

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 86 / 2

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

September 19, 1977

FrayerArnold
Alaska Court System
303 K Street
Anchorage, AK 99501

Dear Ms. Arnold:

I would like to move the Committee's November meeting from the 11th and 12th to the 18th and 19th. I trust that this will not be too much trouble. If problems do arise, please do not hesitate to give me a call.

Sincerely,



Mike Doogan
Administrative Assistant

MD:LAD

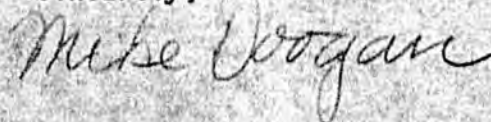
September 7, 1977

Tom Sheldon
Box 333
Kotzebue, AK 99752

Dear Mr. Sheldon:

Enclosed is a roster of those travelling with the Committee for the Kotzebue meeting. We will have eight persons overnighing. The eight persons listed as arriving on Wien flight #47 will be overnighing in Kotzebue, the only female being LouAnn Diamond, the recording secretary. I would appreciate it if you would pass this information along to the hotel there. In addition, it would be greatly appreciated if you could provide transportation to and from the airport.

Sincerely,

A handwritten signature in cursive script that reads "Mike Doogan".

Mike Doogan
Administrative Assistant

Enclosure

TO KOTZEBUE

9/16/77--Friday

WIEN Flight #47

LV ANC 9:00 a.m.
AR KOTZ 10:50 a.m.

Clark Gruening
Russ Meekins
Ernie Haugen
Hugh Malone
Pat Rodey
Belden Daniels
Mike Doogan
LouAnn Diamond

9/17/77--Saturday

WIEN Flight #34

LV KOTZ 5:25 p.m.
AR ANC 7:50 p.m.

Terry Gardiner

9/17/77--Saturday

GREAT NORTHERN

LV ANC 7:45 a.m.
AR KOTZ 9:45 a.m.

9/17/77--Saturday

WIEN Flight #34

LV KOTZ 5:25 p.m.
AR ANC 7:50 p.m.

TO FAIRBANKS

9/14/77- -Wednesday

ALASKA Flight #81

LV ANC 8:50 a.m.
AR FBX 9:40 a.m.

ALASKA Flight #2096

LV FBX 5:30 p.m.
AR ANC 6:20 p.m.

Clark Gruening
Russ Meekins
Hugh Malone
Belden Daniels
Mike Doogan
LouAnn Diamond

Cost —
each day
?

weekends &
holidays

\$14.62/hr.

which is $1\frac{1}{2}$ on Sat.

holiday

will bill us



Alaska Court System

State of Alaska

OFFICE OF ADMINISTRATIVE DIRECTOR
303 K STREET
ANCHORAGE, ALASKA
99501

August 25, 1977

Mr. Mike Doogan
Administrative Assistant
Special Committee on
the Alaska Permanent Fund
528 West 5th, Suite 270
Anchorage, Alaska 99501

Dear Mr. Doogan:

With regard to my letter to you dated August 17th pursuant to your hearings which are to be held in the Court Complex in coming months, I neglected to point out that the hearing which is to be held on November 11th falls on a state holiday. Since a security person normally would not be on duty that date, you will be charged a security fee on the 11th as well as the scheduled Saturdays.

Sincerely,

A handwritten signature in cursive script, reading "Fraya Arnold", is written over the typed name.

Fraya Arnold
Supply Officer

528 W. 5TH, SUITE 270
ANCHORAGE, AK. 99501
[POUCH V, JUNEAU, AK. 99811]
(907) 465-3873



J. HAUGEN, V. CHMN.
REP. RUSS MEEKINS
REP. BILL MILES
REP. LEO SCHAEFFER
REP. RICK URION

House of Representatives

*Sent to
Lindauer, Rogers,
Love*

September 2, 1977

John Havelock
1417 F Street
Anchorage, AK 99501

Dear Mr. Havelock:

The symposium about which we have spoken is scheduled to being at 9:00 a.m. September 10 in the Alaska Room of the Anchorage Westward Hilton Hotel.

What we'd like you to do are essentially two things. First, after Drs. Bergman and Gordon have spoken, we would appreciate any questions you might have that would draw out the implications of any uses of Fund money they have stated. Second, it is a requirement of the Alaska Humanities Forum, which is co-sponsoring the symposium, that we attempt to evaluate the symposium. So, we'd appreciate it if you could jot down your thoughts on how the symposium furthered realistic discussion of the Permanent Fund.

Roughly, the agenda looks like this:

1. Remarks by Drs. Bergman and Gordon
2. Questions from the Committee
3. Questions from the citizen panel (that's you)
4. Questions from the audience
- LUNCH BREAK
5. Discussion of points raised in smaller groups.

If you have any suggestions on changes of the above, please give me a call.

Sincerely,

Mike Doogan

Mike Doogan
Administrative Assistant
House Special Committee on
The Alaska Permanent Fund

SPECIAL COMMITTEE ON
THE ALASKA PERMANENT FUND
(907) 276-3433

528 W. 5TH, SUITE 270
ANCHORAGE, AK. 99501

[POUCH V. JUNEAU, AK. 99811]
(907) 465-3873



REP. TERRY GARDINER, V. CHMN.
REP. E. J. HAUGEN
REP. RUSS MEEKINS
REP. BILL MILES
REP. LEO SCHAEFFER
REP. RICK URION

House of Representatives

September 2, 1977

Kris Harder
Pouch V
Juneau, AK 99811

Dear Kris:

This is to confirm the Committee's plan to meet in Juneau October 21 and 22. As we discussed, the Committee would like to use Courtroom A of the State Court Building from 10:00 a.m. to 5:00 p.m. on the 21st and from 9:00 a.m. to 5:00 p.m. on the 22nd. The first day will be a public discussion of Permanent Fund goals; the second a Committee work session. It would be greatly appreciated if you could secure a reel to reel tape recorder for those days and have it plugged into the room's sound system. For the first day, we will require sufficient microphones to allow for public testimony. Thanks for taking the time to help us out.

Sincerely,

Mike

Mike Doogan
Administrative Assistant

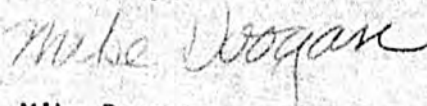
August 16, 1977

Fraya Arnold
Alaska Court System
303 K Street
Anchorage, AK 99501

Dear Ms. Arnold:

As per our subsequent conversation Monday, the date for the Committee's public hearing changes from September 13 to September 15. Sorry about that. The other dates remain the same.

Sincerely,

A handwritten signature in cursive script that reads "Mike Doogan".

Mike Doogan
Administrative Assistant

August 16, 1977

April Moore
Legislative Information Office
P.O. Box 934
Fairbanks, AK 99707

Dear Ms. Moore:

This is to confirm our telephone conversation of Monday on the public discussion on Permanent Fund goals the Committee has scheduled in Fairbanks.

The meeting will be from 10:30 a.m. to 5:00 p.m. September 14 in the Borough Assembly Chambers. I would greatly appreciate it if you could confirm the availability of the Chambers and provide a reel-to-reel tape recorder, recording tape, and coffee for the meeting. If you incur any expenses in this regard, please let me know.

Thanks for your help.

Sincerely,


Mike Doogan
Administrative Assistant

August 16, 1977

Mr. Tom Sheldon
P.O. Box 333
Kotzebue, AK 99752

Dear Mr. Sheldon:

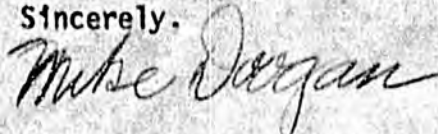
This is to confirm the information on the Committee's meeting in Kotzebue on September 16 and 17.

We are planning on six persons arriving in Kotzebue for the meeting. The arrival time will be 10:50 a.m. on Wien flight #47. The Committee's schedule will be a public discussion of Permanent Fund goals at the City Hall from 1:00 p.m. to 5:00 p.m. on September 16. On September 17, the Committee will hold a work session from 9:00 a.m. to 4:00 p.m. at City Hall. The Committee will depart Kotzebue at 5:25 p.m. on Wien flight #34.

As I said on the telephone, it will be greatly appreciated if you could arrange for the use of City Hall on those dates, with a radio hook-up for the public discussion on September 16. In addition, I would appreciate it if you could handle hotel reservations for the Committee and notification of the public about the meeting.

If any questions or problems arise, please do not hesitate to call me collect at the Committee's Anchorage office.

Sincerely,



Mike Doogan
Administrative Assistant

cc: Representative Leo Schaeffer

August 15, 1977

Ms. Fraya Arnold
Alaska Court System
303 K Street
Anchorage, AK 99501

Dear Ms. Arnold:

This is to confirm meeting dates for the Committee as per our telephone conversation today.

The Committee will be holding a public hearing from 10:00 a.m. to 5:00 p.m. September 13 in Room 407 of the Court Building.

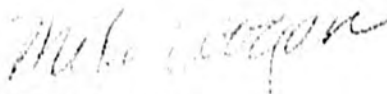
I also would like space reserved for Committee meetings:

From 1:30 p.m. to 08:00 p.m. November 11 and from 9:00 a.m. to 5:00 p.m. November 12.

From 1:30 p.m. to 5:00 p.m. December 9 and from 9:00 a.m. to 5:00 p.m. December 10.

Please let me know if these times and dates will fit your schedule.

Sincerely,



Mike Doogan
Administrative Assistant

ALASKA PERMANENT FUND WORKING GROUP

MEETING

Time: 9:00 a.m.

Date: July 13, 1977

Place: Fish and Game Auditorium, Juneau, Alaska

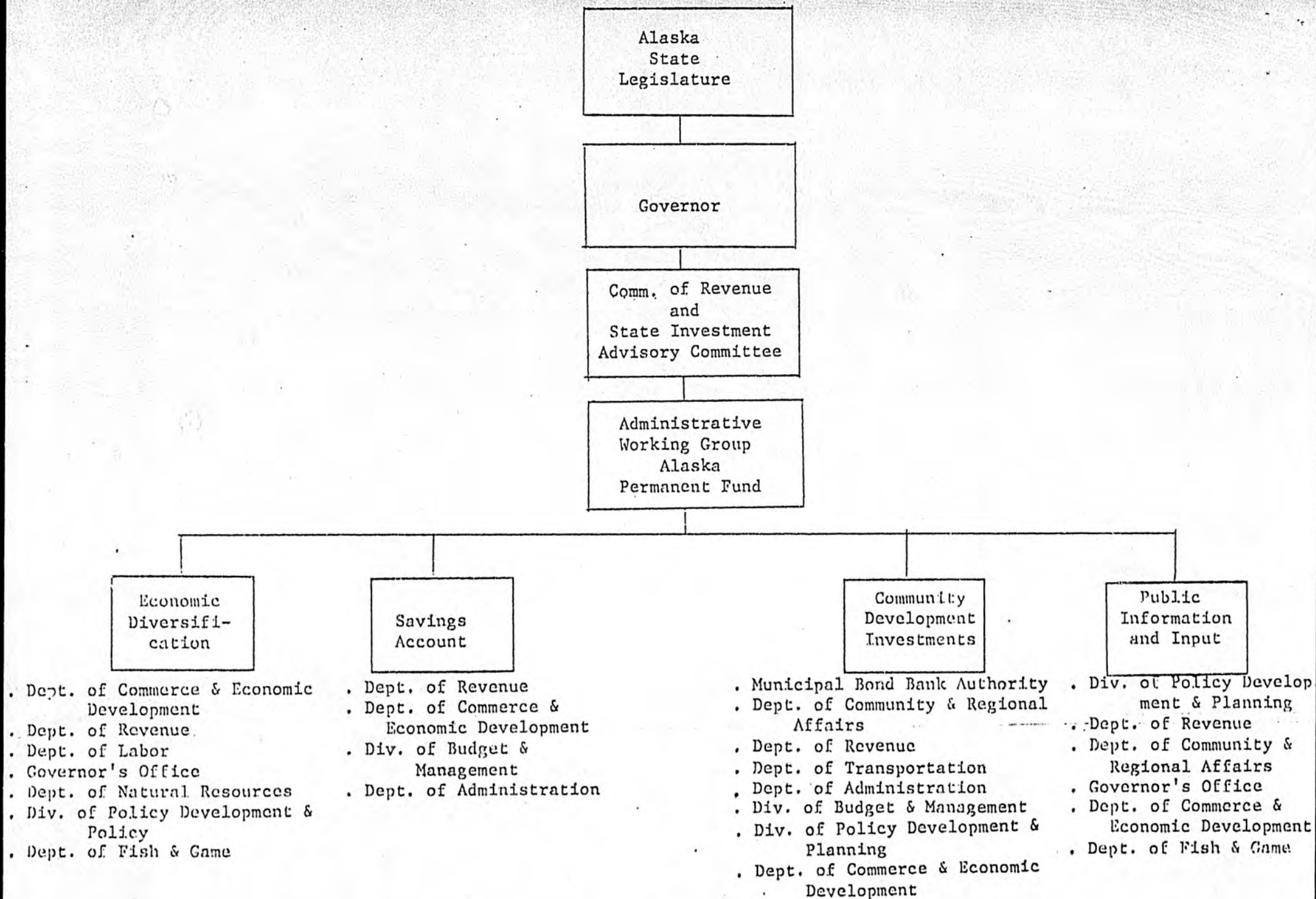
Purpose: Administrative Working Group on the Alaska Permanent Fund

AGENDA

- I Review the State Investment Advisory Committee Activity and Proposal
 - A. Proposed structure and organization for the Alaska Permanent Fund
 - B. Proposed Investment categories of the Alaska Permanent Fund

- II Working Group Organization
 - A. Sub-groups
 - B. Activity/Assignments

ALASKA PERMANENT FUND INTERIM ACTIVITY



ALASKA PERMANENT FUND WORKING GROUP

The Governor appointed the Department of Revenue as the lead agency for the administration in the development of the Alaska Permanent Fund. Further, the Governor appointed the State Investment Advisory Committee to aid the State in the development of the Alaska Permanent Fund (the S.I.A.C. is statutorily mandated to advise the State on investment policy). It is the recommendation of the Department of Revenue that the proposed administrative Alaska Permanent Fund Working Group report to the State Investment Advisory Committee in order to continue the rapport already established with Alaska's various interest groups. The purpose of the Working Group will be to develop recommendations on policy for the S.I.A.C. based on public input and State agency programs.

The Division of Policy Development and Planning will be responsible for coordinating the efforts of the Working Group. It will monitor report preparation and distribution to all agencies. Each agency will be responsible for the preparation of reports and subsequent presentation to the Working Group. The Division of Policy Development and Planning and the Department of Revenue will be responsible for jointly preparing a final report to the State Investment Advisory Committee.

The membership of the proposed Working Group be comprised of the following:

Department of Revenue/Commissioner's Office

Department of Commerce & Economic Development/Commissioner's Office

Department of Community & Regional Affairs/Commissioner's Office

Department of Transportation/Commissioner's Office

Department of Administration/Commissioner's Office

Department of Labor/Commissioner's Office

Department of Natural Resources/Commissioner's Office

Department of Law/Attorney General's Office

Department of Fish & Game/Commissioner's Office

Governor's Office/Kent Dawson

Office of Budget & Management/Ron Lind

Division of Policy Development & Planning/Director's Office

Alaska Municipal Bond Bank Authority/Dave Rose

The Working Group should be sub-divided into the following categories for participation purposes:

- a. Public information and input
- b. Community development investments
- c. Savings account
- d. Economic diversification

Task assignments will be made at the first meeting of the Working Group. Each assignment should take into consideration each agency's major area of activity and expertise, e.g., Community and Regional Affairs be assigned in the community development area; Division of Policy Development and Planning for agency coordination (circulating reports for comments, deadlines, etc.), and so on.

Specific Questions to be Addressed by the Alaska Permanent Fund Working Group:

I. Public Comment and Information Input

How should the Alaska Permanent Fund monies be invested?

A. Investments in the private sector.

If the Alaska Permanent Fund is used to stimulate development in the private sector, a number of questions should be asked of the public. The following are questions which may be presented to the public for consideration:

1. Investments in capital intensive sectors versus investments in labor intensive sectors.
2. Investments which subsidize project development through interest rates lower than market rates of interest.
3. Investments at market rates of interest.

4. Investments to diversify the economy in order to eliminate seasonal effects of certain industries, implement new industries, and to broaden the State's recurring tax base.

5. Investments which minimize environmental impact.

B. Community development investments.

Some types of community development projects which need to be considered by the public include:

1. Housing.

2. Infra-structure development (to include utilities, transportation, communications, power development, etc.).

3. Financial assistance to communities through providing trust, guarantee, and other types of agreements for municipal securities.

Questions which need to be asked pertinent to community development include:

1. What kind of housing: single family, multiple, large housing development projects (condominium development)?

2. Would there be a limitation on infra-structure development assistance?

3. Should there be a specific amount allocated for community development projects?

C. Savings account.

The savings account concept means that the Alaska Permanent Fund could be either partially or wholly invested in the financial securities markets. This concept implies investments of the Alaska Permanent Fund monies in U. S. government securities, Baa securities, and other securities of a similar rating. The objective is to earn the greatest amount of income while minimizing the amount of risk in order to insure the preservation of the Permanent Fund. Questions to be presented to the public include:

1. What percentage of the Alaska Permanent Fund should be allocated to the savings account concept?

D. Alaska, Inc.

II. State Agency Data and Study.

A. Investments in the private sector.

Information concerning Alaska's economy may be useful in evaluating investment proposals submitted to the Alaska Permanent Fund. The development of a sectorial analysis of the State's economy to provide information to be used for evaluating investment proposals is an important aspect of the State agency and data area. Such questions as the following may be asked:

1. What sectors of the State's economy are more attractive for investment purposes?
2. What sectors of the State's economy should be considered for purposes of prioritizing investments from the Alaska Permanent Fund in the State's economy?
3. Should there be an allocated amount of Alaska Permanent Fund monies designated for investment purposes into a particular sector of the Alaska economy?

B. Community development investments.

1. Regional growth rates (actual, projected, limitations).
2. Projected housing needs.
3. Mutual options for community investments in the categories of electric power, utilities, transportation facilities, and communication.
4. An inventory of community investment opportunities.
5. An inventory of community credit characteristics.

C. Savings account (financial management and investments).

1. The State's investment management experience in the security market.
2. Investment management experience of other investment managers.

D. Other technical questions.

1. Legal meaning of "permanent" and "income producing".
2. Comparison of cost of administration of other State investment funds.

E. Alaska, Inc.

July 8, 1977

Honorable Leo Schaeffer
P.O. Box 291
Kotzebue, Alaska 99752

Dear Leo:

I am enclosing with this letter a copy of Tussing's report which we just received. I feel that the report is pretty pessimistic about the effects of the Fund's investments in urban areas such as Anchorage, however, Permanent Fund investments can be of great value for rural areas. I hope that you will be able to come in and work with the consultants while they are here to come up with some good ideas for your area.

See you at the meeting.

Cordially,

Bep. Clark Gruening, Chairman
House Committee on
The Permanent Fund

ALASKA PERMANENT FUND WORKING GROUP

MEETING

Time: 9:00 a.m.

Date: July 13, 1977

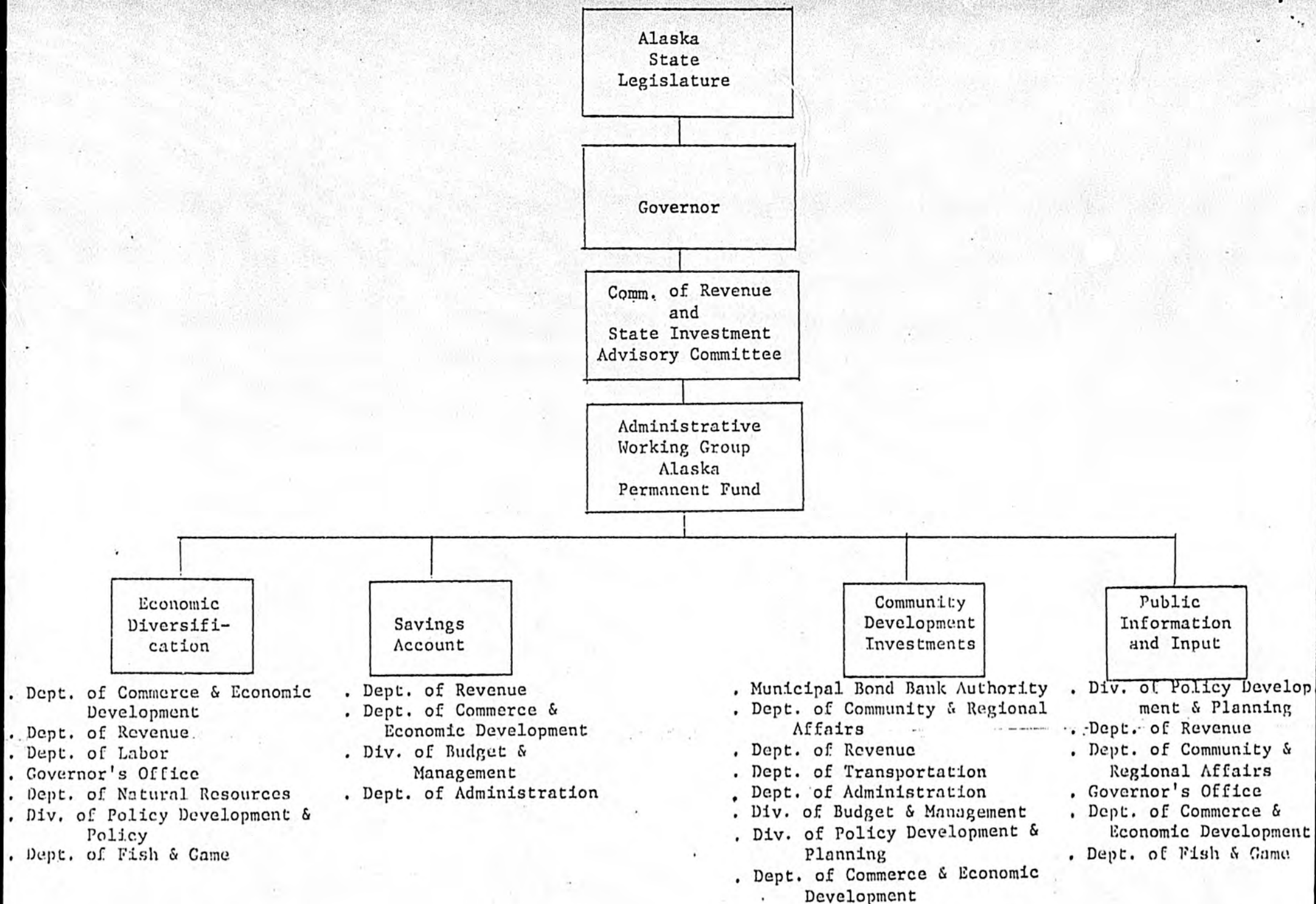
Place: Fish and Game Auditorium, Juneau, Alaska

Purpose: Administrative Working Group on the Alaska Permanent Fund

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1. Legal meaning of "permanent" and "income producing".
2. Comparison of cost of administration of other State investment funds.

E. Alaska, Inc.

Chairman's Report

1. Committee budget
2. Contract narratives
3. Questionnaire results
4. Public Forum interim results
5. Final report outline
6. Change of meeting date

Category	Spent 10/31	Projected 12/31
SUBCOMMITTEE BUDGET	30,000.00 (encumbered)	30,000.00
Ketchikan Office		
Peggy Thompson, Sec.	2,407.92	2,970.00
Rent	212.16	636.48
Telephone	104.70	104.70
Supplies	54.04	54.04
Subcommittee Subtotal	<u>32,778.82</u>	<u>33,765.22</u>
Committee Subtotal	<u>46,525.61</u>	<u>94,537.97</u>
COMMITTEE TOTAL	79,304.43	128,303.19
Committee Budget	188,869.00	188,869.00
Less Committee Total	<u>79,304.43</u>	<u>128,303.19</u>
COMMITTEE BALANCE	109,564.57	60,565.81

HOUSE SPECIAL COMMITTEE ON THE PERMANENT FUND

BUDGET

Category	Spent 10/31	Projected 12/31
PERSONAL SERVICES		
Brian Rogers, AA (terminated 7/31)	1,874.06	1,874.06
Mike Doogan, AA (hired 8/1)	8,104.26	13,590.05
Katherine Brown, Sec. (term. 7/31)	1,536.07	1,536.07
LouAnn Diamond, Sec. (hired 8/1)	4,933.05	8,870.40
Sherida Hughes, Media Consultant	2,697.95	5,000.00
Alephe Morris, Typist (term. 7/31)	148.50	148.50
	<u>19,293.89</u>	<u>31,019.08</u>
TRAVEL/PER DIEM	3,666.75	10,249.58
CONTRACTUAL SERVICES		
Douglas Pope	7,565.69	16,100.00
Belden Daniels	10,453.96	19,500.00
Brian Rogers	-0-	1,750.00
Judy Brogan (terminated 10/31)	465.00	465.00
Alephe Morris	-0-	500.00
Charlotte Woline (term. 8/15)	228.75	228.75
<u>Brochure</u>		
Van Cleve Printing	1,093.50	1,093.50
Computer Composition	165.00	165.00
Postage	750.00	750.00
Pitney Bowes	93.85	93.85
<u>TV Advertisements</u>		
UA Media Services	478.00	478.00
Communications Market	50.00	50.00
Northern Video	278.08	278.08
<u>Symposium</u>		
Barbara Bergman		
Fees/Expenses	1,091.00	1,091.00
Travel	516.19	516.19
Donald Gordon		
Fees/Expenses	-0-	1,100.00
Travel	276.40	276.40
George Rogers		
Travel/Expenses	186.07	186.07
Anchorage Westward	444.69	444.69
Electronics Company	852.50	852.50
KYAK	-0-	81.00
KHAR	-0-	74.50
KKLV	-0-	47.00
KEOD	-0-	96.00

Category	Spent 10/31	Projected 12/31
Times Publishing	-0-	109.08
Humanities Forum Regrant	(3,000.00)	(3,869.00)
<u>Office</u>		
Rent	-0-	6,000.00
Telephone	836.22	2,000.00
<u>Meeting/Hearing Ads</u>		
Times Publishing	-0-	350.00
KFQD	-0-	311.00
KYAK	-0-	180.00
KHAR	-0-	135.00
KKLV	-0-	94.00
News-Miner	-0-	106.40
Southeast Empire	-0-	140.70
KJNO	-0-	60.60
<u>Miscellaneous</u>		
Freight	105.31	500.00
News Subscriptions	159.00	159.00
Clipping Service	<u>15.00</u>	<u>75.00</u>
TOTAL	23,104.21	52,569.31
 COMMODITIES		
Office Supplies	128.99	200.00
Petty Cash	<u>331.77</u>	<u>500.00</u>
TOTAL	460.76	700.00
 COMMITTEE SUBTOTAL	46,525.61	94,537.97

Contract Narratives

1. Belden Daniels

Dr. Daniels has completed two reports to the Committee and is continuing to consult on matters pertaining to the Permanent Fund and the Renewable Resources Development Fund at the direction of the Committee Chairman.

2. Douglas Pope

Mr. Pope is doing legal research and consulting on legal implications of the Permanent Fund and the Renewable Resources Development Fund at the direction of the Committee Chairman.

3. Brian Rogers

Mr. Rogers is doing research on the potential of small and medium scale business development (cottage industry) and Alaska specific appropriate technology at the direction of the Committee Chairman.

4. Alephe Morris

Ms. Morris is doing final editing and typing on transcripts of the Committee's public hearings at the direction of the Committee Chairman.

5. Price Waterhouse and White, Weld & Co. (through the Division of Legislative Finance)

Price Waterhouse and White, Weld & Co. are offering management and financial consulting, respectively, on the Permanent Fund and the Renewable Resources Development Fund at the direction of the Committee Chairman.

6. Institute of Social and Economic Research (through the Department of Revenue)

The Institute is doing computer modeling on the impacts of potential uses of Permanent Fund principal and interest at the direction of the Committee Chairman.

M E M O R A N D U M

To: Mike Doogan, A.A.
House Permanent Fund Committee

From: Kathy Brown *KB*
House Finance Committee

Date: November 18, 1977

Subject: Permanent Fund Questionnaire

Attached to this memo, you will find the results of the House Permanent Fund Survey. We received twenty-nine responses and, as you will see, they defy categorization. There appear to be as many different responses as there were questionnaires.

Since there were so few, I've simply listed the responses to each question. The order of the responses listed is consistent throughout the report to provide continuity in following "the plan" proposed in each questionnaire.

1. WHAT INVESTMENT PROPOSAL DO YOU SUGGEST AND HOW IS IT INCOME PRODUCING FOR THE PERMANENT FUND?

- * Real estate and business loans within Alaska. Financing for municipal improvements.
- * That the Fund be split, and the majority of it be used for research into other nonrenewable resources, and what's left be invested in the development of renewable resources such as fisheries, logging, etc. The profits of the discoveries would be placed directly back in the Permanent Fund.
- * Was impressed by the possibilities/ alternatives suggested in the booklet "The Role of the Permanent Fund in Alaska's Future." My top priority would be loans or bond guarantees for municipalities for capital improvements.
- * 60% - 75% to finance hydroelectric power (i.e. Wantana and Devil's Canyon) and promote agriculture in Susitna, Tanana and Yukon Valleys - Rest of fund in high-yield, low-risk, "money market" investments.
- * A broadly diversified investment program with up to 20% in small technological development firms -- particularly in the fields of energy, communications, aero-space and agriculture.
- * Funds should be banked to produce interest.
- * The Permanent Fund and its income should reflect flexibility both in how it is invested and how it is spent. Perhaps a percentage should be invested outside, but I would see Alaskans getting any advantage in the choice. Increased "in Alaska" activity producing something better than subdivisions - like encouraging agriculture where feasible. Training and education for meaningful employment in appropriate ways, development of renewable resources.
- * Diversified investments - i.e. 50% invested in securities (preferably in-state), 25% utilized for loans to develop renewable resources such as fisheries programs and agricultural programs, and 25% directly benefiting Alaskans for small business and home loans. Income earned by Permanent Fund investments should be designated by law as funding for community development projects.
- * Innovative investment to stimulate and develop agriculture - growing of crops and freezing and canning of same to feed Alaskans.
- * Principle: Solid low-risk bonds, securities, etc.
Interest: Investm. * thin the state, loans, etc.
- * U.S. Treasury notes.
- * Permanent Fund means permanent. Invest in blue chip, AAA, stocks and bonds.
- * Loan guarantee program for all types of loan transactions. Fees from transaction (perhaps interest overrides) would produce income.

- * Securities with highest return yet with least risk, keeping in mind inflation, deflation, liquidity, etc.
- * Stocks and bonds handled by New York, San Francisco, Chicago or European investment houses.
- * Balanced portfolio of stocks, professionally managed for high income.
- * None of the above. Return should be optimized through the best interest of our best renewable resource - people. Projects employing people, which are locally built and ultimately paid for should be encouraged.
- * Low to moderate interest loans of moderate amounts for enterprise development in rural Alaska. Invest surplus (if any) in bonds or other secure instruments.
- * Invest in hydroelectric or other power from renewable sources. Invest in moving the capital. When completed, they will all be a part of the Permanent Fund.
- * Provide loans to Native Corporations or Native Cooperatives to build fish processing plants, fishing vessels, beam trawlers, factory ships.
- * Alaska is a natural resources state and the Permanent Fund should be invested in things that will assure economic development of these resources over the long-term. The State should invest in a railroad to the interior and loans to individual prospectors.
- * 1. High-yield, low-risk securities.
2. Loans for small businesses, homes and to municipalities for capital improvements.
- * a.) Invest in blue chip or other secure stock outside of Alaska.
b.) Invest in renewable resource industries in Alaska.
- * Makes available 7 1/2 % loans to the timber industry, mining, fishing and chemical-petroleum industries.
- * Profitable development projects of all kinds which will benefit the Alaskan economy within Alaska.
- * Use up to 25% of the Permanent Fund to finance or assist federal financing of basic community facilities such as - community meeting and convention centers. Public piers, etc., at low interest. (6%)
- * Invest part or all monies within the State of Alaska for growth of Alaska.

- * I suggest a guideline for fund manager for a minimum:

50% U.S. Government securities.

25% Alaska municipal bonds (with bonding limitations) and state bonds. Balance - blue chip and Alaska investments in resource development. Limit fund for agriculture development and exclude fish hatcheries.

- * Purchase bonds marketed by Alaska Power authority to build hydro- and geo-thermal electric generation facilities.

2. WHAT OBJECTIVES ARE ACHIEVED BY YOUR PROPOSAL?

- * Alternate source of financing for state residents.
- * With a discovery of more oil or other nonrenewable resources, it would provide more jobs for all Alaskans, not just the fishermen in Southeast Alaska. But not to exclude them, the other segment of the Fund could be used to support the fishing industry. Interest from the Fund could be available to all Alaskans as loans for any profit-making venture within reason. This being all Alaska's monies, it should be used as such, and not just to state subsidize fisheries.
- * Needed services provided, - facilities upgraded, expansion of community services. Example - hydroelectric project in Sitka.
- * Develop in areas of renewable resources for broader economic base - cheaper power in the future and less dependence on outside food sources. Rewards would be long-term.
- * Some of these companies might be brought to Alaska, providing some highly skilled jobs and taxes. The only things Alaska can export competitively are natural resources and brains. This would marry the two to some extent.
- * Fiscal responsibility.
- * People who live here can receive a bigger share of the efforts of the Government they help pay for. I don't like to see the long-term efforts of people go down for lack of interest and incentive by State government. These same businesses or industries could help when the oil supply diminishes.
- * Diversified investments maximize the income from at least half of the fund while still utilizing half for more direct benefits and opportunities to citizens and businessmen. The fund would be utilized to develop Alaskan economy and resources.
- * Jobs for Alaskans. (may even utilize prisoners) Wise use of resources - land, water. Less dependence on the lower '48 for food.
- * The Principle will never be touched and will be available for many generations; the interest will be a regular income to the State to encourage tax-producing industries and state growth.
- * Security of investment.
- * The Fund will be permanent. If it goes to loans, it will be lost. The earnings can they be used for more risky use.
- * Generate capital flow into Alaska from traditional institutions. Would create pyramid income effect as reserves could be invested to generate income. Provide capital for rural areas (outside Anchorage) where investors are difficult to find and needs greatest.

- * 1. Assurances that the Fund would be, in fact, permanent.
- 2. Availability of capital for investment guarantees, public and private, that meet rigorous investment criteria. E at least the normal market rate of return for either short or long-run considerations.
- * Protection of the Fund thereby assuring it is permanent.
- * Maximum low-risk income. Income to be applied to tax reduction on all income taxes -- goal is zero income tax.
- * Self-help, motivation and pride plus a turn over of \$'s (in-state) which are ultimately returned to the Fund.
- * 1) a. Promote gradual development in rural Alaska over a long period of time.
- b. Increase the tax base in Rural Alaska thereby reducing the tax burden on the rest of the State
- c. Will promote local government autonomy by increasing local self-sufficiency.
- d. Will diversify the economy both in terms of sources of income and geographic location.
- 2) a. Will maximize yeild on money not allocated to rural development compensation for the low yeild from rural development loans.
- * It will provide power for sale to homes, business and industrial users for many years after the gas and oil has been depleted. This will provide income so you could call it a part of the Permanent Fund.
- * Provide employment to Natives with emphasis on Alaskan control of fisheries out to the 200 mile limit. Do not loan money to fishing corporations with foreign capital in excess of 25%.
- * Perpetuation of mineral and energy exploration and assurance of an ecomonic outlet if anything is found; continued return to the State in form of taxes, rents, etc.
- * High earnings to provide money for loans which will benefit individual Alaskans.
- * a.) Maximizes income from Fund without stimulating undesireable growth within the state.
- b.). Favors establishment of stable economic base for future.
- * Ongoing high standard of living, coupled with full employment for the year-round residents of our state.
- * Reasonable rate of return on the loans but with low risk.
- * Finance for community development of public facilities necessary to develop recreation and travel industry.

- * Keeping our money working for Alaskans, develop our natural resources, mining, fishing, oil, gas and electrical powers.
- *
 1. Fund security against the track record of the legislature "blowing" all current and future revenue.
 2. Assistance to communities in securing funding without bonding commissions and at fair interest rates.
 3. Avoid present panacea concept of fish hatcheries.
- * This is an investment in renewable resources as requested by majority of Alaskan Forum participants - the electric energy produced can be used to electrify Alaska Railroad and future mass transit systems as well as provide the type of cheap power that does not degrade the environment.

3. WHAT OBJECTIVES ARE AVOIDED BY THIS PROPOSAL?

- * Diversification to sources outside of Alaska would not be emphasized.
- * It avoids squandering of monies rightfully belonging to Alaskans, and "keeps it in the family." Unemployment rates would not increase, as jobs would be provided by the research and discovery of any non-renewable resources, and Alaska would flourish on the revenue of these.
- * Loans and bonding would be in areas of low interest and higher risk - less quick return on money.
- * None that are readily apparent.
- * Pork barrel projects. Small loans to private citizens. Special interest groups such as alcoholics.
- * We might not get all the "bucks" we could get. Quality of life is worth more than dollars in the bank. Anything we do to help people help themselves is useful.
- * May not immediately be profitable cash-wise.
- * No continual politics to face on principle; all the good expected from use of principal can be obtained by use of the interest but at a slower rate (and maybe with more forethought).
- * Waste and/or loss of funds resulting from legislative "pork barrelling."
- * The tax base and earnings from Fund will be adequate to fund the State's needs. More stimuli will be detrimental. Too much expansion does lower the unemployed figures.
- *
 1. Security of PF is provided for.
 2. Direct governmental competition with private sector.
 3. Excessive supply of money at the regional level.
- * Development of Alaska economy, giving politicians more "play money."
- * Frittering Fund away by uneconomic investments to achieve social, not economic objectives.
- * Not enough space.
- *
 - 1.)
 - a. No immediately realizable benefit to urban (majority) population.
 - b. Will not contribute to short-term development of Alaska, but will tie up potential short-term resources for long-term objectives.
 - 2.)
 - a. Sacrifices greater utilization of Permanent Fund dollars for immediate development purposes.

- * It will create employment. Then the employed people can pay for their homes and borrow money from the banks with good credit. It will prevent subsidizing a lot of projects that help to cause inflation.
- * The objective of this proposal is to avoid dominance of Alaskan fishery by foreign countries.
- * (None of significance.)
- * Little risk of big investment losses.
- * Does not directly affect Alaskan economy.
Does not maximize income to Fund.
- * Slow the growth of government, provide maximum employment, and orderly harvest of our resources.
- * None.
- * Source of income for the Permanent Fund would be less than provided for by pure commercial placement of investment.
- * Avoids the hazard of high risk actions by politicians, Arlon Tussing and fund managers. Avoids Alaska credit rating falling below New York City rating.
- * This proposal could satisfy those critics who are against too much development, because the excess energy could be sold outside by transferring it via microwave and satellite. This proposal is under consideration by Iceland - (selling their geothermal energy to another country.)

4. WHAT MAY LIMIT THE EFFECTIVENESS OF THIS PROPOSAL?

- * Might not have enough loan demand.
- * The intervention of environmentalists and those supporting non-growth.
- * The number of years needed to pay off loans.
- * Environment groups and federal government. Native Corporations and Administration (State Government) through land classification and short sightedness.
- * Objections that the high risk/high return investments in emerging technology firms are not in the best interest of the State -- witness previous outcry when the State lost a modest sum in the stock market.
- * Nothing.
- * Interests who think dollars are more important than people. Those who think they can get something for nothing. (There should be both incentives and responsibilities.)
- * Lack of imagination. One idea which should be considered is to use heat from the pipeline for greenhouses; establishment of a bakery near the wheat area large enough to ship Alaskan bread statewide.
- * Unless the federal government falters, there is nothing to limit the effectiveness of this proposal. Unless the boys dealing with the interest are politically motivated, nothing will stop the steady, consistent growth possible.
- * Cheap politicians whose primary goal is re-election.
- * The legislature!
- * A few large projects could tie up all necessary reserves. (Example - BIA program) Limitation such as inherent in federal SBA Program which limits usefulness. Lack of management which could cause inaction.
- * 1. Political pressure for non-revenue producing social goals and programs.
2. Public/political notions that the supply of money is inexhaustible.
- * Long-term international depression.
- * The portfolio must be well-managed and guidelines must be carefully set and monitored.
- * Politics.

- * 1. A lack of response or lack of opportunity to use such loans in rural Alaska.
- 2. Inflation and the accumulation of surplus income without adequate means of using the income as a hedge against inflation.
- * Running out of money from the non-renewable resources. All the rivers drying up.
- * The effectiveness of this proposal will be limited if the State Department continues to countenance heavy Japanese participation in fishing off Alaskan shores.
- * If no mineral resources are found.
- * Bad investments and poor re-pay on loans.
- * a.) None foreseen.
- b.) Availability of safe investments in renewable resource industries.
- * Preservationists, bureaucrats and fools.
- * Lack of good, independant feasibility studies. And too much red tape to obtain financing.
- * Do the projects half-way and/or lack of follow through of state-wide travel marketing.
- * Selfish politicians.
- * Unavailability of good municipal bonds and good Alaska investments.
- * The only limit to this proposal would be how much money and how many projects of this type we would be willing to finance.

5. WHICH GROUPS WOULD BENEFIT FROM THIS PROPOSAL?

- * Hopefully residents and fund itself.
- * All Alaskans.
- * Alaskans - public would benefit.
- * All Alaskans in interior and south central.
- * Stock brokers and presumably the taxpayers.
- * All Alaskans.
- * The people in Alaska who have and are working to make the State a better place in which to live - financiers as well as the fishermen and the farmer and the businessman.
- * Broad range of Alaskans could benefit from home loans as well as indirectly benefiting by the community improvements which would be financed by investment income.
- * All Alaskans who eat.
- * Principle: banks might be a place for some investment and let the private sector take the risk in providing loans (so many benefit -- but interest rate should be lower since there would be an excess of money on the market).
- * All Alaskans.
- * All Alaskans indirectly, - Directly brokers.
- * Business community, municipalities, financial institutions, labor, etc.
- * 1. In the long-run, all.
2. In the short-run, those who have the expertise and other capabilities to offer projects and proposals that meet the investment criteria - (rates of return, etc.) Managers and professionals.
- * Alaskan people, financial houses.
- * Whole population, particularly taxpayers.
- * Communities.
- * 1. a.) Fishermen, small time loggers, individual farmers, small entrepreneurs, local governments, transportation enterprises initially.
b.) Eventually -- majority of Alaska's population through the spin-off effects of balanced development through the State.

2. a.) Possibly individual taxpayers even initially if surplus income available for direct or indirect tax relief.
- * All the people. Note the western states. Washington and Oregon. are very dependent on hydroelectric power.
 - * The Natives would benefit most. They are effectively frozen out of the off-shore fishing and remain as a result the largest group of Alaskans living below the poverty level.
 - * All Americans.
 - * Financiers, investors and individual Alaskans.
 - * a.) Financiers and brokers outside of Alaska and all Alaskans.
b.) Those involved or proximal to renewable resources and all Alaskans.
 - * All of the working class people.
 - * All of Alaska.
 - * General business community in each area where facilities are developed and labor because of the high degree of labor requirements in the service business involved in travel.
 - * All Alaskans.
 - * The future citizens after the exploitation of non-renewable resources. Current communities bonding problems and costs.
 - * An investment in these types of energy would benefit all Alaskans. Not only would the Permanent Fund realize a return on the bonds purchased from the Alaska Power Authority, but the selling of excess energy would bring income into the State treasury. Also -- construction of these projects would cut unemployment as well as generate matching fund money from the federal government.

6. WHAT GROUPS ARE LIKELY TO OPPOSE THIS PROPOSAL?

- * Banks and other commercial lending institutions.
- * Sierra Club, Friends of the Earth and other assorted posy-sniffers.
- * Environmental, banking, economists, some legislators and the Alaskans who want a handout in reduced taxes or money.
- * Ultraconservatives and ultraliberals.
- * Unions, Do-gooders
Politicians
People who do not intend to live here permanently
- * Financiers - money people. People whose projects or ideas were rejected. Those who feel that outright grants should be given, rather than as investment activity.
- * Proponents of maximum yeild on 100% of fund investment.
- * Can't think of any. Even proponents of no-growth should be sympathetic.
- * Those that see the state getting involved more and more in the direct development of the state's businesses; those that would squander the income (principle) as was done with the 900 million.
- * Each greedy group, be it local government, educators, bush communities, native corporations, large and small businesses, etc., who can't get their hand in the cookie jar.
- * Most groups. They will want cheap home loans, social distribution, etc.
- * Conservationists, protectionists and anti-development groups.
- *
 1. Primary research organizations
 2. Those associated with non or low-revenue producing sectors or organizations.
 3. Those associated with churches, charities and labor groups.
- * Chamber of Commerce, elected officials.
- * People who want to expand funding of "social services" in the state.
- * Self-interest money groups.
- *
 1. a.) Large business enterprises
b.) Urban populations which may be more concerned about short-term benefits.
 2. a.) Large business enterprises who want more immediate use of fund income and principle for subsidy purposes.

- * Oil companies and environmentalists. Also stock brokers.
- * Japanese, Canadian and out of state fishermen.
- * Groups advocating preservation of all lands.
- * Resource speculators and developers.
- * a.) Alaskan financiers, brokers and businessmen.
b.) Those involved in nonrenewable resource industries.
- * Alaska Conservation Society, Friends of the Earth, Sierra Club, and any other group that wants a high standard of living, but are not realistic enough to be willing to pay for it.
- * Anti-developers, preservationists, environmentalists.
- * Environmentalists.
- * Legislators with their pork barrel projects. Arlon Tussing and other economists. Bonding houses.
- * This proposal would be opposed by private power people.

7. WHAT ARE YOUR SUGGESTIONS FOR MANAGEMENT OF THE PERMANENT FUND?

- * Emphasis on Alaska loans -- provision for disaster loans (comparable to SBA disaster loan programs).
- * To use as little of the principle as possible, and utilize the interest in the way most beneficial for the betterment of all Alaskans.
- * Board of 7 with 2 appointed by Legislature, 2 appointed by Governor, and three elected (one every two years) for a 6 year term -- the appointees to be reviewed every 2 years.
- * Establish a trust fund with say five trustees -- two named by the Governor, two by the Legislature and one by the Supreme Court. They would retain the necessary financial managers and consultants needed to carry out the management mandate of the voters as determined by statewide referendum.
- * Use of the interest only for renewable resources -- fishing, logging, etc., and large projects for the benefit of all Alaskans such as power dams, air strips, transportation, etc., also tax reduction.
- * Appointment by Governor, confirmed by Legislature. Should include a range of interests; have periodic (like six month) reports to Governor, Legislature, people; have periodic opportunities for input for possible changes in direction, etc., It might be wise for a percentage of either Fund or income to use two management schemes. Goals should be widely known and how well those goals were reached should be the main criteria to how well the management scheme performed its task.
- * Policy board and investment committee should include representation from the public at large not just bankers, etc., and have available to them expertise from other than board members. Members should be confirmed by the legislature to avoid partisan appointments and legislation should provide for required reports to the public the legislature, the Governor, etc., regarding all phases of the operation.
- * I suggest that the principle be invested in government bonds, secure stocks, etc., Only the low risk items should even be considered. It would be appropriate to buy as many of these low risk items as possible within the state -- the general idea being to get cash into the state banks for them to loan out. The state banks, with an excess of cash, would take the greater risks on loans to people and firms but the interest should be lower than usual since there would be an excess of cash. The interest on the principle would be utilized in all the ways this booklet suggested -- but the changes to Alaska would be slower and the state would be kept out of the market to a greater degree.

- * Permanent Fund Managers appointed by Governor and confirmed by legislature, for staggered, long-terms (such as Federal Reserve Board), legislature to appropriate funds for specified purposes (if investments other than U.S. treasury notes are deemed advisable), but for two year period, not for one year.
- * Professional with a charge that investments be considered on a long-term basis. Not like the last go around. Politicians must not be able to influence the investment decisions because of pressure from people because there is a temporary downward adjustment in the market.
- * Greater use of citizens and business community rather than professional lobbyist, consultants and out of state experts.
- * 1. Hire a Board consisting of at least one member from
 - a.) each basic resource/industry sector.
 - b.) the national, international and regional financial community.
- 2. Have "the board" establish rate of return
- 3. Let State and local government be involved strictly as advisors to the board.
- * Should be done by one or several international finance houses.
- * Legislature should determine, but it should be professionally, not politically accomplished.
- * Board of Directors _____ establishes priorities and sets policy

|
 Manager _____ Implements
 | Policy & goals Board members should be elected
 | based on population ratio.
 Support
- * 1. The management should be under the control of a Commission of not less than five or more than seven people.
- 2. The Commission should be appointed by the Governor for a period of six years with consent of the legislature and provision for overlapping terms.
- 3. The Commission should select it's own Executive Director and hire its own staff.
- 4. Membership should include at least two (of five total) consumers or consumer advocates -- perhaps similar to the APUC.
- * Find and use good examples of management from other States. That is if you can find any good ones. Do not start a permanent bureaucracy.
- * Should be managed by a board of nine persons, each elected for a three year term; terms not to overlap; voters to elect a chairman, vice-chairman, and members; candidates to release their complete record of qualifications to voters. Management should NOT be by the Administration or the Legislature. Members should not be appointed.

- * Advisory committee appointed by the Governor, approved by the Senate, coming from all areas and fields of interest (bankers, social workers, housewives, businessmen, etc), serving for no more than one term of four years.
- * An appointed committee with staggered terms representing a broad diversity of public interests. (i.e. business people, environmentalists, educators, bush residents, subsistence lives, etc.)
- * 100% of the income from non-renewable resources be deposited in the fund and only the interest from the time deposits be used as outlined above.
- * An apolitical board of directors appointed by the Governor and confirmed by the Legislature. Permanent position not subject to changes in Administration or Legislature. Board to have financial legal, management, economists, etc. - non-political.
- * Get it out from the hands of politicians.
- * 1. Allow legislature annually to determine use of income from Permanent Fund.
- 2. Prepare legal guidelines for manager and allow him freedom within those guidelines.
- * 1. Establish our own bank, as has been done so successfully in North Dakota.
 - a.) Invest money by purchasing Alaskan municipal state bonds.
 - b.) By handling our own money we would not have to pay large commissions to the commercial banks for this service. A projection should be made as to how much it will cost the State for commercial bank services.
 - c.) Less chance for private banks to direct these state funds into (in-house) loans.
 - d.) Alaskan municipal and State bonds purchased by the Permanent Fund could be used for low-cost housing, day care centers and nursing homes. Certainly our Alaskan Citizens qualify first in importance as a renewable resource.
- 2. Members of the Board handling fund shall serve not longer than four years with staggered terms and not to be served consecutively.
- 3. The Managers and board members of Permanent Fund and their relatives shall not have a financial interest in any loans made or bank handling fund money.
- 4. The managers and board members of Permanent Fund shall not own stock in or be paid by an Alaskan Bank, Savings and Loan, Finance Company or Credit Union.
- 5. The Manager of the Permanent Fund shall agree not to take a job with any state financial institution for five years after leaving the position of Manager.
- 6. The Permanent Fund should be audited at regular intervals by a national auditing firm on a bid basis with report to the Legislature.
- 7. The Permanent Fund meetings shall be open to the public as much as possible and services purchased by the Permanent Fund shall be on a bid basis. Managers and trustees shall not have a business interest in any corporation providing services to PF.

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

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	<u>4%</u> 100%	<u>4%</u> 100%	<u>4%</u> 100%

*(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	<u>1%</u> 100%	<u>1%</u> 100%	<u>1%</u> 100%

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

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

Number of Responses: 3237

*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	<u>9%</u> 100%	<u>10%</u> 100%	<u>10%</u> 100%

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

**64% of total responses from Anchorage

85% 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.

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	1%	--	--
	<u>100%</u>	<u>100%</u>	<u>100%</u>

*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	1%	1%	1%
	<u>100%</u>	<u>100%</u>	<u>100%</u>

*65% of total responses from Anchorage
82% 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.

#

Wainwright

(71 participants)

Permanent Fund Investment Strategy

Percentages

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)

Permanent Fund Investment Strategy

Percentages

1. Economic Development in	
Renewable Resource Industries	34%
Other Industries	8%
2. Community Development	22%
3. Save It	36%

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

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 Resources	25%
Other Industries	20%
Save It	25%
Community Development	20%
Other	10%

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.

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."

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.

#

Information to be Included
In Final Report

1. Statement of Committee activities
2. Synopsis of work completed
3. Best revenue projections with explanation of pipeline tariff impact
4. Recommendations for planned state assistance to energy development and communities
5. Overview of consultant work
6. Explanation of Committee legislative proposals
7. Conclusion
8. Appendix list. Appendices will include complete consultant reports, transcripts of public hearings, minutes of Committee meetings, Committee bills and copies of press coverage.

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Alaska Permanent Fund
528 W. 5th
Suite 270
Anchorage, Alaska 99501

12/13/77

Gentlemen:

Please send a copy of the recent report by your committee
on the state's Permanent Fund.

Thank you,

A handwritten signature in dark ink, appearing to read 'W A Duncan', with a stylized flourish at the end.

William A. Duncan
Director

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

Conference/Alternative State and Local Public Policies

1901 Que Street, N.W.
Washington, D.C. 20009
202/234-9382

House Special Committee on the Alaskan
Permanent Fund
528 West 5th Ave., Suite 270
Anchorage, Alaska 99501

Dear Mr./Ms.:

I understand the Committee has received a study of multinational and national development finance companies' experience accumulated in Third World countries, Canada and Europe written by Price Waterhouse and White, Weld. I would appreciate a copy of the report.

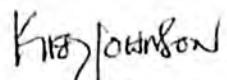
I would also appreciate a copy of Belden Danials' paper entitled "Thinking About the Alaskan Permanent Fund: A Cautious Approach for Alaskan Policy Makers."

I understand, from seeing a portion of Danials' paper mentioned above, that the revolving loan funds the state established had not been as successful as hoped. The National Conference would be very interested in copies of reports on the situation, news clippings, memoranda, and so on that your office could send us about the funds and their relative success or failure.

Enclosed is a copy of a recent issue of the National Conference Newsletter. There is a mention of the Committee report on the fund. I have also enclosed a one page summary of Conference activities.

I appreciate your assistance.

Sincerely,


Kevin Johnson

14 December 1977



conference on **ALTERNATIVE** state and local **PUBLIC POLICIES**

November 1977

Editor: Barbara Bick

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"Hartford is one of the few places in the country today where there is a larger, more expansive, more intervening public sector."

Conservation In One City (p. 12)

by Bettina Conner

"... the citizens of Davis decided to act on their own."

ENERGY

"Who Will Own The Sun?"

Utility vs Consumer Ownership of On-Site Solar Systems (p. 3)

by Peter Barnes

Utility Scenario (p. 3)

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PUBLIC POLICIES

Economic Alternatives—Fundamental To Political Alternatives (p. 8)

by Derek Shearer

"A young man just out of Harvard, named Walter Lippman, went to work as the secretary for the Socialist mayor of Schenectady, N.Y. He wrote a scathing report about the socialist experiment . . ."



IN THE CONFERENCE

What's Happening?

by Barbara Bick

Forecasts of a heightened struggle between advocates of conservative versus progressive programs at the state and local level, are borne out in a number of electoral campaigns this Fall. One of the most polarized is going on in the backyard of the nation's capital with the full weight of Carter Administration heavies on the side of populist Virginia gubernatorial candidate Henry E. Howell.

Virginia Gubernatorial Race

Howell, who has the full backing of labor and black organizations, won a bitterly contested Democratic primary this summer. He is now getting the full bag of dirty tricks from conservative supporters of Republican candidate Lt. Governor John N. Dalton.

An ad hoc group, the "Independent Virginians for Responsible Government," formed for the sole purpose of producing an anti-Howell media campaign, has sent out several fund-raising letters for Dalton that they admit inaccurately accuses Howell of having "urged that Virginia school children be bused into D.C." Sponsors of the mailings, the National Conservative Political Action Committee and Republican Rep. J. Kenneth Robinson, also acknowledge that Roger Stone, treasurer for the Independent Virginians, was cited by the Senate Watergate committee for having performed dirty tricks for Nixon's 1972 presidential re-election committee. Stone was given money in '72 to contribute to Rep. Pete McCloskey in the name of the Trotskyist Young Socialist Alliance, and then sent the contribution receipt to the *Manchester Union-Leader*.

The letters say that "hard-hitting TV ads (will) expose Howell's radical positions on issues like right-to-work, gun-control, unionization of policemen, firemen and teachers . . ." The National Rifle Assoc. has also sent 30,000 letters to its members in Virginia asking support for Dalton and another "independent" group called Sportsmen GO for Dalton.

The campaign has become so polarized that a Lynchburg, VA newspaper headlined a story that a vote for Howell was "a vote for socialism."

Howell has sought statewide office four times since 1969, as a consumer advocate running on a populist platform. This is his first race for governor as a Democrat and President Carter, Hamilton Jordan and others have campaigned throughout the state for him.

Dalton has far outdistanced Howell in campaign contributions, spending about \$1.2 million to date. Contributors include officers and directors of the large banks

and utilities that have been the object of Howell's populist political attacks for more than 10 years. Howell has collected and spent about \$750,000, more than half for the earlier primary campaign. Dalton was nominated at a convention.

One Howell supporter, Virginia novelist Garrett Epps, recently alluded to the many appearances which Elizabeth Taylor has made for Dalton, on behalf of her politically ambitious husband, John Warner, by saying, "Win or lose, Dalton is going to end up as nothing more than a footnote in the biographies of a Hollywood star." Epps said that Howell has been ostracized and vilified because "time after time he was willing to stand up for human rights, fought against the closing of schools to avoid desegregation, and against the poll tax when it was used to discourage black Virginians from voting."

New Orleans Mayoralty Race

The New Orleans, LA mayoralty race is a runoff, Nov. 12, between the top candidates in the open primary held Oct. 2. It poses Judge Ernest N. Morial, who was the first black graduate of Louisiana State University Law School, against City Councilmember Joseph V. DiRosa, who appeals to the older, conservative white and Italian voter.

John Hammond, an environmental issue advisor to Morial, was in Washington recently and stopped by to talk to us about the race. Morial has been a Life Line supporter and a strong advocate of conservation issues. He is committed to open study and analysis of the New Orleans private utilities. Morial was the first black elected to the state House of Representatives in the 20th Century. DiRosa beat him for a Councilmember-at-large spot in 1969 but in 1970 Morial was appointed an Orleans Parish Juvenile Court judge and two years later was elected to the state's Fourth Circuit Court of Appeal.

Approximately 42% of New Orleans' 219,328 registered voters are black. Morial has sought black and liberal white votes, while DiRosa has taken a strong conservative position on the issues.

Buffalo Mayoralty Race

A mayoralty campaign in which Conservative Party candidate James D. Griffin states the issues which separate him from Democratic Party candidate Arthur O. Eve as: Griffin for the death penalty, Eve against; Griffin against liberal abortion laws, Eve for; Griffin for more

Continued on page 5

Who Will Own The Sun?

Utility vs. Consumer Ownership of On-Site Solar Systems

by Peter Barnes

The role of private utilities in the development of solar energy is a question which must be addressed promptly. But the question should first distinguish between those applications of solar energy that involve centralized generation of electricity, and those that involve the on-site transformation of solar radiation into useable heat or electricity. There can be little objection to utility involvement in centralized generation of electricity through use of solar technology. Centralized generation of electricity is what the utilities are chartered to do. To the extent that they can generate electricity using clean, renewable energy sources, so much the better.

The question is more sharply drawn, however, when it comes to on-site collection of solar energy. The utilities have no legal right to own energy-collecting devices in or on privately-owned structures. In considering whether or not to grant them that right, it might be instructive to place the issue in some historical perspective.

Back in the days of the New Deal, President Franklin Roosevelt committed his administration to doing something about the "one-third of a nation" that was then ill-housed. Had the Jet Propulsion Laboratory been in the business of advising the New Deal on housing policy, it would have submitted a data-filled report pointing out that the home construction industry was "too fragmented" to respond rapidly and effectively to the need for new housing, that the people who needed new housing lacked the capital to construct it, and that therefore the housing industry should be turned over to a consortium of state-regulated

monopolies which, if given the proper financial rewards, would build houses and rent them to millions of American families.

Fortunately, national housing policy did not go in this direction. Rather, the government decided to promote consumer-owned housing through long-term, low-interest loans (e.g., via agencies such as the FHA, VA, and Fannie Mae) and through tax incentives (the deductibility of home mortgage interest, the exemption of owner-occupied homes from capital gains taxation). The result has been an enormous expansion of consumer-owned housing and the liberation of millions of American families from housing tenancy. It is not inappropriate to note that somehow the "highly fragmented" housing industry was able to install in most of these consumer-owned homes a wide variety of modern appliances, including electric and gas water heaters and space heating devices of all shapes and kinds.

Public policy toward on-site solar energy development is today at an analogous crossroad.

What is the argument for utility or monopoly ownership, as opposed to consumer ownership? The chief argument is that large, well-capitalized corporations can innovate more rapidly than can smaller companies acting independently and competitively and could consequently install enough on-site systems to make a speedy impact on the nation's energy needs.

This assumption has not, however, been tested by much comparative analysis. For example, the Southern California Gas Co. recently asked for a rate increase totaling \$11 million to finance a solar energy demonstration program. Of that about \$6.3 million is budgeted for actual installation costs; the

remainder is for various in-house staff work. SoCal's budget shows a projected cost of \$2000 for an 80 square-foot domestic hot water system installed in a single-family residence. Assume for simplicity that the entire \$6.3 million were allocated for this. That would mean that for a total public subsidy of \$11 million, the public would receive 3,150 domestic hot water installations within five years.

In contrast, under a new \$4.6 million federal program that will be administered by 10 Eastern states, direct grants of \$400 will be given to consumers who purchase and install solar water heating systems in their homes. Of the \$4.6 million, \$600,000 is allocated for administrative costs. With the remaining \$4 million, the federal government expects to stimulate the installation of 10,000 solar water heating systems within one or two years.

There is also a social and political issue here—i.e., if subsidies are to be handed out, should they go to corporations or consumers? Assuming that the cost-effectiveness of subsidizing either consumers or corporations is the same, I believe the subsidies ought to go to consumers for reasons of economic equity. In this case, since consumer subsidies appear to be more cost-effective than corporate subsidies, there is a happy coincidence of cost-effectiveness and economic equity.

What are some things that can and should be done right now by state legislatures and/or Public Utility and Energy Commissions regarding solar policy? Specifically, they should:

(1) Prohibit private electric and gas utilities, or any subsidiary thereof, from owning on-site solar energy systems.

Continued on page 7

Utility Scenario

by John Geesman

Arguments against a utility-oriented solar policy are based on elementary economics. Horizontal integration of the energy sector of the economy stifles competition between different sources of energy. Decision-making on development is shifted from the marketplace to internal investment calculations of large energy conglomerates. In the case of solar, a utility could not justify to its stockholders more than a token investment unless the profit opportunity were commensurate with gas and electricity. A marketplace decision, made by consumers, would look to lowest life cycle costs of competing sources of energy. An investment decision, made by utilities, would look to best opportunity for profit.

But solar is a markedly different investment for a utility than electricity or gas. In the latter case, the utility is selling energy based on a continuous commercial relationship, not unlike the supplier/purchaser relationship in the addictive narcotics trade. In the case of solar, the utility would be selling consumers hardware to produce their own energy, with no potential for a continuous supply relationship.

However, it turns out that utility plans for solar energy do not center on the sale of hardware. Instead, they involve utility ownership of the hardware and the billing of consumers for "energy service." A BTU-meter would be attached to the solar collector on top of the consumer's roof, and (s)he would be billed according to the amount of energy produced—pegged to the price of natural gas. Of course, the price of natural gas is constantly inflating.

Any strategy for the development of solar energy

Continued on page 5

Notes to Note

Conference On Rural America

For the third year, a conference on issues and problems facing rural America will be sponsored by Rural America, Inc. Focus will be on the social and economic needs of rural communities and special attention will be given to housing and health care. Throughout the conference there will be a strong emphasis on strategies for action.

Key speakers will be Barry Commoner, noted advocate of an alternative Energy Policy; Dr. Graciela Olivarez, Director of the Community Services Administration; and Alex Mercure, Assistant Secretary of Agriculture for Rural Development.

Workshops will include resource and land ownership, preservation of farmland, energy alternatives for small farms, low-income rural housing and health care delivery to rural communities.

The conference will be at the Shoreham Americana Hotel in Washington D.C., December 5-7, 1977. Contact: Rural America, Inc. 1346 Conn. Ave., N.W. Wash D.C. 20036 (202) 785-2936

Guide To Nuclear Power

A list of the major sources of information about nuclear power—books, national organizations, periodicals, and the grass-roots coalitions who are on the front lines of the nuclear battle—appears in the October issue of THE ELEMENTS, a monthly journal about world resources. Three categories of books are listed: those which explain the nuclear energy situation, those which view the nuclear issue as part of a broader political and economic energy issue, and those which propose alternatives. Sixteen anti-nuclear groups are described, based on interviews with each

group by the editors of THE ELEMENTS. To obtain the above, write or subscribe to THE ELEMENTS, 1747 Conn. Ave., Wash. D.C. 20009, \$7 for one year, \$20 for institutions.

Alaska Permanent Fund

A report has been recently released by an Alaskan Special Committee on that state's Permanent Fund.

The Fund, created by a 1976 voter approved constitutional amendment, provides that at least 25% of state oil royalties and other mineral taxes be placed in a Permanent Investment Fund. The Fund would be restricted to income-producing investments along guidelines which the legislature would establish to meet development goals of the state.

"The Role of the Permanent Fund in Alaska's Future" describes how the Fund evolved, its present management, future activity, and investment and management options for the Fund's principal and earnings. The report also includes references to several other innovative Alaskan investment opportunities.

A copy of the report can be obtained from the Special Committee on the Alaska Permanent Fund, 528 W. 5th, Suite 270, Anchorage, AK 99501.

New School for Democratic Management

The New School held its first full session this summer in San Francisco. It focused on the needs of cooperatives and worker-owned or managed enterprises. The sessions included such topics as Starting a Business, Financial Decision-making for Self-managed Enterprises, Marketing and Promotion, Community Economic Development Strategies, etc. Mini or week-end sessions will be held

in cities around the country during the winter and a second full session will be held next summer. Future sessions will focus on democratic management in the public sector, and labor. For more information about the New School, write to David Olson, Director, 256 Sutter St., San Francisco, CA 94108. (415) 986-5690.

Popular Economics Publication

Why Do We Spend So Much Money? is out in a new third edition. This unusual book that looks and reads like a magazine with amusing cartoons, direct language and everyday images, unfolds a sophisticated economic analysis. Bypassing professional jargon and abstract theory, the book has been used by students and adults of all ages. Since it first appeared four years ago, it has sold 50,000 copies to unions, high schools, community groups, churches and colleges.

The new edition is a thorough revision with all new illustrations and new chapters on income taxes, taxpayer revolts, and nuclear, solar and fission power as energy of the future.

Why Do We Spend So Much Money? sells for \$1.45. Write to Popular Economics Press, Box 221, Somerville, MA 02143. (617) 542-5351.

S & L Contract with Community Group

A precedent-setting agreement negotiated between a savings-and-loan association and a protesting community group was recently accepted by the Federal Home Loan Bank Board as a condition of its approval of the branch application. For more than 15 months citizens' groups in the Adams-Morgan neighborhood of Washington, D.C. fought an attempt by the S & L to install a branch office, contending that the

association's lending policies had discriminated against poor residents of the area. Under the 10-page agreement, the \$783 million deposit association would liberalize its mortgage lending policies to make loans to residents of the urban area. It will provide loans for as much as 90% of the purchase price for moderately priced homes and for nonprofit housing cooperatives, and will create a branch advisory committee composed of neighborhood residents and association appointees that will assist community groups working on home finance, as well as monitor compliance with the agreement. Housing counseling services will be available at the branch, as will bilingual assistance for the Spanish-speaking community.

For more information on the contract and the negotiations that preceded it, write to Frank Smith, President of the Adams-Morgan community group, Public Resource Center, 1747 Connecticut Ave., N.W., Wash. D.C. 20009.

Solar Age Catalog

A remarkable and extremely attractive new publication, *The Solar Age Catalog—A Guide to Solar Energy Knowledge and Materials*, is available from the editors of Solar Age. The catalog is the product of an intensive process of collecting information and arranging it in a form most likely to be useful both to the general public interested in solar, and to people already active in the field whose needs for information are specific and detailed. The 232 page, soft cover book has 250 product descriptions with feature by feature comparisons; state by state listings of solar professionals; and basic articles by solar experts. It has a glossary of some of the names and terms that crop up in solar energy, a directory of manufacturers, resource

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listings and an extensive reading list.

The *Solar Age Catalog* sells for \$8.50. Write to Solar Age, P.O. Box 305, Dover, N.J. 07801

Labor Roundtable

The Washington Labor Roundtable which brings together labor activists to address areas of concern to today's labor force, is now making available written reports of each Roundtable. The first series of reports include: (1) "The Future of Women in the Labor Force: Will Government Be Part of the Problem" which featured Alexis Herman, Director, Women's Bureau, U.S. Department of Labor; (2) "The Bakke Decision: Showdown on Discrimination" featured members of the National Committee to Overturn the Bakke Decision; and, (3) "Alternatives for Union Pension and Health Funds" featured Randy Barber of the Peoples Business Commission along with experienced critics of particular union pension and health funds, including the United Mine Workers and the Teamsters.

Individual Reports are \$1.50; a subscription for the current series of Roundtable notices and Reports is \$5. Write to Robb Burlage,

Public Resource Center, 1747 Connecticut Ave. NW, Wash. DC 20009 (202) 483-3327.

Future scheduled sessions (Wednesdays 7 p.m. at the Public Resource Center) are: "Public employees and full employment;" "Current union action for occupational safety and health," and "The Labor Reform Act and the state of labor's lobby."

Public Citizen Publications

"10 Ways to Take on Your Local Bar Association" a glossy, fold-out leaflet, and "Bringing the Bar to Justice: A Comparative Study of Six Bar Associations," a heavy 200-page report have been published by Public Citizen. The publications are part of an effort to inspire local and state efforts to take on unresponsive bar associations. The leaflet quotes Ralph Nader's statement, "Justice under law is too important to be left entirely to lawyers and their bar associations. The bar needs vision and values—that is what active consumers can provide through accountability."

The leaflet is free; the report sells for \$15. Write to Mark Green, director, Public Citizen, P.O. Box 19401, Wash. D.C. 20036.

severe prison sentences, Eve for increasing prisoners' rights; Griffin against increasing business taxes, Eve for —looks like a classic progressive vs conservative contest.

Militant civil rights leader Arthur Eve is the only black New York state legislator elected outside of New York City and the first black politician ever to run in a mayoral election in heavily Italian and Slavic blue-collar Buffalo. He is widely known for his unsuccessful attempt to seek a peaceful solution to the bloody events in 1971 at Attica State Prison, and for later introducing a bill to impeach then-Gov. Nelson A. Rockefeller for his role in ending the uprising.

Eve sees the issue more in terms of jobs, industrial development, better schools, better city management and better police protection. Buffalo has steel mills, chemical plants and automobile factories—and plant closings and layoffs are common. "I've sat up there in Albany just watching the city continually die," Eve says and he believes he can turn Buffalo around into an urban showcase.

Most polls put state Assemblyman Eve even with state Senator Griffin, who lost the Democratic primary to Eve in September and is running on the Conservative Party line. The entrenched Democratic machine is watching from the sidelines since Eve campaigned, in the primary, against the corruption and "bossism" of powerful Erie County Democratic chairman Joseph F. Crangle.

Eve says he is attempting to build a coalition of labor, business and ethnic groups. The steel, auto and communications workers unions have endorsed him, as have some major business and religious leaders. But Eve's upset victory in the primary was based on his spectacular organizing of the black community which comprises 35% of Buffalo. Almost 10,000 new black voters were registered. Eve also won about 10% of the white vote, including the liberal university district.

Buffalo Politics

More Buffalo news from City Councilmember Bill Price who has been an early and frequent National Conference participant. A supporter of Eve, Price says the code question in the city today goes, "Is Buffalo ready for a black mayor?" Price also commented that Eve's support is massive among voters under 35.

The biggest news, however, is the remarkable rejection of the Democratic Party machine which has controlled Buffalo politics for 20 years. Eight of the nine Party endorsed candidates for City Council lost. If Eve wins the Nov. 8 election, and with a new City Council, government in Buffalo should become very exciting. Price had decided not to run for a third term and instead endorsed

Utility Scenario Continued . . .

which extracts from the consumer more than the installation cost of his/her own collector results in the twin evils of text book monopoly: over-pricing and under-production.

Consequently, the utility scenario completely ignores the major economic benefit that solar energy offers society: an opportunity to be sheltered from the ravages of inflation in the price of energy, and a long-run reduction of the spiraling capital requirements of the

energy sector of our economy.

For those to whom the obvious is not yet clear, the utility plan is to become the focus of solar commercialization projects in order to gain a pre-emptive foothold in the industry. Negative pronouncements of failure can then be made in order to assure that solar is not brought on stream until the utilities desire it to be.

John Geesman is attorney for the California Citizens Action Group

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Eugene Fahey for his district. Fahey's politics had made him unacceptable to the Party machine, but he won handily with 80% of the vote in Price's old district.

New Jersey Activists Form New Group

A statewide organization in New Jersey was recently created to bring together community leaders and public officials to form an effective urban policy for urban New Jersey. The organization, called the New Jersey Urban Conference, held its first meeting in mid-October in Jersey City. More than 250 persons attended to discuss formulation of new and effective, neighborhood-oriented urban policies and strategies for rebuilding cities.

The October meeting was co-sponsored by the National Conference and was an outgrowth of discussions at the Northeast Cities conference held last fall, co-sponsored by the City of Hartford and the National Conference. Other sponsors of the New Jersey conference included Newark Mayor Kenneth Gibson, Jersey City Mayor Thomas F. X. Smith, the NJ Department of Public Advocacy, St. Peter's College, Stevens Institute of Technology and the State University at Rutgers.

According to Peter

Buchsbaum, one of the conference organizers, conference participants wanted a more progressive and stronger urban policy voice. "Progressive officials and committed persons across the state realize they've got to work together and become more vocal if they're going to improve the situation. New Jersey has never had a strong urban voice and this organization will give it one," he said.

The day-long conference featured a keynote speech by Yvonne Perry, Deputy Assistant Secretary of H.U.D., and included 12 workshops covering a range of urban ills and some possible alternative solutions.

For more information about future activities of the New Jersey Urban Conference, write or call Richard Roper, Office of Newark Studies, 909 Broad St., 10th Floor, Newark, NJ 07102, (210) 622-6563; or, Peter Buchsbaum, Department of the Public Advocate, Box 141, Trenton, NJ, 08601, (609) 292-1692.

Agricultural Program for Conference

Cynthia Guyer has joined the staff of the National Conference to direct a two year project on progressive agricultural, land, and food policies for state and local governments. Awareness is picking up on how these issues effect the quality of both individual and community life. Public interest groups, farmer and consumer organizations are pushing city councils and state legislatures to consider new proposals. Even people active on urban issues agree that many of the problems the cities face are rooted in the lack of an enlightened rural policy. More than five million acres of farmland are lost each year to suburban sprawl and commercial development. For low income people who pay over 55% of their income for

food, the availability of a healthy diet at an affordable cost is crucial.

Among the activities planned for 1978 is a national conference that will focus on innovative proposals, legislation and existing models. It will interface public interest groups, community based organizations and political activists working on agriculture issues, with state and locally elected officials. A public policy reader will be prepared for the conference.

Guyer graduated from the University of California with a B.A. in Rural Development. She has most recently spent a year and a half working in the South with the National Sharecroppers/Rural Advancement Fund.

Texas Meeting Set

A Texas Regional Conference on Alternative Public Policies (RECAP) is planned for late January in the Dallas-Fort Worth area. The conference, hosted by Fuerza de los Barrios and a state-wide committee of public officials and activists, will focus on such issues as energy, banking, tax reform and planning. For more information, contact: Shari Barnes or John Lewis at (817) 335-2149.

More Tax Programs

A series of conferences on taxes and revenue strategies are planned for the upcoming months. There will be expanded workshops on municipal tax reform and state taxation of natural resources, as well as sessions on mechanics and the politics of taxes. Also in the planning stage is a second "New Directions in State & Local Tax Reform." The conferences, along with expanded tax news and information to be published in the *Newsletter*, are partially funded by the Shalan Foundation as part of its interest in tax reform questions.

Who Will Own The Sun? Continued . . .

(2) Prohibit utilities from levying a special "solar stand-by charge," or any other charge which would discriminate against solar users as opposed to rate-payers generally.

The tax burden of solar producers should be on a par with producers of non-renewable energy. To bring this parity, states should:

(1) Eliminate the sales tax on purchases of solar energy

collecting equipment. Other energy producers are not subject to sales tax on equipment purchases.

(2) Exempt consumer-owner solar systems from property taxes.

(3) Set 50% solar income tax credits and allow any portion of the credit not used in the year of purchase to be carried forward to future years.

Lowering the cost of money