

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 8672

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

Alaska State Legislature

SPECIAL COMMITTEE ON
THE ALASKA PERMANENT FUND
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REP. RICK URION

House of Representatives

August 8, 1977

*To all Committee
members*

Dear

Committee members, working with representatives of the Alaska Public Forum, have drafted the enclosed questions on the Permanent Fund. The questions are intended for use by the Forum during its program of public meetings and information gathering.

I would appreciate any comments on or changes in these questions that you may have before these questions are made final and included in the Forum's questionnaire.

Sincerely,

Mike Doogan
Administrative Assistant

Enclosure

PERMANENT FUND GOALS QUESTION

In order to refine last year's Public Forum results regarding the use of Permanent Fund money, please indicate the area you would like to see emphasized for investment of part of the Permanent Fund.

1. Inside the state:
 - A. Fisheries
 - B. Alternative energy development
_____ large scale (industrial)
_____ small scale (residential)
 - C. Agriculture
 - D. Mineral extraction
 - E. Tourism
 - F. Timber
 - G. Other industry

2. Outside the state

Now that you have indicated your preferred area, please tell us why you chose this area.

1. It would create more jobs.
2. It would give me an opportunity to make more money.
3. It would give the state the best return to be used to help pay for the operation of government.
4. It would not encourage more people to come to Alaska.
5. It would not harm the environment.
6. It would increase the availability of Alaska resources for in-state use.
7. It would promote more Alaskan ownership and control of business.
8. It would not encourage government to compete with business.
9. Other _____.

PERMANENT FUND CONTROL QUESTION

In order to assist the legislature in creating a Permanent Fund structure responsive to your wishes, please indicate the Permanent Fund organization you prefer. For this question you should know the policy board would set broad guidelines for investment of Permanent Fund money but would not make specific investment decisions.

1. A board appointed by the governor and serving at his pleasure.
2. A board appointed by the governor for a specified length of service.
3. A board appointed by the governor and confirmed by the legislature.
4. A board chosen from various segments of the political spectrum (an example would be two members from the administration, two from the legislature, three from the general public).
5. A board directly elected by the public.
6. Other _____.

Now that you have indicated your preference, please tell us why you chose it.

1. I trust the governor to choose wisely.
2. I trust the legislature to choose wisely.
3. I trust the governor and legislature working together to choose wisely.
4. I want broad representation.
5. I think direct representation of political interests is good.
6. I want maximum opportunity to choose the board.
7. I want the board insulated from politics.
8. Other _____.

SCOMM

#9:95

FOR THE SPECIAL HOUSE AND SENATE COMMITTEES ON THE PERMANENT FUND

Alaska Public Forum
Interim Report
(Oct. 1-Oct. 25)

Alaskans participating in the Public Forum this fall have strong opinions and recommendations concerning the future of the Permanent Fund. This report is designed to give you the color of their responses through (1) questionnaire results and (2) workshop discussions.

The cut-off date for coding and tabulating questionnaires for this report was October 25. At that time, the Public Forum had concluded workshops in Wainwright, Dillingham, Togiak, Kotzebue, Noorvik and Anchorage.

* The Questionnaires

Cautionary note: This is an informal tabulation of Public Forum results, i.e., as they say in the vernacular, "for your eyes alone". The primary reason is that responses from Anchorage heavily weighted the results of the interim count, as you will shortly see. Thus, it would be unfair to quote these responses as representative of the entire state, since at the end of October we had only held six out of 17 meetings, and several regions of Alaska are not included in the count.

This is not to say that the responses to date are not valid ones. Yet they represent predominantly the opinions of Anchorage and Southcentral Alaska.

** The Workshops

Please keep in mind that many of the participants attending the workshops did not fill in questionnaires. This is particularly

true for rural communities where the Public Forum newspaper was too overwhelming for many to digest easily, especially since English is not their first language. However, following a careful verbal presentation and interpretation into their own languages, workshop participants in the Bush often had strong opinions concerning the Permanent Fund. These will be discussed later in the section on workshop results.

Do weigh the workshop results and the questionnaire results individually and with equal importance.

* Circa 1200 questionnaires were tabulated.

** About 500 people participated in the first six forums.

Tabulation of Questionnaires
For the Interim Report

Demographics

More than 75% of the participants in the Alaska Public Forum questionnaire are male. About 45% of respondents were either manager-administrators or professional-technical people. The third largest occupation group (16%) were the unemployed.

Frequencies

We have broken out percentages of responses into three categories ---Statewide, Anchorage and Southcentral. You will note that the responses from Anchorage comprise nearly 65% of the total questionnaire responses received by October 25. The Southcentral results include about 80-85% of the total responses. As the boundaries are drawn, Southcentral includes the major populated areas of Anchorage, the Kenai Peninsula, and the Matanuska-Susitna Valley.

The Questions

A. Which use of the Permanent Fund do you feel is most important?

By far, the most important use of Permanent Fund monies is "to provide money for income-producing investments". In Anchorage, 75% of the responses favored this option. Statewide this choice drew 71% of the vote.

"To save money for the future" was the second choice with 15% of the total responses statewide. "To avoid using the money for state programs" was the third choice with 10% of the vote statewide.

B. Would you like to see more than 25% of the specified mineral revenues placed in the Permanent Fund?

Opinion was fairly evenly divided on this question. However, the scales tipped slightly in favor of putting more than 25% of

certain mineral revenues into the Permanent Fund.

About 55% of respondents statewide said "yes"; about 45% said "no".

C. Please rank the following possible goals for Permanent Fund investments according to which goals you think are most important. (See attached sheets for complete listing of options.)

Statewide priorities for Permanent Fund investments, which are mirrored by Anchorage and Southcentral, are:

1. Assist in stabilizing the Alaskan economy (18%)
2. Create more jobs in Alaska (15%)
3. Maintain Environmental quality (14%)
Make more money available for investing in the state (14%)
4. Make the safest possible investments (10%)

D. In last year's Public Forum, participants indicated that the highest priority for using the Permanent Fund was to promote renewable resource industries. Do you agree with this?

More than 75% of the respondents agreed with the results from the Public Forum last year, placing highest priority on renewable resource industries for Permanent Fund investments.

E. Do you feel that the goals you have identified as most important can be met by investing in renewable resource industries?

An even greater majority (almost 80%) feel that their goals can best be met by investing in renewable resource industries.

F. If you said "yes" in question "D", would you still vote to invest in renewable resource industries even if the money earned was less than the money that could be earned from other investments?

More than 90% of the respondents answered "yes" to both Question 3D and to this question, i.e., they support renewable resource industries even if the return on investment is lower than the return from investing in other enterprises.

Last Year's Public Forum Results

The responses to these last three questions present a strong ratification of last year's Public Forum results on the Permanent Fund question.

Perhaps a brief review of those responses would be helpful. As stated above, renewable resource industries were ranked, by a wide margin, as the highest priority for all additional oil and gas money. The definition of those industries was colored by regional preferences, ranging from traditional industries such as timber, fishing, and farming to aquaculture and utilization of solar and tidal energy.

In addition, participants wanted to preserve the integrity of the Permanent Fund. Their second choice, "to save the money", reflected the desire for secure investments---those with guaranteed earnings and high returns. There was also considerable support for increasing the size of the Permanent Fund.

Last Year's Public Forum Results Statewide Analysis

1A. How should the Permanent Fund money be invested?

- 26% Save it
- 14% Loan it to communities
- 10% Loan it for industrial development
- 36% Loan it to develop renewable resource industries
- 9% Loan it to individuals

5% Other: Miscellaneous bonds and loans, or other methods of saving;
health, education, welfare issues.

Number of Responses: 3237

ALASKA PUBLIC FORUM

PERMANENT FUND QUESTIONS

Interim Count
(Oct. 1-Oct. 25)

A. Which use of the Permanent Fund do you feel is most important?

	<u>Statewide</u>	<u>Anchorage</u>	<u>Southcentral</u>
*Number of Responses =	1059	675	851
1. To save money for the future	15%	13%	13%
2. To avoid using money for state programs	10%	8%	10%
3. To provide money for income-producing investments	71%	75%	73%
4. Other	4%	4%	4%
	<u>100%</u>	<u>100%</u>	<u>100%</u>

*(64% of total # of responses from Anchorage)
(80% of total # of responses from Southcentral.)

B. Would you like to see more than 25% of the specified mineral revenues placed in the Permanent Fund?

	<u>Statewide</u>	<u>Anchorage</u>	<u>Southcentral</u>
*Number of Responses =	1039	667	836
Yes	54%	52%	52%
No	45%	47%	47%
Don't Know	1%	1%	1%
	<u>100%</u>	<u>100%</u>	<u>100%</u>

*(64% of total responses from Anchorage)
(80% of total responses from Southcentral.)

*C. Please rank the following possible goals for Permanent Fund investments according to which goals you think are most important.

	<u>Statewide</u>	<u>Anchorage</u>	<u>Southcentral</u>
**Number of Responses =	1175	750	944
1. Create more jobs in Alaska	15%	15%	14%
2. Not encourage more people to come to Alaska	9%	9%	9%
3. Maintain environmental quality	14%	13%	13%
4. Make maximum amount of money	6%	6%	7%
5. Make more money available for investing in state	14%	14%	14%
6. Make safest possible investments	10%	10%	10%
7. Make more Alaskan products available	5%	4%	5%
8. Assist in stabilizing Alaska's economy	18%	19%	18%
9. Other	9%	10%	10%
	<u>100%</u>	<u>100%</u>	<u>100%</u>

*Question C was tabulated on the basis of first choice answers only.

**64% of total responses from Anchorage
85% of total responses from Southcentral.

D. In last year's Public Forum, the participants indicated that the highest priority for using the Permanent Fund was to promote renewable resource industries, such as fisheries, timber and farming. Do you agree with this?

	<u>Statewide</u>	<u>Anchorage</u>	<u>Southcentral</u>
*Number of Responses =	1058	680	857
Yes	76%	76%	76%
No	23%	24%	24%
Don't Know	<u>1%</u>	<u>--</u>	<u>--</u>
	100%	100%	100%

*64% of total responses from Anchorage
81% of total responses from Southcentral

E. Do you feel that the goals you have identified as most important can be met by investing in renewable resource industries?

	<u>Statewide</u>	<u>Anchorage</u>	<u>Southcentral</u>
*Number of Responses =	1023	662	834
Yes	78%	79%	79%
No	21%	20%	20%
Don't Know	<u>1%</u>	<u>1%</u>	<u>1%</u>
	100%	100%	100%

*65% of total responses from Anchorage
82% of total responses from Southcentral

F. If you said "yes" in question "D", would you still vote to invest in renewable resource industries even if the money earned was less than the money that could be earned from other investments?

	<u>Statewide</u>	<u>Anchorage</u>	<u>Southcentral</u>
*Number of Responses =	767	471	603
Yes	90%	93%	93%
No	9%	6%	6%
Don't Know	<u>1%</u>	<u>1%</u>	<u>1%</u>
	100%	100%	100%

*61% of total responses from Anchorage
 79% of total responses from Southcentral.

Workshop Results

Our approach to the Permanent Fund in the workshop presentation and discussion questions was considerably different than the information and questions posed in the tabloid. There were several major reasons for this divergence.

Since decisions affecting the future of the Permanent Fund are imminent, our effort was to relay specific and current information relating to Permanent Fund bills already introduced in the legislature and ideas which will shape bills in the future session.

In rural areas, it was unrealistic to structure discussions around some of the more philosophical concepts posed in the questionnaire (Here I speak particularly about the third question which deals with investment goals.) For instance, to ask someone who lives in the small community of Wainwright near the Arctic Ocean, whether his investment goals for the Permanent Fund are "to stabilize the Alaskan economy" or "maintain environmental quality" are basically irrelevant to his daily life. And yet, in the Bush communities, participants had some very real and immediate concerns for the investment of the Permanent Fund. But they had difficulty grappling with the more "cosmic" options presented in the questionnaire.

In the urban areas, we found that people were ready to go beyond the philosophical or "value" statements and straight to the heart of legislation. They wanted to have some direct influence on the bills which will be presented and debated on the House and Senate floors this winter.

Briefly, our presentation on the Permanent Fund included:

1. The history and creation of the Fund
2. What decisions must be made in the near future, concerning

management, size, structure, etc.

3. The two bills introduced in the last legislative session, HB 298 and HB 300
4. And more recently, how the House Permanent Fund Committee proposes to treat the Permanent Fund.

Understandably, as more information became available, the presentation and subsequent workshop questions changed accordingly. As the Forums progressed, there evolved three slightly different sets of workshop discussion questions which I will briefly outline.

I. Wainwright, Dillingham and Kotzebue

We outlined the investment strategy of the S.I.A.C. bill and asked participants to consider how they would compare their investment strategy for the Permanent Fund with that currently proposed.

We asked participants to assign percentages to the different investment avenues specified in HB 298 according to which they felt was most important. We listed these simply as (1) economic development (2) community development and (3) save it. However, we did break down economic development into two parts, (a) economic development in renewable resources (since the emphasis in this kind of development was so strong last year in the Public Forum) and (b) other economic development.

Participants collectively assigned percentages to each category, defined what each category meant to them and explained the reasons behind their choices. (You will find that information, specific to each community on the following pages.)

II. Anchorage

In this urban center, the format was structured slightly different. Basically, we asked the same question which had been

posed in the three previous workshops and two additional questions for discussion. Participants here got into discussions of desired size, management and accountability.

These were the three workshop questions:

1. What is it that you want to accomplish as you recommend that oil revenues be invested in each of the categories (i.e., save it, economic development in renewable resources, etc.)?

2. From your point of view, is that better accomplished through allocation of the general fund or through investment of the permanent fund?

3. From your point of view, what should be the relative size of the permanent fund and why?

III. Fairbanks and Kenai

Following our discussions with Russ Meekins, Mike Doogan and Tom Singer, we were able to include in our presentation the draft proposal for the House Permanent Fund Committee's final bill, which will be presented to the Legislature in January.

We asked Fairbanks and Kenai participants to compare HB 298 and HB 300 and how the House Permanent Fund Committee proposes to treat the Permanent Fund, considering these four elements:

1. the size of the fund
2. the investment strategy
3. how the earnings or income are used
4. management of the Fund.

Then we asked them--What is it that you like about the proposals?
What is it that you dislike about the proposals?
What would you suggest be changed to make them more desirable?

(Note: You will notice that Fairbanks and Kenai are not included in the questionnaire tabulation. The cut-off date for coding the questionnaire responses fell before the workshops in Fairbanks and Kenai took place.) However, particularly in Fairbanks, participants had some very specific and interesting comments concerning the House's draft proposal, which is important that you know.)

On the following pages are recommendations on the Permanent Fund from each community in which a workshop was conducted.

** For those of you who read carefully, and may be wondering what happened to Togiak/^{and Noorvik,} let me reassure you that we did go there. However, "fly-in headhunters" and subsistence issues monopolized the entire meeting, so there was no discussion of the Permanent Fund.

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Wainwright

(71 participants)

<u>Permanent Fund Investment Strategy</u>	<u>Percentages</u>
1. Economic Development in	
Renewable Resource Industries	29%
Other Industries	9%
2. Community Development	34%
3. Save It	21%
4. Other	7%
	<u>100%</u>

Definition of Choices

1. Economic Development In

Renewable Resource Industries

- a. Reindeer Herding. "It's very important because there are not many caribou around Wainwright anymore."
- b. Fox farms, chicken hatcheries, musk ox farm.
- c. Hydroponic greenhouse. "It could run on solar power and supply villages on the North Slope."
- d. "Let's focus on the renewable part of industries so we do not abuse our land and animals."

Other Industries

- a. Small assembly factory "like putting together radio parts".
- b. Development of cottage industries.

2. Community Development

- Loans for community recreation center
- restaurant/motel
- airport terminal
- movie theater
- auditorium for dancing and the performing arts
- skill center (for plumbing, mechanics, carpentry)
- hospital
- pavement of roads
- utilities - telephones, water, sewer
- gymnasium

3. Save it

"To increase the Fund"
"For future use"
Trust Funds
"For young kids when they grow up."

4. Other

Increase other loan programs. Stimulate the performing arts, especially dancing. To encourage touring art groups.

Dillingham

(125 participants)

<u>Permanent Fund Investment Strategy</u>	<u>Percentages</u>
1. Economic Development in	
Renewable Resource Industries	34%
Other Industries	8%
2. Community Development22%
3. Save It36%

Definition of Choices

1. Economic Development In

Renewable Resource Industries

- a. Development of bottom fish and herring fisheries
- b. Fish by-product use
- c. Hatcheries, boat loans
- d. "This is an economic base for our area...a key to future growth." "Renewable resources are important because there will always be something for the future."

Other Industries

- a. Transportation--ferries, air taxis, scows and boats
- b. Small businesses

- c. Saw mills
- d. Tourism
- e. Mining

2. Community Development.

- Hospital
- Housing
- Alcohol treatment center
- Music hall/theater
- Recreation center/parks
- Road maintenance
- Community College

3. Save It

"We want safe investments and guaranteed return for investments."

Kotzebue

(26 participants)

<u>Permanent Fund Investment Strategy</u>	<u>Percentages</u>
1. Economic Development in	
Renewable Resource Industries	35%
Other Industries	8%
2. Save It	20%
3. Community Development	27%
4. Other	10%

Definition of Choices

- 1. Economic Development in Renewable Resources
 - a. Fishing - loans, research, fish farming. "There's tons of herring and sheefish here, but no market."
 - b. Reindeer Herding - "as local meat supply rather than bring in beef"
 - c. Musk Ox farms - for the meat and wool
 - d. Down birds - for down products, making down parkas

- e. Alternative power sources - - especially wind and solar.
- f. Cottage Industries - "Older people and mothers who must stay at home with their children, can make money by doing skin sewing, parkas, carving, sled and boat building. With the right organization, these people could make a living from such industries."

Other Industries

- a. Tourism
- b. More major air service
- c. Jade and mineral development
- d. Mining/refineries... "heavily controlled, no new roads"

2. Save It

- a. "Save money for a better idea"
- b. "Invest it outside of the State". . . .municipal bonds, insurance, treasury bonds, certificates of deposit.
- c. "The people of Alaska should have total control of how the money is invested."

3. Community Development ("Community development is not an immediate return, but a future return...to get people off welfare and improve the standard of living.")

Wholesale grocery store . . .cooperative
roads
barge services
storage facilities
movie theater/recreational facilities
housing/utilities
laundry mat
bakery/restaurants
garage/mechanics shop
schools - vocational and academic
community cultural center - with films, video, radio, swimming
pool, hot baths, sauna
recreational development - ski-lifts, ski jumps

4. Other

Low interest revolving loan funds

Educational loans . . . on the job training

One group's recommendations for the use of Permanent Fund earnings:

1. Human development projects for rural Alaskans
2. Community cultural centers
3. Research on education - - investing in individual young people who are interested in careers in government and education in Alaska
4. Development of more local community colleges in rural Alaska.

"We would like to see a built-in review and revision process in whatever plan of management and monetary division is originated. The ideas of people within the state may change as we learn what to do and how it feels to manage so much money."

Anchorage

(105 participants)

1. What is it that you want accomplished as you recommend that oil revenues be invested in each of the categories?

Only one out of the three small discussion groups actually assigned percentages to the different categories.

Economic Development in	
Renewable Resources25%
Other Industries	20%
Save It	25%
Community Development20%
Other10%

However, two other groups spoke specifically about the importance of developing renewable resource industries, which for them included farming, fish hatcheries, aquaculture, timber and alternative sources of energy. One group was very concerned that community development "be tied to renewable resource industries. Whatever development is encouraged should be done in such a way that there is no damage done to the environment." Several participants agreed that the Permanent Fund should not be used for social programs..."perhaps we could use the interest for those."

2. From your point of view, is that better accomplished through allocation of the General Fund or through investment of the Permanent Fund?

One group spent most of their time talking about renewable resource industries and felt that "the General Fund should dwell on research into possible renewable resource industries and alternate energy sources." When these proved to be fairly safe investments, then to use money from the Permanent Fund to stimulate their growth.

The other two groups did not get into this question.

3. From your point of view, what should be the relative size of the Permanent Fund and why?

One group said that "we should invest a significant portion of the Permanent Fund (far greater than the 25% now provided) in blue chip investments Outside or municipal bonds in Alaska, possibly Federal Treasury Notes." Participants in this group felt that the size of the Fund should be between 50-75% "with an option on the part of the legislature to increase the contribution, but no option to decrease below the level set."

The second group concurred that the size of the fund should be substantially larger, around 40%. "Our prime concern was to protect the fund, to save it."

The third group did not agree on a size.

4. Management and Accountability

Several of the participants felt that the management of the Permanent Fund "should be run independently such as a separate corporation might be, although it must have certain definite ties back to the people." Management, they concluded, should be accountable to the administration, the legislature and most importantly, the people.

*Nearly one-half of Public Forum participants at the Anchorage workshop participated in Permanent Fund discussions.

Fairbanks

(157 participants)*

Fairbanks participants delved into the Permanent Fund discussions and emerged with some very specific recommendations. They were asked to compare HB 298 and HB 300 and how the House Permanent Fund Committee proposes to deal with the Permanent Fund, considering these four elements:

1. The size of the Fund
2. The investment strategy
3. How the earnings or income are used
4. Management of the Fund

We asked them what they liked about each proposal, what they disliked and any suggestions they had to make the proposals more desirable. Here is what they said:

1. The size of the Permanent Fund

There was strong consensus that the minimum contribution to the Permanent Fund should be at least 50%. Many said that the fund should be increased to 100% of the specified oil monies, minus the cost of operating expenses.

2. Investment Strategy

Almost all of the participants favored the concepts of a Trust Fund and Development Bank in structuring the investments of the Permanent Fund. They liked the idea of the Trust Fund because it was "security-oriented."

However, most people felt that the portion of the Permanent Fund (16%) which would be dedicated to the Development Bank under the House Committee's proposal was "too small." One Fairbanks banker was astounded by the House's proposal. "Oh my god, and they think bankers are conservative." He wanted to see the figures

reversed...i.e., that 84% of Permanent Fund should go into Development Bank and 16% should go into Trust Fund.

Many people were concerned about renewable resource industries development and did not feel that any one of the three proposals adequately addressed that concern. Some felt that renewable resource industries should be given low interest rates from the Development Bank, mentioning specifically agriculture and the development of alternative sources of energy.

One strong recommendation which surfaced in many of the groups was that "Local banks should handle the Development Bank money". Other comments speaking to that same concern were—"The Development Bank should happen through local banks. Utilize local banks in the loan business"; and "We trust local banks more than some policy board in Juneau."

3. How the earnings or income are used

Most people agreed that the cost of operating the Permanent Fund should come out of the income from Permanent Fund investments. Some thought that Permanent Fund earnings should be used to stimulate cultural development "it is one of our greatest needs in Alaska"; others recommended that the income return to the Development Bank; while still others specified that the earnings be used for baseline research, specifically environmental, to pave the way for renewable resource industry development.

4. Management of the Fund

For Fairbanks participants, it was very important that local people have some influence over management policies concerning the Permanent Fund. They felt that all the regions of the state should be represented on whatever policy board is structured. There were several groups who favored the idea of regional policy boards "if

they have more authority than just an advisory role". A few participants were adamant that "whatever policies are set, they do not reflect urban over rural".

* About one-third of Forum participants in Fairbanks participated in the Permanent Fund discussions.

Kenai

(218 participants)*

1. Size of the Fund

Kenai participants wanted the minimum contribution to the Permanent Fund to be at least 50%. This was unanimous. Many suggested even 75%.

2. Investment Strategy

One group said that "balance is important", but did not go into detail as to what that meant to them. Another group specified three elements which were important for investments (1) community development-personal loans; (2) save it; and (3) renewable resource industries, in that respective order. A third group wanted the Fund money "secure" and invested in the state wherever possible".

3. Earnings or Income

Many felt that at least a significant portion of the earnings should be used to finance "high risk loans". Others thought the income should be plugged directly into (1) renewable resource industries and (2) tourism facilities, such as hotels, restaurants, etc. There was an equally strong opinion that the earnings should

go back into the Permanent Fund, except the cost of operating the Fund.

4. Management

The strongest recommendation here was that management should be totally segregated from the political arena. "We don't know how to write it so it's not political, but we want management to include some financial wizards, some professionals, and also some just regular people like us."

* About 40 people at the Kenai Forum took part in Permanent Fund discussions.

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MEMORANDUM

ALASKA GROWTH POLICY COUNCIL
ALASKA PUBLIC FORUM

TO: Representative Clark Gruening
Special Committee on the
Alaska Permanent Fund

DATE: September 20, 1977

FILE NO:

Thru: Mike Doogan
Administrative Assistant

TELEPHONE NO: 276-5262

FROM: Barry Quinn *B*
Executive Director

SUBJECT:

I have enclosed the last draft of the tabloid sections and questions for your review. Some minor changes in both will occur during the layout phase which is now in process.

I have also enclosed a copy of the results of our pretest which was conducted among a total of 40 people from Anchorage, Fairbanks and Barrow. The purpose of the pretest was to check the effectiveness of our questions, but it also gives us a feeling for the frequency of responses.

I spoke with Mike about committee members at Public Forum workshops. We would like to have committee members in attendance at as many workshops as possible to answer questions asked of the legislature. This will be most important in those communities where full day workshops will be held. The attached schedule indicates the evening and the all day workshops.

As I mentioned previously we will be producing a series of radio spots that both advertise the community workshops and ask people to fill out the tab questionnaire. These spots will be for statewide distribution. We would appreciate it if you would be willing to do the spots related to the discussion of the Permanent Fund. We feel this would assist in increasing the public involvement and at the same time illustrate the committee's involvement.

We have schedule production for the week of September 26, but are flexible enough to accommodate your schedule.

I would appreciate hearing from you soon about the schedule.

BPQ:rj

Enclosures: Tabloid sections, questions, pretest results,
APF schedule.

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

THE PERMANENT FUND

What Is It?

In November, 1976, voters of the state approved changing the language of the Alaska Constitution to allow for "dedicated" monies to be set aside for a special purpose--the Permanent Fund.

The amendment reads

"At least twenty-five percent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the State of Alaska shall be placed in a permanent fund, the principal of which shall be used only for those income producing investments specifically designated by law as eligible for permanent fund investments. All income from the permanent fund shall be deposited in the general fund unless otherwise provided by law."

There are five important points to be noted in the amendment.

1. At least twenty-five percent means that more than twenty-five percent can be placed in the Permanent Fund.
2. All mineral lease rentals, royalties, royalty sale proceeds federal mineral revenue sharing payments and bonuses specifies the type of money that will go in the Permanent Fund.
3. The principal of the Permanent Fund can be invested but not spent.
4. Permanent Fund investments must be income producing.
5. The income from Permanent Fund investments, which shall be deposited in the general fund unless otherwise provided for by law, can be spent.

In brief, the voters agreed to use at least 25 percent of specified oil and other mineral revenues coming into the state for investment purposes. None of that money may be put into the General Fund which finances the general operating expenses of government. All that may be spent in future years are the earnings from Permanent Fund investments.

Understanding the difference between the principal and the earnings of the Permanent Fund is important. For example, if the state put \$250 million into a savings account it might earn interest at seven percent. That interest over a five year period would amount to approximately \$87.5 million, plus what has been compounded. The state may spend the \$87.5 million, the earnings, but the \$250 million, the principal, must stay in the Permanent Fund for investments.

The same idea applies to a loan. If the state loans a community \$100,000 to build a dock, it will expect to receive that \$100,000 back plus, say six percent interest. In this case the state will earn \$6,000 at the end of one year which it can spend on state activities, unless otherwise provided for by law. Again, the state returns the \$100,000 to the Permanent Fund for future investments.

The fund is a big responsibility and it is critical that it is understood and managed properly. The revenues produced by the development of our oil and gas resources gives an idea of the magnitude of the fund. Total state petroleum revenues produced between 1977-1985 are estimated to be \$12.5 billion from all sources (taxes, royalties, leases and bonuses). The portion of that petroleum revenue required by the constitutional amendment creating

the Permanent Fund is expected to be at least \$1.75 billion by 1985.

Current Status of the Fund

The fund began accumulating money in January of this year. In February, the legislature adopted an interim management policy which will govern the investment of the fund until the legislature decides on and establishes the agency and procedure for managing the fund. Under the interim statute, the Department of Revenue is required to invest the fund in low risk, short-term, guaranteed return securities.

Beginning in January, the state legislature will consider laws on the Permanent Fund. In the last legislative session, two bills dealing with the structure and management of the Permanent Fund were introduced for the purpose of discussion. The State Investment Advisory Committee, which advised the Commissioner of Revenue on investment policies for the state, wrote House Bill 298. This bill was sponsored in the legislature by the Governor. A second bill, House Bill 300, based on HB 298 but incorporating some changes, also was entered in the last session.

Research and analysis continues as policy makers prepare for the debate which will take place during the 1978 session. Special House and Senate committees have been working through the summer to answer questions about how to set up and manage the fund. To assist these committees and the governor, who will have to decide whether to sign any Permanent Fund bill passed by the legislature, the Alaska Public Forum is asking you to consider your goals for this special fund. Although other methods of gathering Alaskans' opinions are currently underway, your responses to the Public Forum questions will be a valuable aid

for those who must decide policy.

How Much Money Should Go Into the Fund?

Perhaps the most important thing to understand when answering questions about Permanent Fund goals is that choosing one goal over another involves compromises or trade-offs. In answering question 1b., for example, you should know that money placed in the Permanent Fund (the principal) will not be available for financing government programs through the General Fund. Although some projections of state revenue indicate that the state will have large surpluses of money by 1985, the amount of money is not infinite. You also should know that the money earned by Permanent Fund investments (the interest) may be available for financing government programs through the General Fund. However, as far as the principal is concerned, the trade-off is obvious: money put into the Permanent Fund will not be available in the General Fund.

Instead of determining a straight percentage of the non-renewable resource money which shall be dedicated to the Permanent Fund, it is possible that the legislature will use a more flexible formula.

The legislature can decide, either by fixing in the enabling legislation or on a year-to-year basis, whether more than 25 percent should go into the Permanent Fund. This decision will depend on the need for state expenditures, the amount of oil revenues coming in relative to that need, and the uses to which the Permanent Fund will be put.

Your Goals for the Permanent Fund

In answering question two, it is equally important to keep trade-offs in mind. If, for example, you choose the goal of creating more jobs, you should realize that it involves a trade-off against the goal of not encouraging more people to come to

Alaska. Historically, many people have come to Alaska to fill available jobs. The more jobs that are created here, the more likely it is that people will arrive to fill them. The most recent example of this, of course, is the construction of the Trans-Alaska Pipeline.

Different goals involve other trade-offs, some more subtle than others. It is possible, for instance, that the goal of making more Alaska products available may involve a trade-off against the goal of making the safest possible investments. Investments designed to make more Alaska products available may not be as safe as investments in housing mortgages or government bonds. Likewise, the goal of making more Alaska products available may involve trade-offs against the goals of maintaining environmental quality or not encouraging more people to come to Alaska. The fact that compromises may be involved does not necessarily mean that some goals are better than others. That's for you to decide. But trade-offs cannot be ignored by policy makers, so we ask you to consider them carefully before ranking your investment goals.

The majority of last year's Public Forum participants wanted to invest the Permanent Fund money in renewable resource industries. This year we seek to clarify this response and also ask some additional questions on how to achieve your objectives.

Permanent Fund

1. Which use of the Permanent Fund do you feel is most important?

To save money for the future

To avoid using the money for state programs

To provide money for income producing ^{by} investments

2. Would you like to see more than 25 percent of this money placed in the Permanent Fund?

Yes

No

3. Please rank the following possible goals for Permanent Fund investments according to which goals you think are most important. (1-most important, 9-least important)

Create more jobs in Alaska

Not encourage more people to come to Alaska

Maintain environmental quality

Make the maximum amount of money

Make more money available for investing in the state

Make the safest possible investments

Make more Alaska products available

Assist in stabilizing the Alaska economy

Other _____

4. In last year's Public Forum, the participants indicated ^{Local} the highest priority for using the Permanent Fund was to promote renewable resource

industries; such as fisheries, timber, and farming. Do you agree with this?

Yes

No

5. Do you feel that the goals you have identified as most important can be met by investing in renewable resources industries?

Yes

No

6. If you said "yes" in question four, would you still vote to invest in renewable resource industries ^{LEAD} if the money earned was less than the money that could be earned from other investments?

Yes

No

Land

1. Please rank the following private uses ^{of land} according to which you think the state should stress the most. (1-most important, 6-least important)

Provide land for recreational homes and cabins.

Provide land for homes near existing communities

Provide land for homes away from existing communities

Provide land for farms

Provide land for small businesses

Keep land in trust for future Alaskans

2. Should the state sell ^{this} ~~the~~ land or use long-term leases to make this land available for private use?

Sell the land

Use long-term leases

Don't know

3. Which of these users, if any, do you think should not have to pay the full price of the land that they use?

Farmers

People with low incomes

Loggers

People who have lived in Alaska a long time

People who do not own other land

People who are chosen by lottery

Other _____

No one should pay less than the full price

Subsistence

1. What do you mean when you use the term "subsistence"? And what ^(subsistence) ~~important~~ uses of fish and wildlife do you feel are most important?
2. The State of Alaska says that subsistence is the most important use among all consumptive uses of fish and wildlife. ~~Is that correct?~~ However, if there are not enough fish and wildlife for all subsistence uses, what should be the basis for deciding who may use these resources for subsistence purposes?
3. How should we manage our fish and wildlife to best assure healthy populations of the resources and still provide for subsistence and ~~to~~ other consumptive uses?

The state will be receiving a large amount of money for the use of oil, gas, and hard rock minerals. Last year most Alaskan voters approved of the idea of placing at least 25 percent of this money in a Permanent Fund.

1. Which use of the Permanent Fund do you feel is most important?

- 15 TO SAVE MONEY FOR THE FUTURE
 TO REDUCE THE MONEY AVAILABLE FOR STATE PROGRAMS
25 TO PROVIDE MONEY FOR INCOME PRODUCING INVESTMENTS

2. Would you like to see more than 25 percent of this money placed in the Permanent Fund?

- 21 YES
13 NO

3. What goals should we meet through Permanent Fund investments? Please rank your choices (1 - most important to 8 - least important).

- 13 CREATE MORE JOBS IN ALASKA
5 NOT ENCOURAGE MORE PEOPLE TO COME TO ALASKA
11 MAINTAIN ENVIRONMENTAL QUALITY
4 MAKE THE MAXIMUM AMOUNT OF MONEY
8 MAKE MORE MONEY AVAILABLE FOR INVESTING IN THE STATE
5 MAKE THE SAFEST POSSIBLE INVESTMENTS
7 MAKE MORE ALASKAN PRODUCTS AVAILABLE
22 ASSIST IN STABILIZING THE ALASKAN ECONOMY

4. In last year's Public Forum, the participants indicated the highest priority for using the Permanent Fund to promote renewable resource industries. Do you agree with this?

- 35 YES
25 NO

5. Do you feel that the goals that you have identified as most important can be met by investing in renewable resource industries?

29 YES

7 NO

6. If you agree with promoting renewable resource industries with Permanent Fund monies: would you still vote to invest in renewable resource industries if the money earned was less than the money that could be earned from other investments?

26 YES

9 NO

Last year many people in the Public Forum told us the state should make more land available for private use. The state can stress some uses more than others.

1. Please rank the following private uses according to which you think the state should stress the most.

- 18 PROVIDE LAND FOR HOMES NEAR EXISTING COMMUNITIES
- 5 PROVIDE LAND FOR RECREATIONAL HOMES AND CABINS
- 11 PROVIDE LAND FOR HOMES AWAY FROM EXISTING COMMUNITIES
- 19 PROVIDE LAND FOR FARMS
- 12 PROVIDE LAND FOR SMALL BUSINESSES
- 10 KEEP LAND IN TRUST FOR FUTURE ALASKANS

2. Should the state sell or lease most of this land for private use?

- 18 SELL THE LAND
- 14 LEASE THE LAND

3. Which of these users, if any, do you think should not have to pay the full price of the land that they use?

- 11 FARMERS
- 16 PEOPLE WITH LOW INCOMES
- 2 LOGGERS
- 12 PEOPLE WHO HAVE LIVED IN ALASKA A LONG TIME
- 9 PEOPLE WHO DO NOT OWN OTHER LAND
- ~~PEOPLE WHO ARE CHOSEN BY CHANCE~~
- 4 OTHER _____
- 12 NO ONE SHOULD PAY LESS THAN THE FULL PRICE

Over half the money that the state now spends comes from oil bonus payments, lease sales, and royalties. Since the oil will not last forever, this source of money is limited.

1. How do you feel about using the money from oil to pay for state expenses?

- 5 WE SHOULD USE AS MUCH AS WE NEED OF THE OIL MONEY FOR STATE EXPENSES WHILE WE HAVE IT.
- 8 WE SHOULD USE THE OIL MONEY ONLY FOR ABOUT THE SAME PROPORTION OF STATE EXPENSES AS WE DO NOW.
- 14 WE SHOULD REDUCE THE PROPORTION OF STATE EXPENSES THAT ARE PAID FROM OIL MONEY.
- 4 WE SHOULD NOT USE OIL MONEY TO PAY FOR STATE EXPENSES.
- 8 OTHER _____

2. How should we decide how much state money to spend?

- 6 KEEP SPENDING AT WHAT IT IS NOW AND REDUCE SERVICES
- 6 INCREASE SPENDING ONLY ENOUGH TO KEEP UP WITH STATE POPULATION GROWTH
- 2 INCREASE SPENDING ONLY ENOUGH TO KEEP UP WITH INFLATION
- 11 INCREASE SPENDING ONLY ENOUGH TO KEEP UP WITH POPULATION GROWTH AND INFLATION
- 8 INCREASE SPENDING ENOUGH TO MEET THE NEED FOR CRITICAL NEW SERVICES

3. As the money we get from oil decreases, how should we pay for state expenses?

- 0 RAISE GENERAL TAXES
- 2 RAISE FEES AND TAXES FOR LICENSES, GASOLINE, ALCOHOL, AND OTHER GOODS AND SERVICES
- 17 USE THE MONEY EARNED FROM INVESTMENTS THAT ARE MADE WITH OIL MONEY
- 16 ENCOURAGE INDUSTRIES TO LOCATE IN THE STATE WHICH WILL INCREASE THE AMOUNT THE STATE GETS IN TAXES MORE THAN THEY INCREASE STATE EXPENSES
- 2 THERE WILL BE OTHER SOURCES OF MONEY IN THE FUTURE TO PAY FOR STATE EXPENSES
- 6 OTHER _____

The State currently spends money on the following services:

<u>STATE SERVICE</u>	<u>FY 1978 General Fund Operating Budget</u>	<u>Percent of Operating Budget</u>
EDUCATION (elementary and secondary schools, museums, State library, adult education, vocational training, etc.)	\$263,395,700	34%
UNIVERSITY OF ALASKA	60,310,400	8%
SOCIAL SERVICES (family and children assistance payments, pioneers' homes, longevity bonus, vocational rehabilitation, employment security and other employment programs, etc.)	52,968,400	7%
HEALTH (public health, mental health, payment support for medical services, alcoholism and drug abuse, etc.)	34,357,100	4%
PUBLIC PROTECTION (consumer and worker protection, safety programs, regulatory commissions, rescue, disaster, military, civil defense, etc.)	19,701,100	3%
ADMINISTRATION OF JUSTICE (State police, courts, prisons, delinquency, etc.)	69,532,000	9%
DEVELOPMENT (Economic and community development, business loans, housing development, revenue sharing, Native claims payments, etc.)	45,091,200	6%
TRANSPORTATION (airports, highways, marine ferries, etc.)	112,430,200	15%
RESOURCES (fish and game resources, land and water management, mineral resources, forest resources, environmental conservation, parks and recreation, etc.)	50,400,100	7%
GENERAL GOVERNMENT (administration, legislature, legal and fiscal services, etc.)	64,188,200	8%
	TOTAL	
	\$772,374,400	

For each of these services, what do you think the State should do:

	INCREASE SERVICE & SPENDING	KEEP SAME SERVICE & SPENDING	SAME SERVICE CAN BE PROVIDED WITH LESS SPENDING	SHIFT SERVICE TO PRIVATE SECTOR	REDUCE SERVICE & SPENDING
A. EDUCATION	13	9	9	1	1
B. UNIVERSITY OF ALASKA	9	5	6	2	3
C. SOCIAL SERVICES	9	10	6	0	5
D. HEALTH	17	9	3	2	0
E. PUBLIC PROTECTION	15	10	2	0	1
F. ADMINISTRATION OF JUSTICE	12	19	2	1	1
G. DEVELOPMENT	5	9	5	4	5
H. TRANSPORTATION	9	11	5	1	1
I. RESOURCES	11	15	4	0	0
J. GENERAL GOVERNMENT	0	11	11	0	8

SUBSISTENCE QUESTIONS

1. What do people mean when they use the term "subsistence"?
And what subsistence uses of fish and wildlife should have highest priority?
2. If there are not enough fish and wildlife for all subsistence uses, what criteria should be the basis for deciding who may use these resources for subsistence purposes?
3. What management scheme would best assure healthy populations of fish and wildlife and also provide for valid subsistence uses?

FINANCIAL MANAGEMENT

The Alaska State government is a several hundred million dollar enterprise, responsible for providing a wide range of goods and services to the public. These goods and services must be paid for from the State Treasury, where all public funds are kept.

When an individual purchases a good or service from a private business, the cost and the payment is direct and is reflected in the price of the purchase. The individual can look at the price of the item, determine whether or not it is worth the money and act accordingly. Although just as real, payment for government products is less direct and the benefits are less easily measured.

Government operations are funded through a combination of tax revenues, user fees (i.e. camping permits, fishing and hunting licenses), federal aid and grants, and the sale of state-owned resources such as oil and land. Some state revenues occur only once, for example, the \$900 million Prudhoe Bay lease sale. Others are yearly collections from a continuing tax base such as corporate and personal income.

Since statehood, our mineral sale revenues have financed an increasing proportion of on-going state expenditures. There is growing concern over this situation. Today, approximately 55 percent of all government activities are paid for with mineral sale revenues. Since oil, gas, and other mineral deposits are finite, this source of money is ultimately limited. Currently, the state is deliberating how to move from a dependence on this unreplenishable source of funding to sources based on continuing state economic activity without drastically reducing services, disrupting the growth of the Alaska economy or saddling the populace with a large tax burden.

Although substantial oil revenue seems assured for at least ten years, how will we pay for government when revenue from mineral sources ultimately declines?

As the population increases and costs rise, it becomes more difficult to maintain the current levels of services without spending more money. Some people suggest that we should restrict government spending only to those additional activities which can be financed by new taxes or service charges. Yet on the other side of the scale, there seems to be rising expectations of government and demands for new or more expanded services.

Perhaps, examples of projects now under consideration may help to clarify the dilemma.

Alcohol abuse is a serious problem in Alaska. Many people feel that the state should become more involved in rehabilitation, education, medical care and law enforcement programs which deal with the devastating effects of alcohol. But if these programs are expanded, how should we pay for them? There are several possibilities: we could reduce spending in other areas; we could increase general taxes; we could increase taxes specific to alcohol (user fees); or we could use oil monies.

The potential opening of the North Slope Haul Road involves similar questions. If the road is opened, the state will have to pay substantial sums of money for annual maintenance and other related activities. Who should pay these costs, the people who will use the road or the state? Should we reduce the money for other programs to finance this one? Should we reduce the cost of road maintenance elsewhere? Should we raise general taxes or tap oil money? These are the kinds of difficult trade-offs which must be considered.

Some people believe that we should continue to finance state government predominantly with revenues from mineral sales because we will continue to discover and develop new resources to replace those currently being used up. This position is difficult to support or disprove. It assumes the existence of resources which have not yet been found. However, there is evidence from other parts of the United States and the world that it is very possible to deplete natural resources. Some individuals maintain that such an occurrence (the depletion of natural resources and thus the decline of those revenues) is too far in the future for it to be a major concern of the state government and the Alaska people today.

It is also possible that the Alaska economy will expand at a faster rate than government spending, thus producing a higher proportion of revenues.

That would mean attracting those industries to Alaska which would increase revenues more than it would increase expenditures (such as building new schools, new roads, etc.).

The legislature and the Governor, with public advice, will decide on the level of government expenditures. Finding the appropriate balance between state spending and the financing of that spending is the question of financial management. If you think spending should be held down, certain activities now undertaken by state government will need to be reduced. The questions below seek to determine your preferences regarding state expenditures and how they are financed.

LAND

Land. It is our greatest natural resource, and one that touches us all in a personal way. Few issues affect us more deeply than how it is used.

Surrounded by millions of acres, many Alaskans desire a small tract for a home, garden, and a measure of privacy. Others look to land to maintain their subsistence lifestyle. Another group wants the land left in its natural state and used for temporary purposes only.

The majority of participants in last year's Public Forum told us their most important objective for managing Alaska's land was "to provide land for people's needs." Yet "people's needs" varied from person to person and from region to region.

This year we would like to know more detail about the personal needs you think the state should meet and how it ought to meet them. But first, some background.

Land Ownership in Alaska

There are 375 million acres of land in Alaska. The federal government owns the largest chunk--226 million acres. Under the Statehood Act, Alaska is entitled to more than 103 million acres, an area a little larger than the state of California. Private landowners, including individuals and the native corporations, hold or will soon receive title to 45 million acres. Boroughs and municipalities own or have selected about 1.2 million acres.

State Lands

To date, the state has selected 71 million acres of its 103 million-acre entitlement. Full title has been conveyed on 20 million of those acres, and another 15 million have been tentatively approved for state ownership. The state is free to manage, sell

or lease only the 35 million acres which are patented or tentatively approved.

State lands are concentrated in southcentral, southwest, and interior Alaska, with scattered selections in southeastern and arctic Alaska. The State Division of Lands estimates that only about four percent, or 15 million acres, of the total land area of Alaska is well suited for intensive use--for homes, commercial, and industrial development, etc. Much is too steep for development, while other areas are wet or susceptible to flooding. Permafrost, poor surface soil, geologic hazards, and fragile vegetation are other limitations that directly increase construction costs, cause erosion, or even endanger life.

Realistically, there is simply not enough suitable land to satisfy everyone. Compromises and trade-offs will have to be made, and it is important to understand the limitations of the state's capabilities in providing land for private use.

State Land Available for Private Use. A homesite act went into effect in September, 1977, making parcels of up to five acres available for permanent homesites. The act calls for classification and survey of 25,000 acres of state land for homesite entry.

Residents of Alaska for the past six years or a total of 20 years may apply for a tract for a \$10 filing fee. To obtain patent, the applicant must live on the land a total of 21 months within the first three years and build a permanent home within that time. They must also reimburse the state for survey costs.

Land is excluded if it lacks adequate drainage or water supply, has agricultural or mineral potential, is located where homesites would threaten fish regeneration or where existing services provided by the state and municipalities would be

inaccessible, or is unsuitable for community or on-site sewage disposal.

About 1,000 acres that meet the proper standards have been located in the areas of Tok, Delta Junction, Rex, and Central. The first disposal of homesite tracts is tentatively scheduled for spring 1978.

The program will be difficult to implement in the state's organized boroughs where most of the best homesite land lies. These boroughs would have to provide many of the services for homesite families.

Some boroughs are refusing to permit any further classification of land within their boundaries until they receive title to the lands they have selected. Municipalities are entitled to select 10 percent of the vacant, unappropriated, unreserved state land within their boundaries under the Mandatory Borough Act of 1963. A bill that would have settled the municipal land entitlement failed to pass the last legislative session.

Other boroughs are refusing to waive their subdivision regulations requiring the subdivider to construct roads. Under the homesite bill the state itself is acting as subdivider. Since the legislature did not appropriate money for road construction, it is impossible for the state to comply with that portion of local laws.

If the state goes beyond borough borders for homesites, the land still must be near an existing road network which does not overlap selections by natives or the federal government under the Alaska Native Claims Settlement Act.

Land for Recreational Homes and Cabins. The state's open-to-entry program, which opened in 1968, was an earlier attempt to meet the desire of Alaskans for a personal piece of wilderness. More than

2.5 million acres were classified as open-to-entry in semi-remote areas near Fairbanks, in the Susitna Valley, on the Kenai Peninsula, in the areas of Kachemak and Resurrection Bays, around Tok, and on Kodiak Island.

Residents could stake up to five acres and apply for a five-year renewable lease. They could buy the land for fair market value at the time of staking, provided they paid for their own land survey.

More than 3,600 parties staked and leased tracts under this program. It was discontinued in 1973 after it proved increasingly difficult to administer and fell prey to various abuses. Further, it had failed to set aside areas for roads and trails and areas with high public recreation value.

The state had assumed that individuals were looking for isolated tracts, but people tended to cluster their filings near settlements and areas with water frontage. With no overall plan, entries sometimes overlapped or left pieces of unusable land between them.

Any new program for providing recreation lands should be designed to avoid the pitfalls of this earlier one and to carefully address Alaskans' practical desires and needs for recreation land.

Land for Urban Homes. State land near established communities where jobs, public services, and amenities already exist is deceptively scarce. In the years before statehood, much of the land in and around the population centers of Anchorage and Fairbanks was acquired by private owners under the federal Homestead Act. After statehood, the state selected most of the remaining lowland area. Municipalities have since selected or received approval or patent to about 1.2 million acres of state lands. More than 168,000 acres originally owned by state and

local governments are now in private hands through borough and state land disposals.

As a result, much of the best-located land within commuting distance of urban centers is already owned privately or by local government. Much of the state land which remains near growing urban centers is held in trust to help support the state's mental health program, public school system, and the University of Alaska.

Other state land near cities has been selected by local governments under the Mandatory Borough Act or pressed into a public service-related use. In the Anchorage Bowl, for example, the state owns 8,200 of the 64,000 acres. All but 300 of those acres are mental health, school, and university land or are used for airports or leased to the municipality.

Land for Farms and Rural Homes. In 1976 the legislature passed a bill calling upon the Department of Natural Resources to classify 650,000 acres for sale for agricultural use only. Through this classification, the state protects this resource from uses that would render it unsuitable or unavailable for farming. These tracts will probably have to be conveyed in much larger tracts than the 160-acre federal homestead parcels since these proved too small to support Alaskan agriculture in almost all cases.

Land could also be made available for rural homesites away from established communities. However, such a program might encourage urban sprawl and unplanned development. Many of these homeowners would have to commute land distances to urban jobs, aggravating traffic problems. Additionally, extending public services to these areas might be expensive and unpopular with local governments.

Land for Small Businesses. Many Alaskans dream of owning

a small family business. The state could make some of its lands available for such uses as a country store, cottage industries, a roadside cafe, or a taxidermy shop. Some people feel this option represents state intrusion into private industry, while others point out that finding land for small businesses near existing communities would pose the same problems as finding land for urban homes.

Land Held in Trust. State land could be preserved in its natural state as a bequest for future Alaskans. It could be managed for existing uses or to insure productivity of fish and wildlife and other resources for recreation and subsistence.

Land Conveyance

Currently, state land can be transferred to private use either through fee simple sale or by lease. All or partial rights can be conveyed at either full or below market price. Each of these options has advantages and disadvantages.

Sale. Some people believe that the sale of state land would relieve scarcity and consequently lower prices. However, since the state owns very little land in areas where there is a shortage of building sites, this course would have little effect. In many rural areas the high cost of land is due not to a shortage of building sites but to competition among speculators which has boosted prices. Among the more than one million acres privately owned in Alaska (not including native lands), about 10 percent is used for homes, farms, industry, recreation, and commercial development: ninety percent is used only slightly or not at all.

Lease. When the state leases land it retains title but authorizes other people or agencies to use it. The state's school, mental health, and university lands are examples of leased lands which

are held to earn revenue for specific purposes. Some lands, such as state tidelands and lands classified for resource management may only be leased and not sold. Leases run for 55 years with an option to renew for another 55 years. Subleasing is permitted on improved properties.

Greater use of leasing has been suggested as a way to reduce land speculation, retain a measure of land use control within the state, and allow the state to share in the revenue to be gained through rising land values.

Selling or Leasing Land at or Below Market Value. Selling or leasing land at market value maximizes income to the state. At the same time, there is evidence that this practice inflates surrounding land values, and actually casts the state in the role of developer.

State lands are generally sold or leased at public auction for no less than current appraised value. However, the auction method produces intense competition, and properties sometimes sell for two to four times the appraised value. Parcels without successful bidders can be offered over-the-counter for no less than appraised value.

Total proceeds to the state have not been great. The Division of Lands estimates that state coffers have been enriched by \$33 million through land sales since statehood. That averages less than \$2 million per year, or less than one percent of the annual state budget.

If the state opts to sell land at below market value, it must decide that meeting individual needs is more important than earning maximum profits. The homesite bill, and open-to-entry program are examples of land disposal below market value.

If land is leased or sold below market value, the state must decide who is to benefit. Certain land uses, for example, agricultural, could be encouraged by giving preference to those applicants who would use it for farming. On the other hand, certain categories of people might first qualify for a price break. These might be people with low incomes, those who own no other property, senior citizens, or long-time state residents. Some people have suggested a lottery system.

SUBSISTENCE

Introduction

One of the most sensitive and controversial issues facing the State in the area of fish and wildlife management is subsistence use of the resources.

At the heart of the problem lie these questions: What does the term "subsistence" mean? What is a fair method to determine who should use these resources for subsistence purposes? And what management system would best assure the well-being of animal and marine life, and also provide for subsistence uses?

There are no easy answers.

As Alaska's population grows, pressures increase on fish and wildlife and conflicts intensify over who should be allowed to hunt and fish. While no one likes the idea of restrictions on his activities, today's level of dependence on the land cannot be sustained for an ever increasing number of people. Eventually, demand will exceed supply.

In any discussion of hunting and fishing, we must keep one critical element clearly in focus--the protection of healthy populations of fish and wildlife. If we pursue them to extinction through overuse of the resources or abuse of the land, any further discussion will be purely academic.

The Alaska Constitution says that these resources belong to all Alaska citizens. The state has the responsibility for managing resident populations of fish and wildlife, with the exception of some species of marine mammals, migratory birds and endangered species. As manager, the state has already assigned some priorities for use. In 1973, the Alaska Department of Fish and Game and the

Alaska Board of Fish and Game recognized subsistence use of fish and wildlife as the highest priority among other major consumptive uses, i.e. recreational and commercial. Governor Hammond recently stated, "To preserve the potential for the subsistence way of life is an extremely high priority of my administration".

Few people, we imagine, would argue against the state establishing preferential treatment for the person who relies solely on the land and sea to provide for his or her existence.

But the issue is far more complicated than that.

There are few examples today in Alaska of "pure" subsistence, that is, total reliance on the land for food, clothing and shelter. In most cases, modern conveniences and technology have become part of the subsistence lifestyle and as a result there are varying degrees of dependence on some cash income. In addition, use of fish and wildlife resources for recreational, cultural and commercial pursuits overlap or are intimately interwoven with subsistence living. While it may be possible to determine how many pounds of meat and fish are necessary to keep a person alive, we cannot measure the emotional or spiritual benefits of following such a lifestyle.

Even though the state government has assigned highest priority to subsistence, many people feel that the state has not lived up to that policy. However, the difficulty lies not in a recognition of the problem, but rather in the complexity of determining who the subsistence users are and what program might best provide for that use.

Through the Public Forum process, we hope that many people will share their views on subsistence. Perhaps then, with a better understanding of the problem statewide, the question of subsistence use can be dealt with fairly and the continued well-being of the fish and wildlife resources will be assured.

What is Subsistence?

Although there is a state law defining it and several federal and state policies recognizing it, there is no universally accepted definition for subsistence.

The Alaska Statutes define subsistence fishing as "the taking, fishing for, or possession of fish, shellfish or other fishery resources for personal use and not for sale or barter." The statutes define subsistence hunting as "the taking of game animals by a state resident for food or clothing for personal or immediate family use."

In 1973, the Federal-State Land Use Planning Commission sponsored an informal conference on "Subsistence Uses of Fish and Game in Alaska." The participants concluded that an acceptable definition should include "(1) to sustain life, (2) for economic benefit, (3) for relaxation and recreation, and (4) to maintain a lifestyle or culture." The majority felt that "to sustain life" should be the highest priority and "to sustain a lifestyle" the second priority.

Some may define subsistence activities as the direct use of fish and wildlife for food, clothing and shelter. Others may include some commercial uses such as the sale of ivory, furs, fish, fish eggs, handicrafts and clothing. Still others feel that the taking of fish and wildlife resources is a vital part of their cultural and historical heritage and involves traditional foods, art and religion.

For the purposes of discussion, consider the following questions involving current "subsistence" uses.

1. Is the taking of walrus so that saleable handicrafts can be made from the ivory a subsistence activity?

2. Is guiding others on hunting and fishing trips a subsistence activity?
3. Is taking moose, caribou or fish to supplement a person's diet a subsistence activity? Even if the person depends mostly on a job for pay?
4. Is the harvesting of fish to provide food for racing sled dogs a subsistence activity?
5. Is commercial fishing a subsistence activity if a person relies totally on that activity for his or her livelihood?

Who should use the resources for subsistence purposes? In the next decade we may have to face a very difficult and sad question: If there are not enough fish and wildlife for all subsistence purposes, who should be allowed to fish and hunt?

Some people have suggested that priorities should be based on the user's (1) degree of dependence, (2) past cultural or historical use, (3) local residency, and (4) traditional versus modern methods and means of harvest.

Degree of dependence. Most native people, as well as other Alaskans living in rural areas, spend much of their time hunting, fishing, trapping, and berry-picking. These food sources supply a major portion of their diet. Although commercialization of fish, ivory and fur long ago introduced a cash economy in rural Alaska, many villages and outposts of the state still lack cash employment opportunities. This forces most rural Alaskans to depend on the natural environment to provide a significant part of their livelihood.

Cultural or historical use. Activities which sustain life often have roots which go much deeper than that of purely satisfying a physical need. For centuries the Alaska native people depended completely on the land and sea to survive. This was the foundation

on which societies were structured, and the work which gave a people dignity and pride. An obvious example today are the arctic whaling communities where activities and social status are extremely dependent on the catching of the bowhead whale.

For native people subsistence is an intimate part of their life, and a celebration of culture. During the Public Forum workshop in Bethel last year, the protection of the subsistence lifestyle was raised as a vital concern. One young man explained, "The young people who went out to school, like myself, when we couldn't have subsistence foods, sometimes we get up from the table with tears. I mean, you couldn't help that. It is not only to fill yourself, your hungry stomach, but also to fill your being... to have a good feeling, to have mental health and employment. If subsistence is threatened, then you take away all these things."

But subsistence is not entirely an ethnic pursuit. In the past, many Alaskans, regardless of their origins, lived predominantly off the land. While their reasons for wanting to continue such a lifestyle may not be what are traditionally thought of as cultural, they too have strong emotional and historical ties to the land.

Some people believe that only Alaska natives should be allowed to continue subsistence activities. They maintain it is the only possible solution for protecting their heritage and unique cultures. Others feel that qualifying a subsistence user by race or ethnic origin would be contrary to the Alaska State Constitution which recognizes all citizens as equal under the law. Furthermore, a "natives only" policy does not address the matter of need, which varies between individuals, communities and geographical areas regardless of ancestry.

Local Residency. Many people feel that those who harvest subsistence resources from areas around where they live should be given first preference to continue to hunt and fish there. That would mean that priority for the use of resources would be determined by local residency. This policy would require a definition of residency. Would it be based on a certain number of years? Would it allow new residents to subsistence hunt and fish? As communities expand, pressures on local fish and wildlife would undoubtedly increase.

Traditional versus modern methods and means of harvest. Modern technology has changed the pattern of subsistence living. Modern tools, firearms, and transportation methods are becoming increasingly available to the subsistence hunter and fisherman. With this technology available, the subsistence user has the capability of ranging further and taking more animals than his needs may dictate. Thus, his impact upon the fish and wildlife can be much greater now than was possible in the past.

Only a few years ago, it was customary for residents of Fairbanks and Anchorage to drive out of the city in the fall to shoot a moose or caribou for the winter. Now, however, game animals have been so heavily hunted near these growing urban areas, particularly along the road system, that this is seldom possible. As a result many city dwellers seek more remote wildlife using aircraft, off-road vehicles or riverboats. Since those methods of travel also allow rural Alaskans to range further and take more game than in the past, competition between sport and subsistence users is increasing for often diminishing wildlife resources.

Some people feel that those who use older, more traditional methods of harvest such as travelling by foot, dogsled or skinboat, should be given preference in subsistence pursuits. This would

undoubtedly limit the take of resources. However, others argue that this option is unrealistic and comparable to asking the urban dweller to give up his automobile and return to the horse and buggy. Perhaps we can distinguish between people who subsistence hunt on snow machines and those who still use dogsleds. But it is less clear in establishing priorities when the choice is between two modern modes of transportation such as the snow machine and airplane.

Another suggestion has been to allow all traditional and current methods of taking fish and wildlife, but prohibit the use of any new technological developments in weaponry or transportation for future subsistence activities.

Management of Fish and Wildlife

The State of Alaska is responsible for the management of all resident populations of fish and wildlife except those excluded by federal regulations or international treaty. Two citizen boards which are appointed by the Governor, the Alaska Board of Fisheries and the Alaska Board of Game, make regulations affecting the fish and wildlife. Management of fish and wildlife is done by the Department of Fish and Game. Enforcement of the regulations is primarily the responsibility of the Department of Public Safety.

In addition, citizens are encouraged to take part in fish and game management decisions through the existing 53 fish and game advisory committees in the state. These advisory committees have increased local involvement. However, current lack of funding, formal organization and other frustrations have caused many people to conclude that the present advisory committee system no longer adequately addresses such things as subsistence needs, resource allocation or stock depletions.

Thus, it seems evident that more significant participation at the local level is required. It has been suggested that the state modify the present statewide board - local advisory committee system by the establishment of regional fish and game boards. There are many possible variations under this basic concept ranging from primary regional responsibility to a three-tier system of local, regional and master boards. The main differences of opinion here revolve around the degree of responsibility each board should have. Should the boards have merely an advisory role or actual authority to set regulations affecting fish and wildlife and subsistence users on a local, regional or statewide level?

Another major option which some people favor is that of federal fish and game management on federal and native-owned lands. This would mean that management of fish and wildlife would be fragmented between state and federal governments, each setting its own regulations on the lands within its jurisdiction. It is a plan which almost begs for cooperation between state and federal governments.

Another possibility is for Congress to set legislation concerning subsistence, leaving fish and game management with the state but under some form of federal oversight committee. Or, perhaps, the state legislature could pass specific laws governing the subsistence question. Many people fear both of these solutions because it "institutionalizes" subsistence and, therefore, lacks the flexibility to truly meet the lifestyle and cultural needs of most Alaskans. What is subsistence to one person or place differs from the meaning or emphasis of another person or place.

Subsistence is an evolving, changing way of life. Whatever management structures we adopt should reflect the times as well as the changing patterns of the animal and marine world.

August 2, 1977

Memo to: TERRY GARDINER

Re: RENEWABLE RESOURCES DEVELOPMENT FUND

This memo is for the purposes of boiling down the results of our meetings in Juneau and Ketchikan and the conversations and/or meetings we have had in the last 10 days with the following people:

Bob Dupere	George Hohman
Bob Laresche	Russ Meekins
The Governor	Bill Miles
Jim Edenso	Clark Gruening
Tom Singer	Jim Rhode
John Williams	Steve Cowper
John Sund	Walt Parker
Pat Rodey	
Bill Benier	Research and
John Sackett	Development
Rob Koscis	Committee

It should be noted that all of the discussions with these key people require a follow-up on our part and theirs. Those people from the Executive Branch are vital to the success of our plan regarding research and cooperation prior to the next session. The people from the Senate are integral on all levels and will be active in studying capital needs in renewable resource development. The House members, staff and consultants are seen as the key players in developing the structure and planning policy. I intend to use the above names as a partial mailing list for all further memos regarding the development fund.

A. As I interpret the basic plan, it is to include three major areas of work:

- (1) Renewable Resource Development Planning. Our meetings exposed the need for a comprehensive planning system for renewable resource development. DNR, DPDP, and private consultants will provide a lot of assistance here, and the Research and Development Committee and ~~the Senate to a lesser degree.~~

The concept of a Research and Development Council to hone the leading edge of the Development Fund has initiated widespread interest. However, it has also made clear that we are weak in the area of a planning system, and it is quite probable we must seek some aid through a contractual proposal.

- (2) Present Fiscal Needs and Tools. We have had no information about fiscal needs or the lack of from anyone not connected with the banking profession, except for in-house staff work. The Senate should be a lot of assistance here. John Williams appears to have the fisheries questions under control. Land, water and non-depleting energy resources have not had the attention they need. Hopefully DPDP and DNR can help us with that.

Present fiscal tools have been superficially analyzed. It is apparent that, since those tools (loan funds, etc.) are spread out through the Executive Branch, there can be no coherent planning system or process that does not pull those tools under one umbrella. This matter has been the subject of previous memos, but I now suggest that we need someone working on a realistic proposal for that umbrella structure. I'll work toward that goal myself, until we can see who would be more qualified to work on such a proposal.

- (3) Structure Policy & Development. Heretofore we have looked at several different structures: (1) development bank; (2) corporation; (3) development and conservation fund; and (4) cooperative bank. The obligation of each of those structures is fundamentally different. I now intend to spend most of my time on developing drafts of these different approaches and analyzing the long and short points. I intend to work closely with Bill Berrier on this and see him as a key player.

As I now understand it, the basic plan encompasses what we have been calling a sub-funding mechanism. Beldon Daniels spoke of financial intermediaries, and those words have caught the ears of the players more. We are trying to balance a continuity of development planning policy against legislative interest in meeting regional needs. It appears that the creation of an intermediary, with funding through legislative appropriation, may be a good balance. Accordingly, I intend to begin drafting revisions to the RRDF to provide for such an approach.

Revenue basically proposed an intermediary for the Permanent Fund, but suggested autonomy that many in the legislative body did not approve of. After our meetings with Jim Edenso, I suggested that Revenue can be of the biggest help in this matter of concern.

- B. Regarding the budget for this plan, I feel the following factors are relevant:

- (1) We will need an RFP for a consultant on a Renewable Resource Development Planning System.
- (2) Analyzing structure policy will call for accountability and evaluation measure research. Tom Singer has and can help us in this matter, but, as we discussed earlier, it appears that we may have to travel to Washington and Boston to meet with the people Guy Martin and Beldon Daniels have recommended.
- (3) Since the Permanent Fund structure is taking shape differently than the RRDF, Juneau is the apparent center of action. I anticipate that you, I, and several members of the Committee should spend more time there. I suggest at least 1 week a month for me. We can coordinate that time with other time demands in Juneau to defray costs, but we should set a work schedule now.

Douglas Pope

STATE OF ALASKA

OFFICE OF THE GOVERNOR

ALASKA GROWTH POLICY COUNCIL
ALASKA PUBLIC FORUM

September 12, 1977

JAY S. HAMMOND, Governor

Phone 276-5262
Loussac-Sogn Building
429 D Street, Suite 310
Anchorage, Alaska 99501


Representative Clark Gruening
Special Committee on the Alaska
Permanent Fund
528 W. 5th Avenue, Suite 270
Anchorage, Alaska 99501

Dear Clark:

I appreciate your quick response to the proposal we presented to the Committee. Based on your indication that there would only be \$1500 for sharing Public Forum costs, I have further explained how the \$1500 would be used. Our intent is to utilize the money to produce radio spots both to advertise the workshops and to feed back workshop results to the public. This money would be spent between October 1 and January 15.

If any further information is necessary please let me know.

Sincerely,



Barry B. Quinn
Executive Director

BPQ:rj

cc: Growth Policy Council

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

STATE OF ALASKA

OFFICE OF THE GOVERNOR

ALASKA GROWTH POLICY COUNCIL

ALASKA PUBLIC FORUM

August 31, 1977

JAY S. HAMMOND, Governor

Phone 276-5262
 Loussac-Sogn Building
 429 D Street, Suite 310
 Anchorage, Alaska 99501

Representative Clark Gruening
 Special Committee on the Alaska
 Permanent Fund
 228 W. 5th Avenue, Suite 270
 Anchorage, Alaska 99501

Dear Representative Gruening:

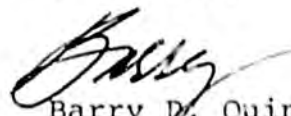
As you suggested I have outlined a proposal that directly involves your committee in the Public Forum program. The proposal includes committee cost sharing of Public Forum advertising, and media production and distribution. This program area is one that needs additional funding to maximize the effectiveness of the workshops and broaden our information distribution.

- | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| 1. <u>Advertising</u> - Advertising of Public Forum workshops to encourage the public to participate. | \$1,500 |
| 2. <u>Media Production</u> - Radio and possibly television production to advertise the workshops and feedback results to the public. | \$3,000 |
| 3. <u>Media Distribution</u> - Duplication and time buying of radio and/or television spots statewide in conjunction with Public Forum workshops. | \$3,000 |
| Total | <u>\$7,500</u> |

We are just now completing the final production plan and distribution schedule. When this work is completed I will forward you a more specific outline of the media strategy to be used with the fall workshops.

I hope this proposal meets with your approval. I will be available to discuss any aspects of the proposal at your convenience.

Sincerely,



Barry D. Quinn
 Executive Director

BPQ:rj

MEMORANDUM

State of Alaska

TO: Fran Ulmer.

DATE: July 13, 1977

FILE NO:

TELEPHONE NO:

FROM: Bill Luria

SUBJECT: Public Forum Issues, FY 78

Attached are the Division's recommendations for topics of discussion for the Public Forum during FY 78. They evolved from:

1. Suggestions from the Halibut Cove meeting;
2. Discussions with, and written inputs from several Commissioners and Division directors;
3. Inputs from the Public Forum staff;
4. Critical issue evaluations by the DPDP staff.

The Halibut Cove meeting did produce major areas of State concern. These, however, had to be tempered by the specific need for public input on certain key issues facing State agencies and the legislature during FY 78. In addition, the quite general nature of some of the Council's suggestions prevented the development of a meaningful set of questions for public debate. Listed below (and described in detail on the attached) are our recommendations as to the priority issues for the Public Forum and the rationale for the choices.

PRIORITY ISSUES

1. Permanent Fund -- The Legislature will be developing Permanent Fund enabling legislation this year for introduction in the next legislative session. In addition, the Governor has set up a cabinet level Permanent Fund working committee to come up with modifications to the SIAC bill introduced this past year. Both efforts will require public input on specific questions -- to refine last year's Public Forum results and to address questions left unanswered last year. Also, public debate on specific Permanent Fund questions should elicit responses that can answer certain policy questions regarding economic development, renewable resource investment, and overall State wealth management.

2. Population Control -- Under the rubric of the somewhat abstract issue "Growth Management" falls the more manageable issue of population control (with economic growth implicit in most of the questions). While still

general, public attitudes on population growth will help the DPDP staff in their present efforts to: develop evaluation criteria for large-scale development projects (oil refinery, Susitna hydroelectric, Beluga coal, to name some immediate ones); develop energy facility siting legislation; aid in the development of State oil and gas leasing criteria; develop capital improvement projects policies and guidelines.

3. Land Disposal -- The Department of Natural Resources will be generating State land disposal policies, criteria and regulations during the present fiscal year. The Commissioner has recommended that the Public Forum address this immediate concern in order to give his planning staff the benefit of public dialogue and input prior to the drafting of the specific policies. Last year's Forum results did indicate the strong public concern over this issue, and the Council has recommended that the State develop a policy for disposal of State lands into the private sector. More specific discussion will show movement on the part of the Administration. In addition, recently passed homesite legislation necessitates specific public inputs in order to help implementation efforts. Funds may be available from DNP to support this Public Forum effort.

4. Subsistence -- Highly controversial, but an issue that was consistently raised at last year's workshops, yet one that has not been given adequate Statewide public exposure in the past. The Alaska Department of Fish and Game intends to address the issue as one of its priorities this year, and public input (through a carefully approached debate) is desired by that Department. Also, resolution of the d(2) issue during this fiscal year will tend to "institutionalize" a subsistence policy at the Federal level. Meaningful State input into the pending d(2) debate necessitates a hard policy look at the subsistence issue in the immediate future. Funds may be available from ADF&G to support this Public Forum effort.

The above 4 issues appear to be the most critical (and manageable) for the coming year. Also attached are some general questions for other issues raised. They were either considered too general for specific question development; not as high a priority as the above 4; or are being addressed through different mechanisms:

5. Government Organization/Service Delivery -- Too general, requiring greater refinement on the part of the Council.

6. Alcohol -- Important, but not a top priority for another Public Forum round.

7. Transportation -- Being handled by the Governor's Alaska Transportation Planning Council.

8. Human Resources -- General suggestions presented for further Council deliberations.

9. Wealth Management -- Too general an issue to develop meaningful questions. It is integrally related to all the other issues and, therefore, can be treated as elements of the other areas of concern. Some general questions are included, however, for further Council discussion.

The questions presented on the attached, both for the 4 priority issues and the others, are not intended for the Public Forum workshops. Final wording should be left to those with specific expertise. The Division of Budget and Management is willing to help draft the questions in order to get responses that will fit in better with governmental budget preparation and program evaluation. The only intent for these questions is to stimulate the Council into refining and narrowing the issues so that a more useful set of questions can develop. Along with this refinement should come the generation of background papers to help explain both the issues and the questions being asked.

In general, the Council should consider the following key points:

1. Avoid repetition from last year, unless some movement can be shown;
2. Develop specific issues that have some relationship to governmental operations, and are helpful to governmental decision makers;
3. Confine issues to those that must be addressed in the near future.

RECOMMENDED PRIORITY PUBLIC FORUM ISSUES FOR FY 78

1. PERMANENT FUND

The Permanent Fund question was widely discussed at last year's Public Forum workshops. However, as pointed out by the Council, there appeared to be some inconsistency in definition and interpretation in such areas as renewable resource development, diversification of the economy, investment strategies, tax cuts, savings accounts, etc. While the results from last year did indicate a specific direction for the Permanent Fund, more detailed and refined questions must be raised. Both the legislative Permanent Fund committee, the SIAC and the recently-created Governor's Permanent Fund working group need specific public inputs in order to formalize the goals and objectives of the Fund and, therefore, the final enabling legislation.

It is recognized that there are various fiscal tools in addition to the Permanent Fund available to the State (loan programs, bonding, General Fund, Renewable Resources Revolving Fund, etc.) that can be used to meet certain goals and objectives. The evaluation of the capabilities, strengths and weaknesses of these tools is somewhat of a technical nature. The Permanent Fund questions that are brought to the public can best serve the needs of the State by focusing on goals and objectives.

Listed below are some sample questions that could help elicit this information. DPDP is now working with the Public Forum staff and the legislative committee to refine these questions:

1. Do you believe that the government should use the Permanent Fund to actively intervene in the State's economy to pursue public policies?

If yes, should the State provide:

- . market interest rate loans to any enterprise which can pay back the loan plus interest?
- . market interest rate loans to only a certain set of enterprises chosen by State policy makers?
- . subsidized loans to chosen sectors to achieve clearly stated goals?

- . state organizations to assist certain sectors, on a fee for service basis, to provide such services as state marketing, organizing, information, technical aid, research efforts, etc.
- . State owned and operated enterprises in certain chosen sectors?

2. If the State should not intervene in the economy, what should the State do with the Permanent Fund?

- . put it in a savings account?
- . invest it in securities?
- . other?

3. The Permanent Fund consists of two basic parts -- principle and income. The principle is that sum which goes into the Fund from oil revenues and is put to work (invested) to earn a return and perpetuate itself, i.e. it is permanent. The income is the return on those investments. Presently, the principle is expected to be _____ in 1977 and grow to _____ by 1985. Income from these funds, if invested at 8%, would be _____ in 1977 and _____ in 1985. Regarding the principle, which alternative uses do you favor?

- . investments which maximize income, yet are secure and relatively riskless?
- . investments which sacrifice some income in the pursuit of social objectives (i.e. subsidies to renewable resource industries, heavy industry, or consumers)?

Regarding the income, which alternative uses do you favor?

- . return it to the fund to earn money?
- . return it to the General Fund for the legislature to use to pursue social objectives as it sees fit?
- . have the legislature earmark it for existing and new State loan programs?
- . distribute it to Alaskans through an Alaska, Inc. type program?
- . some combination of the above?

4. In order to refine last year's Public Forum responses regarding what types of economic development is preferred, please indicate those areas of the State economy that you would like to see supported or discouraged

through the Permanent Fund:

Support

Discourage

- . heavy industry (coal development, aluminum refinement, oil refinery, petrochemicals)
- . light industry (electronics, R&D)
- . retail trade (cooperatives, local businesses)
- . fishing/aquaculture
- . timber
- . hard-rock mining
- . hydroelectric projects
- . tourism/recreation
- . agriculture
- . alternative energy sources
- . other

5. In the previous question, you expressed your preferences about various sectors of the Alaska economy. For the sectors which you prefer, why do you prefer them? For the sectors you disfavor, why do you disfavor them?

Prefer

Disfavor

- . employment potential
- . personal income potential
- . economic-stimulation potential
- . lifestyle implications
- . impact on recreation values
- . impact on environmental quality
- . impact on immigration
- . other

6. In the previous Public Forum workshops, renewable resources received considerable support as an area for State intervention. What aspect of these industries do you wish to see the State address?

Employment
Potential

Product Availability
In Alaska

Alaskan Ownership
and Control

Other

Fish

Timber

Reindeer

Agriculture

Tourism

Other

2. GROWTH MANAGEMENT/POPULATION CONTROL

"Growth Management" is a loosely defined generic concept that consists of various and inter-related components -- population control; large scale private sector economic development incentives/disincentives; State and local government revenue-generating and expenditure schemes; real personal income changes; to name just a few. In order to treat the "growth" concept in a more manageable fashion, and to make it more palatable for purposes of public dialogue, separation into its component parts, if somewhat arbitrary, is necessary.

Growth can be defined, for purposes of this analysis, as the rate, type and location of population changes and economic development. Economic development is treated within the framework of the Permanent Fund questions and will only be implicit in this discussion. The State is, however, confronted with fundamental policy choices which relate to: the magnitude of population growth; the rate of this growth; the pat'ern of population growth; and the distribution of population within the State. Public Forum questions should address these issues as the means of identifying the policy options available to the State to manage future population dynamics (With the understanding that population growth is, more than in any other state, inextricably tied to economic growth).

The issue is, unfortunately, more complex than simply the posing of a few questions on population growth attitudes. Any discussion must consider certain perceived basic needs or concerns related to population management: the need for increased employment opportunities and a more diversified economy; potentials for rapid and over-concentrated population growth, particularly in the railbelt area; need to prevent environmental degradation and social disruptions associated with population growth and economic development; concerns over increasing costs of public facilities and services; concerns over real personal income and the cost of living.

A list of the various tools available to State government to affect the magnitude, rate, pattern and distribution of population suggests that government could be very influential in managing growth and distributing the corresponding burdens. These tools include:

- . Financial -- taxation (capital gains, property, corporate and personal income, etc.); assistance (loans, subsidies, bond guarantees).

- . Regulatory -- licensing; performance standards, rules and regulations (i.e. effluent and emission standards); land use controls; price controls; etc.
- . Resource Allocation -- direct operating programs; State land acquisition and disposal; capital improvement projects; State owned resource (oil, gas, coal, etc.) disposition; etc.
- . Persuasive -- information; technical assistance; political

However, bureaucratic and legal restrictions and outside influences limit somewhat the ability of the State to manage population growth. First, State operations have comparatively limited discretionary powers when compared to the total level of activity in the State. Many State agency responsibilities are relatively fixed (highways must be maintained, children must be taught); capital improvement programs spending is not totally discretionary.

Secondly, while the State does have certain capabilities to stimulate or control population growth (infrastructure investment, tax provisions and policies, regulatory policies, expenditure patterns and timing, to name a few), it is not complete. In some cases constitutional restrictions exist, such as in limiting in-migration through direct legislation. In others, the absence of certain laws (selective suspension of taxes for certain economic activity; enabling ability to declare an area of "critical State concern;" energy facility siting guidelines) limits the State's flexibility to implement policy decisions.

Third, the implications of State actions to guide this growth are only marginally predictable. Most policy actions only induce behavior, and cannot be relied upon to guarantee specific, predetermined results. Incentives and discouragements can confront the immigrant or potential developer, but they do not wholly determine their decision. They can only influence them.

Outside influences have a lot to say on how Alaska's population growth will be directed. Such pending actions as OCS activities, NPR-4, d(2) lands, national and international market situations, as examples, could dictate, more than State action, the economic and population changes in Alaska.

It should be noted, also, that the relationship of one State action to satisfy a particular growth goal could have a dramatic and opposite reaction on another goal. For example, high cost of living and limited employment opportunities appear to be strong deterrents to in-migration, as well as acting as inducements to out-migration. To the extent that State policies

and actions work to reduce the cost of living or improve employment opportunities in Alaska relative to the lower 48, in-migration will increase and out-migration will decrease. In addition, controls can act as stimulants to growth and stimulants as controls to growth (i.e. limiting economic development and therefore population in one area, could push it to another area).

One final point. Discussions on the application of various State tools to manage population growth must highlight the distributional consequences of each action. Each mechanism employed will have a different impact on who profits and who bears the economic and social burden of the action (general public, special interest groups, developers, immigrants, present Alaskans, etc.)

The brief discussion above was intended to lay out some of the complexities, groundrules and pitfalls associated with bringing such a general question to the public. Understanding this, listed below are a range of questions (somewhat repetitious) for the Council to consider in trying to narrow down to a more specific set of questions:

1. In order to determine what type of population growth (accelerated, moderate, slow, none) is most desirable, value judgements must be sought.

What do you regard as the highest priority growth objective for Alaska?

- . long-term high economic standard of living for present Alaskans?
- . long-term employment opportunities for present Alaskans?
- . maintenance of existing lifestyles?
- . quality of the environment?
- . economic self sufficiency?
- . recreational values?
- . improved delivery of human resource services?
- . improved mobility and access?
- . contribution to the stability of the U.S. economy?
- . other?

2. What should be the State's role in population growth management?

- . non-participant?
- . direct population growth in an orderly fashion?
- . limit State population growth?
- . promote growth in certain economic sectors (renewable resource industries)?
- . promote growth for certain socioeconomic sectors?
- . assist localities in population growth management?
- . other?

3. What should the State's priority objectives be in population growth anagement?

- . protect and enhance renewable resources?
- . stimulate industrial development?
- . protect the natural environment?
- . reduce (or increase) dependency on non-renewable resources?
- . reduce (or increase) governmental spending and services?
- . increase real personal income?
- . improve employment potentials?
- . economic self sufficiency?
- . none?
- . other?

4. Should population growth be directed toward specific geographic areas?

- . no?
- . to already developed areas?
- . in urban areas?
- . in rural areas?
- . to undeveloped areas?
- . to specific "growth centers" (Bethel, Nome, etc.)?
- . new community developments?
- . other?

5. What management tools for controlling or stimulating population growth should the State concentrate on?

- . tax and loan policies?
- . infrastructure investments and public service improvements?
- . regulatory provisions?
- . non-renewable resource leasing policies?
- . land disposals and acquisitions?
- . land and water use controls?
- . energy facility siting guidelines?
- . creation of "new Towns"?
- . informational and technical assistance programs?
- . housing support?
- . none?
- . other?

6. What should the State's role be in strengthening or otherwise modifying local powers to deal with problems of population growth?

- . home rule legislation?

- . fiscal reforms (taxing, bonding, revenue sharing)?
- . technical assistance?
- . land use controls?
- . zoning?
- . local input to State capital budget formulation?
- . none?
- . other?

There is a strong potential for a discussion on population growth to become nothing more than an academic exercise debating an abstract concept, with little relationship to the needs of governmental decision makers. It might prove more useful to select one or more major large-scale development activities pending (i.e. Susitna hydroelectric; OCS development in the Gulf of Alaska or the lower Cook Inlet; U.S. Borax Molybdenum project; Beluga coal development; world-class oil refinery) and discuss the pros and cons of the project. This could include the implications of each on population and economic growth, environmental and social consequences, etc. Specific questions could then be asked on the desirability of such projects. Will the public interest be served by stopping or delaying the development? What specifically can be done, by State and local governments, to manage the development? Quoting from a University of Alaska symposium on growth -- "Only in the context of specific developments will the issues of a growth policy for Alaska acquire sharp definition and tangible meaning, and the range of feasible policy action become fully evident."*

* A 3-day symposium on the subject of a growth policy for Alaska was held at the University of Alaska in December, 1974. Approximately 50 people (academicians, government officials, legislatures, private citizens, including Harold Pomeroy) participated. See Alaska Growth Policy: A Discussion of Issues, ISEGR, University of Alaska, 1975.