

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 86 / 2

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The third basis for preferring private-sector production units concerns the marketing conflicts that are likely to develop between the state and the common-property fishery when returns to state hatcheries exceed the need for brood stock. It is easy to discount this *ex ante* but experience elsewhere suggests that it may become a significant problem.

To summarize, the approach suggested above for selecting between the public-sector and private-sector options, that of giving preference to private-sector hatchery investments unless there are compelling reasons to have a public hatchery (primarily research function, exempt species, located on interior river, etc.). This approach would allocate to the public and private sectors the roles shown in Table 18. The justifications

Table 18

Alaska Salmon Enhancement Program:

Suggested Institutional Distribution of Functions

<u>Public-Sector Enhancement Functions</u>	<u>Private-Sector Enhancement Functions</u>
Issue hatchery permits to nonprofit corporations	Organize regional nonprofit firms
Monitor hatchery operations	Arrange self-assessment and loan financing
Management of natural and hatchery stocks	Construct and operate production hatcheries for nonexempt species
Construct and operate research hatcheries	Make policy recommendations on state enhancement programs
Disseminate research results	
Construct and operate production hatcheries for exempt species	
Make policy recommendations on state enhancement programs	

for this division of responsibility are three: 1) that cost control is more likely to be achieved by private nonprofit hatcheries structured around the economic incentive

of self-interest, 2) that achieving economic equity is accomplished in nonprofit firms without compulsory taxation because beneficiaries accept financial responsibility for hatchery investment and operating costs, and 3) that for state owned and operated hatcheries there is the potential for serious marketing conflicts with the common-property fishery.

Other Institutional Options

The present statutes of the State of Alaska foreclose institutional options which may, under certain circumstances, be superior to either of the primary alternatives discussed above. Generalizing on the principles developed above, the more an institutional form incorporates the self-interest incentive the more likely it will be operationally efficient and progressive, and the greater the financial responsibility accepted by beneficiaries the more equitable and the more accurate the self-interest incentive. These generalizations suggest that there are at least two additional institutional forms worthy of consideration, in that both are likely to be superior to presently authorized alternatives.

The first is the explicit profit-seeking firm. Accepting the political constraint discussed above as a given,⁷ there is at least one circumstance where the spirit of that constraint can be retained without prohibiting explicit profit-seeking firms. This circumstance exists in areas where there is no established common-property fishery but where there appears to be considerable physical potential for enhancement. In such areas, as discussed on page 8, there is little incentive for either the state or

⁷It will be recalled that the political opposition is based on an almost universal belief among fishermen that their marketing position would be undercut by processor-controlled hatcheries, were profit-seeking hatchery firms legalized (see discussion on p. 67).

private nonprofit firms to develop a hatchery, but it is precisely to such areas where profit-seeking firms would be attracted. It could be argued that this option is already provided for by the entrepreneurial type of nonprofit firm which is widely recognized as a form of profit-seeking firm. If this is the case, perhaps it would be better to allow these firms to take an explicit profit-seeking form. What is not widely appreciated is the fact that this change would represent a change of substance rather than merely a change of label. The economic substance of such a change would be that, by explicitly allowing profit-seeking firms in the undeveloped areas under consideration, venture capital and managerial skills could be attracted to the salmon enhancement program in amounts that are not likely to be approached under any of the other institutional options. Both venture capital and managerial skills are highly scarce resources in Alaska. It could be expected that, in time, a common-property fishery would develop off such sites and that after some period escapements to the hatchery would be reduced to the point where the profit-seeking firms would wish to sell their assets to regional nonprofit firms established by the newly formed offshore fishery.

The second potentially beneficial institutional option for private-sector hatchery development not presently allowed under state law is the restricted-stock profit-seeking firm, or cooperative. This form would retain the advantage of broad representation of the benefiting fishermen characteristic of the regional nonprofit firm, but it would enhance the self-interest incentive to be efficient and to progress. One way to ensure the success of this form would be to make the ownership of an entry permit conditional upon the ownership of a specified amount of stock and to make the stock transferable only with the transfer of the entry permit. Certain legal questions relating to this approach may need to be resolved, but it has great economic appeal.

Comparative Cost to the State

This section develops the implications for state expenditures of investments by the state in state and private nonprofit hatcheries under the present and proposed financial assistance programs for nonprofit firms. As discussed briefly in Chapter I, the present state program is one of providing long-term (25-year maximum) low-interest (eight-percent maximum) loans for hatchery construction to regional nonprofit firms of up to three million dollars but not to exceed 75 percent of the total project costs, and to other nonprofit firms of up to \$300,000 per hatchery but not to exceed 75 percent of total project cost. Interest and principal payments may be deferred for up to six years, with interest compounding over the deferment period. The proposed program provides development grants of \$100,000 per regional association and up to an additional \$100,000 on a 50/50 cash matching basis. In addition, it would provide long-term (25-year maximum), low-interest (eight-percent maximum) loan equal in amounts to the existing program (except that they could be for up to 100 percent of total project cost within these ceilings) with a six-year deferment of repayment, and interest forgiveness over the six-year period. Table 19 shows the comparative direct commitment of public funds by the state for a private nonprofit hatchery, under these programs and for a state hatchery. These hatcheries are assumed to be identical in every respect, a reasonable assumption inasmuch as this exercise is designed to evaluate public and private hatchery investments as alternative institutional means of developing a specific hatchery site, for a specific species and capacity. It is legitimate, therefore, to look only at the cost side in this evaluation, because the flow of gross benefits can, as a first approximation, be considered to be independent of the

Table 19

Comparison of the Commitment of State Funds Required for Private Nonprofit Hatchery
(Under Existing and Proposed Financing Programs)
And for State Hatchery
(Millions of Dollars)

A. Cost to State for Private Nonprofit Hatchery: Existing State Financing Program: (\$.000)

Development costs	\$.200
Construction costs	<u>1.800</u>

Total	\$2.000
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Financed by:

Assessments/grants	\$.500
State loan	<u>1.500</u>

Total	\$2.000
-------	---------

	<u>Annual</u>	<u>Total Present Value</u>
Annual costs		
Loan repayment @ 8% (years 7-25) ¹	\$.248	\$1.500
Operating and maintenance (years 1-25)	<u>.300</u>	<u>3.203</u>
Total (years 7-25; \$300,000 years 1-6)	\$.548	\$4.703

Financed by: Annual assessments and sales revenue. No cost to the state assuming earnings on other state investments $\leq$ 8%.

B. Cost to State for Private Nonprofit Hatchery: Proposed State Financing Program: (\$.740)

Development costs	\$.200
Construction costs	<u>1.800</u>

Total	\$2.000
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Financed by:

Assessments/grants	\$.000
State loan	<u>2.000</u>

Total	\$2.000
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	<u>Annual</u>	<u>Total Present Value</u>
Annual costs		
Loan repayment @ 8% (years 7-25) ²	\$.208	\$1.260
Operating and maintenance (years 1-25)	<u>.300</u>	<u>3.203</u>
Total (years 7-25, \$300,000 years 1-6)	\$.508	\$4.463

(Continued on next page)

Table 19 (cont'd.)

Financed by: Annual assessments and sales revenue. Cost to the state is the foregone interest income over the deferment period of \$.740 (= present value of amount of loan less present value of payments = \$2.000 - 1.260).

C. Cost to State for State Hatchery: (\$5.203)

Development costs \$	\$.200
Construction costs	<u>1.800</u>
Total	\$2.000

Financed by state bond issue 2.000

Annual costs	<u>Annual</u>	<u>Total Present Value</u>
Bond issue repayment @ 8% (years 1-25) ³	\$.187	\$2.000
Operating and maintenance (years 1-25)	<u>.300</u>	<u>3.203</u>
Total (years 1-25)	\$.487	\$5.203

Financed by: State's general fund (\$5.203 in present value, \$.487 annually).

D. Summary of Comparative Commitment of State Funds

	<u>Private Nonprofit Hatchery</u>		
	<u>Existing Program</u>	<u>Proposed Program-</u>	<u>State Hatchery</u>
Present value of capital cost	\$2.000	\$2.000	\$2.000
Present value of down payment	.500	.000	2.000
Present value of loan repayments	1.500	1.260	.000
Present value of interest forgiveness	.000	.740	.000
Present value of operating and maintenance costs	3.203	3.203	3.203
Total costs in present value	5.203	5.203	5.203
Paid by nonprofit corporation	5.203	4.463	.000
Paid by state	.000	.740 ⁴	5.203

¹Interest and principal payments deferred for six years with interest compounded over deferment period.

²Interest and principal payments deferred for six years, with interest forgiven over deferment period.

³Assumes bond issue is repaid over 25 years by equal annual payments into a sinking fund.

⁴Including the \$200,000 hatchery-firm development grant the total direct commitment of state funds under this program to a single-hatchery firm would be \$940,000.

institutional form of the hatchery unit.⁸ Further, it is assumed in this analysis that level-two (and therefore level-three) feasibility have been established for the site in question. Consequently, the question of whether or not the hatchery should be built is answered affirmatively and it remains only to consider who (which sector) should build it.

In the example, it is assumed that construction costs for a remote 25 million egg hatchery are \$1.8 million and that an additional \$200,000 is required for site survey work, water-quality tests, preliminary engineering work, and the acquisition of necessary permits. Operating costs are assumed to be \$300,000 per year. Further, since outlays occur at different points in time all values are discounted back to present value for ready comparability.

The present loan program involves no interest forgiveness and therefore the entire burden for repayment lies with the borrowing nonprofit firm; there is no explicit commitment of public funds. Private nonprofit firms would not be able to borrow below the market interest rate for relatively risky investments in the absence of the state loan program. The roughly two percent interest differential should not be counted as a cost to the state, however, unless it is established that the state could have earned commercial loan rates on alternative investments. What is involved here is the acceptance by the state of greater default risk than is normally assumed on state investments but the increased risk is at least partially offset by the ability of the state to develop mandatory assessment programs on existing salmon runs to ensure repay-

⁸This abstracts from a potentially serious disadvantage of state hatcheries discussed above, namely, the potential marketing conflicts that result when returns to the state hatchery exceed brood-stock requirements. This exercise also abstracts from the values created in fishing communities of allowing highly independent and self-reliant people provide their own enhancement program under their own control and direction, and on the cost side from the potential cost savings and technical advance associated with enhancement units having appropriate economic incentives.

ment.⁹ It could be argued therefore that under this program the ultimate risk is borne by common-property fishing units.

The proposed revisions in the existing loan program are based on a recognition that the free-rider problems and extreme uncertainty forcing the regional non-profit firms are likely to retard their development; that is, it is generally recognized that greater incentives are needed than provided by the existing loan program. There are two areas where revisions have been proposed: One is a development grant of \$100,000 with an additional \$100,000 on a 50 percent cash-matching basis. This grant would be designed to facilitate the formation of regional nonprofit associations; the additional matching portion is designed to encourage region-wide support for either a voluntary or mandatory (requiring a majority vote) self-assessment. The second revision that has been proposed is to forgive interest over the six-year deferment period. This is designed as an added incentive for regional nonprofit firms to assume the risks associated with salmon enhancement projects and, in particular, to allow these firms to resolve the cash-flow problems associated with hatchery investments. In particular, the sharing of risks implicit in this proposal, by sharing the initial financial burden, allows the regional nonprofit firm to propose assessment programs to the fishermen within a region that are less weighted toward front-end commitments. This proposal is consistent with its counterpart in attempting to overcome the economic disincentives associated with the free-rider and uncertainty characteristics of the present economic environment facing salmon enhancement investments. The total present value of costs to the state for a \$2 million hatchery is \$940,000, \$750,000 in interest forgiveness and \$200,000 development grant. The latter is available only

⁹Alaska Statutes, Sec. 16.10.530 (a) - (d).

once for each regional nonprofit association so that subsequent hatcheries built by an association would cost the state \$740,000 in direct subsidy.

An alternative to a private nonprofit hatchery is a hatchery constructed and operated by the state. Table 19 lays out the costs assumed by the state for this alternative (\$5.203 million in present value). A politically probable result of adopting this alternative is the imposition of fish taxes to pay these costs. It might be argued therefore that the presentation in Table 19 is misleading in that it implies that these costs will be covered from existing revenue sources. Such would be the case, however, without an explicit change in fish-tax laws.

The reader will recognize that what is involved here is the basic and by now familiar question of whether, if fish-tax laws are changed to cover the cost of state enhancement projects, fishermen and fishing communities might not be better served by enhancement projects which they finance, control, and operate themselves, and whether or not the other citizens of Alaska are not better served by entrusting state investments in salmon enhancement production units to institutions that have the necessary economic incentives to be cost efficient and to be scientifically and technologically progressive. These are questions on which every serious policy maker must reflect as additional public investments in salmon enhancement production units are considered.

CHAPTER IV

SUMMARY AND CONCLUSIONS

The primary purpose of this report is to identify and evaluate public-policy issues relating to Alaska's salmon enhancement program while focusing on the role of private nonprofit hatchery firms. This was accomplished by means of a pilot economic feasibility analysis of the Port San Juan Hatchery owned by the Prince William Sound Aquaculture Corporation.

This report includes a discussion of economic incentives implicit in the present economic environment facing nonprofit hatchery firms (Chapter I); a formal economic feasibility analysis using the net present value format (Chapter II); and an analysis of present public policy toward salmon enhancement in Alaska (Chapter III). The findings with respect to each of these topics are summarized briefly below.

The success, and degree of success, of salmon enhancement investments by nonprofit firms depends importantly on the ability of these firms to effectively harness the latent and widely dispersed economic incentives that exist among potentially benefiting fishermen. Working against their accomplishing this are vaguely defined property rights and the associated "free-rider" problem, and extreme uncertainty about future benefits (see pp. 6-11). Countervailing influences in their favor are financial incentives provided by the state and the Alaska limited-entry program for salmon.

The feasibility analysis reveals that, with presently available information about costs, prices, and biological survival rates, hatchery investments by nonprofit firms are economically feasible, assuming that a continuous assessment program is sup-

ported by benefiting fishermen. Assessments are required because hatchery revenues from the sale of returning surplus salmon will not be sufficient to cover costs at their present levels. Assessments are economically justified because the fishermen will receive positive net benefits (after allowing for assessments paid) as a result of the productive activity of the hatchery (see pp.48-57). The feasibility analysis also demonstrates that the amount of the required assessments and the resultant net benefits received by fishermen are going to be determined by, and highly sensitive to, innovations which increase ocean survival and those which reduce investment and operating costs (see sensitivity analysis contained in Figures 6-8, pp.49-51; Table 15, pp.53-55; Table 16, p. 58; and Table 17, pp.59-61). It is apparent that such innovations can convert what appear at present to be marginally profitable investments into highly profitable ones. It is also apparent that the *social* function of the nonprofit hatchery firm will be to provide the institutional framework for focusing otherwise highly dispersed economic self-interest incentives into an economic production unit that has the incentive to produce cost-decreasing and productivity-increasing innovations. It is this incentive structure which constitutes the primary characteristic, in addition to the important question of who is going to pay for salmon enhancement production units, distinguishing the private sector and the public sector enhancement approaches.

The third chapter presents a review and analysis of Alaska public policy toward private nonprofit salmon hatcheries. Because of the obvious interdependencies, this discussion includes the dual-hatchery-program concept and other private-sector institutional forms presently excluded by statute. With respect to the latter, two alternatives to the nonprofit approach are apparent. One is to allow profit-seeking

firms to enter the hatchery business. Because of a pervasive political constraint, however (see p. 67), entry of such firms would probably necessarily be restricted to areas not presently supporting a common-property fishery, but which have biological potential (p. 74 and 75). The other alternative would be to encourage the restricted-stock, or cooperative, type profit-seeking firm. The advantages of this approach are impressive (see p. 75).

The most fundamental policy question facing the State of Alaska with respect to its salmon-enhancement program pertains to the allocation of public funds between state hatcheries and private-nonprofit hatcheries. One approach worthy of consideration is to require functional specialization based on a composite of biological and economic considerations (see pp. 70-74). The ultimate financing of the salmon enhancement efforts is a question that is closely related to the issue of allocating public funds (see pp. 76-81, especially Table 19, pp. 77 and 78). As a generalization, the cost of state constructed and operated hatcheries are borne by the general Alaska public and the primary beneficiaries are fishermen, processors and consumers of salmon products. Virtually all of the last group are nonresidents. An explicit revision in fish-tax laws would be required to modify these distributional consequences. A companion generalization is that the cost of private nonprofit hatcheries are borne exclusively or primarily by the benefiting fishermen (see Table 19, pp. 77 and 78) and that these costs will enter the price structure and be passed on in part to buyers.

APPENDIX

Table A-1

Construction Cost Categories

Water System

Water control dams
reconstruction, repair, grouting, flashboards, gate control structures

Construction of:

Lake-intake pipe system

400 feet of 12-inch polypropyln pipe

Lake-intake strainer

Valve house

10 foot by 10 foot two-story associated valve control structure

Main pipeline

2,500 feet of 12-inch insulated heat-traced aluminum-clad water pipe

74 separate pipe-support trestles

Cabling and chocking

Six thrust-blocks leading to the tankhouse

Tankhouse--three-story wood frame structure

One 12-foot diameter and two 10-foot diameter redwood tanks

160,000 BTU forced-air firnace

Electric lighting

Associated pipeline valves, outlets, overflows, tank aerator, and
terminal control

Instrumentation indicating water flow and temperature

Low-water alarm

Incubation/Production System

Freshwater system in the incubation building including:

Strainer

Orifice plate

Incubator supply drop-control valves

7 recirculation pumps

Piping system

Incubator supply drops, control valves, and biological filters

Saltwater treatment system

Saltwater pump

Over 400 feet of pipe

Intake strainer

Distribution system

72 incubator boxes fitted with astroturf to serve as substrate collection
troughs

Holding and recirculation tanks

Table A-1 (cont'd.)

Incubation Building

Foundation, areawalks, and additional pilings to support increased floor load of building

Tank room--houses the recirculation system

Concrete troughs, grating, and electric wiring

Oil-fired boiler

Water circulation pumps

Domestic water take-off system

Main floor--incubation room

Laboratory and lab equipment

Materials of sheetrock wainscoting, windows, doors and necessary columns

Second floor

Biologist quarters

Transient quarters

Two bathrooms, seven double bedrooms, and cooking facilities

Materials needed for second floor:

Partitioning lumber, sheetrock, textured ceilings, rugs, furniture, linoleum, two complete kitchens, and three bathrooms

Three stairwells constructed in accordance with State of Alaska Fire Marshall requirements

Utility System--Waste Treatment

Installation of two-tank multiflow sewer system to provide secondary treatment of waste water

400 feet of four-inch waste line and outfall line from sewer tanks to the outfall

Domestic water and waste system in incubation building, tankhouse and biologist quarters

Heating system

Separate fire protection water system

Electric Power Generation/Distribution

Construction and installation of:

Pelton wheel hydroelectric power installation (provides for electric power by using the water from the main water pipeline)

Peltons, valves, terminal control, and related plumbing materials

Standby generators (one 50 KW and one 30 KW)

Generator house--15 feet by 20 feet

Power distribution and wiring

Electric panels with gear, hatchery wiring and outside lighting

Wiring of 2,500-foot heat-trace wire on pipeline to keep pipes from freezing

(Continued on next page)

Table A-1 (cont'd.)
Miscellaneous

Components and systems necessary for hatchery operation

7,000 gallon fuel tank storage capacity

Maintenance shop

Welds, table saws and aircraft float to allow for the arrival and departure of aircraft

Improvements for watchman's quarters--a two-bedroom single-family dwelling

Construction of egg-take floats and other egg-take equipment for conducting an egg take to receive necessary brood stock

Demolition and removal to provide for fuel used on site, including diesel, lube oil for generators, stove oil, and gasoline

Small tools

Hand tools for construction

Power equipment for construction

Estimated market value of donated services and materials
(See Appendix Table A-2 for detail)

Camp Cost

Installation of cookhouse

Groceries to feed the crew

27 people, on the average, to be fed for the construction period from May 15 to November 1, 1976

Cleaning supplies

Radio equipment for two-way communication between Cordova office and Port San Juan

Engineering

Preliminary engineering

Basic design engineering

Resident inspection

Engineering permit assistance

Associated direct costs of engineering

(Continued on next page)

Table A-1 (cont'd.)

Project Administration

Salary of project coordinator

Salaries of office staff associated with:

Construction

Administration at the site

Insurance

Workmen's compensation

Allocated project costs of audit as required by Economic Development Administration and the State of Alaska, Department of Commerce

Telephone charges associated with construction and procurement of materials

Work permits for various regulatory agencies

Acquisition, Shipment and Distribution

Freight by air, sea, land, boat charter, and associated boat charter expenses

Transportation of construction crew

Loading, unloading and moving materials in Cordova and on job site

Procurement of materials

Expediting in Seattle

Assistance from engineers

Movement of materials in Cordova

Interest

Interim financing

Vendor's interest

Bank service charges

Estimated implicit interest on contributed capital
(See Appendix Tables A-3 and A-4 for detail)

Undistributed Construction Costs

Costs of construction materials that have been received before the costs can be distributed to the proper construction account

(Example: An invoice might show 400 sacks of cement. This invoice would be put in the undistributed costs until it is determined where the cement was used.)

Table A-2

Statement of Donated Construction Services and Materials

<u>Year</u>	<u>Description of Donation</u>	<u>Estimated Value</u>
1975	Boat Charter	\$60,912
1975	Materials	1,187
1975	Labor (1759.5 hrs. @ \$6.50)	11,437
1975	Helicopter	10,000
1975	Total	<u>83,536</u>
1976	Boat Charter	58,400
1976	Labor	3,000
1976	Helicopter	6,000
1976	Total	<u>67,400</u>
	Total	<u><u>\$150,936</u></u>

Table A-3

Schedule of Implicit Interest on Contributed Capital @ 8%

<u>Date Rec'd.</u>	<u>Single Payment Compound Amount Factor¹</u>	<u>Fishermen Assessment</u>	<u>Interest on Fishermen Assessment</u>	<u>Processors Assessment</u>	<u>Interest on Processors Assessment</u>	<u>Tendermen Assessment</u>	<u>Interest on Tendermen Assessment</u>
1975							
Jan	.16640	\$	\$	\$	\$	\$	\$
Feb	.15894						
Mar	.15153						
Apr	.14417						
May	.13686						
Jun	.12959	663.08	85.93				
Jul	.12237	19,140.84	2,342.26	18,267.98	2,235.45		
Aug	.11519	85,457.13	9,843.81	63,011.30	7,258.27		
Sep	.10806	8,579.90	927.14	8,252.78	891.80	410.68	44.38
Oct	.10098					745.50	75.28
Nov	.09394					500.00	46.97
Dec	.08695						
1976							
Jan	.08000	13.42	1.07	8,479.13	678.33		
Feb	.07310			16,000.00	1,169.60		
Mar	.06624						
Apr	.05942						
May	.05265						
Jun	.04592	2,764.20	126.93	2,764.20	126.93		
Jul	.03923	27,274.60	1,069.98	20,587.60	807.65		
Aug	.03259	406.82	13.26	968.05	31.55		
Sep	.02599	31,633.73	822.16	36,163.20	939.88		
Oct	.01943	25,659.25	498.56	24,232.32	470.83	554.00	10.76
Nov	.01291	13,427.80	173.35	476.42	6.15		
Dec	.00643			8,652.92	55.64		
Totals		\$215,020.77	\$15,904.45	\$207,855.90	\$14,672.08	\$ 2,210.18	\$ 177.39

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Table A-3 (cont'd.)

Date Rec'd.	Misc. Grants ²	Interest on Misc. Grants	EDA Grant	Interest on EDA Grant	CETA ³ Funds	Interest on CETA Funds	Total Contributed Capital	Total Interest on Contributed Capital
1975								
Jan	\$	\$	\$	\$	\$	\$	\$	\$
Feb					532.83	84.69	532.83	84.69
Mar	5,000.00	757.65			912.63	138.29	5,912.63	895.94
Apr	5,000.00	720.85			912.63	131.57	5,912.63	852.42
May								
Jun	1,629.88	211.22			912.63	118.27	3,205.59	415.42
Jul	423.11	51.78			912.63	111.68	38,744.56	4,741.17
Aug	5,841.08	672.83			912.63	105.13	155,222.14	17,880.04
Sep	1,600.00	172.90			912.63	98.62	19,755.99	2,134.84
Oct	168.99	17.06			912.63	92.16	1,827.12	184.50
Nov					912.63	85.73	1,412.63	132.70
Dec	986.14	85.74			912.63	79.35	1,898.77	165.09
1976								
Jan							8,492.55	679.40
Feb							16,000.00	1,169.60
Mar			396,720.00	26,278.73			396,720.00	26,278.73
Apr	150.00	8.91					150.00	8.91
May								
Jun	4.00	.18			1,500.00	68.88	7,032.40	322.92
Jul	550.00	21.58					48,412.20	1,899.21
Aug					9,203.39	299.94	10,578.26	344.75
Sep					7,991.24	207.69	75,788.17	1,969.73
Oct	186.63	3.63			12,678.27	246.23	63,310.47	1,230.12
Nov			44,000.00	568.04	2,209.00	28.52	60,133.22	776.06
Dec							8,652.92	55.64
Totals	\$21,539.83	\$ 2,724.33	\$440,720.00	\$26,846.77	\$42,328.40	\$ 1,896.86	\$929,675.08	\$62,221.88

¹Derived from $(1 + i)^t$, where i = interest rate and t = number of years (i.e., Dec. 1976 = 1/2, Jan. 1976 = 12/12, and Dec. 1975 = 13/12, etc.).

²Includes \$10,540 of fishermen and other individual contributions, \$10,000 from municipalities, and \$1,000 from banks.

³Employee salary grants from State of Alaska.

Table A-4

Revenue and Cost Flows:
Moderate-Productivity Case and Mid Range O & M Cost

<u>Year</u>	<u>Costs</u>	<u>Sales Revenue</u>	<u>Assessment Revenue</u>	<u>Total Revenue</u> ¹	<u>Cumulative Net Revenue</u>	<u>Interest Expense @ 10%</u>
0	\$2,066,061	\$ 0	\$ 0	\$ 0	\$ -2,066,061	\$
1	370,000	0	0	0	-2,642,667	206,606
2	370,000	0	0	0	-3,276,934	264,267
3	370,000	306,518	436,679	743,197	-3,231,430	327,693
4	370,000	306,518	436,679	743,197	-3,181,376	323,143
5	370,000	306,518	436,679	743,197	-3,126,317	318,138
6	370,000	306,518	436,679	743,197	-3,065,752	312,632
7	370,000	306,518	436,679	743,197	-2,999,130	306,575
8	370,000	306,518	436,679	743,197	-2,925,846	299,913
9	370,000	306,518	436,679	743,197	-2,845,234	292,585
10	370,000	306,518	436,679	743,197	-2,756,560	284,523
11	370,000	306,518	436,679	743,197	-2,659,019	275,656
12	370,000	306,518	436,679	743,197	-2,551,724	265,902
13	370,000	306,518	436,679	743,197	-2,433,699	255,172
14	370,000	306,518	436,679	743,197	-2,303,873	243,370
15	370,000	306,518	436,679	743,197	-2,161,062	230,387
16	370,000	306,518	436,679	743,197	-2,003,971	216,106
17	370,000	306,518	436,679	743,197	-1,831,171	200,397
18	370,000	306,518	436,679	743,197	-1,641,091	183,117
19	370,000	306,518	436,679	743,197	-1,432,003	164,109
20	370,000	306,518	436,679	743,197	-1,202,006	143,200
21	50,000	306,518	436,679	743,197	- 629,010	120,201
22	50,000	306,518	436,679	743,197	1,286	62,901
Present						
Value	5,229,136	2,156,661	3,072,475	5,229,136	-	-

¹Total revenue includes sum of assessment revenue and sales revenue. Assessment revenue has been calculated at the minimum annual payment in years 3-22 necessary to make NPV = 0 (see Table 15). Total revenue, therefore, is calculated to yield sufficient revenue to cover all costs. Costs include \$2,066,061 initial investment cost, \$370,000 operating costs in years 1-20, \$50,000 operating costs in years 21 and 22, and working-capital cost at 10 percent.

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Eighth Underwater Mining Institute

November 10-11, 1977
Seattle, Washington

Presented by the Sea Grant Programs of the University of Alaska and the University of Wisconsin in cooperation with the University of Washington Sea Grant Program and the AIME. The National Sea Grant Program is a part of the National Oceanic and Atmospheric Administration, U.S. Department of Commerce.

MAIL TO: Sea Grant Advisory Services
1815 University Avenue
Madison, Wisconsin 53706

Name _____ Title/Position _____
Company/Institution _____
Address _____ City _____ State _____ Zip _____
Office Tel. No. _____

FEE: \$150.00. Please enclose enrollment fee. Make checks payable to University of Wisconsin-Extension.

Clip & Mail

Eighth Underwater Mining Institute

November 10 & 11

THURSDAY, NOVEMBER 10

- 8:00 Registration opens
- 9:00 Gregory D. Hedden, Program Coordinator
Call to Order
Stanley R. Murphy, Director, University of Washington Sea Grant Program, Seattle, Washington
Welcome
J. R. Moore, Program Chairman
Overview of the Institute
- 9:15 James L. Johnston, Senior Economist, Standard Oil Company (Indiana), Chicago, Illinois
An Economic Analysis of the Alternative Legal Regimes for Deep Seabed Mining
- 10:00 Coffee
- 10:15 Leigh Ratiner, Partner, Dickstein, Shapiro & Morin, Washington, D.C.
Reflections on the 1977 Law of the Sea Conference and the Prognosis for Ocean Mining Legislation

- 11:00 Arthur S. Westneat, Jr., Consultant, Middletown, Rhode Island
Shallow Penetration Geophysical Systems in Marine Mineral Exploration
- 11:45 Discussion
- 12:00 Lunch
Ben Russak, President and Publisher, Crane Russak and Company, Inc. New York, New York
Presentation of new journal, Marine Mining
- P.M.
1:30 Charles L. Morgan, Research Scientist, Lockheed Ocean Mining Program, San Diego, California
A New Look at Manganese Nodule Growth Processes—Some Practical Implications of the Current Models
- 2:30 Refreshments and Discussion
- 3:00 John E. Noakes, Director, Geochronology Laboratory, University of Georgia, Athens, Georgia
Undersea Mineral Exploration with Nuclear Tools

- 4:00 Adjourn
- 5:30 Cash Bar, Olympic Hotel
- 6:30 Dinner, Olympic Hotel
J. R. Moore
New Frontiers in Marine Minerals Exploration and Mining

- 9:45 Coffee and Discussion
- 10:15 Charles M. Hoskin, Professor of Marine Geology, Institute of Marine Science, University of Alaska, Fairbanks, Alaska
Marine Mining in Alaskan Coastal Waters
- 11:00 Cleland Conwell, Mining Engineer, Alaska Department of Natural Resources; Director, Geological and Geophysical Surveys
The History, Present Legal Regime, and Future of Underwater Mining in Alaska
- 11:45 Lunch
- P.M.
1:15 Paul Swatek, Associate Conservation Director, Sierra Club, San Francisco, California
A Conservationist Looks at Marine Mining
- 2:15 Panel Discussion on Critical Environmental, Law of the Sea and Economic Issues
- 3:45 Announcements
- 4:00 Adjourn

FRIDAY, NOVEMBER 11

- 9:00 Martha H. Kohler, Specialist, Environmental Services Department, Bechtel Corporation, San Francisco, California
Environmental Issues: Mining in the Coastal Zone



Johnston



Ratiner



Westneat



Morgan



Noakes



Kohler



Hedden



Hoskin



Conwell



Swatek

EIGHTH UNDERWATER MINING INSTITUTE
November 10-11, 1977
Seattle, Washington



J. R. Moore, Program Chairman

Dear Colleague:

The Eighth Underwater Mining Institute, November 10-11, 1977 is a new cooperative endeavor this year. The program is jointly sponsored by the University of Alaska and the University of Wisconsin and will be held in Seattle with the cooperation of the University of Washington Sea Grant Program.

The changing events in the world scene of legal, political and economic factors and the technological developments and environmental concerns continue to recommend an annual update. The early, rather special pioneering group in this field has been joined by others in recent years to make an exciting meeting, and we especially welcome newcomers who might wish to combine this Institute with the GSA meeting earlier in the week in the same city and/or the meeting of the Society of Engineering Geologists.

Whether you have been a regular participant in the past or represent a new interest in the field, do plan to join us and your colleagues in this eighth annual event.

J. R. Moore, Director
Institute of Marine Science
University of Alaska
Fairbanks, Alaska

General Information

Enrollment:

Payment of the program fee should accompany each enrollment. It covers the cost of sessions, handout materials, noon lunches on November 10 and 11, evening dinner on November 10, and refreshment breaks. Lodging is *not* included. Advanced enrollment is recommended and should be received in Madison no later than November 4.

Registration and Meeting Place:

Registration and sessions are scheduled in The Olympic Hotel, Fourth at Seneca, Seattle. The registration desk for the Institute will open at 8:00 a.m. on November 10 at the Georgian Room. All sessions will be held in the Georgian Room.

Lodging:

A block of single rooms has been reserved at The Olympic Hotel, Seattle, with a cutoff date of October 9. After this date, requests for reservations will be honored

on the basis of available space. You should make hotel reservations directly with the hotel as soon as possible and specify the name of the meeting to receive the guaranteed rate and priority booking. Address: The Olympic, Fourth at Seneca, Seattle, Washington 98111. Telephone: (206) 682-7700.

Refund:

Full refund of fee payment will be made if program is cancelled or notice of cancellation by enrollee is received by November 4, 1977.

For Advance Course Information and Enrollment:

G. D. Hedden, Program Coordinator,
University of Wisconsin, Sea Grant Advisory Services
1815 University Avenue, Madison, Wisconsin 53706
608/262-0644

For Telephone Contact During the Institute in Seattle:
The Olympic Hotel, 206/682-7700

NO PROCEEDINGS WILL BE PUBLISHED.

ALASKA Seas and Coasts

A Newsletter for the Alaska Commercial Fishing Industry



JAPANESE INVESTMENT IN ALASKA'S FISHING INDUSTRY

The rich fisheries of the Bering Sea and the Gulf of Alaska have historically attracted large foreign fleets. As of August, 1977, the National Marine Fisheries Service reported 356 foreign fishing vessels in the U.S. 200-mile zone off Alaska. By country these break down to: Japanese — 337; South Korean — 10; Soviet — 7; and Nationalist Chinese — 2.

The dominance of the Japanese fleet is obvious. Japanese efforts to acquire seafood products, however, are not limited to the catch of this high seas fleet. In this first portion of a two-part feature article, Per O. Heggelund examines the second element of Japan's quest for high quality seafood: investment in shore-based U.S. seafood processing plants prior to the 200-mile limit.

By Per O. Heggelund
Marine Advisory Program
University of Alaska
Anchorage, Alaska

With no significant natural resources other than her 110 million people, Japan has had to import both food and the raw materials needed to sustain a modern economy. Indeed, 90 percent of her food is imported, making overseas procurement a vital aspect of her economic development.

CHANGES IN JAPAN'S SEAFOOD CONSUMPTION

Marine products have remained a staple in the Japanese diet for centuries. Since 1960, however, there has been a steady decline in the dietary proportion

of seafood. This decline primarily reflects the change in the living standards of the Japanese people. They now rely more on meat products for their animal protein needs. There has also been a gradual growth in the preference for higher-value or specialty marine products which Japan has imported at an increasing rate.

In order to accommodate this increased demand for specialty seafoods, import controls on most of these fishery products were lifted in the early 60s. These events coincided with Japanese businessmen initiating the purchasing of Northeast Pacific (NEP) salmon roe.

MAGNITUDE OF THE INVESTMENT

Foreign investment in the U.S. fishing industry totaled \$129 million by the end of 1974. The investment was spread among 47 firms reporting foreign ownership of ten percent or more of the voting stock. These companies reported a total sale of \$570 million of which \$235 million were sales by fisheries processing firms and \$292 million by wholesaling firms. The U.S. market share of these affiliates was eight percent and six percent, respectively.

Although foreign investments comprise only a minor part of the entire U.S. commercial fishing industry, the investment has almost doubled since 1970. During 1974 alone, direct investment rose some 30 percent. These foreign investments have been made predominantly through debt items (for example, bonds and notes) representing

66 percent of total claims against assets. Moreover, the foreign investors have tended to concentrate their establishment in the Northeast Pacific. Approximately one-third of the establishments are located in Alaska.

INVESTMENT PATTERNS IN ALASKA

Foreign investments in Alaskan and NEP fisheries enterprises have been dominated by the large Japanese general trading companies (Sogoshosha) and fishing firms: C. Itoh, Marubeni, Mitsubishi, Mitsui, Hokuyo, Kyokuyo, Nichiro Gyogyo, and Taiyo Gyogyo. These Japanese companies have applied a foreign investment strategy in this area which differs significantly from the general trend observed in the fishing industry across the nation.



WHEEL WATCH, a new column for readers' comments, appears for the first time in this issue. Read all about it on page 10.

First, the Japanese have tended to concentrate their investment in equity items (stocks — 66 percent) rather than debt items. Second, the trading and fishing companies initiate their investments by means of consortiums.

CONSORTIUMS

Although this latter investment strategy is not commonly observed among other foreign investors in the U.S. fishing industry, it has formed an important part of the Japanese multi-national strategy. During the latter part of the 60s, the Japanese fishing firms and trading companies changed their product procurement strategy in the NEP from straight purchasing to equity participation in the local seafood processing establishments.

Taiyo Fishery Co., Ltd. (Taiyo Gyogyo Kabushiki, Ltd.), as the leading fishing concern in Japan with an annual sale of \$2.5 billion in 1974, led the way in equity investments in the NEP. In 1965, Taiyo bought 49 percent of Pacific Alaska Fisheries in partnership with Peter Pan Seafoods. Two years later, the same Japanese fishing company incorporated Western Alaska Enterprises as a subsidiary of Taiyo California.

Western Alaska Enterprises, originally established as a holding company with marginal involvement in direct seafood production, only represents the parent company with on-site management and production supervision in plants throughout the NEP. In view of this strategy, Taiyo formed B & B Fisheries in 1967 by signing 70 percent of the stocks to Western Alaska Enterprises and the remaining portion to a local Kodiak processor. This strategy of local participation, however, changed in the mid-70s as Taiyo acquired all the outstanding shares of B & B.

SPECIALTY PRODUCTS

The aggressive investment strategy of Taiyo followed a growing interest by Japanese concerns in a variety of specialty products or underutilized products by domestic standards. Tanner crab, for example, faced an uncertain market in the U.S. Then in the early 70s Japanese interests began purchasing large quantities of tanner crab sections (a semi-processed product) thereby providing the industry with a necessary growth stimulus. This increased demand caused the fishery to expand from 13 million pounds in 1971 to 61 million pounds in 1973.

The growing demand for specialty products prompted other Japanese fishing and trading companies to invest in the NEP. During the late 60s the first Japanese consortium obtained equity participation in one processing establishment. In 1966 Nichiro Gyogyo Kaisha, Ltd. (Japan's third largest fishery company) and Mitsubishi Shojiku (Japan's largest general trading company) in partnership with New England Fish Company, formed Orca Pacific Packing Company in Cordova. Except for Nichiro establishing a U.S. subsidiary, Nichiro Pacific, Ltd., this investment was the last reported Japanese equity participation in the Northeast Pacific during the 60s.

INVESTMENT RATE

The rather slow investment rate was maintained despite the Fisheries Agency of the Japanese Ministry of Agriculture and Forestry's estimate that after 1965 a gradual domestic seafood deficit would become apparent. The Ministry projected that by 1971 one-half million metric tons had to be imported to meet the growing demand. Since fishery products would not represent any major portion of total imports, the Japanese government did not seem concerned with the prevailing trade imbalance. In fact, the value of seafood imports did not exceed exports until 1972.

The widening trade imbalance of seafoods may in part have caused the Japanese investors' renewed interest in the NEP fishing industry. In 1972 and 1973 alone, 14 reported investments were initiated. This investment surge represented a threefold increase over the accumulated investment level since 1965.

The explosive growth in Japanese investment in the NEP fishing industry coincided with a general surge in Japanese foreign ventures. This accelerated investment rate resulted from Japan's economic strategy in dealing with her mounting foreign exchange reserves in the late 60s and early 70s.

First, the government removed most restrictions on overseas investment in order to stimulate capital outflow.

Second, in 1972, the previous administrative policy had not significantly reduced the foreign exchange surplus. The yen was effectively revalued 17 percent in relation to the U.S. dollar, thereby equivalently discounting United States assets.

Third, in 1973 the Japanese government in cooperation with the fishing companies, specifically began promoting

overseas investments in fisheries by forming the Overseas Fisheries Cooperation Foundation. The primary function of this organization was to provide credit for companies engaging in off-shore economic and technical cooperation.

The Japanese government's economic incentives toward overseas investments, particularly in fisheries, resulted in the formation of partnerships in the NEP by the new investors. In 1973, the Nippon Suisan Kaisha, Ltd.-Mitsui and Company, Ltd. consortium (Japan's second largest fishery and trading companies respectively) purchased 37.6 percent in Morpac, Inc., which was formed in 1968 by a group of Cordova residents. The same consortium bought controlling interests of the firm in 1976, thus increasing its total capital commitment in the NEP at par with both Taiyo and the Nichiro-Mitsubishi consortium. This strengthening of Nippon-Suisan's consortium strategy appeared despite their formation of three partnerships outside the consortium in the mid-70s.

The strategic position of the consortium in the NEP began deteriorating during the 1972-1973 investment surge. The fishery companies probably possessed some degree of managerial and technical advantage over the trading companies, as the former consortium partners were able to form local partnerships without the aid of the trading companies. These inherent advantages of the fishery firms, however, were abruptly challenged with the aggressive investment policy of Marubeni.

Marubeni-Iida Co., Ltd., the third largest Japanese trading company and the largest marine product importer, committed \$1 million among three different NEP establishments in June 1972. The following year this company invested in the firm additional processors, making it the most diversified Japanese investor in the NEP.

Meanwhile Kyokuyo, as with the other Japanese investors in the NEP, committed its capital in seafood processing rather than direct fishing operations. The reasons for this apparent corporate strategy may be found in the inherent structure of the Northeast Pacific fishing industry, Japanese foreign investment regulation, and U.S. federal marine regulations.

PERSPECTIVE

The U.S. federal merchant marine laws limit the operation and ownership of

(Continued on Page 8)



By
Craig Wiese and Peggy Parker
Marine Advisory Program
University of Alaska
Cordova, Alaska

Getting a commercial fishing loan need not be as formidable as tradition has made it out to be. There are more loan sources and loan opportunities than most fishermen realize.

No lender will be willing to finance a project which is clearly not economical. But it is probable that a fisherman could find as many different opinions on the soundness of a marginal, or even good fishing investment and the fishermen behind it as there are lenders to review it.

The fisherman armed with a well prepared investment proposal and some experience in the fishing industry is likely to find that funding is available for almost any reasonable fishing project.

The following list of loan sources for Alaska's commercial fishermen is not complete. It includes only the more conventional lending agencies which are in business to solve the financial problems that most fishermen face at one time or another.

If one of these agencies cannot help, then private lenders and venture capitalists are the next likeliest sources to turn to. The description following each loan source includes only the basic points, and interested fishermen should investigate each source thoroughly before making a commitment.

State of Alaska: Commercial Fishing Revolving Loan Fund

This state-sponsored loan is available to Alaskan fishermen who have been

COMMERCIAL FISHING LOANS

Where to . . .

How to . . .



residents for five years and have held a commercial fishing license for three years. The program is not open to non-residents.

Loans up to \$150,000 can be arranged. The repayment period may not exceed 15 years, and the annual interest rate is held at an unbeatably low 7 percent.

The loan funds must go toward repair, restoration, or upgrading of existing vessels and gear, or for the purchase of vessels, new or used. The loan may also

be used to finance purchase of an entry permit.

All collateral must be professionally appraised. And, if the collateral is a vessel, a marine survey or new construction estimate must accompany the loan application. No loan will be made for more than 75 percent of the value of the collateral offered to secure the loan.

A service fee of .5 percent will be charged borrowers. This .5 percent will be "revolved" back into the loan

appropriation's fund; it's the state's way of creating a "revolving loan fund."

Income tax returns, business and personal resumes, and financial statements must accompany an application. Application forms and a complete list of pertinent information required to secure the state loan can be obtained by writing:

Dept. of Commerce & Economic Dev.
Division of Business Loans
Pouch D
Juneau, Alaska 99811
(907) 465-2510

An attractive aspect of the state fishing revolving loan fund is that amortization plans for repayment of the loan may include extensions for poor fishing seasons.

State of Alaska: Small Business Loan

This financing is available for Alaska's tender/packing-type vessels and to Alaskan canneries and other businesses related to the fishing industry which are not eligible for a state commercial fishing loan.

Eligibility rests on the business' potential for growth and its contribution to employment in the community. The applicant must also be a resident, employ less than 50 people and make less than \$2 million in annual gross sales.

As of September 18, 1977, the ceiling on the State Small Business Loan is \$300,000. Loans secured by real estate may be amortized over 15 years. The state will normally consider loaning up to 75 percent of the appraised value of real estate offered, and up to 60 percent of the appraised value of equipment and machinery offered as collateral.

Interest is charged at 8 percent per year. Applications may be obtained by writing to the Dept. of Commerce and Economic Development at the address given above.

Bureau of Indian Affairs (BIA)

Loans from the Bureau of Indian Affairs are available to fishermen who are one-quarter or more Alaskan Native. Application is made through the local BIA Agency Credit offices located in Anchorage, Juneau, Fairbanks, Bethel, and Nome.

There is no set limit on loan size, percent of financing available (downpayment requirement) or collateral required. In fact, the major advantage of BIA loans is that they are designed to assist individuals who cannot meet the

downpayment and collateral requirements of conventional lending sources. Another advantage is that interest rates are lower than many — but not all — conventional sources. The rate varies between relending associations, but is pegged between 1 percent and 2 percent above the federal discount rate. The discount rate over the last couple of years has ranged between 6.25 percent and 8 percent and is currently near 7 percent.

The payback period on BIA loans typically averages about ten years. Generally the larger the loan, the longer an individual has to repay. The BIA will lend for new construction, rehabilitation, repair or maintenance of a vessel, but prefers to stay away from working capital loans.

Commercial Banks

Banks are often the first stop for fishermen who are not eligible or cannot qualify for a State commercial fishing loan or a BIA loan. Being in the lending business they are capable of handling loans for all types of fishing and processing activities and all sizes of operations. Banks can also offer valuable management advice. Establishing a good working relationship with a bank can help lead to a successful fishing business.

Bank loan terms vary with the amount borrowed (or requested) and a host of other factors, including past fishing record, personal finances, and income potential of the new investment.

For loans up to \$100,000 or \$150,000 banks will generally finance 66 percent to 75 percent of the estimated value of new boat construction, or the survey value of a used boat. Payback period on loans in this size-category averages three years. For intermediate-size loans (in the \$150,000 to \$500,000 range), the level of financing can be expected to remain the same but the repayment period will vary between five and ten years, with seven years a typical figure. For large loans in the million dollar or more class, financing for up to 15 years is becoming available.

Banks' interest rates vary as we all know, but currently (September 1977) the rate for fishing vessels is around 10.25 percent.

For large loans of several hundred thousand dollars or more, some banks are willing to finance more than 75 percent of the project cost. But the interest rate on such loans can be expected to be higher as well.

Each fisherman seeking a bank loan of

more than a few thousand dollars should be prepared to show a loan officer a detailed record of the last three to five years' income and expenses from fishing (tax records are a good source for this information), a financial statement of personal assets and liabilities, and a projection of expected income and expenses over several years from the new investment. These are commonly required by most lending organizations, including most of the loan sources listed in this article.

One final note about banks. Banks are competitive and no two loan officers operate exactly alike. Lending policies can vary from branch to branch of the same bank, and certainly between banks. So if you are seeking a loan and you can't get what you want from the first bank you walk into, don't give up. Shop around. Your luck could very well improve.

One way to substantially improve your chances of obtaining a loan is to qualify for a government guaranteed loan. The loan comes from the bank but the government guarantees payment in case you default. Read on!

Fishing Vessel Obligation Guarantee (FVOG)

This program is a real sleeper. Few fishermen or bankers are familiar with it, but it can be beneficial to both.

The system works this way. The federal government provides certain benefits to banks which in turn offer lowered interest rates to the fishermen. In some cases it can provide the opportunity for fishermen to get bank loan increases when this couldn't be done otherwise. Some of the benefits offered to your banker include:

1. No risk of loss. The government's guarantee is for 100 percent of the loan's principal and interest.

2. No paper work. The government provides credit and feasibility investigations, closing document preparation, and closing service.

3. No collateral servicing. The government holds and services all collateral in its name.

4. Guaranteed notes are classified as Type 1 investment securities. Banks can buy and sell them for their own account without limitation.

For the fisherman, it means that your bank should be able to offer an interest rate reduction somewhere between 1 and 2 percent below the conventional rate. To put this in more practical terms; on a

\$100,000 loan over three years, a 1.5 percent interest rate reduction from 10.5 percent to 9 percent can mean a savings of close to \$2,600.

If finding a lender, even with the aid of an obligation guarantee, is difficult, the National Marine Fisheries Service Financial Assistance Division (the office administering FVOG loans) will attempt to find a lender for you. They have developed a register of commercial, institutional and private investors across the country who are interested in lending money with the aid of a guarantee obligation.

The FVOG program will guarantee 75 percent of the financing or refinancing of construction, reconstruction, or reconditioning of a fishing vessel of five net tons or over. The obligation guarantee cannot be used for purchasing a used boat or for financing normal operating or repair and maintenance costs.

The guarantee will cover financing up to 15 years for newly constructed boats, and up to seven years for reconditioned or reconstructed vessels.

It would be prudent to allow about two months for processing an FVOG loan. The application procedure will include an application/investigation fee and an interview with a NMFS finance officer as well as the bank's loan department.

National Marine Fisheries Service charges a .75 percent annual guarantee fee on the unpaid principal during the life of the loan. In other words, if the bank drops its interest rate from 10.5 percent to 9 percent of the unpaid balance, the NMFS guarantee fee will move it back up to 9.75 percent. The program still provides an interest rate break as well as other financial advantages to the fisherman.

The first step in applying for a Fishing Vessel Obligation Guarantee is to contact the nearest NMFS financial assistance office. Alaskans and fishermen in Washington and Oregon should contact:

Jim Nickerson
1700 Westlake Avenue North
Seattle, Washington 98109
(206) 442-5532

Production Credit Associations (PCAs)

PCAs operate on a cooperative shareholder's system: for each \$100 a fisherman wants to borrow, he must purchase \$10 worth of stock in the association. In actuality the borrower winds up borrowing \$110 for each \$100

needed. Conversely, as the loan is paid off, shares are also retired so that the stock value remains at 10 percent of the unpaid principal value.

Presently the PCA will loan up to 60 percent of the estimated value on new vessel construction and 50 percent of the survey value of an existing vessel.

In addition, the PCA will loan the 10 percent necessary to purchase shareholder's stock. For example, on a \$100,000 new construction project, a qualified fisherman may borrow \$60,000 toward vessel construction plus \$6,000 for shares in the association. The entire \$66,000 will be charged the PCA's going interest rate.

The interest rate at the Portland PCA varies, but has remained below 8 percent for the past year. This very competitive rate is partially offset by the fact that a borrower normally must borrow the extra money to purchase stock and then pay interest on it. (Remember that the stock is also sold at the purchase price so nothing is gained or lost in the transaction.) However, with the added interest cost, the effective interest rate is still hard to beat. For example, with a simple interest rate of 7.75 percent on a vessel loan, plus an additional loan of 10 percent for shares, the effective interest rate becomes $7.75 \text{ percent} + 0.775 \text{ percent} = 8.525 \text{ percent}$. Still very competitive.

The maximum term of PCA loans is seven years with provisions to easily extend that to ten years. Legislation is presently being developed to allow PCAs to make 15-year loans.

Besides making loans for vessels, PCAs lend for general business operations, including equipment and family living requirements, and to persons furnishing services to fishermen which relate directly to operating needs — boatlifts, warehousing, and parts and repair facilities are examples.

There is no ceiling on loan size. Apply to:

J. E. Herberger, Manager
Northwest Livestock PCA
1212 Commonwealth Bldg.
Portland, Oregon 97204
(503) 222-1713

Federal Small Business Association (SBA)

Banks generally administer SBA loans, which can be used for financing boats which are under five net tons. The SBA loans are another form of a federal guarantee on money borrowed. The Small

Business Administration will guarantee up to 90 percent of the loan offered by the bank.

Downpayments vary with each loan, but the SBA will allow the borrower to put down as little as 10 percent in some cases.

In order to be eligible for an SBA guarantee, a fisherman must first have applied for and been refused a loan from a bank. Without this rejection, a fisherman cannot apply for an SBA guarantee. A fisherman's inability to receive funding from a bank or from the NMFS's Fishing Vessel Obligation Guarantee program should be explained in detail and attached to his application for an SBA guarantee.

In some cases an SBA loan can be secured through the SBA itself, without dealing with a bank. This is a separate program from the SBA guarantee program. Securing loans directly from the SBA is very rare and should be attempted only when all other methods have failed.

Processors

One of the most common loan sources in the past has been fish processing companies. But with the trend toward expensive vessels, large cash needs to cover today's ex-vessel fish prices, and the advent of the State Commercial Fishing Loan program, the processors are generally easing out or simply getting out of the loan business.

For those fishermen seeking financing from processors who are willing to loan, there are two considerations to keep in mind.

First, the processor normally must borrow money from a bank or other lending source in order to lend to you. Consequently, the interest rate charged will be at least what the bank charges and perhaps more.

Second, the terms of the loan (such as collateral requirements, loan size, and repayment schedule) have traditionally been worked out on a one-to-one basis between plant managers and individual fishermen. They are usually dependent upon each fisherman's fishing background reliability in the eyes of the plant manager.

One more consideration. When a processor makes a loan to a fisherman it is generally understood that the fisherman will sell his catch to the processor. There are circumstances where this is not always possible, but it is generally expected.

Some processors who no longer make

(Continued on page 8)

NEWSNEWSNEWS

NPFMC

In its Tenth Plenary Session, September 22-24, the North Pacific Fishery Management Council met concurrently with its Scientific and Statistical Committee (SSC) and Advisory Panel (AP). In addition the SSC and AP met prior to the regular Council meeting. On September 22 the meeting included a public hearing. A closed session was held on September 23. In summary, highlights of the meeting were:

The Council approved the Tanner Crab Management Plan for the fishery off Alaska with the following specifications:

- Size limits for *Chionoecetes bairdi* were set at 5.5 inches (140mm) for the Bering Sea and the remainder of Alaska except for Prince William Sound, where a size limit of 5.3 inches (135mm) will continue. The Bering Sea area south of 58 degrees North latitude, and east of 164 degrees West longitude was closed to foreign crab fishing.
- The domestic annual harvest for the Bering Sea south of 58 degrees N and 164 degrees W will not exceed the allowable biological catch currently estimated at 78 million pounds.
- The present state regulations setting Cook Inlet and Prince William Sound as exclusive registration areas, and setting pot limits now in effect in southeastern Alaska areas were recommended for adoption as federal regulations.
- Recommended a foreign allowable catch (FAC) north of 58 degrees N latitude of 15,000 metric tons (33 million pounds).
- Specified procedures so the Regional Director of the National Marine Fisheries Service can open seasons based on specific parameters.

The Council approved the Gulf of Alaska Groundfish Fishery Plan with these specifications:

- A management regime was selected which allows protection of the halibut resource and rebuilding of stocks.
 - The domestic groundfishery is encouraged to develop as rapidly as possible consistent with halibut protection.
 - A method of monitoring the domestic groundfish fishery has been developed whereby observers will determine if halibut comprise more than one percent of the catch in a month in any given statistical area. Should the catch of halibut exceed one percent in any area, that area will be closed to fishing.
 - The question of trawl mesh size was deferred for one year.
 - Joint venture activity was disapproved until July 1, 1978, at which time there will be a reevaluation of joint venture proposals and the state of development of the domestic groundfish fishery effort.
 - Optimum yield (OY) for blackcod was set at 10,000 metric tons.
 - The area east of 141 degrees W longitude was closed to foreign long lining.
 - Foreign longlining will be allowed west of 157 degrees W inshore of the 500 meter isobath for true cod.
 - Groundfish catches are to be apportioned by statistical areas in the Gulf of Alaska for both the U.S. and foreign fisheries.
- The Council recommended that a 30 percent reserve of the OY be withheld for all species; the reserve to be reapportioned in mid year.
- The Council directed that there be no foreign trawling in three sanctuary areas off the coast of Southeastern Alaska.
- A report of the Halibut Working Group was accepted as an official Council document. A committee of five members was named to develop an official Council position on halibut.

The Council formally received the Draft Fishery Management Plan for the Commercial Troll Fisheries off the Coast

of Alaska and ordered it forwarded for public comment and review. A series of public hearings is tentatively scheduled in December for Ketchikan, Sitka and Juneau, with the possibility of an additional hearing in Petersburg.

The Council heard a report on clam fishing in the Bering Sea and determined a controlled fishery is feasible. A production fishery based on previous experimental work may develop in 1978.

The Council's staff was directed to review foreign applications for permits to fish in the Fisheries Conservation Zone per guidelines to be developed by a Council sub-committee.

The Council approved the appointments of Don Rawlinson and John Jacobson as new members of the AP. A letter was directed to Hank Eaton and James Brooks commending them for service on the Council.

Harold Lokken (Seattle) was elected chairman for the coming year effective October 6. Clem Tillion (Alaska) was elected vice chairman.

The next meeting of the Council will be a combined November-December meeting to be held December 1-2 in the State Court Bldg., 3rd and K Streets, Anchorage.

AQUACULTURE NEWS BRIEFS

AQUACULTURE RETURNS NON-PROFIT HATCHERIES

The first returns of aquaculturally raised pink Alaskan salmon arrived at the Prince William Sound Aquaculture Corporation's (PWSAC) Port San Juan hatchery and the Sheldon Jackson College Aquaculture (Training) Program in Sitka. Both runs have exceeded expectations.

PWSAC had an estimated 5 percent return according to Wallace H. Noerenberg, Operations Manager, from a release of 1,000,000 fry. Sheldon Jackson had a return to the mouth of their hatchery creek of 5 to 6 percent from a

NEWS NEWS NEWS

release of 1.6 million fry, according to Mel Seifert, Director of the Fisheries Program, Sheldon Jackson College.

PWSAC is expanding their hatchery to 25 million and Sheldon Jackson is expanding their hatchery to 10 million.

AQUACULTURE LOANS

Fish farmers are now eligible to apply for loans from the Small Business Administration. For further details contact the Marine Advisory Program at the address at the end of this column.

AMERICAN FISHERIES SOCIETY NATIONAL MEETING

A synopsis of the American Fisheries Society National Meeting held at Vancouver, B.C., September 14-17, is available from the Marine Advisory Program.

CANADIAN SALMONID DEVELOPMENT

The Canadian Federal Government has passed a bill authorizing \$150 million for salmon projects in British Columbia. The money is to be spent over five years. More information on Canadian salmon projects will be presented in later issues of *Seas and Coasts*.

NATIONAL AQUACULTURE INFORMATION SYSTEM

Dr. James A. Lanier, Head of the National Aquaculture Information System, during his recent visit to our Anchorage office, has announced the formation of a computerized bibliographic file of over 2,500 books and articles on aquaculture. The file is a part of the NOAA Environmental Data Service's Oceanic and Atmospheric Science Information System (OASIS). The Aquaculture Information System was sponsored by the Office of Sea Grant.

To acquire or deposit general or specific information on aquaculture, contact me at:

Marine Advisory Program
University of Alaska
3211 Providence Drive
Anchorage, Alaska 99504
(Phone 278-4911)

— Curt L. Kerns
Aquaculture Advisory Specialist

DROWNING RESEARCH

ANN ARBOR — People, especially children, who have drowned in cold water aren't necessarily dead. Even if they have been under water for half an hour.

This is the conclusion of a new study by Dr. Martin S. Nemiroff, lung disease and diving medicine specialist from the University of Michigan.

Dr. Nemiroff studied nine drowning victims, who were submerged in cold water (under 70°F.) from four to thirty-eight minutes. They not only survived but suffered no brain damage. Submersion in cold water for longer than four minutes need not produce a human "vegetable."

Nemiroff states, "... 'Karen Quinlan syndrome' is not the inevitable consequence of oxygen deprivation — under cold water conditions."

How do these drowning victims survive with no brain damage?

According to Nemiroff, cold water sometimes activates the "mammalian diving reflex" which maintains life even after the victim becomes unconscious. This primitive reflex allows many water mammals (seals, porpoises and the like) to remain under water for long periods of time. The automatic reflex greatly reduces the blood supply to the skin, muscles and gut, tissues which are resistant to oxygen-loss damage. The remaining blood takes oxygen to the brain and, since the brain is cooled by submersion, it requires even less oxygen than normal.

The "mammalian diving reflex" is most likely to occur in children under three and a half years old and works for the victim even though he or she has all the appearances of death: no pulse or heartbeat; cold and blue skin; no breath; and fixed, dilated pupils.

Many factors are important for survival according to Nemiroff. Duration under water, the temperature of the water, the age of the victim and prompt, appropriate resuscitation efforts are all key elements.

Nemiroff is continuing his research with funding from the Michigan Sea

Grant Program, a cooperative effort of the University of Michigan and Michigan State University. His most startling story of submersion and survival involves Brian Cunningham, a Jackson, Michigan, college student who was trapped in his car and submerged in an ice-covered pond for 38 minutes.

"The car rolled over after breaking through the ice, eliminating the possibility of an air bubble," Dr. Nemiroff said. "The patient recalled struggling, inhaling water, and losing consciousness."

When he and a companion were brought to the surface, both had no signs of life and were declared dead at the scene. When they were being loaded into an ambulance to be taken to the morgue, Cunningham gave an agonal gasp — a sort of involuntary belch often associated with death — and rescuers began resuscitation on him immediately. After two hours of resuscitation and 13 hours of respiratory support, Cunningham regained consciousness and recognized his mother. Two weeks later he left the hospital to return to college where he is an A- student.

The Cunningham case is spectacular. But the lessons are clear. The "mammalian diving reflex" can save some drowning victims.

Dr. Nemiroff's advice is, "Don't give up," especially if the victim is a child.

This research is of great significance to Alaska. Virtually all the lake, river, and coastal waters of the state are well below the 70°F. classified as "cold" water, according to scientists at the Institute of Water Resources at the University of Alaska. And, drowning is the second leading cause of accidental death in Alaska.

The University of Michigan Sea Grant Program and the U.S. Coast Guard are jointly developing a flyer giving first aid information for rescuers of cold water drowning victims. The flyer can be obtained from:

Communications Office
Michigan Sea Grant Program
2200 Bonisteel Blvd.
Ann Arbor, Maryland 48109

COMMERCIAL FISHING LOANS...

(Continued from Page 5)

direct loans will assist a fisherman in obtaining a loan from another source by guaranteeing the loan or a portion of it. As with direct loans, it is normally expected that the fisherman will sell his or her product to the processor guaranteeing the loan.

Getting It Together

It is not overdoing it to stress the importance of approaching a lender with a well prepared loan proposal. As pointed out by a lawyer working with fishermen in Oregon, "Getting a loan is somewhat of a sales problem and the product to be sold is the fisherman's ability to repay the money at a reasonable rate." The loan proposal should contain the information necessary for the lender to judge your ability to repay.

A complete loan proposal will include:

1. A resume containing references and a business experience summary pertaining to your fishing background.

2. A financial statement of present assets and liabilities.

3. Income and expense statements for the last three to five years fishing — income tax and catch records are good back-up for this.

4. Income and expense projections for the next three to five years using the new investment.

5. A detailed description of the proposed capital investment — a boat for example would include a description of the design features plus initial cost and operating costs.

6. Insurance information on the new investment.

In this article we have tried to explain what loan sources are available and what kind of information a lender needs to know. It is hoped that borrowing for your fishing business will be a less formidable and more successful enterprise.

Good luck and good fishing.

JAPANESE INVESTMENT...

(Continued from Page 2)

vessels documented for coastwide trade to United States citizens. In the Kyokuyo-Whitney case, for example, Whitney prior to Japanese takeover, was both an operator and preferred ship mortgage holder of vessels in U.S. coastwide trade. Therefore, prior to Kyokuyo's acquisition, Whitney was required to divest its assets and liabilities in U.S. vessels.

These U.S. federal regulations that tend to direct foreign ownership toward seafood processing rather than domestic fishing operations differ significantly from the Japanese regulations pertaining to this issue. Presently, the Japanese Ministry of International Trade and Industry and the Ministry of Finance will not grant foreign investment approval for foreign investments in fisheries governed by international fishing treaties. Therefore, since most NEP fisheries actually are governed by bilateral treaties with Japan, this regulation may have hampered Japanese investors in directing their efforts toward NEP fishing operations. Instead they concentrated on land-based processing establishments.

The NEP seafood processors, at least during the 60s, were also the natural investment target for the Japanese fishery and trading companies. During this period the Japanese investors were interested in specialty products, which were primarily by-products from the processing line rather than raw products from the fishermen. However, as the Japanese demand for fishery products increases, vertical integration, particularly by the major fishery companies, may become a reality. One company is committing some \$40 million over the next five years in strengthening their operations in the NEP.

If the Japanese are to intensify their investments in the NEP, this may severely alter their low political profile in the region. The fairly tranquil period of the past may soon expire as the Japanese investments reach the similar "peril point" experienced in a number of Far Eastern countries. According to Dr. Ichimura, Director of the Southeast Asia Research Center in Japan, the "peril point," with subsequent anti-Japanese sentiments, arises in the host country when Japanese investors exceed one-third financial ownership of the local industry.

The "peril point" in the entire NEP seafood processing industry may still be far in the future. However, certain point

Dense Geoduck Beds Located

By Jon Rowley
Commercial Fisherman
Ketchikan, Alaska

A geoduck (gwē'duk) survey carried out by the private sector in the Ketchikan area has discovered beds as dense as those in Puget Sound, where five million pounds are harvested annually. Participating in the survey were Robert Earl of Norwest Undersea Harvesters; Del Hansen, Alaska Diving Service; Ketchikan resident Bill Baker; and Dennis Blankenbeckler, Alaska Department of Fish and Game. Norwest Undersea Harvesters is one of the primary geoduck processing companies in Puget Sound.

The geoduck is a large clam generally weighing around three pounds. Ketchikan diver Mick Nicholas reports bringing one in that weighed over twelve pounds. Although very unattractive in the shell, the body flesh has excellent flavor and texture according to Francois Kissel, chef and owner of the restaurant Brasserie Pitsbourg in Seattle, the first northwest restaurant to feature this clam as a menu item.

"It's a matter of getting people to try them," Kissel says. "Once a customer is adventurous enough to try the geoduck, he comes back for more. They are excellent." The tough large neck is usually ground for chowder.

The market for geoducks, buoyed by the depressed East Coast clam industry, is apparently quite strong and able to absorb twice the volume produced in Puget Sound. Norwest Undersea Harvesters market geoducks under the patented name of "King Clam Steak."

As the regulations are currently drafted, commercial utilization of geoducks in Alaska will require certification of geoduck beds by the State, or the development of a reliable on-site test for paralytic shellfish poisoning (PSP). PSP is presently detected by a mouse test which takes three days. Samples collected in the recent survey were shipped to the Northwest Fisheries Center in Seattle for testing.

A viable geoduck fishery is an attractive consideration in the Ketchikan area. The clam can be harvested at all times of the year providing year-round employment for divers and persons involved with processing and marketing. The clam will live three days out of water, which makes harvest in remote areas of Southeastern realistic.

According to Del Hansen of Alaska Diving Service, the group plans to continue surveys of the area. Actual harvest will depend on how quickly the State can formulate management concepts.

concentrations, such as Kodiak, the largest fishing port in the NEP, have already caused some negative sentiments toward foreign investments. In fact, the National Marine Fisheries Service published a report this year concerned with the potential Japanese control of the tanner crab market. Although the report concluded that the Japanese did not control that specific market, a concern over the effect of Japanese investment has nevertheless surfaced.

In the next issue of Alaska Seas and Coasts the author examines foreign investment in the Alaskan fishing industry since the advent of the 200-mile limit.

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JAPANESE INVESTMENT IN THE NORTHEAST PACIFIC (NEP)

JAPANESE INVESTORS	U. S. SUBSIDIARIES	DATE OF INVESTMENT	EQUITY (CAPITAL STOCK)	
			PERCENT	\$1,000 (U.S.)
Taiyo	Pacific Alaska Fisheries	12/65	49	50
	B & B Fisheries	-/67	70	305
	Western Alaska Enterp.	11/67	100	550
	B & B Fisheries	-/74	30	131
	NEP TOTAL			1036
Nichiro Mitsubishi	Orca Pacific	6/66	50	1000
	Hilton Seafood	7/73	50	81
	Sand Point Packing	-----	50	
Nichiro	Nichiro Pacific	8/67	100	300
	Adak Aleutian Proc.	6/73	30	33
	NEP TOTAL			333
Marubeni	North Pacific Proc.	6/72	50	250
	Marubeni Alaska Seaf.	6/72	100	600
	Bering Sea Fisheries	6/72	25	135
	Juneau Cold Storage	4/73	25	25
	King Crab, Inc.	4/73	49.9	1500
	Kodiak Fishing Co.	4/73	25	130
	Ward Cove Pack.	11/73		
	Juneau Fishing Co.	11/73		
	Alaska Ice & Storage		100	
	Alaska Pacific Seaf.		100	100
	Columbia-Ward Fish.		25	
	Cordova Bay Fisheries		50	
	New Eng.-Marub. Export			
	New Eng.-Marub. Seaf.			
	Point Chehalis Packers			
	St. Elias Ocean Products			
	Togiak Fisheries		49.9	256
Nippon-Suisan Mitsui	Morpac	6/73	37.6	405
	Morpac	-/76	60	646
	NEP TOTAL			1051
Nippon-Suisan	Universal Seafood	6/74	49.9	
	Intersea Fisheries	3/75	40	
	Dutch Harbor Seafood		25	
	Nippon Suisan (USA)		100	300
Kyokuyo	Kyokuyo (USA)	-/73	100	300
	Whitney Fidalgo	10/73	97.9	11,000
	Mokuhana Fisheries (M/V)			
	Nefco-Fidalgo Packing		50	
C.Itoh Hokuyo C. Itoh Iwakiri Fisheries Ak. Pulp Co. Alaska Shokai Kyodo Kumiai Kenai Fisheries Kamai Fisheries	New Northern Proc.	3/74	50	500
	Roy Furlford			
	Alaska Marine Prod.	-/74		
	Harbor Seafoods		100	
	JAD Alaska Shoji			
	JCT Alaska	6/73	100	10
	R. Lee Seafoods		20	
	William Sound Fisheries			



Readers of Alaska Seas and Coasts often encounter issues affecting the fishing industry at large. WHEEL WATCH is available to you, the reader, to present short factual articles on topics of concern, along with your views of the consequences. Opinions expressed are those of the author, and not necessarily those of the University of Alaska. Submissions should be limited to two double-spaced, typewritten pages.

— Ed.

MINE THREATENS SOUTHEAST SALMON RUN

By Jon Rowley
Commercial Fisherman
Ketchikan, Alaska

As salmon fishermen in southern S.E. Alaska assess themselves 3 percent to stabilize and enhance the fishery through a regional hatchery program, a huge open-pit molybdenum mine is being planned that would inevitably wreak havoc with as many as three prime salmon producing rivers. If the hatchery program is quite successful, area fishermen could break even.

U.S. Borax and Chemical Corp., a subsidiary of the multinational Rio Tinto Zinc, has announced intentions of developing a substantial molybdenum ore deposit at Quartz Hill on the divide of the Wilson-Blossom and Keta Rivers. The combined drainages produce up to 1.5 million pink salmon annually as well as commercially significant numbers of chum, red, coho, and king salmon. The Wilson, Blossom, and Keta account for three of the 17 king salmon spawning rivers in Southeastern.

PRESENT STATUS

The present status of the mine, surrounded by many questions and public confusion, resembles a ping pong game with 12 players and three balls in the air at once, as political maneuvering takes place between the Forest Service, U.S. Borax, the Governor's office, various state agencies, EPA, CEQ, the U.S. House and Senate Interior Committees, Ketchikan municipal government, labor, local and national conservation groups, and fishermen. Spokesmen for fisheries

values are a decided minority in this formidable arena.

The Quartz Hill site is located within the boundaries of the proposed Misty Fiords Wilderness Area as described in the Udall (HR 39) and Metcalf (S 1500) bills. The company has stated they would abandon the project if the area is designated wilderness.

Under current mining laws U.S. Borax cannot be denied "reasonable access" to their claims. Part of the controversy centers on just what constitutes "reasonable access." The company claims they cannot proceed with actual mine development until the extent of the ore body is verified by deep drilling and ore content is verified by bulk sampling. Therefore, they requested a permit from the U.S. Forest Service to build a 13-mile access road along the Keta River to the site. The road, according to U.S. Borax, is needed to transport heavy drilling equipment and bulk ore samples. The road would eliminate some spawning gravel, impact resting pools and rearing areas, and subject a naturally unstable area to sediment producing slides.

The draft Environmental Impact Statement (EIS) on the access road drew heavy fire. Fishermen and conservationists insisted that helicopter access, which was not addressed, is economically practical, would satisfy the legal requirements of "reasonable access." Further, it would not jeopardize the fisheries values and wilderness qualities of the Keta drainage.

Many, including former Commissioner of the Alaska Department of Fish and Game (ADF&G), James Brooks, also felt that the overall impact of the eventual mine should have been addressed in the impact statement.

MAJOR PROBLEM

The most serious problem with open-pit mining is disposal of tailings. The Borax mine will produce approximately 30,000 tons of chemically treated, finely powdered tailings a day. ADF&G has gone on record as being "unalterably opposed" to ocean dumping. Needed then is an enormous reservoir able to receive 30,000 tons per day for 20 to 30 years, the expected life of the mine.

Tailings will be piped into the tailings pond in the form of toxic slurry. As the solids settle, the poisonous water has no where to go except over the lip of the pond and into the river drainage. Over 150 inches of annual precipitation will seriously aggravate the problem. Leachates from the chemically treated tailings, if not contained, could destroy the productive salmon habitat of the effected drainages.

Additionally, several million gallons of water will be required in the three-phase chemical flotation process. The water source has not been named.

FINAL EIS

The final EIS on the access road has been released and shows a comparable cost of helicopter and road access. South Tongass Forest Supervisor, James Watson, will soon decide whether to issue the company a road permit or to require them to continue exploration activities via helicopter. If Watson decides to issue the road permit, fishermen and conservationists may make an administrative appeal. If an administrative appeal fails, parties may seek adjudication.

An article, "The Killing of a Wild River," by Doyle Kline in the September 1977 issue of *Field and Stream* describes the devastating impact of an open-pit molybdenum mine on the Red River in Questa, New Mexico. The U.S. Borax mine issue could well boil down to a choice of salmon or molybdenum.

The U.S. Borax project could be just the beginning of problems for Southeastern fishermen. Nearly 350 other firms, including American Oil Company, Cotter Corporation, Exxon, and Gulf Oil have filed mineral claims in southern Southeast Alaska.

NEW COAST GUARD SANITATION REGS

By Craig Wiese
Marine Advisory Program
Cordova, Alaska

Environmental Protection Agency (EPA) regulations governing the discharge of vessel sewage in coastal marine and fresh waters became effective in January of this year. The regulations cover virtually all vessels with toilet facilities installed on board.

Essentially, the regulations require treatment of vessel sewage with a Coast Guard certified treatment unit. The Coast Guard uses the term "marine sanitation device."

The regulations do not apply to vessels with portable equipment (carry on and off), nor do they require the installation of toilet facilities on vessels which do not already have them.

The timetable for compliance with the regulations is different for "new vessels" (keel laid on or before January 30, 1975) and "existing vessels" (keel laid before January 30, 1975). There is also a difference in the level of treatment required. Generally, the longer you put it off, the more sophisticated and expensive the treatment unit will be.

The regulations basically read like this:

A. For "existing" vessels:

1. A vessel owner has until January 30, 1980 to install a treatment unit.
2. However, the EPA has offered an incentive for earlier installation. If a Coast Guard certified treatment unit providing the minimum required treatment (1000 fecal coliform per 100 million parts of water and no "visible floating solids") is installed before January 30, 1978, it will never have to be replaced by a unit providing better treatment as long as it remains operable.
3. A treatment unit installed on or after January 30, 1980 will be required to provide a higher degree of treatment.

B. For "new" vessels:

1. As of January 30, 1977 all vessels constructed on or after January 30, 1975 must have a Coast Guard certified treatment unit installed providing the minimum required treatment. In other words, any vessel constructed between January 1975 and now should have a treatment device installed.
2. Vessels constructed on or after January 30, 1980 will require equipment providing a higher level of treatment.

Most treatment units presently on the market are Coast Guard certified although you should be certain that the label states Coast Guard certification and gives a certification number.

Owners of "existing" vessels that had treatment units installed before 1976 should check with the Coast Guard to learn if the units are certified.

For more details, write to your local Coast Guard center. Ask for publication number CG-485, titled "Federal Marine Sanitation Device Regulations."

Charts of the Bering Sea Fish and Shellfish Resources

During August-October 1975, and April-June 1976, the National Marine Fisheries Service conducted extensive demersal trawl surveys of the eastern Bering Sea. The results of these two surveys are now available as data sheets, that overlay National Ocean Survey Chart No. 16006, showing catch rates (weight per distance towed) at each trawling station.

The data sheets provide a

comprehensive picture of the distribution and relative abundance of each resource within the area 54-61° N latitude, 156-176° W longitude. All persons within the fishing industry who have use for this information are invited to submit requests.

If you wish to obtain the charts, fill out, clip, and mail the form below.

Please send the charts indicated below:

	1975 SURVEY (538 stations)	1976 SURVEY (479 stations)
FISH		
Total Groundfish	[]	[]
Walleye Pollock	[]	[]
Pacific Cod	[]	[]
Yellowfin Sole	[]	[]
Pacific Halibut	[]	[]
SHELLFISH		
Red King Crab	[]	[]
Blue King Crab	[]	[]
Total Tanner Crab	[]	[]
Tanner Crab (<i>C. bairdi</i>)	[]	[]
Tanner Crab (<i>C. opilio</i>)	[]	[]

Name: _____

Address: _____

City: _____ State: _____ Zip: _____

Mail to: Bering Sea Project
Resource Assessment Division
Northwest and Alaska Fisheries Center
2725 Montlake Boulevard East
Seattle, Washington 98112

Safety Standards Available

By John L. Ball
Marine Advisory Program
University of Alaska

The *Interim Fishing Vessel Safety Standards* have just been printed. This booklet contains fishing vessel safety standards that have been developed by Alaskan fishermen over the past six years. They are intended to be used as a guideline for increased safety in areas of construction, equipment, maintenance, personnel, and operations while fishing.

It is expected that as these standards are implemented by the fishing fleet a reduction in loss of life, injury, casualty, and loss of vessels will occur. At the same time this will help to lower insurance costs to the vessel owner.

Single free copies may be obtained by writing to:

Alaska Sea Grant Program
University of Alaska
Fairbanks, Alaska 99701

Bulk quantities are available at cost by writing to the same address.



Alaska's harsh environment takes an annual toll of fishing vessels and lives. In an effort to minimize these losses, fishermen — the most qualified persons to evaluate the problem — have evolved a set of safety standards for operators in the Gulf of Alaska and the Bering Sea. The University of Alaska Sea Grant Program is pleased to make these standards available to the fishing industry.

(Photo by Norman Holm, Kodiak Marine Surveyors)

ALASKA Seas and Coasts



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ALASKA SEA GRANT PROGRAM
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The University of Alaska provides equal educational and employment opportunities.

October 27, 1977

Jim Kelly, Editor
University Reporter
University of Alaska
2533 Providence
Anchorage, AK 99504

Dear Editor:

Ken Pergola's September 20 article on the Permanent Fund was well written. I hope the University Reporter continues to cover the Permanent Fund developments and other statewide issues.

The title of the article (as well as some of the symposium debate), "How Would You Spend \$2 Billion" may have been somewhat misleading in that the Alaska constitution requires that all Permanent Fund monies be placed in "income producing investments" and the word "permanent" at least raises the strong presumption that the Fund will not be spent but managed so as to preserve the capital or principal of the Fund.

There is general agreement that "income producing investments" means using the Fund in a way which not only preserves the capital assets of the Fund but will also return direct earnings on those capital assets.

However, the income or earnings from the required investments, as Mr. Pergola points out, may be used in any manner the legislature directs, regardless of whether the use or spending of the income results in any direct earnings or monetary return to the Permanent or General Funds.

So far the debate on how the principal of the Fund (the \$1.5 to 2.0 billion estimated to accumulate in the Fund by 1985) should be invested has revolved mainly around whether the Fund should be primarily a "savings trust" as opposed to a "development bank."

Jim Kelly

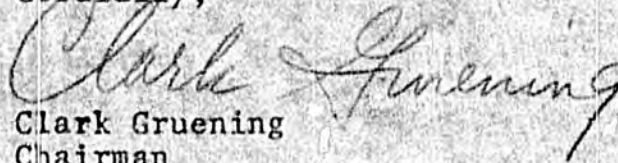
-2-

October 27, 1977

The debate continues and the Committee will have its next public meeting in Anchorage, State Court Building, Room 402, 303 K Street at 1:30 p.m., November 18, and 9:00 a.m., November 19 to take action on some proposals for structuring the Fund.

The continued interest of the University community and the University Reporter is very much welcome.

Cordially,

A handwritten signature in cursive script, appearing to read "Clark Gruening".

Clark Gruening
Chairman
House Special Committee on
The Alaska Permanent Fund

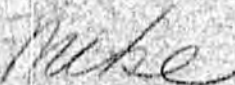
September 29, 1977

Scott Goldsmith
Institute of Social & Economic
Research
University of Alaska
707 A Street
Anchorage, AK 99501

Scott:

Here's Barker's analysis, as we discussed on the telephone.

Sincerely,



Mike Doogan
Administrative Assistant

MD:LAD

Enclosure

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W—ALASKA OFFICE BUILDINGFINANCE DIVISION
POUCH WF—STATE CAPITOL

JUNEAU 99801

MEMORANDUM

TO: Honorable Clark Gruening DATE: September 22, 1977
Chairman
House Permanent Fund Committee

FROM: Milt Barker *MB* SUBJ: Permanent & General
Fiscal Analyst Fund Projections
Legislative Finance

At your request, I am enclosing six computer scenarios which display projected budget surpluses or deficits, followed by end-of-year permanent fund and general fund balances, and finally a column entitled "revenue required for general fund balance of \$0 million". This last column may also be interpreted as the required reduction in expenditures for a zero general fund balance.

However, visualizing it as additional required revenue, Table 1 was developed. In this table, the required permanent fund balance is determined by dividing the required revenue from the computer report by .07, the earnings rate on the permanent fund, to find the additional fund principal required to produce this revenue, and adding that to the projected balance. However, in those cases where 50% of the permanent fund earnings go to Alaska, Inc., the additional required principal will be twice as large.

The required Alaskan economy in terms of personal income to continue funding the budget is determined by dividing the additional required revenue by .079 and adding this additional personal income base required to the projected base shown on Table 1. The projected base was determined by dividing "other revenue" shown in the assumptions by .079; "other revenue" consists of all unrestricted revenue less severance taxes, property taxes, state and federal resource revenue, and Prudhoe income taxes. In other words, all those items which may relate somewhat to personal income. In FY 76, "other revenue" was roughly \$286.1 million which was 7.9% of the FY 76 personal income of \$3.6 billion.

The first scenario is a best guess of what will be with no statutory changes. It assumes 25% of royalty goes to the permanent fund and 5% to the renewable resources fund. Conceivably, the 5% could stop once \$250 million is reached. In all scenarios 2% of royalty goes to native claims until \$500 million is reached. The required general fund balance of \$0 million assumes the sale, transfer to the permanent fund, or liquidation of the state's unmarketable loan portfolio; this is one assumption you might want changed.

Scenario 2 adds Alaska Inc. at 50% of permanent fund earnings which moves forward the date of insolvency by one year. However, increasing the royalty contribution to 50% moves insolvency forward five years as in Scenario 3. If the rate were then cut back to 30%, the permanent fund would stand \$489.3 million higher in 1982, providing an additional \$17 million a year in revenue after deducting Alaska, Inc. Looking back to Scenario 2, it is clear that this will not cover the projected deficits beyond 1982. With 100% of royalties put in the permanent fund, as in Scenario 3A, the situation only gets worse.

As long as deficits or borderline surpluses are envisioned, it makes no sense to sock away a greater proportion of royalties, since in the mid-term at budget growth rates of 15%, we are relying on royalties to fund such budgets. If we could hold budget growth to some lower level, a greater proportion of royalties could be put in the permanent fund, thus reducing deficits in the long run when oil revenue halts.

A lower growth rate than 15% may be necessary anyway since, as table one indicates, the required permanent fund, or Alaskan economy given the present tax structure, to sustain such growth appears unrealistic. Yet, the compound growth rate from FY 68's general fund appropriation of \$103 million to FY 78'3 of \$819 million has been 23% per annum.

Scenarios 4 and 5 allow none of the permanent fund earnings to be used to support the budget, 4 by retaining all earnings in the permanent fund, 5 by paying all earnings to Alaska, Inc. Of course, the idea with 4 would be at some point to begin putting the earnings back in the general fund. If this is done at the point at which the general fund balance reaches zero, scenario 4 is then essentially the same as scenario 1, except that earnings and surplus are carried in the permanent fund rather than the general fund and, as a consequence of locking up these amounts, the general fund reaches zero a little sooner.

Honorable Clark Gruening

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September 22, 1977

Scenario 6 retains 10% of the budget appropriation in the general fund balance where surpluses permit, all the rest of the general fund balance being transferred to the permanent fund. If you would rather the program maintain the general fund balance at the specified percentage of budget, regardless of surpluses or deficits, showing the additional revenue required to do so, this modification could be made.

Please let me know if you desire any additional scenarios using different assumptions.

MB:bf

STATE OF ALASKA
LEGISLATIVE FINANCE WORKING DOCUMENT
BUDGET FORECASTING MODEL

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COMMENTS

ALCAN

TAPS BUILDUP RESUMES MARCH 78

MEDIUM REVENUES (HAGGART CASE 11)

ASSUMPTIONS

ANNUAL RATE OF INTEREST ON GENERAL + PERMANENT FUNDS = 7.00%

% OF CURRENT YEAR EXPEND. IN G.F. CASH BAL. = 20.00%

% OF ROYALTIES LEASES AND BONUSES DEPOSITED IN PERMANENT FUND = 30.00%

ANNUAL % INCREASE IN BUDGET APPROPRIATION = 15.00%

YEAR	NON INVESTMENT REVENUE	INVESTMENT INTEREST	TOTAL REVENUE	BUDGET APPROPRIATION	SUPPLIE- MENTALS	DEBT SERVICE	PAYMENTS TO FUNDS	TOTAL EXPENDITURE	SURPLUS OR DEFICIT	PERM- ANENT FUND	GENERAL FUND END OF YEAR OF	REVENUE REQ FOR GF BAL. 50 MIL.
1977										4.0	652.7	
1978	794.0	56.4	850.4	853.8	0.0	0.0	119.0	972.8	-122.5	81.6	530.2	0.0
1979	1100.8	60.3	1161.1	981.9	0.0	0.0	206.9	1188.8	-27.7	216.6	502.6	0.0
1980	1269.1	70.7	1339.8	1129.2	0.0	0.0	237.8	1367.0	-27.2	374.9	475.4	0.0
1981	523.2	67.7	1670.9	1298.5	0.0	0.0	261.4	1559.9	-110.9	548.5	586.3	0.0
1982	1745.4	109.7	1855.1	1493.3	0.0	0.0	283.9	1777.2	78.0	738.0	664.3	0.0
1983	1925.9	130.2	2056.1	1717.3	0.0	0.0	327.6	2044.9	11.2	954.4	675.5	0.0
1984	2069.7	150.1	2219.8	1974.9	0.0	0.0	242.5	2217.4	2.4	1189.9	677.9	0.0
1985	2251.2	167.7	2418.9	2271.1	0.0	0.0	254.9	2526.0	-107.1	1444.8	670.2	0.0
1986	2403.9	176.6	2580.5	2611.8	0.0	0.0	274.5	2886.3	-305.8	1719.3	664.9	0.0
1987	2563.4	182.0	2745.4	3003.6	0.0	0.0	295.1	3298.7	-553.3	2014.4	-0.0	288.3
1988	2732.3	200.5	2932.8	3454.1	0.0	0.0	316.7	3770.8	-838.1	2331.1	-0.0	838.1
1989	2910.2	230.7	3140.9	3972.2	0.0	0.0	339.4	4311.6	-1170.7	2670.5	-0.0	1170.7
1990	3096.2	263.6	3360.4	4568.0	0.0	0.0	363.3	4931.3	-1570.9	3033.8	-0.0	1570.9

STATE OF ALASKA
LEGISLATIVE FINANCE WORKING DOCUMENT
BUDGET FORECASTING MODEL

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COMMENTS

ALCAN
TAPS BUILDUP RESUMES MARCH 78
MEDIUM REVENUES (HAGGART CASE II)

ASSUMPTIONS

ANNUAL RATE OF INTEREST ON GENERAL + PERMANENT FUNDS = 7.00%
% OF CURRENT YEAR EXPEND. IN G.F. CASH BAL. = 20.00%
% OF ROYALTIES LEASES AND BONUSES DEPOSITED IN PERMANENT FUND = 30.00%
ANNUAL % INCREASE IN BUDGET APPROPRIATION = 15.00%
% OF PERMANENT FUND EARNINGS TO ALASKA INC = 50.00%

YEAR	NON FUND INVESTMENT REVENUE	INVESTMENT INTEREST	TOTAL REVENUE	BUDGET APPROPRIATION	SUPPLE- MENTALS	DEBT SERVICE	PAYMENTS TO FUNDS	TOTAL EXPENDITURE	SURPLUS OR DEFICIT	PERM- ANENT FUND	GENERAL FUND END OF YEAR OF	REVENUE PER FOR "G.F. BAL." \$0 MIL.
1977										4.0	652.7	
1978	794.0	56.3	850.3	853.8	0.0	0.0	120.5	974.3	-124.0	81.6	528.7	0.0
1979	1100.8	60.0	1160.8	921.0	0.0	0.0	212.2	1194.0	-33.2	216.6	495.5	0.0
1980	1269.1	60.8	1339.9	1129.2	0.0	0.0	248.2	1377.3	-39.4	374.9	457.1	0.0
1981	1583.2	85.7	1668.9	1298.5	0.0	0.0	277.6	1576.1	92.9	548.5	550.0	0.0
1982	1745.4	106.2	1851.6	1493.3	0.0	0.0	306.4	1799.7	52.0	738.0	601.9	0.0
1983	1925.9	124.6	2050.5	1717.3	0.0	0.0	357.2	2074.5	-24.0	954.4	577.9	0.0
1984	2069.7	141.6	2211.3	1974.9	0.0	0.0	280.0	2254.9	-43.6	1189.9	534.4	0.0
1985	2251.2	155.6	2406.8	2271.1	0.0	0.0	301.0	2572.1	-165.3	1444.8	369.0	0.0
1986	2403.9	160.2	2564.1	2611.8	0.0	0.0	329.9	2941.7	-377.5	1719.3	0.0	6.5
1987	2563.4	172.7	2736.1	3003.6	0.0	0.0	360.5	3364.0	-627.9	2014.4	0.0	627.9
1988	2732.3	200.5	2932.8	3454.1	0.0	0.0	392.8	3846.9	-914.1	2331.1	0.0	914.1
1989	2910.7	230.7	3140.9	3972.2	0.0	0.0	426.9	4399.1	-1258.2	2670.5	-0.0	258.2
1990	3096.8	263.6	3360.4	4568.0	0.0	0.0	463.1	5031.1	-1670.7	3033.8	0.0	1670.7

STATE OF ALASKA
LEGISLATIVE FINANCE WORKING DOCUMENT
BUDGET FORECASTING MODEL

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COMMENTS

ALCAN
TAPS BUILDUP RESUMES MARCH 78
MEDIUM REVENUES (HAGGART CASE II)

ASSUMPTIONS

ANNUAL RATE OF INTEREST ON GENERAL + PERMANENT FUNDS = 7.00%
% OF CURRENT YEAR EXPEND. IN G.P. CASH BAL. = 20.00%
% OF ROYALTIES LEASES AND HOMES DEPOSITED IN PERMANENT FUND = 50.00%
ANNUAL % INCREASE IN BUDGET APPROPRIATION = 15.00%
% OF PERMANENT FUND EARNINGS TO ALASKA INC = 50.00%

YEAR	NON INVESTMENT REVENUE	INVESTMENT REVENUE	TOTAL REVENUE	BUDGET APPROPRIATION	SUPPLIES - MATERIALS & SERVICE	DEPT	PAYMENTS TO FUNDS	TOTAL EXPENDITURE	SURPLUS OR DEFICIT	PERMANENT FUND	GENERAL FUND	REVENUE REC FOR GF BAL
END											END OF YEAR OF	SO MIL
1977										4.0	652.7	
1978	764.0	56.3	850.3	853.8	0.0	0.0	173.2	1027.0	-176.7	133.4	476.0	0.0
1979	1100.8	59.8	1160.6	981.9	0.0	0.0	305.5	1287.4	-126.7	356.3	349.3	0.0
1980	1269.1	69.3	1338.4	1124.2	0.0	0.0	360.6	1489.7	-151.3	622.2	197.9	0.0
1981	1583.2	84.5	1667.7	1298.5	0.0	0.0	404.0	1702.5	-34.8	911.5	163.1	0.0
1982	1745.4	104.0	1849.4	1493.3	0.0	0.0	447.6	1940.9	-91.5	1227.3	71.6	0.0
1983	1925.9	125.1	2051.0	1717.3	0.0	0.0	521.2	2238.5	-187.5	1588.1	-0.0	175.9
1984	2069.7	152.5	2222.2	1974.9	0.0	0.0	461.9	2436.8	-214.5	1980.5	0.0	214.5
1985	2251.2	155.3	2436.5	2271.1	0.0	0.0	501.6	2772.7	-336.2	2405.4	0.0	336.2
1986	2403.9	221.0	2624.9	2611.8	0.0	0.0	549.7	3161.5	-536.6	2862.9	0.0	536.6
1987	2563.4	259.7	2823.1	3003.6	0.0	0.0	600.7	3604.2	-781.2	3354.7	0.0	781.2
1988	2732.3	301.7	3034.0	3454.1	0.0	0.0	654.5	4108.6	-1074.6	3842.6	0.0	1074.6
1989	2910.2	347.2	3257.4	3972.2	0.0	0.0	711.4	4683.6	-1426.2	4448.2	-0.0	1426.2
1990	3096.8	396.5	3493.3	4568.0	0.0	0.0	771.7	5339.8	-1846.5	5053.6	-0.0	1846.5

STATE OF ALASKA
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COMMENTS

ALCAN

TAPS BUILDUP RESUMES MARCH 78

MEDIUM-REVENUES-(HAGGART-CASE II)

ASSUMPTIONS

ANNUAL RATE OF INTEREST ON GENERAL + PERMANENT FUNDS = 7.00%

% OF CURRENT YEAR EXPEND. IN G.F. CASH BAL. = 20.00%

% OF ROYALTIES LEASES AND HOMES DEPOSITED IN PERMANENT FUND = 100%

ANNUAL % INCREASE IN BUDGET APPROPRIATION = 15.00%

% OF PERMANENT FUND EARNINGS TO ALASKA INC = 50.00%

NON

YEAR	INVESTMENT	INVESTMENT	INVESTMENT	TOTAL	BUDGET	SUPPLY	DEPT	PAYMENTS	TOTAL	SURPLUS	PERM-	GENERAL	REVENUE
FND	REVENUE	INTEREST	REVENUE	REVENUE	APPROPRIATION	MENTALS	SERVICE	FUNDS	EXPENDITURE	OR	ANENT	FUND	FOR GP BAL.
										DEFICIT	FUND	END OF YEAR OF	SO NIL
1977													
1978	704.0	56.2	950.2	853.8	0.0	0.0	0.0	304.8	1158.6	-302.4	252.7	324.3	0.0
1979	1100.8	59.9	1160.7	981.9	0.0	0.0	0.0	539.9	1520.7	-360.0	712.5	-0.0	15.7
1980	1269.1	84.2	1353.3	1129.2	0.0	0.0	0.0	641.5	1770.6	-417.4	1240.3	-0.0	417.4
1981	1583.2	125.3	1708.5	1298.5	0.0	0.0	0.0	720.0	2018.6	-310.1	1819.0	-0.0	310.1
1982	1745.4	170.3	1915.7	1493.3	0.0	0.0	0.0	800.6	2293.9	-375.2	2450.5	-0.0	375.2
1983	1925.9	220.8	2146.7	1717.3	0.0	0.0	0.0	931.1	2648.4	-501.7	3172.1	-0.0	501.7
1984	2069.7	277.2	2346.9	1974.9	0.0	0.0	0.0	916.7	2891.6	-544.7	3957.0	-0.0	544.7
1985	2251.2	318.5	2569.7	2271.1	0.0	0.0	0.0	1003.1	3274.2	-684.5	4806.7	-0.0	684.5
1986	2403.0	405.1	2808.0	2611.6	0.0	0.0	0.0	1099.2	3711.0	-902.1	5721.7	-0.0	902.1
1987	2563.4	477.0	3040.4	3003.6	0.0	0.0	0.0	1201.2	4204.7	-1164.3	6705.4	-0.0	1164.3
1988	2732.3	554.7	3287.0	3454.1	0.0	0.0	0.0	1308.9	4763.0	-1476.0	7761.1	-0.0	1476.0
1989	2910.2	638.5	3548.7	3972.2	0.0	0.0	0.0	1422.6	5394.8	-1846.2	8892.3	-0.0	1846.2
1990	3096.8	728.6	3825.6	4568.0	0.0	0.0	0.0	1543.3	6111.4	-2285.8	10103.2	0.0	2285.8

STATE OF ALASKA
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COMMENTS

ALCAN

TAPS BUILDUP RESUMES MARCH 78
MEDIUM REVENUES (HAGGART CASE II)

ASSUMPTIONS

ANNUAL RATE OF INTEREST ON GENERAL + PERMANENT FUNDS = 7.00%
% OF CURRENT YEAR EXPEND. IN G.F. CASH RAIL = 20.00%
% OF ROYALTIES LEASES AND HOMES DEPOSITED IN PERMANENT FUND = 30.00%
ANNUAL % INCREASE IN BUDGET APPROPRIATION = 15.00%
% OF EARNING RETAINED IN PERMANENT FUND = \$ 100 %
% OF SURPLUS TO PERMANENT FUND = \$ 100 %

YEAR	VON	INVESTMENT	INTEREST	REVENUE	TOTAL	BUDGET	SUPPLY-	DEFT	PAYMENTS	TOTAL	SURPLUS	PERM-	GENERAL	REVENUE
FND	REVENUE	INVESTMENT	INTEREST	REVENUE	TOTAL	APPROPRIATION	MENTALS	SERVICE	FUNDS	EXPENDITURE	OR	ANNUAL	FUND	FOR GF RAL
											DEFICIT	FUND	END OF YEAR OF	SO MIL.
1977														
1978	793.0	56.2	850.2	850.2	850.2	853.6	0.0	0.0	122.0	975.8	-125.6	4.0	652.7	0.0
1979	1100.8	59.9	1160.7	1160.7	1160.7	981.9	0.0	0.0	217.6	1190.5	-38.7	84.6	527.1	0.0
1980	1269.1	69.9	1339.0	1339.0	1339.0	1129.2	0.0	0.0	259.5	1398.6	-49.6	230.2	488.3	0.0
1981	1583.2	86.3	1669.5	1669.5	1669.5	1298.5	0.0	0.0	296.2	1594.7	74.8	410.2	438.8	0.0
1982	1745.4	107.5	1852.9	1852.9	1852.9	1493.3	0.0	0.0	339.0	1832.3	20.6	693.4	438.8	0.0
1983	1925.9	127.1	2053.0	2053.0	2053.0	1717.3	0.0	0.0	402.3	2119.6	-66.5	959.6	438.8	0.0
1984	2069.7	146.0	2215.7	2215.7	2215.7	1974.9	0.0	0.0	338.2	2313.1	-97.4	1249.7	372.2	0.0
1985	2251.2	162.5	2413.7	2413.7	2413.7	2271.1	0.0	0.0	374.5	2645.6	-231.9	1520.9	272.9	0.0
1986	2403.9	184.6	2588.5	2588.5	2588.5	2611.8	0.0	0.0	421.0	3032.8	-444.3	1955.4	43.0	0.0
1987	2563.4	218.7	2782.1	2782.1	2782.1	3003.6	0.0	0.0	471.8	3475.3	-693.2	2376.4	-0.0	401.4
1988	2732.3	258.9	2991.1	2991.1	2991.1	3454.1	0.0	0.0	527.2	3981.3	-990.1	2848.2	-0.0	603.2
1989	2910.2	303.8	3214.0	3214.0	3214.0	3972.2	0.0	0.0	587.5	4559.7	-1345.8	3375.4	-0.0	900.1
1990	3096.8	354.1	3450.9	3450.9	3450.9	4568.0	0.0	0.0	653.4	5221.4	-1770.6	3962.9	-0.0	1345.8
												4616.3	-0.0	1770.6

STATE OF ALASKA
LEGISLATIVE FINANCE WORKING DOCUMENT
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COMMENTS

ALCAN
TAPS BUILDUP RESUMES MARCH 78
MEDIUM REVENUES (HAGGART CASE 11)

ASSUMPTIONS
ANNUAL RATE OF INTEREST ON GENERAL + PERMANENT FUNDS = 7.00%
% OF CURRENT YEAR EXPEND. IN G.P. CASH BAL. = 20.00%
% OF ROYALTIES, LEASES AND BONUSES DEPOSITED IN PERMANENT FUND = 30.00%
ANNUAL % INCREASE IN BUDGET APPROPRIATION = 15.00%
% OF PERMANENT FUND EARNINGS TO ALASKA INC = % 100 %
% OF SURPLUS TO PERMANENT FUND = % 100 %

YEAR END	INVESTMENT REVENUE	INVESTMENT INTEREST	TOTAL REVENUE	BUDGET APPROPRIATION	SUPPLY- MENTALS SERVICE	DEPT- SERVICE	PAYMENTS TO FUNDS	TOTAL EXPENDITURE	SURPLUS OR DEFICIT	PERM- ANENT FUND	GENERAL FUND END OF YEAR OF	REVENUE- PER FOR GF BAL 50 MIL
1977												
1978	794.0	56.2	850.2	853.8	0.0	0.0	122.0	975.8	-125.6	4.0	652.7	0.0
1979	1100.8	59.7	1160.5	981.9	0.0	0.0	217.4	1199.2	-38.7	81.6	527.1	0.0
1980	1269.1	69.0	1338.1	1129.2	0.0	0.0	258.5	1387.7	-49.6	216.6	466.4	0.0
1981	1583.2	83.8	1667.0	1298.5	0.0	0.0	293.7	1592.3	74.8	374.9	438.8	0.0
1982	1745.4	102.6	1848.0	1493.3	0.0	0.0	334.1	1827.4	20.6	623.3	438.8	0.0
1983	1925.9	118.3	2044.2	1717.3	0.0	0.0	393.5	2110.8	-66.5	833.3	432.2	0.0
1984	2069.7	132.0	2201.7	1974.9	0.0	0.0	324.2	2299.1	-97.4	1049.8	372.2	0.0
1985	2251.2	151.8	2393.0	2271.1	0.0	0.0	353.8	2624.9	-231.9	1285.3	274.9	0.0
1986	2403.6	155.5	2559.1	2611.2	0.0	0.0	391.9	3003.7	-444.3	1540.2	43.0	0.0
1987	2563.4	179.4	2742.8	3003.6	0.0	0.0	432.5	3436.0	-693.2	1814.7	0.0	401.4
1988	2732.3	207.1	2939.4	3454.1	0.0	0.0	475.5	3929.6	-990.1	2109.8	0.0	693.2
1989	2910.2	247.3	3157.5	3972.2	0.0	0.0	521.1	4493.3	-1345.8	2426.5	0.0	990.0
1990	3066.8	270.3	3337.1	4568.0	0.0	0.0	569.6	5137.6	-1770.6	2765.9	0.0	1345.8
										3129.1	-0.0	770.6

STATE OF ALASKA
LEGISLATIVE FINANCE WORKING DOCUMENT
BUDGET FORECASTING MODEL

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COMMENTS

ALCAN

TAPS BUILDUP RESUMES MARCH 78

MEDIUM REVENUES (HAGGART CASE II)

ASSUMPTIONS

ANNUAL RATE OF INTEREST ON GENERAL + PERMANENT FUNDS = 7.00%

% OF CURRENT YEAR EXPEND. IN G.F. CASH BAL. = 20.00%

% OF ROYALTIES LEASES AND BONUSES DEPOSITED IN PERMANENT FUND = 30.00%

ANNUAL % INCREASE IN BUDGET APPROPRIATION = 15.00%

% OF PERMANENT FUND EARNINGS TO ALASKA INC = 50.00%

RESERVE AS % OF BUDGET ADDED TO REQUIRED GF BALANCE = 10.00%

YEAR END	NOV INVESTMENT REVENUE	INVESTMENT INTEREST	TOTAL REVENUE	BUDGET APPROPRIATION	SUPPLE- MENTALS	DEBT SERVICE	PAYMENTS TO FUNDS	TOTAL EXPENDITURE	SURPLUS OR DEFICIT	PERM- ANENT FUND	GENERAL FUND END OF YEAR	REVENUE REQ FOR GF BAL 50 MIL
1977										4.0	652.7	
1978	794.0	56.3	850.3	853.8	0.0	0.0	120.5	974.3	-124.0	524.9	85.4	0.0
1979	1100.8	59.5	1160.3	981.9	0.0	0.0	227.7	1209.5	-49.3	659.9	36.1	0.0
1980	1269.1	68.8	1337.9	1129.2	0.0	0.0	263.7	1392.9	-55.0	818.2	0.0	18.9
1981	1543.2	84.2	1667.4	1298.5	0.0	0.0	293.1	1591.6	-55.8	991.8	75.8	0.0
1982	1745.4	103.4	1848.8	1493.3	0.0	0.0	321.9	1815.2	-33.7	1181.3	109.4	0.0
1983	1925.9	120.4	2046.3	1717.3	0.0	0.0	372.7	2090.0	-43.7	1397.7	65.8	0.0
1984	2069.7	136.1	2205.8	1974.9	0.0	0.0	295.5	2270.4	-64.6	1633.2	1.1	0.0
1985	2251.2	155.1	2406.3	2271.1	0.0	0.0	316.5	2587.7	-181.4	1888.1	0.0	180.2
1986	2403.9	178.3	2582.2	2611.8	0.0	0.0	345.4	2957.2	-374.9	2162.6	0.0	374.9
1987	2563.4	203.8	2767.2	3003.6	0.0	0.0	376.0	3379.5	-612.4	2457.7	-0.0	612.4
1988	2732.3	231.5	2963.8	3454.1	0.0	0.0	408.3	3862.4	-898.6	2774.4	-0.0	898.6
1989	2910.2	261.7	3171.9	3972.2	0.0	0.0	442.4	4414.6	-1242.7	3113.8	-0.0	1242.7
1990	3096.8	294.6	3391.4	4568.0	0.0	0.0	478.6	5046.7	-1655.2	3477.1	0.0	1655.2

TABLE 1

PROJECTED ECONOMY (\$ MILLION PERSONAL INCOME)	FY	SCENARIO 1		SCENARIO 2		SCENARIO 3		SCENARIOS 4 & 5		SCENARIO 6	
		REQUIRED PERMANENT FUND (\$ MILLION)	REQUIRED ECONOMY (\$ MILLION PERSONAL INCOME)	REQUIRED PERMANENT FUND (\$ MILLION)	REQUIRED ECONOMY (\$ MILLION PERSONAL INCOME)	REQUIRED PERMANENT FUND (\$ MILLION)	REQUIRED ECONOMY (\$ MILLION PERSONAL INCOME)	REQUIRED PERMANENT FUND (\$ MILLION)	REQUIRED ECONOMY (\$ MILLION PERSONAL INCOME)	REQUIRED PERMANENT FUND (\$ MILLION)	REQUIRED ECONOMY (\$ MILLION PERSONAL INCOME)
2,845.6	78										
3,120.2	79										
3,550.6	80									1,358.2	3,789.8
3,860.7	81										
3,932.9	82										
4,073.4	83					4,899.5	5,540.4				
4,392.4	84					9,109.0	4,695.6				
4,770.8	85					12,011.1	9,026.5			7,036.6	7,051.8
5,008.8	86			1,962.1	5,116.3	18,194.3	11,801.2	Not	10,089.8	12,874.0	9,754.3
5,259.8	87	6,133.0	8,909.2	19,954.4	13,207.9	25,674.7	15,148.4		14,034.4	19,954.8	13,011.5
5,522.7	88	14,303.9	16,131.5	28,448.2	17,093.6	34,585.4	19,125.2	Applicable	18,055.6	28,448.6	16,897.3
5,798.9	89	19,394.7	20,617.8	38,619.1	21,725.4	45,196.7	23,852.1		22,834.3	38,619.5	21,529.2
6,088.8	90	25,475.2	25,973.6	50,768.1	27,236.9	57,810.7	29,462.2		28,501.4	50,768.5	27,040.6

ASSUMPTIONS

	1	2	3	4	5	6	7	8	9	10	11	12
FY	LA PRICE \$	LOWER 48 TRANSPORT \$	TAPS TARRIF \$	INCOME TAX PRUDHOE (\$ MILLION)	PRUDHOE PRODUCTION MMB	OIL & GAS PROPERTY TAX (\$ MILLION)	\$ FLOOR PRICE FOR OIL SEVERANCE TAX	OTHER REVENUE (\$ MILLION)	GAS SALES MM/MCF	GAS SALE PRICE ¢/MCF	COOK INLET OIL ROYALTY (\$ MILLION)	COOK INLET OIL SEVERANCE (\$ MILLION)
78	13.75	1.50	5.40	35.0	262.5	167.3	6.53	225.8	17.0	39.8	33.1	16.3
79	14.44	2.00	5.40	51.0	474.5	170.6	6.53	346.5	20.4	39.8	31.3	14.4
80	15.16	2.50	5.40	54.0	547.5	193.2	7.18	230.5	26.4	41.6	29.5	12.7
81	15.92	2.50	5.40	55.0	547.5	226.7	7.18	305.0	34.0	44.2	27.9	10.9
82	16.71	2.50	5.40	56.0	547.5	251.8	7.90	310.7	37.6	46.8	26.4	9.1
83	17.55	2.50	4.90	56.0	547.5	257.0	7.90	321.6	111.6	50.9	24.6	7.3
84	18.43	2.50	4.90	59.0	547.5	261.4	8.69	347.0	117.4	73.1	22.9	5.5
85	19.35	2.50	4.90	60.0	547.5	295.9	8.69	376.9	122.0	77.1	21.2	3.7
86	20.31	2.50	4.90	62.0	547.5	310.7	9.55	395.7	122.0	77.1	19.7	1.9
87	21.33	2.50	4.90	63.0	547.5	326.2	9.55	415.5	122.0	77.1	18.4	.1
88	22.40	2.50	4.90	64.0	547.5	342.5	10.51	436.3	122.0	77.1	17.1	--
89	23.52	2.50	4.90	66.0	547.5	359.7	10.51	459.1	122.0	77.1	16.0	--
90	24.70	2.50	4.90	67.0	547.5	377.6	11.56	481.0	122.0	77.1	14.9	--

FOOTNOTES:

1. Haggart Case II (5% annual increase, July 14, 1977 Memo)
2. Haggart Case II
3. Haggart Case II as revised for FY 78-82 in his July 15, 1977 memo for pump station no. 8 slowdown
- 4, 5. Haggart Case II revised for FY 78 for pump station no. 8 slowdown
6. Haggart Case II revised for FY 78 for missing pump station no. 8
7. Haggart (10% increase every two years)
8. Department of Revenue; "Alaska's Oil & Gas Tax Structure"; p. IV-32; Alcan scenario
- 9-12. Haggart



Alaska State Legislature House

JUNEAU ALASKA

March 14, 1977

Alaska Permanent Fund Committee
Pouch V
Juneau, Alaska 99811

Daniel A. Seiver
Institute of Social & Economic Research
University of Alaska
2651 Providence Drive
Anchorage, Alaska 99504

Dear Mr. Seiver:

The Anchorage Daily News carried an article last Monday about a computer forecast you made on inflation and unemployment in Alaska this year. Since the Permanent Fund could have a major effect on the Alaska economy and population, we would like to find out about the capabilities of your economic model for potential use by the committee, which will be based in Anchorage this summer.

Please send, if possible, a short written description of the model, including an estimate of the cost for use by the committee. You might also let us know how much the model could be expanded to include the effects of various alternative uses of the Permanent Fund on the Alaska economy. Thank you for your help.

Sincerely,

A handwritten signature in cursive script, appearing to read "Brian Rogers".

Brian Rogers, Administrative Assistant
Permanent Fund Committee

****PLEASE NOTE****

THE ORIGINAL FILE CONTAINS AN OVERSIZED DOCUMENT THAT
IS UNSUITABLE FOR FILMING. PLEASE REFER TO THE ALASKA
STATE ARCHIVES TO VIEW THE ORIGINAL.

DESCRIPTION: NEWSPAPER TABLOID

UNIVERSITY REPORTER , THE STUDENT NEWSPAPER

SEPTEMBER 20, 1977 - VOLUME III ISSUE 2 - UAA/ACC

(THE UNIVERSITY REPORTER
2533 PROVIDENCE AVE.
ANCHORAGE, ALASKA 99504)

SCOMM

#9:143

STATE OF ALASKA THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

August 3, 1977

MEMORANDUM

SUBJECT: Interim Fisheries Investigatory Activities

TO: The Honorable Terry Gardiner

FROM: John Williams
Research Analyst

You have asked us to send you a brief description outlining the efforts presently underway in support of the Interim Natural Resources Committee work plan. Following is a listing of the personnel involved and their work efforts as we understand them.

Frank Glass: Frank has been retained on contract by the Interim Resources Committee to work on their fisheries work plan. Frank has met with us several times, and is working very closely with us as he progresses. He is undertaking two research efforts: (1) An investigation of state programs which are of assistance to the Alaska fishing industry, and (2) An investigation of federal subsidy and loans programs to the fishing industry.

Cathy Hathaway: Cathy is also working with the Interim Resources Committee in support of their bottomfish research. She is specifically compiling information on the infrastructural needs of an expanding bottomfish industry, and is obtaining information on the infrastructure presently existing in several Alaska coastal communities which are propitiously located to serve as on-shore locations for an expanding processing and fishing industry.

ISER: The Interim Resources Committee has drafted a contract with ISER to pay for the consultive services of Dr. George Rogers and Dr. Mike Scott. The contract is designated to supply the Committee with an economic investigation of the State's fisheries taxation policy and reasonable and effective ways in which taxation policy could be used to induce bottomfish development.

Alaska Sea Grant Program: A contract has been drafted by the Legislative Affairs Agency for the Senate Committee on the Alaska Permanent Fund. The contract would pay for the consultive services of Dr. Frank Orth to investigate (1) the potential role of cooperative banks and production credit associations in the development of the fishing industry. This portion includes an analysis of fishing cooperatives presently in existence in Alaska, the national status of cooperative banks and their

August 3, 1977

assistance to their clientele, and a discussion of the charters and structure of these two institutions as they affect their potential usefulness to the Alaska fishing industry. (2) the second part of the contract calls for the consultant to investigate the implications of foreign investment in Alaska fisheries, how it may impact the development of the industry and the earnings of Alaska fishermen, and the implications that foreign investment has to the long-run development of the domestic industry and state policy.

Dick Reynolds: Dick is the fisheries development specialist for the Division of Economic Enterprise. Dick received \$5,000 in his FY 78 budget to investigate the capital needs for the fishing industry to expand into bottomfish. Dick is working closely with the Resources Committee, and will coordinate his efforts with the Committee's activities. He intends to survey the industry and available information to acquire some knowledge regarding the lack of investment capital and its effect on the rate of expansion of the fishing industry into bottomfish utilization.

Legislative Research: We have been asked by the Resources Interim Committee to assist them with their investigations. At present, we are working with Frank Glass to coordinate our activity with their needs. We intend to conduct the following investigations: (1) a survey of the financial institutions which have been identified to us as primary Alaska and Pacific Northwest sources of capital. We will discuss the development of the bottomfish industry with bankers to obtain their perception of the potential problems of incipient development. Our goal is to identify those portions of the fishing sector which cannot reasonably expect to obtain adequate financing from the private sector. (2) We will query the processing sector to obtain some knowledge of their development plans and perceived problems. Insofar as possible, we will attempt to acquire some knowledge of their capital needs and perceived bottlenecks to initial bottomfish utilization. (3) We will investigate programs which have been established in other states and other nations to encourage expansion of their fishing sector into new and underutilized species.

Legislative Legal Services: Jim Baldwin, an attorney with the Legal Division, has undertaken two areas in support of the Interim Resources Committee bottomfish investigation. He is conducting a legal review of HB 539, an act establishing renewable resources development incentives and tax credits and repealing the Ak Industrial Incentive Act and the Ak Industrial Tax Credit Act; and a review of the institutional and legal mechanisms (other than tax incentives and subsidies) available to encourage domestic development (and discourage foreign development) in the bottomfish industry.

In addition to the above listed projects, Representative Clark Gruening has agreed to allow Belden Daniels to use 2 days of his time on retainer to the House Permanent Fund Committee to review the work plan and projects presently ongoing in support of the Resources Committee mission, and in addition has agreed to lend Belden Daniels for an additional two days to review the final product of the Resources Committee and to suggest ways and means of implementing the findings of the Resources Committee staff.

JW:dh

STATE OF ALASKA THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

MEMORANDUM

June 7, 1977

SUBJECT: Permanent Fund
TO: The Honorable Terry Gardiner
FROM: John Williams
Research Analyst 

As per our phone conversation of June 2, this memo will delineate our perception of the tasks you have asked us to perform for the Permanent Fund Committee. Please let us know if this fits with your intent.

1. Research and Development Council: We are to recommend an ad hoc committee of our choosing to assist you in ascertaining the need and structure of a state research and development council. Some questions to be addressed include: how will the council work?; how do large corporations, private industry, and international organizations utilize equivalent entities?; what should an R & D council become (evolve to)?; should it be a policy board, determine funding levels or funding areas?; will it conflict with legislative prerogatives?; how does one avoid the "boys club" syndrome?; what are the present conditions which suggest the need for a change?; how does one implement an R & D council and what will be its mandate?

In addition to the above, you have asked us to contact Jim Rhode to see if there is interest in combining the data repository idea of Representative Cowper with the R & D council effort.

We have at present contacted Mr. David Hickok and Ms. Kay Allread and have received favorable responses from each of them to serve on the steering committee. Although I have other thoughts as to who could best serve on the committee, I have asked each of them to suggest additional members.

June 7, 1977

2. Juneau Reconnaissance: You have asked us to make contact with all other people and agencies in Juneau who are involved in Permanent Fund interim activities. This includes the Division of Policy Development and Planning, Department of Revenue, Senate Permanent Fund Committee and staff, and others as they develop. In conjunction with this charge, we are to serve as the Juneau coordinator for House Permanent Fund Committee activity in Juneau. In that role, we will be the point of contact in Juneau for members of the House Permanent Fund Committee and will be a source of information and communication coordinators.
3. Circulation List: We are to develop a list of persons who are to be included on a general circulation list for permanent fund information. This circulation list is to include Senate and House Permanent Fund Committee members and staff, DPDP staff involved in permanent fund work, and Department of Revenue permanent fund staff.

We will try to get a mailing address for everyone and have address labels made and circulated to everyone on the mailing list so that each person can perform mass mailings with ease.
4. The fourth task is now moot, but involved determining whether the House Permanent Fund Committee was going to be represented at the community development workshop in Boston. We did determine that Representative Miles was intending to attend.

JW:jm

cc: Hon. Clark Gruening
Mr. Brian Rogers ✓
Mr. Rob Kocsis

SCOMM

#9: 144

CONTENTS

Engrossed copy of SCS CSSS HJR 39 (Resources) am S

All previous versions of HJR 39

History of Legislation regarding HJR 39 and all relevant
journal pages

HB 210 Interim management of Alaska Permanent Fund

Alaska Statutes relating to Renewable Resources and Renewable
Resources Permanent Fund



Alaska State Legislature

1976

Source:

SCS CSSS HJR 39(Resources) am S

HOUSE JOINT RESOLUTION NO. 39

Proposing an amendment to the Alaska Constitution, establishing an Alaska Permanent Fund for certain proceeds derived from non-renewable resources.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. Article IX, sec. 7, Constitution of the State of Alaska, is amended to read:

SECTION 7. DEDICATED FUNDS. The proceeds of any state tax or license shall not be dedicated to any special purpose, except as provided in section 15 of this article or when required by the federal government for state participation in federal programs. This provision shall not prohibit the continuance of any dedication for special purposes existing upon the date of ratification of this section by the people of Alaska.

* Sec. 2. Article IX, Constitution of the State of Alaska, is amended by adding a new section to read:

SECTION 15. ALASKA PERMANENT FUND. At least twenty-five per cent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the State shall be placed in a permanent fund, the principal of which shall be used only for those income-producing investments specifically designated by law as eligible for permanent fund investments. All income from the permanent fund shall be deposited in the general fund unless otherwise provided by law.

* Sec. 3. The amendments proposed by this resolution shall be placed before the voters at the next general election in conformity with art. XIII, sec. 1, Constitution of the State of Alaska,

and the election laws of the state.

* Sec. 4. The amendments proposed by this resolution if adopted by the voters at the next general election shall become effective 90 days after the certification of the election returns by the lieutenant governor.

Original sponsor: Rules Committee by
request of the Governor

Offered: 5/21/76
Referred: Finance

1 IN THE HOUSE

BY THE RESOURCES COMMITTEE

2 SENATE CS FOR CS FOR SS FOR HOUSE JOINT RESOLUTION NO. 39 (Res) am S

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 Proposing an amendment to the Alaska Con-
6 stitution, establishing an Alaska Permanent
7 Fund for certain proceeds derived from non-
8 renewable resources.

9 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. Article IX, Section 7, Constitution of the State of Alaska,
11 is amended to read:

12 SECTION 7. DEDICATED FUNDS. The proceeds of any state tax or
13 license shall not be dedicated to any special purpose, except as pro-
14 vided in section 15 of this article or when required by the federal
15 government for state participation in federal programs. This provision
16 shall not prohibit the continuance of any dedication for special pur-
17 poses existing upon the date of ratification of this section [CONSTITUTION]
18 by the people of Alaska.

19 * Sec. 2. Article IX, Constitution of the State of Alaska, is amended by
20 adding a new section to read:

21 SECTION 15. ALASKA PERMANENT FUND. At least twenty-five per cent
22 of all mineral lease rentals, royalties, royalty sale proceeds, federal
23 mineral revenue sharing payments and bonuses received by the state shall
24 be placed in a permanent fund, the principal of which shall be used only
25 for those income producing investments specifically designated by law as
26 eligible for permanent fund investments. [THE LEGISLATURE MAY APPROPRIATE
27 ADDITIONAL AMOUNTS TO THE PERMANENT FUND WHICH SHALL BECOME A PART
28 OF THE PRINCIPAL OF THE FUND.] All income from the permanent fund shall
29 be deposited in the general fund unless otherwise provided by law.

1 * Sec. 3. The amendments proposed by this resolution shall be placed
2 before the voters at the next general election in conformity with art. XIII,
3 sec. 1, Constitution of the State of Alaska, and the election laws of the
4 state.

5 * Sec. 4. The amendments proposed by this resolution if adopted by the
6 voters at the next general election shall become effective 90 days after the
7 certification of the election returns by the lieutenant governor.
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Original sponsor: Rules Committee by
request of the Governor

Offered: 5/21/76
Referred: Finance

1 IN THE HOUSE

BY THE RESOURCES COMMITTEE

2 SENATE CS FOR CS FOR SPONSOR SUBSTITUTE FOR HOUSE JOINT RESOLUTION NO. 39(Res)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 Proposing an amendment to the Alaska Con-
6 stitution, establishing an Alaska Permanent
7 Fund for certain proceeds derived from non-
8 renewable resources.

9 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. Article IX, Section 7, Constitution of the State of Alaska,
11 is amended to read:

12 SECTION 7. DEDICATED FUNDS. The proceeds of any state tax or
13 license shall not be dedicated to any special purpose, except as pro-
14 vided in section 15 of this article or when required by the federal
15 government for state participation in federal programs. This provision
16 shall not prohibit the continuance of any dedication for special pur-
17 poses existing upon the date of ratification of this constitution by the
18 people of Alaska.

19 * Sec. 2. Article IX, Constitution of the State of Alaska, is amended by
20 adding a new section to read:

21 SECTION 15. ALASKA PERMANENT FUND. At least twenty-five per cent
22 of all mineral lease rentals, royalties, royalty sale proceeds, federal
23 mineral revenue sharing payments and bonuses received by the state shall
24 be placed in a permanent fund, the principal of which shall be used only
25 for those income producing investments specifically designated by law as
26 eligible for permanent fund investments. The legislature may appropriate
27 additional amounts to the permanent fund which shall become a part of
28 the principal of the fund. All income from the permanent fund shall be
29 deposited in the general fund unless otherwise provided by law.

1 * Sec. 3. The amendments proposed by this resolution shall be placed
2 before the voters at the next general election in conformity with art. XIII,
3 sec. 1, Constitution of the State of Alaska, and the election laws of the
4 state.

5 * Sec. 4. The amendments proposed by this resolution if adopted by the
6 voters at the next general election shall become effective 90 days after the
7 certification of the election returns by the lieutenant governor.
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Original sponsor: Rules Committee by Offered: 4/7/76
request of the Governor Referred: Resources

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2 SENATE CS FOR CS FOR SPONSOR SUBSTITUTE FOR HOUSE JOINT RESOLUTION NO. 39

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 Proposing an amendment to the Alaska Con-
6 stitution, establishing an Alaska Perma-
7 nent Fund for certain proceeds derived
8 from nonrenewable resources.

9 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. Article IX, Section 7, Constitution of the State of Alaska,
11 is amended to read:

12 SECTION 7. DEDICATED FUNDS. The proceeds of any state tax or
13 license shall not be dedicated to any special purpose, except as pro-
14 vided in section 15 of this article or when required by the federal
15 government for state participation in federal programs. This provision
16 shall not prohibit the continuance of any dedication for special pur-
17 poses existing upon the date of ratification of this constitution by the
18 people of Alaska.

19 * Sec. 2. Article IX, Constitution of the State of Alaska, is amended by
20 adding a new section to read:

21 SECTION 15. ALASKA PERMANENT FUND. Fifty per cent of all the pro-
22 ceeds from mineral lease rentals, royalties, royalty sales, revenue
23 sharing payments and bonuses received by the state and ten per cent of
24 the income from the permanent fund shall be placed in a permanent fund,
25 the principal of which shall be used only for those income producing
26 investments specifically designated by law as eligible for permanent
27 fund investments. The legislature may dedicate additional proceeds both
28 as to source and percentage which shall become a part of the principal
29 of the fund. Any additional dedication may be revoked by the legisla-

1 ture, but revocation may not make the principal amount in the permanent
2 fund subject to appropriation. Other income from the permanent fund
3 shall be deposited in the general fund.

4 * Sec. 3. The amendments proposed by this resolution shall be placed
5 before the voters at the next general election in conformity with art. XIII,
6 sec. 1, Constitution of the State of Alaska, and the election laws of the
7 state.

8 * Sec. 4. The amendments proposed by this resolution if adopted by the
9 voters at the next general election shall become effective 90 days after the
10 certification of the election returns by the lieutenant governor.

Original sponsor: Rules Committee by
request of the Governor

Offered: 3/24/76
Referred: Rules

1 IN THE HOUSE

BY THE JUDICIARY COMMITTEE

2 CS FOR SPONSOR SUBSTITUTE FOR HOUSE JOINT RESOLUTION NO. 39 am

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 Proposing an amendment to the Alaska Con-
6 stitution, establishing an Alaska Permanent
7 Fund for certain proceeds derived from non-
8 renewable resources.

9 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. Article IX, Section 7, Constitution of the State of Alaska,
11 is amended to read:

12 SECTION 7. DEDICATED FUNDS. The proceeds of any state tax or
13 license shall not be dedicated to any special purpose, except as pro-
14 vided in section 15 of this article or when required by the federal
15 government for state participation in federal programs. This provision
16 shall not prohibit the continuance of any dedication for special pur-
17 poses existing upon the date of ratification of this constitution by the
18 people of Alaska.

19 * Sec. 2. Article IX, Constitution of the State of Alaska, is amended by
20 adding a new section to read:

21 SECTION 15. ALASKA PERMANENT FUND. At least twenty-five per cent
22 of all mineral lease rentals, royalties, royalty sale proceeds, federal
23 mineral revenue sharing payments, bonuses, and all mineral production
24 taxes received by the state shall be placed in a permanent fund, the
25 principal of which shall be used only for those income producing invest-
26 ments specifically designated by law as eligible for permanent fund
27 investments. The legislature may appropriate additional amounts to the
28 permanent fund which shall become a part of the principal of the fund.
29 All income from the permanent fund shall be deposited in the general

1 fund unless otherwise provided by law.

2 * Sec. 3. The amendments proposed by this resolution shall be placed
3 before the voters at the next general election in conformity with art. XIII,
4 sec. 1, Constitution of the State of Alaska, and the election laws of the
5 state.

6 * Sec. 4. The amendments proposed by this resolution if adopted by the
7 voters at the next general election shall become effective 90 days after the
8 certification of the election returns by the lieutenant governor.

Original sponsor: Rules Committee by
request of the Governor

Offered: 3/24/76
Referred: Rules

1 IN THE HOUSE

BY THE JUDICIARY COMMITTEE

2 CS FOR SPONSOR SUBSTITUTE FOR HOUSE JOINT RESOLUTION NO. 39

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 Proposing an amendment to the Alaska Con-
6 stitution, establishing an Alaska Permanent
7 Fund for certain proceeds derived from non-
8 renewable resources.

9 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. Article IV, Section 7, Constitution of the State of Alaska,
11 is amended to read:

12 SECTION 7. DEDICATED FUNDS. The proceeds of any state tax or
13 license shall not be dedicated to any special purpose, except as pro-
14 vided in section 15 of this article or [WHEN REQUIRED] by the federal
15 government for state participation in federal programs. This provision
16 shall not prohibit the continuance of any dedication for special pur-
17 poses existing upon the date of ratification of this constitution by the
18 people of Alaska.

19 * Sec. 2. Article IX, Constitution of the State of Alaska, is amended by
20 adding a new section to read:

21 SECTION 15. ALASKA PERMANENT FUND. Twenty-five per cent of all
22 mineral lease rentals, royalties, royalty sale proceeds, federal mineral,
23 revenue sharing payments, bonuses, and all mineral production taxes
24 received by the state shall be placed in a permanent fund, the principal
25 of which shall be used only for those income producing investments
26 specifically designated by law as eligible for permanent fund invest-
27 ments. The legislature may appropriate additional amounts to the perma-
28 nent fund which shall become a part of the principal of the fund. All
29 income from the permanent fund shall be deposited in the general fund

1 unless otherwise provided by law.

2 * Sec. 3. The amendments proposed by this resolution shall be placed
3 before the voters at the next general election in conformity with art. XIII,
4 sec. 1, Constitution of the State of Alaska, and the election laws of the
5 state.

6 * Sec. 4. The amendments proposed by this resolution if adopted by the
7 voters at the next general election shall become effective 90 days after the
8 certification of the election returns by the lieutenant governor.
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Introduced: 1/15/76
Referred: Finance and
Judiciary

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 SPONSOR SUBSTITUTE FOR HOUSE JOINT RESOLUTION NO. 39

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 Proposing an amendment to the
6 Alaska Constitution, establishing
7 a permanent fund for certain pro-
8 ceeds derived from non-renewable
9 resources.

10 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 * Section 1. Article IX, Section 7, Constitution of the State of Alaska,
12 is amended to read:

13 SECTION 7. DEDICATED FUNDS. The proceeds of any state tax or
14 license shall not be dedicated to any special purpose, except as pro-
15 vided in section 15 and except when required by the federal government
16 for state participation in federal programs. This provision shall not
17 prohibit the continuance of any dedication for special purposes exist-
18 ing upon the date of ratification of this constitution by the people
19 of Alaska.

20 * Sec. 2. Article IX, Constitution of the State of Alaska, is amended
21 by adding a new section to read:

22 SECTION 15. PERMANENT FUND. Ten per cent of all mineral lease
23 rentals, royalties, royalty sale proceeds, revenue sharing payments,
24 bonuses, and mineral production taxes received by the state shall be
25 placed in a permanent fund, the principal of which shall be used only
26 for income investments. The legislature may appropriate additional
27 amounts to the permanent fund which shall become a part of the principal
28 of the fund. All income from the permanent fund shall be deposited in
29 the general fund.

1 * Sec. 3. The amendments proposed by this resolution shall be placed
2 before the voters at the next general election in conformity with art.
3 XIII, sec. 1, Constitution of the State of Alaska, and the election laws of
4 the state.

Introduced: 6/6/75
Referred: Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 HOUSE JOINT RESOLUTION NO. 39

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 Proposing an amendment to the Constitution
6 of the State of Alaska to authorize an
7 additional exception for a dedication of
8 revenues.

9 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. Article IX, sec. 7, Constitution of the State of Alaska,
11 is amended to read:

12 SECTION 7. DEDICATED FUNDS. The proceeds of any state tax or
13 license shall not be dedicated to any special purpose, except when required
14 by the federal government for state participation in federal programs. This
15 provision shall not prohibit the continuance of any dedication for special
16 purposes existing upon the date of ratification of this constitution by the
17 people of Alaska or the dedication of the proceeds of mineral lease bonuses.

18 * Sec. 2. The amendment proposed by this resolution shall be placed
19 before the voters of the state at the next general election in conformity
20 with art. XIII, sec. 1, Constitution of the State of Alaska, and the election
21 laws of the state.

07/16/76

HISTORY OF LEGISLATION

R01-33F-3040

PAGE 0216

HJR_38 RELATING TO THE PROPOSED MOVE OF THE VETERANS ADMINISTRATION TO ANCHORAGE

PRIME SPONSORS: MILLER, M.

CO-SPONSORS: DUNCAN HAUGEN ELIASON FREEMAN GARDINER

DATE	SEQ. NO.	JOURNAL PAGE	HOUSE ACTION
05/30/75	01	1497	FIRST READING -- COMMITTEE REPORTS

DATE	SEQ. NO.	JOURNAL PAGE	SENATE ACTION
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** 01/12/76 02 0001 EXPIRED AT END OF FIRST SESSION

HJR_39 PROPOSING AN AMENDMENT TO THE ALASKA CONSTITUTION: ESTABLISHING AN ALASKA PERMANENT FUND FOR CERTAIN PROCEEDS DERIVED FROM NON-RENEWABLE RESOURCES

AMENDED TITLE: SCS C555 * (RES) AM 5

PRIME SPONSORS: RULES

BY REQUEST OF: GOVERNOR

DATE	SEQ. NO.	JOURNAL PAGE	HOUSE ACTION
06/06/75	01	1652	FIRST READING -- COMMITTEE REPORTS
01/15/76	03	0038	JUD COMM REFERRAL ADDED BY UNAN CONSENT
03/10/76	04	0541	FIN -- DP(AM)06, NR01
03/24/76	05	0683	JUD -- C507
03/25/76	07	0698	SECOND READING
03/25/76	08	0698	JUD CS ADOPTED BY UNAN CONSENT
03/25/76	09	0698	AM01 ADOPTED BY UNAN CONSENT
03/25/76	10	0698	AM02 ADOPTED BY UNAN CONSENT
03/25/76	11	0699	AM03 NOT ADOPTED BY VOICE VOTE
03/25/76	12	0699	AM04 NOT ADOPTED BY VOICE VOTE
03/25/76	13	0699	AM05 NOT ADOPTED BY VOICE VOTE
03/25/76	14	0699	AM06 NOT ADOPTED BY VOICE VOTE
03/25/76	15	0700	ADVANCED TO 3RD READING BY UNAN CONSENT
03/25/76	16	0700	THIRD READING
03/25/76	17	0700	PASSED BY DIV 36-01-03
01/15/76	02	0038	SPONSOR SUBS INTRODUCED
03/24/76	06	0684	JUDICIARY JOINT CHRMN RPT
06/01/76	31	1835	CONCURRED IN SENATE AMS BY VOICE VOTE
06/02/76	32	1863	TRANSMITTED TO GOVERNOR
** 07/02/76	33	1917	READ BY GOVERNOR -- SENT TO LT GOVERNOR

DATE	SEQ. NO.	JOURNAL PAGE	SENATE ACTION
03/26/76	18	0644	FIRST READING -- COMMITTEE REPORTS
04/07/76	19	0735	S.A. -- DNP01, CS01, NR01, OTHER02
05/21/76	20	1287	RES -- CS02, NR04
05/26/76	21	1387	REFERRAL RECOMMENDED TO FINANCE
05/26/76	21	1387	FIN -- RES CS02, NR04
05/31/76	22	1590	SECOND READING
05/31/76	23	1590	RES CS ADOPTED BY DIV 18-01-01
05/31/76	24	1590	AM01 ADOPTED BY UNAN CONSENT
05/31/76	25	1591	AM02 ADOPTED BY DIV 13-06-01
05/31/76	26	1591	ADVANCED TO 3RD READING BY UNAN CONSENT
05/31/76	27	1591	THIRD READING
05/31/76	28	1591	PASSED BY DIV 18-01-01
05/31/76	29	1591	NOTICE OF RECONSIDERATION GIVEN
05/31/76	30	1591	PASSED ON RECONSIDERATION BY DIV 18-01-01

HJR HOUSE JOINT RESOLUTION NO. 39 by the Rules Committee by
39 request of the Governor

Proposing an amendment to the Constitution of the State of Alaska to authorize an additional exception for a dedication of revenues

was introduced, read the first time and referred to the Committee on Finance.

The Governor's transmittal letter on HOUSE JOINT RESOLUTION NO. 39 appears as follows:

"June 5, 1975

The Honorable Mike Bradner
Speaker of the House
Alaska State Legislature
Juneau, Alaska 99811

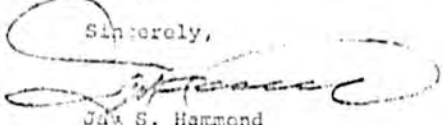
Dear Mr. Speaker:

Pursuant to the Uniform Rules of the Legislature, I am transmitting a joint resolution for an amendment to the State Constitution.

The proposed amendment would change Article IX, Section 7, of the Constitution to provide an additional exception from the prohibition against dedicated funds to allow the dedication of proceeds from mineral lease bonuses or so-called royalty bonuses.

The effect of the proposed amendment would be to allow the legislature to provide for the dedication of a single source of revenue. It will give the legislature a free hand to establish special funds and provide for their administration. Subsequent legislatures will, of course, be able to alter the funds' administration or purposes as new needs arise or old needs disappear. The per cent of the proceeds to be dedicated is left to the legislature's discretion.

Sincerely,


Jay S. Hammond
Governor

CONSIDERATION OF THE DAILY CALENDAR

SECOND READING OF HOUSE RESOLUTIONS

HOUSE CONCURRENT RESOLUTION NO. 61 (paving of a certain portion of the Denali Highway) was read the second time with the State Affairs Committee report (page 1178 of the Journal) and the Finance Committee report (page 1638 of the Journal).

HJR
61

The question being: "Shall HOUSE CONCURRENT RESOLUTION NO. 61 pass the House?" On voice vote, it passed the House and was referred to the Chief Clerk for engrossment.

HOUSE JOINT RESOLUTION NO. 34 (state and federal fishery management arrangements) was read the second time with the Resources Committee report (page 1318 of the Journal).

HJR
34

Mr. Miller moved and asked unanimous consent that HOUSE JOINT RESOLUTION NO. 34 be considered engrossed, advanced to third reading and placed on final passage. There being no objection, it was so ordered and the resolution was read the third time.

The question being: "Shall HOUSE JOINT RESOLUTION NO. 34 pass the House?" The roll was taken with the following result:

Yeas: 23 Anderson, H. Beirne, M. Beirne, Bowman, Bradner, Brown, Buchholdt, Cotten, Cowper, Davis, Duncan, Eliason, Gardiner, Gruening, Guy, Hackney, Hershberger, Itta, McKinnon, Malone, Miller, Naughton, Osterback, Ostrosky, Parker, Parr, Rhode, Smith, Speckling, Sullivan, Swanson, Union, Wallis.

Nays: 0

Excused: 7 Bradley, Fischer, Freeman, Haugen, Huntington, Kelley, Jaz.

And so, it passed the House and was referred to the Chief Clerk for engrossment.

HOUSE JOINT RESOLUTION NO. 35 (child support programs under P.L. 93-647) was read the second time with the Finance Committee report (page 1283 of the Journal) and the Judiciary Committee report (page 1626 of the Journal).

HJR
35

Mr. Miller moved and asked unanimous consent that HOUSE JOINT RESOLUTION NO. 35 be considered engrossed, advanced to third reading and placed on final passage. There being no objection, it was so ordered and the resolution was read the third time.

FIRST READING AND REFERENCE OF SENATE RESOLUTIONS

SJR SENATE JOINT RESOLUTION NO. 41 amended, by Ray, Ziegler
41 and Meland
am

Requesting amendment of the Organic Act of 1897 to permit management of the national forests in Alaska according to modern silvicultural techniques

was read the first time and referred to the Resources Committee.

COMMUNICATIONS

A letter dated January 13, 1976 to Speaker Bradner from Commissioner Brooks, Department of Fish and Game, was read, enclosing the 1975 Annual Report of activities of the Alaska King Crab Marketing and Quality Control Board. Copies of this report were distributed to each member of the House.

REPORTS OF STANDING COMMITTEES

47 The State Affairs Committee has had HOUSE JOINT RESOLUTION NO. 47 (commending the United States Forest Service for its Alaska Marine Highway Visitor Information Service program) under consideration and a majority of the members of the Committee recommends it do pass. The report was signed by Mr. McKinnon, Chairman, and concurred in by McKinnon, Wallis, Fischer, H. Reine, M. Reine, Miller and Parker.

HOUSE JOINT RESOLUTION NO. 47 appears on today's calendar.

INTRODUCTION, FIRST READING AND REFERENCE OF HOUSE RESOLUTIONS

The Governor's transmittal letters appear following the resolution or bill to which each pertains.

29 HOUSE JOINT RESOLUTION NO. 39 by the Rules Committee by Request of the Governor

Proposing an amendment to the Alaska Constitution, establishing a permanent fund for certain proceeds derived from non-renewable resources

as introduced, read the first time and referred to the Committee on Finance and Judiciary.

January 15, 1976

The Honorable Mike Bradner
Speaker of the House
Alaska State Legislature
Juneau, Alaska 99811

SSMR
39

Dear Mr. Speaker:

In accordance with AS 24.30.060(b) and the Uniform Rules of the Alaska State Legislature, I am transmitting a sponsor substitute for House Joint Resolution 39, proposing an amendment to the Constitution of the State of Alaska establishing a permanent fund for mineral leasing revenues.

The resolution proposes a constitutional amendment establishing a constitutional permanent fund into which 10 percent of all mineral lease rentals, royalties, royalty sale proceeds, revenue sharing payments, bonuses, and mineral production taxes would automatically be dedicated. The resolution also provides that the legislature may appropriate additional amounts to the permanent fund.

With respect to mineral leasing, the dedication of revenues would be 10 percent of the amount of money initially received by the State. For example, 10 percent of the amount equivalent to the rentals, royalties, and bonuses which must be paid into the Alaska Native Fund would be dedicated to the permanent fund even though it must be paid into the Alaska Native Fund. Also an amount equivalent to the value of royalties taken in kind would not be dedicated, but 10 percent of the proceeds from the sale of royalty taken in kind would be dedicated to the fund. Also, revenue sharing payments which the State receives from federal mineral leasing would be dedicated.

With respect to taxes, 10 percent of all mineral production taxes would be dedicated to the permanent fund. This would include the State's oil and gas properties production tax under AS 43.55 (severance tax), the State's mining license tax under AS 43.65, and the State's oil and gas regulation and conservation tax under AS 43.67 (conservation tax). These taxes would be dedicated to the fund regardless of how they are amended or changed in the future. The fund would not include the oil and gas exploration, production and pipeline transportation property tax under AS 43.56 (20 mil property tax) or the oil and gas reserves ad valorem tax under AS 43.58 (reserve tax).

The amount to be dedicated would be based upon the gross amount of tax to be received by the State. For example, 10 percent of an amount equivalent to the tax revenue required to be paid into the Alaska Native Fund would be dedicated even though it must be paid into the fund. Also 10 percent of the amount of production taxes not received in cash by the State because of the application of reserve tax credit would be dedicated to the fund.

The principal of the fund would be used only for investment in income-producing investments which the legislature would establish and change to meet current investment needs of the State. The fund could not be used to fund the general operating expenditures or capital improvements of the

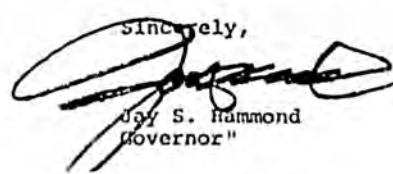
SS

HJR

39 State. The principal of the fund could not finance capital expenditures either directly or be purchasing State obligations, but the fund could purchase obligations of separate State authorities. The income of the fund would be deposited into the general fund without any permanent fund restrictions.

I have introduced this resolution proposing a constitutional amendment because I believe strongly that the revenues from our non-renewable resources belong to future generations of Alaskans as well as ourselves. A permanent fund as I have proposed will set aside a modest portion of the proceeds from the exploitation of our non-renewable resources for investment in our future while leaving sufficient revenues for our present needs. I urge your immediate and favorable consideration of this proposed constitutional amendment so that it may be placed before the voters at the next general election.

Sincerely,


 Jay S. Hammond
 Governor

HJR HOUSE JOINT RESOLUTION NO. 48 by the Rules Committee by
 48 request of the Governor

Proposing an amendment to the Alaska
 Constitution relating to the right to
 trial by jury

was introduced, read the first time and referred to the
 Judiciary Committee.

HJR The following Governor's letter pertains to the above
 48 resolution as well as HOUSE BILL NOS. 574 and 575.

HB
 574
 HB
 575

"January 15, 1976

The Honorable Mike Bradner
 Speaker of the House
 Alaska State Legislature
 Juneau, Alaska 99811

Dear Mr. Speaker:

In accordance with AS 24.30.060(b) and the Uniform Rules of the Alaska State Legislature, I am transmitting a package of legislation recommended by the Medical Malpractice Insurance Commission. This package consists of two bills and one joint resolution which proposes a constitutional amendment. The longer of the two bills would take effect immediately, while the shorter (creating the Medical Injury Adjudication Board) would take effect upon the effective date of the constitutional amendment removing the jury trial requirement for medical malpractice cases.

The commission's report was submitted to me October 1, 1975, HJR and was supplemented on October 31st. The supplement 42 contains the legislation which I am now submitting as well as commentary on the various provisions of the bills involved. That material has been made public and was furnished to the Legislative Council for study in advance of this legislative session. HB 574 HB 575

That report defines various problems involved in this general area, describes the commission's approach to those problems, and explains the various solutions and recommendations offered by the commission. I commend both the report and the supplement to your attention for a better understanding of the legislation I am submitting today.

Here is a brief outline of the basic concepts in this legislation:

I. PROFESSIONAL REGULATION AND DISCIPLINE.

A. Give the Department of Commerce and Economic Development (in its Division of Occupational Licensing) authority to provide investigative services to the health-care professions.

B. Give health-care licensing boards more disciplinary options than they presently have, so that professional discipline can be more appropriately tailored to the particular individual's problem.

C. Provide procedure for gathering confidential information relating to the practice of the health-care professions.

II. CLAIMS PROCEDURE.

A. Establish a system for using expert advisory panels for evidentiary and standard-of-care matters in medical malpractice proceedings.

B. Establish a Medical Injury Adjudication Board to replace the jury and trial court in handling medical malpractice claims, after adoption of the Alaska Constitutional amendment eliminating the jury requirement in this type of case.

C. Establish a flat three-year limit on a health-care provider's liability but not on an injured party's right to collect.

D. Establish a Late Claims Fund, financed by fees paid by health-care providers and by the State, to pay awards to injured parties in cases in which the injury was not discovered in time for the claim to be filed within three years after the performance of the health services.

E. Eliminate causes of action based on oral contracts to provide a cure or achieve a specific medical result.

F. Clarify the "good Samaritan" statute.

G. Clarify the standard of care required of health-care providers.

MESSAGES FROM THE GOVERNOR

A message dated March 10, 1976 to Speaker Bradner was read, stating the Governor had read the following resolutions and has transmitted the enrolled and engrossed copies to the Lieutenant Governor's Office for permanent filing:

SCR 86 SENATE CONCURRENT RESOLUTION NO. 86
 SCR 87 SENATE CONCURRENT RESOLUTION NO. 87
 HCR 87 HOUSE CONCURRENT RESOLUTION NO. 87

MESSAGES FROM THE SENATE

A message dated March 9, 1976 was read, stating the Senate has passed the following and the same are transmitted herewith for consideration:

FIRST READING AND REFERENCE OF SENATE RESOLUTIONS

CSSCR COMMITTEE SUBSTITUTE FOR SENATE CONCURRENT RESOLUTION NO. 62 as amended, by the State Affairs Committee

Delaying the implementation of a periodic motor vehicle inspection program in the state by annulling certain administrative regulations adopted by the Department of Public Safety.

was read the first time and referred to the Committee on State Affairs and Judiciary.

SCR 89 SENATE CONCURRENT RESOLUTION NO. 89 by all members of the Senate

Congratulating the Dimond High School Lynx.

was read the first time and referred to the Rules Committee for placement on the calendar.

FIRST READING AND REFERENCE OF SENATE BILLS

SB 685 SENATE BILL NO. 685 amended, by the Rules Committee by request of the Joint Gas Pipeline Impact Committee, entitled:

"An Act making a special appropriation to the Department of Natural Resources for the purpose of conducting negotiations with prospective purchasers of North Slope natural gas; and providing for an effective date."

was read the first time and referred to the Finance Committee.

REPORTS OF STANDING COMMITTEES

The Commerce Committee has had COMMITTEE SUBSTITUTE FOR SENATE CONCURRENT RESOLUTION NO. 66 (North Slope natural gas) under consideration and a majority of the members of the Committee recommends it do pass. The report was signed by Mr. Bradley, Chairman, and concurred in by Bradley, Kelley, Urion, Rudd, McKinnon, Freeman and Fischer. CSSCR 66

The Speaker gave a further referral to the Finance Committee on COMMITTEE SUBSTITUTE FOR SENATE CONCURRENT RESOLUTION NO. 66.

The Commerce Committee has had COMMITTEE SUBSTITUTE FOR SENATE CONCURRENT RESOLUTION NO. 85 (Impact on Alaska of a trans-Canada gas transportation system) under consideration and a majority of the members of the Committee recommends it do pass. The report was signed by Mr. Bradley, Chairman, and concurred in by Bradley, Kelley, Urion, Rudd, McKinnon, Freeman and Fischer. CSSCR 85

COMMITTEE SUBSTITUTE FOR SENATE CONCURRENT RESOLUTION NO. 85 was referred to the Rules Committee for placement on the calendar.

The Finance Committee has had SPONSOR SUBSTITUTE FOR HOUSE JOINT RESOLUTION NO. 39 (proposing an amendment to the Alaska Constitution, establishing a permanent fund for certain proceeds derived from non-renewable resources) under consideration and a majority of the members of the Committee recommends it do pass with the following amendment:

Amendment No. 1 by the Finance Committee:

Page 1, line 6: After "establishing" insert "an ALASKA PERMANENT FUND"

line 22: Before "PERMANENT FUND" insert "ALASKA"

Before "per cent" delete "Ten" and insert "Twenty-five"

line 23: Before "revenue" insert "federal mineral"

line 26: After "investments" insert "which shall be established by law"

line 29: After "fund" add "unless otherwise provided by law"

Page 2, line 5: Add another section:

* Sec. 4. The amendments proposed by this resolution if adopted by the voters at the next general election shall become effective 90 days after the certification of the election returns by the lieutenant governor.