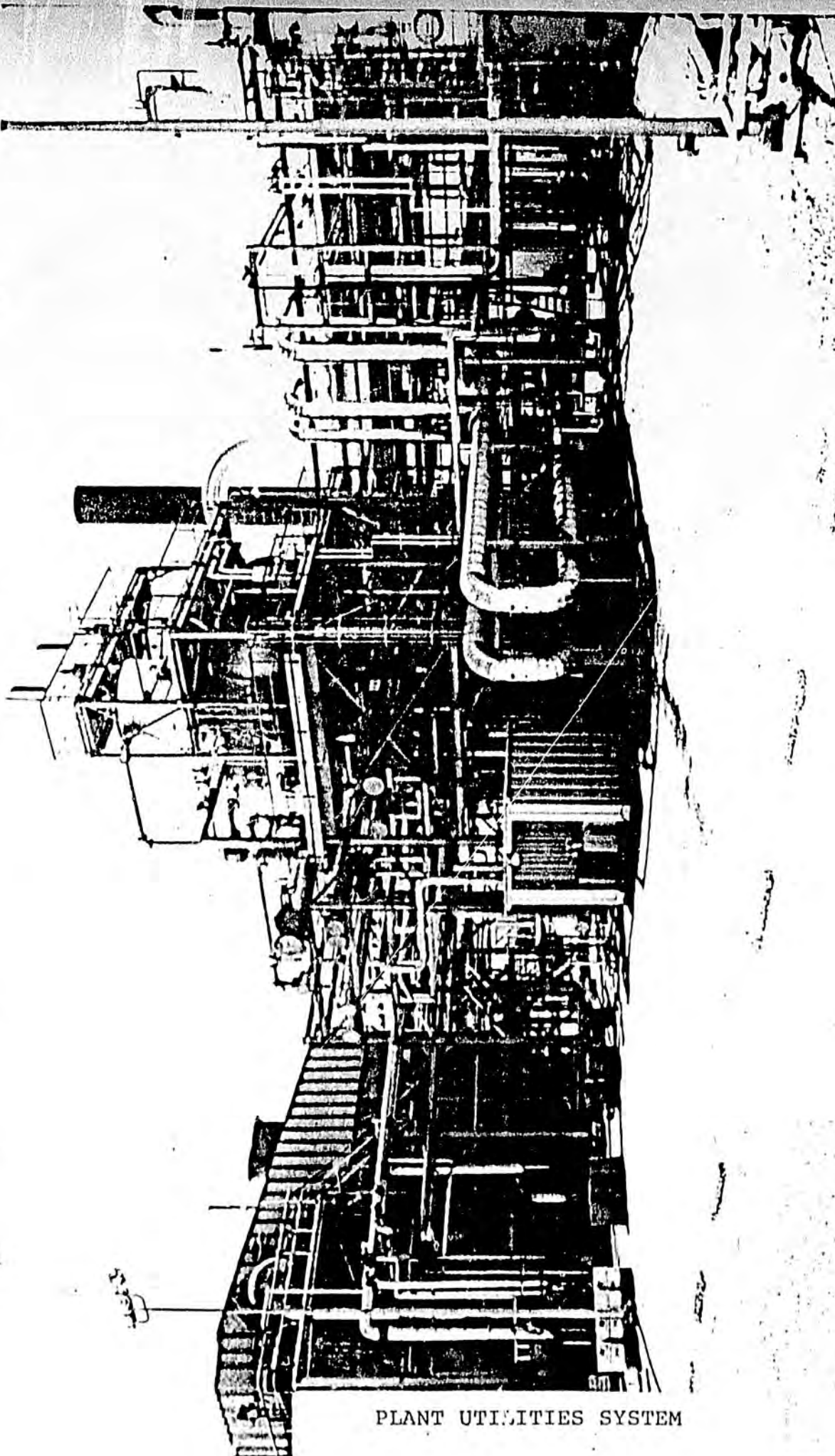
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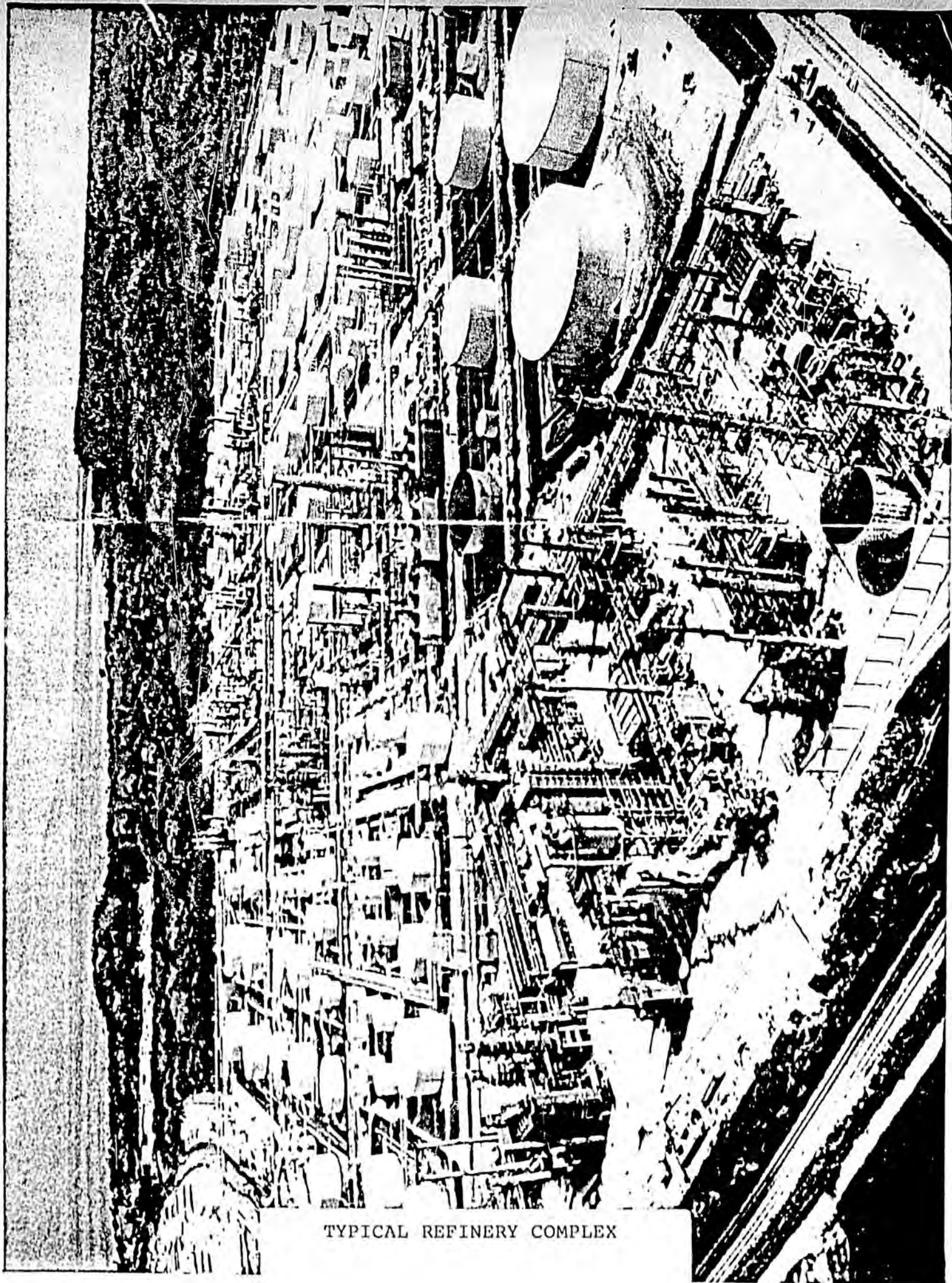
SULFUR RECOVERY UNIT

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PLANT UTILITIES SYSTEM



TYPICAL REFINERY COMPLEX

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STATE OF ALASKA

OFFICE OF THE GOVERNOR

STATE POLICY DEVELOPMENT AND PLANNING

JAY S. HAMMOND, GOVERNOR

POUCH AD - JUNEAU 99811
PHONE 465-3512

August 23, 1977

The Honorable Clark Gruening
Representative
Alaska State Legislature
940 Tyonek
Anchorage, Alaska 99501

Dear Clark:

Tom Singer mentioned that you expressed an interest in the amendments to the Alaska Power Authority Act which were introduced by the Governor last session. For your information, I have enclosed a copy of the amendments and some of the backup materials which explain their introduction. Tom and I discussed the APA and these amendments at great length with individuals inside and outside the administration, including several commissioners, Arlon Tussing, Jim Rhode, and Ted Swick of White, Weld and Company.

If you have any questions about the amendments or the related materials, I would be glad to get together with you to discuss them.

Sincerely,



Dona K. Lehr
Economic Policy Analyst

Enclosure

MEMORANDUM

TO: [The Honorable Jay S. Hammond
Governor
Office of the Governor

DATE : March 2, 1977

FROM: Robert LeResche, Director
Policy Development and Planning
Office of the Governor

SUBJECT: Amendments to the
Alaska Power
Authority Act

At the time you signed the Alaska Power Authority Act, you asked me to propose amendments to repair areas of weakness of the Act. An extensive review process, involving several cabinet officials, has been carried out during the past several months. The amendments are now in the final drafting stages in the Department of Law.

Below, I will briefly explain the purpose and rationale of these proposed changes to the Act. Several of the revisions are a matter of clarification or consistency of wording and are of relatively minor importance. Other changes, however, seek to meet the substantive concerns (expressed in your June 30, 1976 letter of transmittal to the President of the Senate) regarding the responsiveness of the Authority to the people, and powers conferred to the Authority inconsistent with its expressed purpose.

Summary of Amendments:

Board Membership and Qualifications (Sections 2 and 3)

The existing legislation calls for a five person board consisting of four public members and the Commissioner of the Department of Commerce and Economic Development. These amendments expand the Board to seven members, including a chairman, to be appointed by the Governor, and an additional Commissioner. The purpose of this change is to expand the representativeness and breadth of perspectives on the board.

A decision on which Commissioner should be added has not been made. The pros and cons of the possible selections will be presented to the Governor at the meeting on this subject on March 7, at 2:00 p.m. in the Governor's Office.

Planning, Coordination and Review (Section 16)

The intent of this amendment, which adds new sections to the Act, is to increase accountability and public input. The Governor is charged with insuring the

substantive ends of policy coordination and policy review are met. Thus, all branches of State Government will have an opportunity to review and comment on any proposed power project with regard to their respective areas of responsibility - fiscal, environmental, community and regional development, etc. - before the project is submitted for an up-or-down vote by the Legislature. Further, these views and comments by all concerned agencies are to be forwarded to the Legislature along with the project proposal.

Further, by placing the responsibility for developing a long-term plan in the Division of Energy and Power Development (as opposed to in the Authority itself), the amendment reflects the belief in the validity of the concept which calls for "separating the planners and the builders."

Budget, Appropriations and Reports (Section 14)

This amendment clarifies the intention that the APA fall under the Executive Budget Act. Further, it is required that the Authority make an annual detailed report to the Legislature of the status of each of its projects. The purpose of this reporting is to inform the Legislature of cost overruns and other potential problems which may be encountered by the APA. Under Sec. 44.56.180 of the Act, there is no limit on bonding authority for completion of a project for which the Legislature has granted initial approval. It is not unknown for the government sponsors of a project, together with would-be contractors or their respective consulting engineers, to use unrealistically low cost estimates in order to get a project approved. Later, it turns out that "completion" of the project requires some multiple of the authorized figure. Incentive for such actions should be substantially reduced by this amendment which insures that the Legislature will be kept informed of project status.

Alternative methods of limiting the open-ended nature of the bonding authority (such as stated limits on cost overruns or legislative approval of additional bonding) were discussed. However, bond advisors indicated that the requirement to return to the political arena for authorization to bond in order to complete a project would make authority bonds unattractive to potential buyers - these buyers being unwilling to accept the risk of non-completion of projects.

Thus, this amendment is seen as a compromise which will discourage such cost overruns without hampering the authority's efforts to market bonds.

Payment in Lieu of Taxes (Section 11)

This amendment requires that projects make payments to the political subdivision in which they are located in amounts equal to the real and personal property taxes which would be due if the authority were a non-public corporation. This is consistent with the concept that facilities should "pay their own way" and with full cost pricing of power.

Power Project Revolving Loan Fund (Section 12)

This amendment is offered to insure that uniform and acceptable standards are established before any loans are made by the Power Project Revolving Loan Fund. It also establishes an amount over which loans must be approved by the Legislature. The existing Act lacks a clear statement of intent, criteria, standards, or control over the Fund. The amendment also seeks to integrate the Loan Fund with the other activities and responsibilities of the Authority, the long-term electric power development plan and State policy.

Bulk Industrial Users and Relationship of the APA with the APUC (Section 8)

Wording is inserted in Sec. 44.56.090 to allow industrial purchasers to contract directly with the Authority. This change is desirable because any industrial project outside of an existing utility distribution system will now be able to purchase power directly from the APA, rather than through a utility.

For clarity, a paragraph is added regarding the relationship between the APA and the APUC. Under this amendment, while the APUC would not have jurisdiction over the APA, the APUC would retain all existing jurisdictions over public utilities.

Further wording is inserted to assure that pricing policies cover full costs as defined in the chapter.

Gubernatorial Veto (Section 13)

This amendment changes the word "enactment" to "law," thus requiring gubernatorial approval on legislation authorizing projects. By requiring the signature or

veto of the Governor for power project proposals, this amendment establishes that after consideration by both the Legislature and the Governor, an approved project represents State policy.

Technologies (Section 4)

As it stands, the Act excludes all power generating technologies except fossil fuel and hydroelectric technologies. This amendment is offered to allow the market and the technical experts to determine which technologies are best suited for meeting Alaska's power needs.

Capital Reserve Fund Requirements (Section 10)

The Act contains an upper limit on the size of capital reserve funds equal to 10% of the principal of the issue for which the fund is established. This amendment increases the ability of the Authority to adjust to changing market conditions by eliminating this restriction. The Authority will set capital reserve fund requirements by resolution.

Bond Covenants (Section 17)

Under this amendment, a section of the Act dealing with bond covenants is repealed. The section contains provisions which are rightly contained in the bond covenants themselves, rather than in law and could limit future flexibility. Although the provisions were included in the Act to make Authority issues attractive to the bond market, bond advisors have indicated a preference in favor of repeal of this part of the Act.

Consistency and Clarification (Section 1, 5, 6, 7, 9, 15, and 17)

These amendments contain minor wording or other changes for purposes of clarification, style, or consistency with the other amendments as discussed above.

The amendments suggested here are quite extensive and vary substantially in their level of importance. However, I feel that the new sections dealing with planning, coordination, review and reporting to the Legislature (Sections 14 and 16 as discussed above) are particularly vital to the functioning of the Alaska Power Authority for the benefit of all Alaskans - present and future.

REL/DKL/ljs

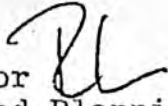
cc: Distribution

STATE OF ALASKA

MEMORANDUM

TO: The Honorable Jay S. Hammond
The Honorable Langhorne A. Motley
The Honorable Guy R. Martin
The Honorable Donald Harris
The Honorable Sterling Gallagher
The Honorable Avrum Gross
The Honorable Lee McAnerney
Kent Dawson

DATE: September 24, 1976

FROM: Bob LeResche, Director 
Policy Development and Planning
Office of the Governor

SUBJECT: Alaska Power Authority

This spring Governor Hammond signed SCS C SHB 779 as "creating the Alaska Power Authority." This was not an Administration bill, and many questions were raised at the time of its signing. Several of these were noted in the form of "serious reservation" in the Governor's letter of transmittal (attached).

At the time he signed the Act, Governor Hammond assigned me to review the general question of "Authorities" and to propose amendments to the Alaska Power Authority Act to repair areas of weakness.

Attached is our analysis, a description of rationales and alternatives for amendments, and fourteen draft amendments. The amendments accomplish two main types of purposes; an increase in public accountability of the Authority, and an increase in the Authority's ability to function in a business-like manner.

Please review this analysis and the draft amendments preparatory to a meeting at 9:00 a.m., Wednesday, October 20, in the House Finance Committee Room, Room 421, Alaska State Capitol. At this time, we will discuss them, make whatever changes are necessary, and establish where there are irreconcilable areas of difference. Then at 2:00 p.m. on Friday, October 22, we will meet in the Governor's Office and he will make the final decisions regarding what amendments we will support in the Legislature.

Thank you very much.

REL/ljs

Attachments

ALASKA POWER AUTHORITY ACT

ANALYSIS AND RECOMMENDATIONS

" Increasingly over the years, civic leaders, legislators, members of the executive branch of state governments, and the general public, have become anxious, even alarmed, over the fact that authorities created for specific limited purposes persisted long after those specific limited purposes had been accomplished, over the fact that autonomous authorities had branched out their functions far beyond any goals which might have been conceived for them at the time of their creation, and over the fact that all this had been going on with only limited, and in some cases, without any governmental supervision. "

- Report of the New Jersey Autonomous
Authorities Study Commission 1/11/72

June 30, 1976

The Honorable Chancy Croft
President of the Senate
Alaska State Legislature
Juneau, Alaska 99811

Dear Mr. President:

I have signed the following bill and am transmitting the enrolled and engrossed copies to the Lieutenant Governor's Office for permanent filing:

SENATE COMMITTEE SUBSTITUTE FOR
COMMITTEE SUBSTITUTE FOR
HOUSE BILL NO. 779
amended Senate
(creating Alaska Power Authority)
(Chapter 278, SLA 1976)

I want to express a serious reservation about this bill. More power is conferred to the Authority than is consistent with the expressed purpose of the Authority. For example, loans may be made from the Power Project Revolving Fund for natural gasline construction, filling of fuel storage facilities, and other projects not directly related to the "establishment of power projects." Conferring these powers and responsibilities to the Authority may not be consistent with the state's best interests because the public may not have adequate input into the decisions of the Authority. Like the Alaska State Housing Authority, this Authority is arguably too autonomous. Although the Authority is not directly under my control, I assure you that I will do all I can to encourage the Authority to be responsive to the people. That may require corrective legislation next session to accomplish that result.

Sincerely,

Jay S. Hammond
Governor

Introduction

On June 1, 1976, the Alaska Legislature passed House Bill 779, creating an Alaska Power Authority. The mandate of the Authority is to "reduce consumer power costs and otherwise encourage the long-term economic growth of the State...through the establishment of power projects...(AS 44.56.010.B)." To accomplish this task, the Authority is empowered to formulate, sell bonds for, construct and operate power projects, and sell the power which will be generated. The Authority is also entrusted with the management of a "Power Project Revolving Fund", which is to provide low interest loans to municipalities and public utilities for a variety of power projects and related developments. A background discussion of the nature of autonomous authorities is presented below, focussing on several problems which have afflicted other authorities and are not addressed in the Alaska Power Authority Act. Following this discussion, the problems are translated into specific amendments and alternatives for consideration by the Governor, the Cabinet and the Legislature.

Background

The basic concept behind autonomous authorities is the provision of a government service without recourse to taxation. This is achieved by creating a special government managed like a corporation, financed through private capital markets, and supported by revenues from the sale of the service. Most authorities are managed by an executive director responsible to a governing board or commission. In 1967 there were approximately 21,264 special governments in the U.S., although only 25 of them had debt outstandings over \$100 million. The popularity and flexibility of authorities is reflected in the variety of capital intensive public projects for which they have been created: ports, terminals, highways, bridges, tunnels, ferries, transit, schools, dorms, courthouses, administrative offices, dams, airports, hospitals, pollution control, parking, recreation, garbage disposal, steam heating, industrial exhibits, municipal theatres, war memorials, planetariums, and mineral springs.

Authorities offer a number of advantages to governments faced with major capital intensive requirements. They avoid the need to increase or compete for existing tax receipts, and they circumvent the widespread legal debt limitations imposed after the depressions of the late 1800's. Many believe them to operate more efficiently than normal government because of their corporate structure and single purpose. Because they are supposedly out of the political arena (electoral politics), decision-making tends to be more rapid and flexible, and the absence of electoral caprice encourages long-range planning. Finally, authorities are often interjurisdictional, taking advantage of economies of scale and solving regional problems.

Along with these evident and important benefits, a number of equally serious problems have developed as authorities have acquired a history. One of the major assumptions which is no longer tenable is that authorities operate outside of the political arena. According to one recent observer:

Neither personnel nor policies are usually subject to voter approval. This suggests an analogy to the insulation afforded appointed judges so that the objectivity of their decision-making will not be undetermined by the prospect of upcoming elections...

It may be true that depoliticization promotes efficient operations, but it is not clear that all authorities are truly depoliticized. The size and function of the authority is again relevant...And, it is impossible to keep multicounty authorities out of the public eye given the impact that their decisions... have on metropolitan life. Nor can they stay entirely clear of interest groups, such as labor unions, merchants' associations, and, in recent years, environmental organizations. Increasingly, the question becomes not whether authorities are involved in politics, but rather, how do they, and how should they, fit into the political decision-making process. - Michigan Law Review 6/73.

This long overdue recognition that authorities develop lobbies such as banks, construction firms and unions, and are highly political (not in terms of party politics, but in terms of public policy) should serve as a warning to those who would design an authority as if matters were otherwise.

Critics of authorities are also challenging a related assumption; that a closed, corporate (hierarchical) decision-making process is best suited for most authorities because of the highly technical decisions which they face. They point out that authorities make far-reaching decisions (public policy decisions) without clear public access to the decision-making process, particularly in the planning stage. Thus, segments of the citizenry who lack contacts with authority personnel or powerful lobbies are excluded from decisions with major policy implications. In effect:

Even if access to internal information about an authority is gained, the public usually has no means of input into an authority's decision-making process more direct than the election of State representatives.

The lack of representation of various segments of society on authority boards may aggravate the problem of accessibility...

In recognition of the problem of representation, the Boston Metropolitan Area Planning Council is required to have among its council members "sufficient representation of minority and low-income groups so as to substantially represent their viewpoints in the area to be served by the council." - Michigan Law Review 6/73.

It seems that in most cases it is not only minorities and the poor who are excluded from decision-making, but really anyone who does not work either for or with the authority.

In addition to the problems discussed above, there exists a structural contradiction which has created an enormous, and perhaps unresolvable, controversy over the role of authorities. The contradiction is best understood through an example. In the New York Metropolitan area, Governor Cahill of New Jersey sought to use the vast surplus of the Interstate Port of New York Authority (PA) to finance and probably subsidize mass transit for the region. Mr. Austin Tobin, the Executive Director of the PA, fought the idea because of his dependence on the marketability of PA bonds. He knew that the PA's activities were limited to highly visible and profitable projects which would reassure both existing and potential bondholders. As the fight became more bitter and involved more parties (including Governor Rockefeller), the real issues surfaced:

For underlying Cahill's drive is his firm belief that the PA has a broader role than it has been playing. "Tobin is running the PA as a business," he says, "but it is not a business. It is an authority wisely conceived to do things for people of our two states that business cannot do for them and that the two states cannot do for themselves. It was not conceived for the sole purpose of making money, but for rendering service."

Tobin repeats, however, that his mission is "the development of vitally important public port projects of the two states without recourse to taxation." He thus interprets this as limiting the PA to a "program of public works that must be self-supporting," otherwise, his revenue bonds would be "unsalable." And without restrictive bond covenants such as the ones built into the 1962 statute, the PA, in his view, would be out of business. - Business Week 4/3/76.

Thus:

In raising funds in the market to finance \$3 billion worth of port, bridge, and airport facilities that are vital to the region's trade and commerce, it (the PA) has had to be more responsive to the money market than to the needs of the public. It remains reluctant to jeopardize its vast and still growing empire for what it believes will be a frustrating and profitless attempt to put the railroads on their feet. - The Economist 5/5/73.

This struggle over the use and control of the PA surplus escalated into a major political and legal battle. In 1968, '69, and '70, the New Jersey Legislature established an Autonomous Authorities Study Commission to unravel the problems created by the state's fourteen different authorities. The conclusions and recommendations of this unique effort appear in Appendix A. One outcome of the battle occurred in 1974, when both state legislatures passed legislation negating a 1962 agreement whereby the PA was freed from having to undertake deficit rail transportation.

However, this agreement had been subsequently written into bond covenants, and it seemed that the governors and even the state legislatures had their hands tied. They could not alter the "rights and powers" of the PA if such alterations violated the terms of any bond covenants. What is worse, each new bond the PA has sold since 1962 extends the conditions under which the PA operates. Thus, it was estimated that this locked the PA into its existing agreements until after the turn of the century. Following the actions by the legislatures, the bondholders sued both states for breach of agreement. The uncertainty created by the suit has prevented the PA from floating any new bonds, and no funds have as yet gone into mass transit. The courts have found in favor of the states and the case is now on appeal before the U.S. Supreme Court.

The major issue which arises from this complex and destructive dispute is that authorities are public agencies making public policies and are responsible to state governors and legislatures. Yet, they also operate in the private capital markets and are responsible to their bondholders. Thus, several questions must be faced: A corporation is directly and continuously accountable to its stockholders; to whom is an authority similarly accountable? How has the Alaska Power Authority Act been designed to identify and implement State policies in areas affected by power development? How will the Authority's reserve funds and other cash balances be invested? And, who can insure that the Authority will serve the public first?

In creating an Alaska Power Authority, the Alaska Legislature has determined that an autonomous authority is the best means for encouraging low cost electrical power in the State. However, the Act, in its present form, ignores the issues raised in this paper by failing to incorporate various safeguards to insure broad participation in the planning and decision-making process of the Authority. During the past several years it has become clear that the creation and operation of insulated institutions whose activities are in effect public policy actually increases costs. As any utility in the lower 48 can testify, delays resulting from the adversarial situation created between interest groups, and the inevitable litigation, has become a major cost factor to the industry. The following amendments are designed to recognize the political nature of the Authority, broaden access to decision-making, establish greater control by elected officials over the activities of the Authority, and thereby facilitate the formulation, construction and operation of power projects in Alaska.

April 6, 1977

The Honorable Hugh Malone
Speaker of the House
Alaska State Legislature
Juneau, Alaska 99811

Dear Mr. Speaker:

Under the authority of art. III, sec. 18 of the Alaska Constitution, and in accordance with AS 24.30.060(b) and the Uniform Rules of the Alaska State Legislature, I am transmitting a bill amending several provisions of the Alaska Power Authority Act. When I signed the Act (last legislature's SCS CSFB 779 am S, which became ch. 278 SLA 1976) I mentioned in my June 30, 1976 letter returning the Act to the legislature that I had serious reservations regarding the Act. The amendments proposed in the attached bill seek to achieve two major objectives: an increase in the public accountability and breadth of input to the authority, and an increase in the authority's ability to function in a business-like and efficient manner. A brief section-by-section analysis follows:

Section 1. This section amends AS 44.56.010(a)(3) to conform the legislative findings to the legislative statement of the purpose of the authority in AS 44.56.-070.

Sections 2 and 3. These amendments expand the board to include four ex officio and non-voting members, and provide that a chairman is to be appointed by the governor. The purpose of this change is to expand the representativeness and breadth of perspectives on the board.

Sections 4 and 8. As it stands, the present law excludes all power-generating technologies except fossil fuel and hydroelectric technologies. These amendments are offered to allow the market and the technical experts to determine which technologies are best suited for meeting Alaska's power needs.

Section 5. This section adds the authority to "maintain" power projects, and is suggested in the interest of certainty and uniform specificity.

Section 6. This section reflects appropriate wording changes given the definition of "person" in section 19, below.

Section 7. This section proposes stylistic changes for clarity.

Section 9. Wording is inserted in AS 44.56.090 to allow industrial purchasers to contract directly with the authority. This change is desirable because any industrial project outside of an existing utility distribution system would be able to purchase power directly from the authority, rather than through a utility.

For clarity, a subsection is added regarding the relationship between the authority and the Alaska Public Utilities Commission (APUC). Under this amendment, while the APUC would not have jurisdiction over the authority, the APUC would retain all existing jurisdiction over public utilities.

Further wording is inserted to assure that pricing policies cover full costs as defined in the chapter.

Section 10. This section adds clarification.

Section 11. This amendment eliminates the upper limit on the size of capital reserve funds, allowing the authority greater flexibility to adjust to changing market conditions.

Section 12. This section requires payment in place of taxes to local subdivisions.

Section 13. This amendment insures that uniform and acceptable standards are established before any loans are made by the Power Project Revolving Fund and seeks to integrate the fund with the other activities and responsibilities of the authority.

Sections 14 and 15. These sections provide gubernatorial review and approval of the executive-branch functions performed by the Alaska Power Authority. Proposals are to be reviewed by all affected agencies and the resultant views, comments, and findings forwarded to the legislature along with the project proposal. The attorney general's office is concerned about the constitutionality of the existing requirement that individual project proposals be submitted to the legislature for approval. I think it is important to insure that many perspectives and individuals have an opportunity to contribute to the decision-making process. However, to the extent that there may be a constitutional problem with the legislative-approval requirement, I urge your review of it. The amendments proposed in this bill do not change the legislative approval provision.

Section 16. This amendment clarifies the intention that the authority be subject to the Executive Budget Act. Further, it is required that the authority make an annual detailed report to the legislature of the status of each of its projects.

Section 17. A new section is added to increase the accountability of, and public input to, the authority. Also, a long-term electric development plan is to be the responsibility of the Department of Commerce and Economic Development.

Sections 18 and 19. These sections, respectively, make the changes in the technology wording consistent with sections 4 and 3 and add a definition of "person".

Section 20. This section repeals a provision for the sake of consistency, and repeals a subsection dealing with trust agreement covenants.

Sincerely,

Jay S. Hammond
Governor

Introduced: 4/6/77
Referred: Commerce and
Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2  HOUSE BILL NO. 442

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska Power Authority."

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

8 * Section 1. AS 44.56.010(a)(3) is amended to read:

9 (3) the achievement of the goals of lower consumer power
10 costs and long-term economic growth and of establishing, operating and
11 developing power projects in the state will be accelerated and facili-
12 tated by the creation of an instrumentality of the state with powers
13 to construct, acquire, finance, and [INCUR DEBT FOR CONSTRUCTING, AND
14 WITH POWERS TO] operate[,] power projects.

15 * Sec. 2. AS 44.56.030 is repealed and re-enacted to read:

16 Sec. 44.56.030. MEMBERSHIP OF THE AUTHORITY. (a) The authority
17 shall consist of the following directors:

18 (1) four directors at large to be appointed by the governor
19 for four-year terms, one of whom shall be appointed as chairman;

20 (2) the commissioner of commerce and economic development.

21 (b) The commissioners of community and regional affairs, natural
22 resources, public works, and revenue shall serve as non-voting members
23 of the board of directors of the authority.

24 * Sec. 3. AS 44.56 is amended by adding a new section to read:

25 Sec. 44.56.045. QUALIFICATIONS, POWERS, AND DUTIES OF OFFICERS
26 AND DIRECTORS. (a) The directors at large must be residents and
27 qualified voters of Alaska, shall comply with the requirements of AS
28 39.50 (conflict of interests), and shall be selected for their exper-
29 tise in industrial, corporate or other matters relevant to the autho-

1 rity. The four original directors at large have terms of one, two,
2 three, and four years, respectively. The directors at large, including
3 the chairman, serve at the pleasure of the governor.

4 (b) A vacancy in a directorship occurring other than by expira-
5 tion of a term shall be filled in the same manner as the original
6 appointment, but for the unexpired portion of the term only.

7 (c) The directors may elect other officers they consider desirable
8 The powers of the authority are vested in the directors. Three
9 directors constitute a quorum. Action may be taken and motions and
10 resolutions adopted by the authority at a meeting by the affirmative
11 vote of at least three members entitled to vote.

12 (d) The directors at large and the chairman serve without compen-
13 sation, but they are entitled to receive the same per diem and travel
14 allowances as provided by law for members of other boards and com-
15 missions.

16 (e) The authority shall employ a general manager who may, with
17 the approval of the authority, employ additional staff as necessary.
18 In addition to its staff of regular employees, the authority may
19 contract for and engage the services of legal and bond counsel, consul-
20 tants, experts, and financial and technical advisors the authority
21 considers necessary for the purpose of conducting studies, investiga-
22 tions, hearings, or other proceedings. The board of directors shall
23 establish the compensation of the general manager.

24 * Sec. 4. AS 44.56.070 is amended to read:

25 Sec. 44.56.070. PURPOSE OF THE AUTHORITY. The purpose of the
26 authority is to promote, develop and advance the general prosperity
27 and economic welfare of the people of Alaska by providing a means of
28 constructing, acquiring, financing and operating power [HYDROELECTRIC
29 AND FOSSIL FUEL GENERATING] projects employing any economically feasible

1 technology.

2 * Sec. 5. AS 44.56.080(5) is amended to read:

3 (5) to acquire, whether by construction, purchase, gift or
4 lease, and to improve, equip, [AND] operate, and maintain power pro-
5 jects;

6 * Sec. 6. AS 44.56.080(8) is amended to read:

7 (8) to accept gifts, grants or loans from, and enter into
8 contracts or other transactions regarding them, with a public agency
9 or other person [FEDERAL AGENCY OR AN AGENCY OR INSTRUMENTALITY OF THE
10 STATE, MUNICIPALITY, PRIVATE ORGANIZATION OR OTHER SOURCE];

11 * Sec. 7. AS 44.56.080(11) is amended to read:

12 (11) to enter into contracts [FOR THE PURCHASE, SALE,
13 EXCHANGE, TRANSMISSION, OR USE OF POWER GENERATED BY A PROJECT, OR ANY
14 RIGHT TO THE CAPACITY OF IT] with any person and with the United
15 States, and, subject to the laws of the United States and subject to
16 the concurrence of the legislature, with a foreign country or its
17 agencies for the purchase, sale, exchange, transmission, or use of
18 power from a project, or any right to capacity of it;

19 * Sec. 8. AS 44.56.080(13) is amended to read:

20 (13) to perform feasibility studies with respect to [HY-
21 DROELECTRICAL AND FOSSIL FUEL] power generating projects;

22 * Sec. 9. AS 44.56.090 is amended to read:

23 Sec. 44.56.090. POWER CONTRACTS AND THE ALASKA PUBLIC UTILITIES
24 COMMISSION. (a) The authority shall, in addition to other methods
25 which it may find advantageous, provide that municipal electric, rural
26 electric, cooperative electric, or private electric utilities and
27 regional electric authorities, [OR] other persons authorized by law to
28 engage in the distribution of electricity, or bulk industrial purchasers
29 of electricity outside the distribution area of any such utility or

1 authority [POWER] may secure a reasonable share of the power generated
2 by a project, or any interest in a project [IT], or for any right to
3 the power [CAPACITY OF IT] and shall, except for bulk industrial
4 purchasers, sell the power or cause the power to be sold at the lowest
5 practicable prices which cover the full cost of the electricity or
6 services, including capital and operating costs, debt coverage as
7 considered appropriate by the authority, and other charges that may be
8 authorized by this chapter [PRICES REPRESENTING COST OF GENERATION,
9 PLUS CAPITAL AND OPERATING CHARGES, PLUS A FAIR COST OF TRANSMISSION,
10 ALL AS DETERMINED BY THE DIRECTORS, AND SUBJECT TO CONDITIONS WHICH
11 ASSURE THE RESALE OF THE POWER TO RETAIL CONSUMERS AT THE LOWEST
12 POSSIBLE PRICE]. A contract for the sale, transmission and distribu-
13 tion of power generated by a project or any right to the capacity of
14 it shall provide

15 (1) for payment of the proportionate share of [ALL] operat-
16 ing and maintenance expenses of a project and costs of renewals,
17 replacements and improvements of it;

18 (2) for payment of the proportionate share of interest on
19 and amortization charges sufficient to retire bonds of the authority
20 issued for the project and reserves for them, plus a debt service
21 coverage factor as may be determined by the authority to be necessary
22 for the marketability of its bonds;

23 (3) for continuous control and operation of the project by
24 the authority or its agents;

25 (4) for full and complete disclosure to the authority of
26 all factors of cost in the transmission and distribution of power, so
27 that rates to any persons may be fixed initially in the contract and
28 may be adjusted from time to time on the basis of true cost data;

29 (5) for periodic revisions of the services and rates to

1 persons on the basis of accurate cost data obtained by the accounting
2 methods and systems approved by the directors and in furtherance and
3 effectuation of the policy declared in this chapter;

4 (6) for the cancellation and termination of a contract upon
5 violation of its terms by any person;

6 (7) for security for performance as the authority may
7 consider practicable and advisable, including provisions assuring the
8 continuance of the distribution and transmission of power generated by
9 a project, the use of their facilities for these purposes, and the
10 continuance of an outlet and adequate market for the power generated
11 by the project;

12 (8) other terms not inconsistent with the provisions and
13 policy of this chapter as the authority may consider advisable.

14 [CONTRACTS TO SELL POWER ARE SUBJECT TO REVIEW BY THE ALASKA PUBLIC
15 UTILITIES COMMISSION.]

16 (b) The authority is not subject to the jurisdiction of the
17 Alaska Public Utilities Commission. Nothing in this chapter grants
18 the authority any jurisdiction over the services or rates of any
19 public utility or diminishes or otherwise alters the jurisdiction of
20 the Alaska Public Utilities Commission with respect to any public
21 utility, including any right the commission may have to review and
22 approve or disapprove contracts for the purchase of electricity by a
23 public utility.

24 * Sec. 10. AS 44.56.110(a) is amended to read:

25 (a) In the discretion of the authority, an issue of bonds may be
26 secured by a trust indenture or trust agreement between the authority
27 and a corporate trustee (which may be a trust company, bank, or national
28 banking association, with corporate trust powers, located inside or
29 outside the state) or by a secured loan agreement or other instrument

1 or under a resolution giving powers to a corporate trustee by means of
2 which the authority may

3 (1) make and enter into any and all the covenants and
4 agreements with the trustee or the holders of the bonds which the
5 authority may determine to be necessary or desirable, including,
6 without limitation, covenants, provisions, limitations and agreements
7 as to

8 (A) the application, investment, deposit, use and
9 disposition of the proceeds of bonds of the authority or of money
10 or other property of the authority or in which it has an interest;

11 (B) the fixing and collection of rentals, charges,
12 fees or other consideration for, and the other terms to be incor-
13 porated in, contracts with respect to a project or to generated
14 power;

15 (C) the assignment by the authority of its rights in
16 contracts with respect to a project or to generated power or in
17 a mortgage or other security interest created with respect to a
18 project or generated power to a trustee for the benefit of
19 bondholders;

20 (D) the terms and conditions upon which additional
21 bonds of the authority may be issued;

22 (E) the vesting in a trustee of rights, powers, duties,
23 funds or property in trust for the benefit of bondholders,
24 including, without limitation, the right to enforce payment,
25 performance, and all other rights of the authority or of the
26 bondholders, under a lease, power of contract, contract of sale,
27 mortgage, security agreement, or trust agreement with respect to
28 a project by injunction [MANDAMUS] or other proceeding or by
29 taking possession of by agent or otherwise and operating a project

1 and collecting rents or other consideration and applying the same
2 in accordance with the trust agreement;

3 (2) pledge, mortgage or assign money, leases, agreements,
4 property or other rights or assets of the authority either presently
5 in hand or to be received in the future, or both; and

6 (3) provide for any other matters of like or different
7 character which in any way affect the security or protection of the
8 bonds.

9 * Sec. 11. AS 44.56.110(d) is amended to read:

10 (d) If the authority decides to issue bonds secured by such a
11 capital reserve fund, the bonds may not be issued if the amount in the
12 capital reserve fund is less than such an amount [A PER CENT, NOT
13 EXCEEDING 10 PER CENT OF THE PRINCIPAL AMOUNT OF ALL OF THOSE BONDS
14 SECURED BY THAT CAPITAL RESERVE FUND THEN TO BE ISSUED AND THEN OUT-
15 STANDING IN ACCORDANCE WITH THEIR TERMS,] as may be established by
16 resolution of the authority (called the "capital reserve fund require-
17 ment"), unless the authority, at the time of issuance of the obliga-
18 tions, deposits in the capital reserve fund from the proceeds of the
19 obligations to be issued or from other sources, an amount which,
20 together with the amount then in the fund, will not be less than the
21 capital reserve fund requirement.

22 * Sec. 12. AS 44.56.150 is amended to read:

23 Sec. 44.56.150. TAX EXEMPTION. All property of the authority is
24 public property devoted to an essential public and governmental func-
25 tion and purpose and is exempt from all taxes of the state or a politi-
26 cal subdivision of the state; however, the authority shall make payments
27 in place of taxes in amounts equal to the real and personal property
28 taxes which would be assessed on its real and personal property by
29 each political subdivision in which its property is located to the

1 same extent as if that property were private property and the authority
2 were a non-public corporation. All bonds issued under this chapter
3 are issued by a body corporate and public of this state and for an
4 essential public and governmental purpose and the bonds and the
5 interest and income on and from the bonds and all income of the autho-
6 rity are exempt from taxation except for transfer, inheritance and
7 estate taxes.

8 * Sec. 13. AS 44.56.170 is repealed and re-enacted to read:

9 Sec. 44.56.170. FUND ESTABLISHED; LOANS. (a) There is estab-
10 lished as a separate fund the power project revolving fund which shall
11 be administered by the authority as a trust fund separate and distinct
12 from any other money or funds of the authority, and which shall be
13 composed of appropriated funds and interest earned on loans by the
14 fund.

15 (b) The authority may make loans from the fund to electric
16 utilities, cities, boroughs, village corporations, village councils,
17 and nonprofit marketing cooperatives to pay the costs of feasibility
18 studies, preconstruction engineering, design, and construction of
19 power projects.

20 (c) Before making any loans from the power project revolving
21 fund, the authority shall by regulation specify the standards for
22 those loans with respect to the following:

23 (1) criteria regarding the eligibility of borrowers and of
24 types of projects;

25 (2) standards regarding the technical and economic viability
26 and revenue self-sufficiency of eligible projects;

27 (3) interest rates and other terms and conditions, and col-
28 lateral or any other security required for loans; and

29 (4) other relevant criteria, standards, or procedures.

1 (d) Regulations proposed for adoption under this section shall
2 be submitted to the governor for his review and for review by other
3 appropriate agencies. The regulations shall be adopted if they are
4 shown to be consistent with the long-term electric power development
5 plan and with state policy and if they are approved by the governor.

*final
approval
by
legislature*

6 (e) Any loan made by the authority must be made according to the
7 standards, criteria, and procedures established by regulation under
8 this section, and must be consistent with the long-term electric power
9 development plan and state policy.

10 (f) Any single loan, or group of loans to a single borrower,
11 proposed to be made from the fund under this section exceeding
12 \$1,000,000 must be submitted to the governor ^{and legislature} for review and approval.

13 * Sec. 14. AS 44.56.180 is amended to read:

14 Sec. 44.56.180. PROPOSAL AND CONSTRUCTION OF PROJECTS. (a) The
15 authority shall submit a statement outlining the general design,
16 demonstration of financial feasibility, and maximum amount of bonds
17 estimated to be necessary for each new project to the governor and the
18 legislature [AND THE COMMISSIONER OF COMMERCE AND ECONOMIC DEVELOPMENT],
19 together with a statement that the authority intends to design, acquire
20 and construct the project itself or that it intends that the project
21 be designed, acquired or constructed by the United States or another
22 person under agreement with the authority providing for ownership of
23 all or a portion of the project by the authority or of a right to the
24 capacity of it. If the governor approves the project upon making
25 specific findings under (b) of this section, and if the legislature
26 adopts a joint resolution approving the general design and maximum
27 amount of bonds, the authority shall, in accordance with the terms of
28 the joint resolution, (1) proceed to design, acquire and construct
29 the new project, or (2) agree with the United States or other person

for design, acquisition and construction of the project by the United States, for payments to the United States or other person for such design, acquisition and construction, reimbursement by the United States or other person in certain events, and otherwise on the terms and conditions as may be set out in such agreement. If the new project is to be designed, acquired and constructed by the authority, it shall be designed, acquired and constructed as a public work of the state except that public bidding shall not be required, if the authority so determines on projects in excess of \$50,000,000. For the purpose of this section a new project does not include an addition or modification to an existing project if the total cost of the addition or modification does not exceed \$1,000,000, to any repair or reconstruction of a project, or to any design, acquisition or construction necessary to complete a project for which bonds previously authorized by the legislature have been issued. Any such addition, modification, repair, reconstruction, design, acquisition or construction may be undertaken by the authority without any of the approvals necessary for a new project.

* Sec. 15. AS 44.56.180 is amended by adding new subsections to read:

(b) Any power project proposal requiring approval by the legislature under this chapter, together with supporting data, analyses, and findings of the authority, must be submitted to the governor for review as provided in this chapter at least 60 days before submission of these materials to the legislature. No project may be undertaken without the written approval of the governor in which writing the governor makes findings of fact regarding the items listed in this subsection and transmits those findings to the legislature:

(1) the consistency of the project or action with the long-term electric power development plan and with relevant state laws and

1 policies;

2 (2) the balance of benefits and costs to Alaska, including
3 environmental and social costs, and the ability of the project to
4 generate sufficient revenues to be self-supporting;

5 (3) whether a project which will physically impinge upon a
6 park, wildlife refuge, registered historic site, critical habitat area,
7 or state land classified for public recreation, has a feasible alter-
8 native project design or site;

9 (4) whether any alternative to the project or action which
10 would result in comparable volumes of power at a lower cost has been
11 rejected because the authority finds that social, cultural, or environ-
12 mental considerations justify rejection; and

13 (5) the way in which the authority's policies and its pro-
14 posed action affect the following policy areas:

15 (A) the use of power development, power pricing, and
16 marketing policies to achieve the social, economic, and energy
17 conservation goals of the state;

18 (B) policies concerning the allocation of state fossil
19 fuels, land, water resources, and other natural resources to power
20 development;

21 (C) facility siting policies and the conformity of
22 project proposals to federal, state, and local land use and
23 community development plans and policies;

24 (D) rural electrification policies as they affect
25 regional growth;

26 (E) reliability standards and quality-of-service
27 policies of the authority including reserve capacity levels and
28 back-up system capabilities;

29 (F) authority environmental policies to insure that

project proposals conform to state environmental policies; and

(G) any other policy matters relevant to the actions of the authority.

(c) Recognizing the crucial role of power demand estimates in analyses and project evaluations, any estimates or projections of future electrical power demands produced or used by the authority must be submitted to the governor for his review and the review of appropriate state agencies. No projection which is not approved by the governor may be used to justify and support a project proposal.

* Sec. 16. AS 44.56.210 is repealed and re-enacted to read:

Sec. 44.56.210. APPROPRIATIONS AND REPORTS. (a) Notwithstanding any other provision in this chapter, the authority is subject to the provisions of the Executive Budget Act (AS 37.07).

(b) The authority shall, by the 15th day of each regular legislative session, present to the legislature a report detailing project status, original costs and projected costs, particularly highlighting any costs in excess of the original cost estimates submitted for each project when that project was originally approved by the legislature.

* Sec. 17. AS 44.56 is amended by adding a new section to read:

Sec. 44.56.224. LONG-TERM PLAN. The Department of Commerce and Economic Development, assisted by the authority, shall prepare, and as appropriate revise, a long-term electrical power development plan for meeting projected electrical energy demand in Alaska at the lowest feasible cost, including environmental and social costs, consistent with acceptable standards of reliability. The plan must include, but is not limited to, considerations specified in sec. 180(b) of this chapter. In preparing and revising the plan, the department shall obtain and consider, through appropriate public input processes, the expertise and views of local governments, electrical utilities,

1 industry, labor, consumer, and environmental advocacy groups and other
2 interested members of the public. The plan and any revision of it
3 must be submitted to the governor for his review and for review by all
4 appropriate state agencies. The department shall adopt the plan if it
5 is shown to be consistent with state policy and if it is approved by
6 the governor.

7 * Sec. 18. AS 44.56.230(4) is amended to read:

8 (4) "power project" or "project" means a plant, works,
9 system, facility, water rights, fuel deposits or sources, and real
10 estate and personal property of any nature whatsoever, together with
11 all facilities and appurtenances related to them or necessary for the
12 purposes of them used or useful in the generation, by means of any
13 economically feasible technology, [WATER OR FOSSIL FUEL] of electric
14 power and the production, transmission, purchase, sale, exchange and
15 interchange of electric power, and shall include any interest in them,
16 whether divided or undivided, or any right to the capacity of them;

17 * Sec. 19. AS 44.56.230 is amended by adding a new paragraph to read:

18 (6) "person" includes a public agency in addition to the
19 entities set out in AS 01.10.060(7).

20 * Sec. 20. AS 44.56.050 and 44.56.110(b) are repealed.
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SCOMM

9:94

Forum participants give opinions on issues

The Alaska Public Forum conducted a two-day workshop in Anchorage a week ago where more than 500 citizens discussed six major state policy issues.

At the end of the workshop they noted their opinions on these issues in a questionnaire. The same questionnaire has been inserted in local newspapers so readers could mail their responses to the same questions.

As an early indication of public opinion on these six issues, the Public Forum staff has compiled 354 responses and has broken the results into percentages.

This survey was taken from a fairly broad cross-section of Anchorage residents. The opinions expressed are listed below:

1A. How should the permanent fund money be invested?

	Per Cent
Loan it to develop renewable resources industries.....	36
Save it.....	20
Other (most popular idea was to retire state bonds).....	16
Loan it to communities.....	12
Loan it for industrial development.....	5

1B. How should the state use its new oil and gas money?

	Per Cent
Save it by increasing the permanent fund.....	22
Loan it to develop renewable resource industries.....	20
Use it for tax cuts to all Alaskans.....	20
Use it for more community revenue sharing and community grants.....	11
Other (popular idea was to retire state bonded indebtedness).....	11
Loan it to communities.....	5
Loan it for industrial development.....	3
Use it for cash payments to Alaskans.....	3
Use it for more state services.....	3
Loan it to individuals.....	3

2. What areas of human need do you feel require most attention?

	Per Cent
Education.....	34
Employment.....	26
Alcoholism.....	15
Other.....	9
Health care.....	6
Care of children.....	5
Programs for the elderly.....	3
Housing.....	3

3. How should public school construction be financed in both the organized and unorganized boroughs?

	Per Cent
Other (popular idea was with oil and gas wealth).....	36
Local property taxes throughout the state and supplemental funding where needed.....	25
Continue the present system which provides for land taxes plus supplemental state funding in the organized borough and 100 per cent state funding in the unorganized borough.....	17
100 per cent state funding through an increase in state income tax.....	12
100 per cent funding from a statewide sales tax.....	11

4. What should be the objectives for managing Alaska's land?

	Per Cent
To provide for people's needs.....	32
To promote renewable resource development.....	27
Other (popular idea was homesteading land).....	20
To preserve the natural environment.....	11
To promote industrial growth and development.....	8
To raise revenues for the state.....	2

5. What should be the state's policy on future oil and gas lease sales?

	Per Cent
It should sell leases at a constant pace to assure a steady flow of income for a long period of time.....	55
Other.....	32

It should do no further leasing and make the best use of present income.....8

It should lease when the state needs large sums of money to meet public needs.....5

It should sell leases as fast as possible to bring in a lot of money immediately.....2

6. What is the best use of Alaska's royalty oil and gas?

	Per Cent
Other (popular idea was use what state needs).....	37
The state should provide in-state residential use of royalty oil and gas.....	31
The state should use its royalty oil and gas primarily for promoting industrial development in the state.....	21
The state should sell its royalties to make money.....	13

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

MEMORANDUM

94

TO: ☐

Representative Clark Gruening

DATE: Jan. 31, 1978

FROM:

SUBJECT: enclosed report

Nancy Blunk
Alaska Public Forum

As per your request here is the final copy of
the report on the permanent fund which was pre-
sented at the Growth Policy Council meeting on
Jan. 26, 1978.

Thanks

STATE OF THE ISSUES

PERMANENT FUND

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I. INTRODUCTION

In November 1976 Alaska voters overwhelmingly approved an amendment to Section 15, Article IX of the state constitution creating the Alaska Permanent Fund.

The amendment outlines the permanent fund in broad terms. It leaves to the legislature and the governor the task further defining the fund: what it is, what it should attempt, and how it should work.

The process of further defining the fund will form the basis for permanent fund legislation considered in the current legislative session.

The governor anticipated voter approval of the permanent fund amendment in August 1976, and directed the State Investment Advisory Committee to study and recommend the estimated size, investment goals, management, organization, and public interest in the permanent fund. In March 1977, two bills were introduced into the House (HB 298, HB 300) to begin debate on the structure of the permanent fund. HB 298 was the recommendation of the administration. It has remained essentially the same, with ten proposed amendments recently introduced to the legislature. (These amendments are enumerated later in this paper).

The House Special Committee on the Permanent Fund and the Senate Special Committee on the Permanent Fund were also created during the past legislative session to consider proposed permanent fund enabling legislation and to develop their own enabling legislation. Both committees have been working during the interim to determine what Alaskans see as the permanent fund's goal and how they see to best achieve those goals.

This paper handles each of the proposals in the following order: Administration, House and Senate. Initially a review is made of the basic elements of the proposal. This is followed by a discussion of the proposal in greater depth. The discussion is intended to give the Growth Policy Council a

better understanding of what the various positions are.

The following questions were asked of representatives of each committee and form the basis for the discussion of each of the positions:

First, what is the impact of your legislation on annual budgets in the future? To what extent is your legislation part of the state's overall financial picture?

Second, why do you propose the fund size as it is?

Third, what is the investment potential of your proposal for renewable resource development?

Fourth, does your proposal allow for investment in rural areas or urban areas or overall state use?

Fifth, what specific needs does your legislation respond to?

Sixth, what goals do you think can be accomplished by your proposal?

Seventh, what are the major differences between your proposal and the others?

Following the review is a Summary Chart of the legislation. The chart focuses on the following: how much money should be placed in the permanent fund; how should the fund be invested; what should be done with the earnings; how should the fund managers be made accountable to the public; what citizen participation methods were used; and what did the public say that was important?

BASIC ELEMENTS OF THE ADMINISTRATION'S PROPOSAL

HB 298 is the Administration's basic permanent fund proposal. It was submitted during the 1977 legislative session. Essentially this proposal includes three categories of investment:

- a) at least 40% of the permanent fund shall be invested in investment grade securities.
- b) up to 30% of the permanent fund may be invested in long-term capital needs for the private business sector.

- c) up to 30% of the permanent fund may be invested in long-term needs for community development projects of municipalities and public corporations and for private dwellings in Alaska.

HB 298, as originally written, requires 50% of all eligible mineral revenues to be put into the permanent fund.

The major proposed amendments to HB 298 include:

- a) increasing the contribution of the permanent fund from 50% of all bonuses to 100% of all bonuses.
- b) adding goal statements for the three categories of investments (investment-grade securities; private business sector investments; and community development and private dwelling investments).
- c) tying investments in communities and in the business sector to priorities set by an annual or bi-annual sectoral analysis of the state's economy.
- d) allowing the permanent fund to guarantee certain investments, after approval by the state legislature.
- e) limiting financial assistance on any one project to 1% of the total principal of the permanent fund.
- f) adding a new section creating an Investment Oversight Committee of the legislature to monitor all investment programs of the state, including the permanent fund. This proposal is consistent with the House proposal for an Investment Oversight Committee of the legislature.

DISCUSSION OF THE ADMINISTRATION'S PROPOSAL

From the perspective of the SIAC, the voters "intended reducing the amount of state spending and the amount of funds available for the state to expand" when they voted overwhelmingly for the permanent fund referendum. To carry out this intent, the SIAC feels that the amount of revenue going into the permanent fund should be increased from the minimum 25%. A 100% level of dedication was discussed, but when the SIAC looked at revenue projections, they determined that a dedication level beyond 50% would create a situation of deficit spending. The 50% level was chosen by general consensus with a proposed amendment to add 100% of all bonuses. The administration's proposal

creates the largest permanent fund of all of the legislative proposals.

The thinking of the SIAC is in line with the governor's concern that the state is entirely too dependent on oil and gas revenues. To this end, HB 298 contemplates a diversification effort in the state's economy by providing long-term capital, where capital is either limited or non-existent. SIAC "anticipates that this capital would do the following:

- a) increase employment opportunities in the state
- b) increase the tax base of the state
- c) hopefully reduce dependence of the state on oil and gas revenues."

SIAC does not intend there to be an implied emphasis in their legislation for either rural or urban Alaska. A proposed amendment to HB 298 does mandate, however, that a sectoral analysis be done for each sector of the state's economy. This allows the permanent fund to address those sectors that require capital. Investments in communities and in the private sector must then follow the priorities expressed in the economic analysis. It is possible that there might be a particular need identified in either rural or urban Alaska, but the legislation doesn't specify where to make the investments. SIAC perceives that most of the demand for capital for small business is in the larger communities, because small communities generally receive business loans from the state. SIAC also sees a possibility that it may not be economically feasible to make investments in rural areas.

A proposed amendment to HB 298 calls for a diversification limit of 1% of the total principle of the permanent fund to be set on any one investment. Example: given a \$1.5 billion permanent fund principal in 1985, this would limit any one investment to \$15 million. Under this proposed amendment, legislative approval is needed to exceed the 1% limit. The House proposal also has a smaller diversification limit of \$2.5 million.

One of the capital needs defined by SIAC is for investment in private utilities, SIAC has identified. In Anchorage alone, capital requirements for utilities exceed two hundred and fifty million dollars. For electric utilities throughout the state, the SIAC feels the figure is closer to a billion and a half dollars required in the near future.

SIAC feels that the House proposal to provide capital through their development bank falls short of the demand for long-term capital needs in the state. SIAC points out that the need for utilities in Juneau alone exceed the \$2.5 million limit that the House sets on any one investment.

SIAC chose to strictly interpret the constitutional amendment by disallowing subsidized loans, unless approved by the legislature, with the subsidy coming from the general fund. The House proposal on the permanent fund takes this same approach.

Under HB 298, renewable resource industry development could be encouraged through community development investments (infra structures like docks, warehouses, wharf areas, roads, etc.). HB 298 also allows the ability to enhance the credit of a community through guaranteed bonds. Renewable resource industry development could also occur through private sector business loans.

SIAC believes that HB 298 would be one of the better vehicles for developing the 200-mile limit fishery. The state has a very minimal participation in the harvesting of the sea food within Alaska's 200-mile economic zone. SIAC projects that it will take substantial amounts of capital for the state to become an active participant in that harvest. The way HB 298 structures the fund would allow for maximum utilization of all the finance vehicles available.

There are several major differences between the House proposal (HB 596, 595) and the Administration proposal, (HB 298).

One of the major differences is the concept of the trust fund in the House

proposal as compared with the development investment corporation concept found in HB 298. SIAC points out that the trust fund, due to past legal definitions, does not allow any investments within the state of Alaska. The SIAC perceives that investing in Alaska, means higher risk.

Another major difference is that the House bill establishes a relatively small banking corporation within the state. For investments in municipalities and local government, SIAC perceives that the hundred million dollar limit in the House Committee's development bank concept will limit large investments in local municipal development.

A third major difference is that the House proposal provides for only 30% dedication of all eligible funds, and 100% of all bonuses. The administrations proposal provides a higher level of dedication at 50% of eligible funds, and 100% of all bonuses.

BASIC ELEMENTS OF THE HOUSE PROPOSAL

HB 595 and HB 596 together make up the House's basic permanent fund proposal. They were submitted to the legislature on January 11, 1978.

HB 595 deals solely with the use of the earnings off the permanent fund; HB 596 defines the size, objective and structure of the permanent fund.

The House Committee from their public hearings perceived a strong public demand for energy development funds. HB 595 proposes using the earnings of the fund as a guarantee for bonds issued by governmental agencies for power projects. Once the bonds are paid back, the portion of the permanent fund earnings guaranteeing the bonds would be freed and again be available for further investment. The HB 595 proposal, according to the House's financial advisors, would draw more private money at lower rates to Alaska for power projects and would not expose the fund's earnings to excessive risk. This

proposal is considered a discussion proposal by the House, designed to spark further debate in the legislature and throughout the state about what Alaskans want permanent fund earnings to accomplish.

HB 596, The House Committee's primary legislative proposal creates two corporations. The first, called the Alaska Permanent Fund Corporation (APFC) is essentially a trust fund. The Alaska Permanent Fund Corporation is an independent, non-taxable public corporation. It receives five-sixths of the permanent fund revenue until the second corporation is paid \$100 million, when the APFC would receive all of the permanent fund revenue.

The general guidelines for managing the Alaska Permanent Fund Corporation are:

- 1) The Corporation must manage the assets prudently and maintain a reasonable diversification of investments.
- 2) The Corporation may not borrow money or provide loan guarantees.
- 3) Investments are limited to U.S. government guaranteed bonds, first mortgages and corporate stocks and bonds.
- 4) No more than 30% of the corporation's assets may be invested in stocks.

The second corporation, called the Alaska Enterprise Investment Corporation (AEIC) is essentially a development bank. It receives one sixth of the revenue dedicated to the permanent fund up to \$100 million. When that amount has been paid into the AEIC that one-sixth reverts to the Alaska Permanent Fund Corporation.

The corporation is designed to provide financial assistance to financially sound small and medium scale, private enterprises and community development projects. In doing so it may borrow up to \$100 million, provide financial guarantees and loans, and purchase up to a 25% ownership in an enterprise or project. Up to 50% of the development bank may be used to finance private enterprises; the other 50% may be used for community development projects.

All corporation investments must be made according to market rates and terms. The corporation may not give financial assistance of more than \$2.5 million to any one project without legislative approval. The corporation may not use its money to replace private capital.

DISCUSSION OF THE HOUSE'S PROPOSAL

There are three basic decisions that the House made on the fund's financial goals that are reflected in their proposal. First, the main goal of the permanent fund is permanence and preservation of the principal. This dictates that investment risk be minimized, that investments be as secure as possible.

Second, fund investments must produce income. Without setting a specific level of return, the committee decided that permanent fund investment must meet market rates and terms.

Third, a portion of the permanent fund should be used for the benefit of current Alaskans, as long as that use is secure and income-producing. The second corporation created in the House proposal (AEIC) responds to this goal by providing some money to help fill capital gaps in Alaska.

In making these goal decisions, the House committee realized that it was ruling out many types of investments, including highly speculative and subsidized investments. It perceived, however, that the permanent fund is only one of the several financing vehicles in the state and that it was unnecessary and unwise, in their opinion, to try to design a permanent fund to do all things.

A major difference that currently exists between the House and

Administration proposals is the Investment Oversight Committee (I.O.C.); however, the administration has proposed the addition of this concept to their own proposal in the form of an amendment.

A second major difference is that the House primarily take a more conservative approach in terms of preservation of the principal of the permanent fund. The Administration's bill used a set of interior divisions which say that 40% of the principal will go into market rate securities; then it has a 30-30 split between community development and private enterprise. The House bill proposes that 5/6 of the total permanent fund allocation be placed into a trust fund.

A third major difference is that the House scales down the development bank part of their proposal into something that only gets an initial capitalization of one hundred million dollars, and also limits any one investment to \$2.5 million.

The work of a number of consultants and advisors guided the work of the House committee in formulating their legislation. A brief summary of the consultants main points of consensus is contained below.

First, the fund is not necessarily a vehicle for financing major commercial or industrial enterprises in Alaska. If such enterprises are sound, they will receive financing from existing sources. If they are not sound, they are not proper investments for the permanent fund. In some cases, it may benefit the state to offer guarantees for financing, but such decisions are properly made through the political process.

Second, the permanent fund cannot create sound enterprises. If other factors are adverse (lack of market, product cost) permanent

fund investment will not help.

Third, financially sound small and medium scale enterprises particularly in rural areas of Alaska, might be proper permanent fund investments because they may not be receiving money from existing sources.

Fourth, permanent fund managers ought to be allowed maximum latitude for making specific investments consistent with policy direction.

Fifth, the managers ought to be accountable to the public through the legislature and governor and through public reporting requirements.

Though the House committee suggests that capital needs might be greater in rural Alaska, the language of their legislation does not specifically say rural; the exact wording is where "sufficient capital is not available from other sources on reasonable terms."

The House proposal also allows somewhat for overall state use, such as power-related projects, although the amount of money is quite small in the House proposal.

The part of the House proposal on renewable resources is fairly open-ended. It is anticipated by the House that the Renewable Resources Fund will finance exploration of new markets and products. The House is not sure, at this point, just exactly of what the demand is for renewable resources development. They in no way intend to compete with the private banking industry, and hence ask the question, "to what purpose would the state invest in fishing boats if the private banks wanted to invest in fishing boats?" Yet at the same time, their legislation is open enough that the House anticipates

that there are some existing industries that can probably get loans under the development bank. There are probably other renewable resource industries that may get started through the Renewable Resources Development Fund, and would then be picked up by other banking institutions, one of which might be the development bank in the permanent fund.

The House proposal sets the permanent fund dedication level at 30% out of "a sense of uncertainty more than anything else." In their view, the revenue projections are at best planning tools, and even this year, the state has a short-fall in revenues. If the financial situation continues along this line, any surplus could be consumed in the next year's budget. From the House perspective, if it turns out that the state has more than enough to handle future state budgets, then the dedication level can be amended at that time.

BASIC ELEMENTS OF THE SENATE PROPOSAL

SB 429 is the Senate's basic permanent fund proposal. It was introduced to the legislature on January 19, 1978.

This legislation proposes to invest 100% of the permanent fund principal in hi-grade securities and use the earnings as a guarantee for issuing revenue bonds. The proceeds of the bonds will be used to fund the Alaska Loan Programs Fund, which would expand, consolidate and administer the activities of existing state loan programs. The legislation also develops a plan for usage of the Renewable Resources Development Fund.

The senate committee recommends that the permanent fund be managed and invested by the Division of Treasury, as the "expertise

is there to do it already." They also propose a reorganization of Treasury. This is to assure accountability to the legislature.

The Treasury director would be solely accountable for investment policy and management of the general fund, the permanent fund, and all other state funds. Upon recommendation of the Commissioner of Revenue, the governor may disallow an investment strategy or policy of the Division; however, the legislature must receive notification of the rationale for such an action.

The Senate proposes to limit permanent fund investments to:

- a) corporations with an 'A' or better rating,
- b) only federally insured securities
- c) bank certificates of deposit which are secured.

The Senate proposal provides that only 25% of eligible mineral revenues be placed in the permanent fund; it is also proposing that an additional 30% of the eligible oil and gas revenues be set aside in another fund, called the Capital Improvements Reserve Account. This reserve would be within the general fund and be used to finance non-recurring expenditures.

DISCUSSION ON SENATE PROPOSAL

The senate permanent fund legislation was introduced on January 19, 1978, as SB 429. Another bill was introduced with it and this will be referenced here as it further defines senate intent on the permanent fund. This second bill concerns itself with capital and financial planning in the state, and the senate anticipates that this proposal should have a dampening effect on the ever-increasing state operating budget. It provides that 30% of the oil and gas revenues

will be set aside in a reserve for capital improvements within the general fund and used to finance "non-recurring expenditures from non-recurring revenues." Deducting the 25% that the senate proposes for the permanent fund size, 5% for the renewable resources development fund, and 30% for the capital improvements reserve, the governor will be required to prepare a balanced budget against the remaining 40% of current receipts (less the Native Land Claims until it is paid off). The governor will also be required to perform long-range capital programming and financial planning in conjunction with this program. The senate thinks that this statutory dedication is constitutional; they do recognize, however, that it is not binding on future legislatures.

The legislation proposed by the senate dissolves the ten existing loan programs and the six independent corporations now in operation in the state, and creates the Alaska Loan Program in their place. The permanent fund legislation goes into great detail on the proposed reorganization; generally the point is to streamline the overhead, reduce bureaucracy and facilitate public entry into all the programs. The Loan Program will be within one department instead of three; interest rates charged for loans will be standardized, and depending on the cost of the revenue bonds issued, should be in the 7% range. If a reduction in interest rates is desired (as for veteran's or educational loans) the difference will come from the general fund. The senate also proposes to standardize eligibility requirements, establish better accounting and loan collection procedures, and increase maximum loan amounts to more realistically reflect current costs of living, building or doing business in the state. A cost

differential formula is added to reflect higher costs incurred in rural areas.

The senate proposal to invest 100% of the permanent fund principal in hi-grade securities adds a stringent guideline that is not contained in any of the other legislation. Investments must be made in grade 'A' or better corporations; there are probably not many grade 'A' corporations in Alaska, and this somewhat limits investments of the principal to "outside". The senate proposal also disallows investment in stocks.

The senate proposal keeps the dedication level to 25%, "because that is the level voters passed." Citizen feedback to the senate work did not suggest increasing that amount.

One of the needs identified by the senate was the insufficiency of capital in renewable resource industries. They also saw the lack of long-term money, and the lack of low interest loans. The Alaska Loan Program is the senate's answer to responding to these needs. The Loan Program is being tied to the Renewable Resources Development Fund in such a way that the RRDF could provide a 50% equity in a renewable resource business alleviating somewhat, the problem of getting large amounts of equity together. This would then make it more possible for a particular renewable resource business to get a loan under the Alaska Loan Program.

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January 18, 1978

PERMANENT FUND LEGISLATION

SUMMARY CHART

	ADMINISTRATION (HB 298)	HOUSE (HB 595,596)	SENATE (SB 429)
1. How much money should be put into the permanent fund?	1. <u>50%</u> of eligible money except 2. <u>100%</u> of bonuses (proposed amendment to HB 298)	1. <u>30%</u> of eligible money except 2. <u>100%</u> of bonuses	1. 25% 2. proposes an additional <u>30%</u> of eligible money in "Capital Improvements Reserve Account"
2. How should the fund be invested?	Three categories of investments: 1. minimum of 40% investment grade securities 2. up to 30% in private, business sector 3. up to 30% in community development and private dwellings Further proposed amendments to HB 298: 1. investments be coordinated with existing state loan programs 2. can be used for guarantees (with legislative approval) 3. any one project limited in size to 1% of total fund principal	<u>Alaska Permanent Fund Corporation (APFC)</u> 1. a trust fund 2. investments limited to U.S. government guaranteed bonds, first mortgages & corporate stocks and bonds 3. no more than 30% in stocks <u>Alaska Enterprise Investment Corporation (AEIC)</u> 1. a development bank 2. maximum limit of \$100 for investment in financially sound small & medium private enterprises & community development 4. market rates and terms 5. any one project limited to \$2.5 million	1. invest 100% of the permanent fund principal in high-grade securities 2. areas for investment limited to: a) corporations with 'A' or better rating b) federally insured securities c) secured bank certificates of deposit
3. What should be done with the earnings of the fund?	1. put earnings back into general fund	HB 595: 1. use earnings to guarantee bonds for power projects (with legislative approval) 2. return earnings to permanent fund once bonds repayed	1. use the earnings as a guarantee for issuing revenue bonds, the proceeds of which will fund the Alaska Loan Program Fund

	ADMINISTRATION (HB 298)	HOUSE (HB 595,596)	SENATE (SB 429)
4. How should the fund managers be made accountable to the public?	Proposed amendment of HB 298: 1. create an Investment Oversight Committee of the legislature to review performance of the permanent fund & all investment & loan programs of the state 2. this proposed amendment is consistent with the House's I.O.C. proposal	1. creates an Investment Oversight Committee to monitor the performance of the permanent fund, the RRDF, existing loan programs & the Revenue Dept.	1. permanent fund be managed & invested by the Division of Treasury 2. re-organizes Treasury 3. Director of Treasury solely accountable for investment policy & management of general fund, permanent fund and all other state funds 4. legislature may statutorily change investments allowable 5. governor may dis-allow an investment strategy or policy of Treasury (rationale of this action must go to legislature)
5. What public participation methods were used?	1. <u>State Investment Advisory Committee (SIAC)</u> 22 members, including legislators, commissioners, one federal appointee, and private citizens of various interests (agriculture, banking, law, timber, fishing, native, AkPIRG, investments)	1. mailing of House preliminary report, which contained a questionnaire to be filled out and returned 2. symposium on goals of permanent fund in Anchorage (co-sponsored by Alaska Humanities Forum) 3. public hearings in Anchorage, Fairbanks, Kotzebue & Juneau 4. Participation with the Alaska Public Forum in its questions on permanent fund	1. public opinion polls (Dittman for the Senate Committee, Dec., 1977; Rowan Group Report for Office of Governor, July, 1977; and the Alaska Public Forum Report, March 1977) 2. mailing of questionnaires to individuals in rural Alaska and the Alaska State Chamber of Commerce members

	ADMINISTRATION (HB 298)	HOUSE (HB 595,596)	SENATE (SB 429)
5. What did you hear the public say?	SIAC perceived: 1. strong intention on part of voters to reduce state spending 2. concurrent desire to reduce amount of funds available for state to expand 3. large needs for long-term capital throughout Alaska, in both private sector and in communities	Public made two main points on how it wanted state to assist in shaping the future Alaska 1. provide sufficient funds for development of renewable resources 2. provide funds for alternated energy development Several other points emerged: 1. principal of fund should be preserved 2. where there are sound investments in Alaska, fund should make them without duplicating financial services already available 3. earnings should be used for benefit of current and future Alaskans 4. fund management should be insulated from politics but should be accountable to public	Various priorities surfaced in Senate work: 1. shortage of capital for businesses and for purchase and construction of housing 2. development of renewable resources (including timber, agriculture, fishing) is high priority 3. community development received support 4. respondents strongly urged fund principal be invested in hi-grade securities, thus maintaining the integrity for future generations

PLEASE NOTE: THE PRECEDING PAGES WERE TREATED
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FORM 02-0018C
FOR BRIEF COMMUNICATIONS
MAY BE HANDWRITTEN

MEMORANDUM

TO: ☐

Growth Policy Council

FROM: Barry Quinn
Executive Director

State of Alaska

DEPT. Office of the Governor
DIV. Alaska Growth Policy Council
SEC. Alaska Public Forum

DATE : June 27, 1977

SUBJECT: Information

I have enclosed a copy of the "list of issues" for next year that Tim and Nan identified from the Halibut Cove meeting. The list will be a topic of discussion at our next Oversight Committee meeting as well as the July Council meeting.

I have also included a memo from Nan that is intended to get us thinking about the important task of developing the questions for next year's Public Forum program. The memo is based on a review of Mike McManus' critiques of both the questions as they were being developed this year and the mid-year report.

MEMORANDUM

ALASKA GROWTH POLICY COUNCIL
ALASKA PUBLIC FORUM

TO: ☐

Barry Quinn
Executive Director
Alaska Growth Policy Council

DATE: June 27, 1977

FILE NO:

TELEPHONE NO: 276-5262

FROM:

Nan Elliot *NE*

SUBJECT: Framing Questions for the
New Issues

In developing new issues for this fall, it might be helpful to review some of the insights provided by Mike McManus over the past year.

He outlines some basic criteria for framing questions which hopefully will provide the end result of useful information and points out some of the sandtraps he encountered in his own program. As he admitted in an August, 1976 memo, "This perspective is based on some painful experience in directing 'Choices For '76', a comparable project which framed 50 public policy choices for citizen debate and balloting in New York in 1973, and in similar work in a half a dozen other cities".

The August memo stresses:

1. Look for questions which ultimately pose clashes of fundamental values....questions where there is no clear right or wrong.
2. Avoid motherhood questions.
3. Avoid questions which can be answered in a survey or poll, without acquiring any new knowledge.
4. In drafting the questions, use as few words as possible without losing the core ideas. Make the options stand out clearly.
5. Be careful not to overwhelm audience with long lists of options for each question. Tailor the choices so that you have no more than 4 to 6. Eliminate options which require technical expertise.
6. Pose only real choices; those on which reasonable people with differing values might disagree.
7. Work on sequencing the questions so that one flows naturally into the next.
8. Involve a wide cross-section of people reviewing the questions and the background information provided to help answer them. This consultation step is very important to maintain objectivity; to provide questions and choices which are understandable to the lay person; and to assure that no essential options are ommitted.

Barry Quinn
June 27, 1977

Page 2

In a more recent memo (June), McManus offers a constructive critique of our first year's program. Although the GPC and staff recognized as the year progressed, some of the difficulties and limitations of the questions we took to the public, it is interesting to see it mapped out by a relatively impartial observer 5,000 miles away.

I include the excerpt from his memo titled "Simplifying the Choices".

Simplifying the Choices

Another improvement in the program you should strive for is a vast simplification of the questions asked of the public. A couple of this year's questions were so bad that you rewrote them in the middle of the project. Even with that improvement, I saw these problems:

1. The first question was divided into parts that sounded much the same, and even had some of the same options. You asked how the Permanent Fund should be invested in one question, and offered options of loaning it; then you asked what should be done with new oil and gas money, and offered the same "loan" options. Both also had "save it" options. Utterly confusing.
2. That same question had 16 options—many too many. Here is one way it ~~x~~ could have been simplified:
 - A. How should Alaska use its new oil and gas money:
 1. Cut taxes
 2. Increase the size of the Permanent Fund
 3. Make cash payments to Alaskans
 4. Increase government spending
 - B. How should the Permanent Fund be invested?
 1. Outside the state to get the highest interest rates
 2. ^{if could} Loan it at low interest rates to stimulate development of Alaska's renewable resource industries
 3. ~~Loan it for industrial development~~ ^{at low rates}
 4. Loan to communities for public investments at low rates

Note that the broader question is asked first, on what should be done with the big pot of money. The second question then deals with a narrower aspect of the issue, how to invest the Permanent Fund—whether at high interest rates out of the state or low within, and if within, in which direction. All loan options are removed from the first question, since I assume loans would come from the Permanent Fund. The vague phrase "save it" is eliminated. So is the option "all of the above." This option tells the state nothing. Certainly, the state will probably invest in "all of the above" in any case. But what you want to know is what specific types of investment people most want. Perhaps the investments can be made roughly in proportion to the advice of the public.

3. The question, "What human needs do you think are most important" is fairly meaningless. Do you mean, "Which problems ought to have an increase in government spending?" If so, what do you plan to do to increase employment? In general, a choice ~~x~~ should pose a clear-cut set of options on what government might do to solve ~~x~~ or ameliorate a given problem. On that ground, I'd eliminate a question like this.

4. The question on public school construction is a finance issue, and therefore should have followed the first choice, to which it is related. Actually, upon reflection, it should have been choice three, with the oil leasing question choice two, since it relates to oil and to finances. There should be some logical sequencing of the questions, so that thinking through one issue helps the citizen think through the next question.

Clearly, one of the options that ought to have been included is the use of oil revenues to finance school construction.

I assume that the Governor has given up on trying to sell a sales tax; if so, that is a "result" that ought to be reported.

I must say that I am confused why you have one question which asks whether oil revenues ought to be used to cut taxes, and then you have a question in which you suggest increasing taxes, but don't suggest using oil revenues to meet this need.

5. The land question was also not a question posing a clear set of alternatives. You could have a 100,000-fold increase in the land allocated to industrial development plus a 100,000 fold increase in land available for personal use, plus all of the other options. Let's face it, there is going to be so little demand for the use of land for industry in a state thousands of miles from any population centers, that the option is not worth talking about as far as I can see. Your option of providing land "for public needs" is not at all clear, as the citizens told you. Apparently, judging from the text of the supplement, you were talking mainly of providing land for homesteading, not for recreation. Here is how a clearer question might have been framed:

What should be the primary use of land owned by state when there are conflicting possible uses:

1. Recreation
 2. Homesteading
 3. Developing forestry, and farming--renewable resource industries
 4. Mineral development
6. The oil leasing question is clear and poses an excellent value judgment question for citizen debate and balloting. The question on royalty ^{oil} ~~gas~~ is also excellent.

These specific comments may illustrate some basic principles in framing choices for citizen debate and balloting:

1. Value judgment questions--the most controversial issues on which there is no "right" or "wrong" answer--are the kinds of questions that should be asked. This is one goal you have not across the board.
2. Relatively few and distinctly different options should be posed,

rather than long lists, a goal achieved in the leasing and royalty choices.

3. The choices should ask the citizen what he or she thinks government ought to do about something; it should pose a real and genuine choice facing the Governor and the legislature. It should not simply ask a citizen whether he thinks education is more important than a job or alcoholism. Obviously, all are important. A person¹⁵ will think education is more important than a wage earner concerned about his job. But getting data from such a question does not help government make any decisions.
4. Vague words, which mean different things to different people, should be avoided. Clarity, simplicity, are all important.
5. Biased wording should be avoided, and was not present in any of these questions.

These principles are easier to state than to achieve. The basic requirement needed to get good questions is constant scrutiny by very diverse people and rewriting over and over. Do not feel that citizens can't perform this task—

NOTES ON ISSUES FOR NEXT YEAR: Conversations from Halibut
Cove meeting.

Governor:

1. Money management
2. Growth management
3. D2 issue
4. Regional Board concept - Unorganized borough - reapportionment

Agencies:

Fish and Game: Subsistence

C&RA: Unorganized borough

H&SS: Early warning system for health problems (make agencies more sensitive to problems); alternative living situations for elderly.

General Cabinet Discussion:

1. Employment (state's responsibility to provide or stimulate employment)
2. Alcoholism
3. Satellite Board Issue
4. Transportation (state vs. local government responsibility)
5. State land selection and disposal.
6. Reapportionment

Council Members:

Lowell: Wealth management, renewable resources industries (definition), limiting state expenditures.

Dave: Growth management (state's role), renewable resources management.

Herb: Unorganized borough, Satellite Board concept, state land planning, D-2 lands.

Leonard: Wealth management, growth management, delivery of government services.

Diana: Wealth management, resource development and land use planning.

Mark: Wealth management, renewable resources management, growth management and quality of life.

Frank: Money, growth, resource, social service and government management.

Tim: Money management, growth management, regional political problems, government service delivery.

Harold: Money issues.

Lidia: Land management, education.

Following are major issues by broad subject groupings, with other specific issues following:

Major issues:

1. Wealth management. (All agreed)
2. Growth management (Governor mentioned, Dave, Leonard, Mark, Frank, Tim).
3. Regional political relations and government organization (Governor, Herb, Tim)
4. Government service delivery: (Governor, Lowell, Herb, Leonard, Frank, Tim),

Into this category might fit Satellite Board concept, government subsidy issue, limiting state expenditures, service-delivery problems mentioned by H&SS, etc., state role in employment.

5. Land and resources management: (Governor, Diana, Herb, Dave, Lidia, Frank, Mark).

Into this category would fit land disposal policy, renewable resources policy, land planning, etc.

Other issues raised:

- a. Subsistence (Fish and Game)
- b. Alcoholism (Cabinet meeting) Question: Does this mean public support for tax?

Should The North Slope
Haul Road
Eventually Be Open
To Everyone
As Part Of
The Alaska Highway System?

The Alaskan Advocates
Alaska Public Forum
429 D Street
Anchorage, Alaska 99501

SHOULD THE NORTH SLOPE HAUL ROAD EVENTUALLY
BE OPEN TO EVERYONE AS PART OF THE ALASKA HIGHWAY SYSTEM?

Participants: Advocate Allen McGrath (pro)

- Larry Venable
Executive Director
Alaska Carriers Association
- Chuck Herbert
Former Alaska Commissioner Natural Resources
- Advocate Hugh Fleischer (con)
- Roosevelt Paneak
Resident of Anaktuvuk Pass; Chairman
of the North Slope Borough Planning and
Zoning Commission
- Dr. David Klein
Division of Life Sciences
University of Alaska

This program was a special project of the Alaska Public Forum. The program was produced jointly by the Alaska Public Forum and KAKM Television, and was funded by the Alaska Humanities Forum.

This is a transcript of the ALASKAN ADVOCATES taped at the Studios of KAKM, Anchorage on September 18, 1976. The ALASKAN ADVOCATES was broadcast throughout Alaska beginning September 26, 1976.

ALASKA GROWTH POLICY COUNCIL

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Rev. Mark Boesser
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McCONNELL: Ladies and gentlemen, may I have your attention, please? And welcome everyone to the first Alaskan Advocates Program.

Two trial lawyers and their witnesses are about to debate the long-range future of the North Slope Haul Road and the development of Northern Alaska.

On trial is this question: Should the North Slope Haul Road eventually be open to everyone as part of the Alaska State Highway system?

Advocate Allen McGrath says, "Yes." Mr. McGrath.

McGRATH: The Alaska Arctic Road was constructed as a public highway on the mandate of the Alaska State Legislature. It should remain open for public use on a basis regulated for the safety of the public and for the protection of the environment. And in support of those positions I have with me today Mr. Larry Venable, who is the Executive Director of the Alaska Carriers Association, and Mr. Chuck Herbert, who is the former Commissioner of Natural Resources for the State of Alaska and long-time Alaskan miner and geologist.

McCONNELL: Thank you, Mr. McGrath.

Advocate Hugh Fleischer says, "No," Mr. Fleischer.

FLEISCHER: The decision has not been taken away from us. It is ours. And it is our position that the opening of this Haul Road to unlimited access is against the best interest of the land, of the people of the north, the game and every taxpayer in Alaska. With me to support this position are Roosevelt Peneak, a native leader from Anaktuvuk Pass and Dr. David Klein, Professor in the Division of Life Sciences at the University of Alaska, Fairbanks.

McCONNELL: Thank you, gentlemen.

We should note you both will have opportunities, of course, to cross-examine each other's witnesses.

By way of introduction, Mr. McGrath and Mr. Fleischer are both experienced courtroom attorneys from Anchorage. Both are long-term Anchorage residents. And, of course, they have the responsibility here to represent their position to the utmost of their abilities, and I am sure they will. Thank you both for being our first Alaskan Advocates. As Moderator my job is to remain impartial, and to make sure the debate is fair and square and that both advocates get equal time. And to keep an exact record of the proceedings is our stenotypist Jane Law, J-E-L-W, which I think under the circumstances is an appropriate name.

Before getting to the heart of the debate, let me give a few words of background about this program. The Alaskan Advocates is a special project of the Alaska Public Forum. The Public Forum exists to stimulate open public discussion about critical

issues facing the State, to expose the people of Alaska to all sides of important arguments about the issues, and to help involve the public in actually shaping State policies to address these issues. The Alaska Growth Policy Council is the board of directors for the Public Forum. And I see in our studio audience Harold Pomeroy from Kenai who is a member of the Growth Policy Council. And also David Klein, one of Hugh Fleischer's witnesses is also a member of the Growth Policy Council. The Council was established by Governor Hammond. And before we proceed with the trial, let's hear a brief message from the Governor.

(Recorded message from Governor Hammond.)

McCONNELL: Thank you, Governor. Now, let me give some background information on the question to be debated. In accordance with construction agreements with the State of Alaska, the North Slope Haul Road was built to secondary highway standards by the Alyeska Pipeline Company in 1974. Since then, the road has been used primarily by Alyeska in support of construction activities on the Alaska pipeline. Upon completion of the pipeline the ownership of the road will revert to the State of Alaska. Facing the State then, is the two-part question, who will it permit to use the road, and for what purposes.

Twenty-eight feet wide and three hundred sixty miles long, the North Slope Haul Road runs from the Yukon River to Purd-hoe Bay on the Arctic Ocean. It is Alaska's only ground connection to the land north of the Arctic Circle, the vast and dramatic land of the Brooks Range and the North Slope: a land rich in natural resources and the beauties of wildlife and wilderness. Home for thousands of years to Indian and Eskimo people. It is Alaska's last frontier and awaits our decision about what to do about it. The future use of the North Slope Haul Road is an important key to what the future of Northern Alaska and, hence, the entire State will be. Some argue the road should be opened for general use by miners, tour bus operators, private motorists and others, like every other road in the Alaska Highway system. Others argue that the road should be closed permanently to all but those needing it to carry on essential existing activities.

In an interim measure Governor Jay Hammond announced in a statewide radio address on September 8, 1976 that the State will restrict the immediate use of the Haul Road to industrial activities which support pipeline construction and maintenance. He wants more time for Alaskans to evaluate the cost and the benefits of the various options for the long-range use of the road. Thus, the eventual long-range use of the Haul Road is still unresolved. It will remain a significant matter for public consideration and decision in the months ahead. And it is the subject before the Alaskan Advocates. So now to the cases. And Mr. McGrath, the floor is yours.

McGRATH: The present Alaska Attorney General has recently put forth his opinion establishing the fact that the highway that will be turned over to the State is a public highway, and therefore must remain open to the general public. We as members of the

public applaud that decision. We believe that lying ahead of us as individuals in this community and in this State of Alaska lies a tremendous personal experience in having contact with one of the most awesomely beautiful parts of our planet, namely, the Arctic region of Alaska. We do not advocate that this highway opened for the public would be open on a totally unrestrained basis. Reasonable restrictions should be called for to insure the safety of the public and the safety of the environment. And we believe those restrictions can be promulgated and can be enforced.

What we do oppose, we oppose those people who would conceive of the members of the Alaska public and American public as being somehow or another polluters by nature, who must be kept segregated from this great, beautiful area because of their natural tendency to destroy. We oppose those members of the community who would restrict the Arctic experience solely to a group of people who have the wealth and sufficient leisure in order to be able to afford the access, the expensive access, the only accesses that are available today. We also oppose the lock-up of this Arctic region our Arctic region, by a group of people because we believe that today, and we know from the Attorney General's opinion, that in order to create this lock-up by closing down this public highway we must immediately pay large sums of money, in the neighborhood of one hundred million dollars to the Federal Government and to the Alyeska Pipeline Company to repay them for monies they expended based on the promises that the people of Alaska made to those two entities. We also believe by locking up the Arctic right now we are going to frustrate our normal economic development to the future detriment of us all. I would like to call Mr. Larry Venable.

McCONNELL: Welcome, Mr. Venable, to the Alaskan Advocates.

McGRATH: Mr. Venable, you are Director of the Carriers Association, the Alaska Carriers Association, correct?

VENABLE: That's correct, sir.

McGRATH: Prior to taking that position -- and I believe you have been there for how long?

VENABLE: Just for a comparatively few months.

McGRATH: And prior to that time what was your professional position?

VENABLE: For many years I was the Western Regional Director for the National Highway Users Federation, dealing on problems affecting highway safety, urban transportation, highway planning and programming.

McGRATH: Can you give us an idea of the role that the Alaska Carriers play in the enrichment of the Alaska economy?

VENABLE: Yes. We think it's quite an important factor. Our revenues of freight bills for example in Alaska are about four hundred million dollars a year; our payroll is over two hundred million

dollars, and of that some fifty million dollars is being expended in the Fairbanks area. Therefore, it is a rather substantial economic contribution. And this is without figuring the accessorial services that surround the transportation industry.

McGRATH: In a report written for the State of Alaska to the Commissioner of the Department of Highways, Mr. Motley, who is the Commissioner of the Department of Commerce and Economic Development on January 20th of 1976 wrote the following: "It is this Department's position that the Haul Road will be a vital and necessary transportation corridor for at least the next 10 years." Do you agree with Commissioner Motley in that contention?

VENABLE: Well, most certainly. We have done considerable research and study with the users and potential users of the area. The projections we get based on these are some 500 truckloads per month after Alyeska is closed down. In other words, the need for goods and services in the area will be some 500 truckloads. The average salary of a driver from Fairbanks to Prudhoe and return is \$1200. Therefore, we are looking at a payroll in Fairbanks of \$600,000 a month, again, without any other accessorial services.

McGRATH: You said it will be available or needed, the Haul Road for the next 10 years. I believe British Petroleum has projected that the use will be needed for 15 years. What will be going on up there that will require this transportation link by surface?

VENABLE: As we understand this, and in talking up there on the Slope, I have been there and driven it, Prudhoe for example will be a city and community of people and schools and stores. It is not going to be a barracks-type community. It will be people with homes and apartments. And, therefore, there will be that need as well as the industrial needs, the development of more of the oil resources that bring the State their billion of dollars of revenue.

McGRATH: Have they any contact other than this by surface of the Haul Road?

VENABLE: Yes, the seasonal once a year sealift and also there is air, but these are not viable options at all times.

McCONNELL: One last question.

McGRATH: Let me ask you this: The question of the environmental protection. This road running to the North Slope, will it do tremendous damage or damage to the environment there?

VENABLE: Well, let's look at it this way --

McCONNELL: And a quick answer, too.

VENABLE: There are some 240,000 or over square miles of area up there untouched, with no roads. We are talking in terms of 350 miles of road. And let's look at the State of Texas. That is 260,000 miles. And imagine what that State would be like with only 350 miles of road. The impact is so minimal it is hardly

debatable.

McCONNELL: All right, thank you, Mr. McGrath. Your witness, Mr. Fleischer.

FLEISCHER: Mr. Venable, you just said that you thought the impact would be minimal based upon your comparison with Texas. Have you compared the nature of the environment of Texas with that of the North Slope? Do you realize what kind of damage can be rendered to the tundra and to the game of the Arctic as compared with the game that you might find in West Texas?

VENABLE: Yes, I am aware of the difference in the environment most certainly, Mr. Fleischer. Yes.

FLEISCHER: And you realize there is a substantial difference, do you not, sir?

VENABLE: There is, but again the problem we face is people and the use by people. And I do not think that this is a difficult problem regardless of the environment. It can be controlled.

FLEISCHER: You do know, as a matter of fact, do you not, Mr. Venable, the problem has not in fact been controlled up to this point, in other regions of the State; do you know that to be the case?

VENABLE: It's rather difficult to say yes or no to a question like that, Counsellor.

FLEISCHER: Well, let me just ask you this, Mr. Venable: If you know as is the fact in the Game Management 14-C, which is the Game Management Unit closest to Anchorage, that there were more illegal moose taken last year than there were legal moose. Do you feel that is some evidence of the difficulty of controlling such matters?

VENABLE: Counsellor, that's an enforcement problem, which really is not the problem up there. We can impose restraints, we can have a checkpoint on the road. There are many things that can be done.

FLEISCHER: There are no such checkpoints now on any road that you know of that restrict actual use of off-road vehicles?

VENABLE: Yes, on that road there are right now.

FLEISCHER: Right now it is not a public highway, correct? In the course of developing your statistics as to truckloads, I assume you figured in your evaluation if ripe, mature timber is available to be trucked on that road?

VENABLE: Those are not included. No, sir.

FLEISCHER: Not included? You did state in a previous statement that you figured that was one of the reasons why the Haul Road should be opened to the public, is that correct?