

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 86 / 2

296 SCOMM 9: HOUSE SPEC. COMM. ON PERMANENT FUND 1977-78 296

APPENDIX 1

The following current State loan programs and activities are potentially eligible for Permanent Fund investment (i.e., they are "income-producing"):

1. The Scholarship Loan Program provides loans to Alaska residents for post-secondary vocational and academic training with a forgiveness incentive to remain in Alaska after completing school;
2. The Fisheries Enhancement Revolving Loan Fund supports loans to non-profit organizations or individuals for the development of hatcheries;
3. The Municipal Bond Bank Authority is an independent public corporation established to assist communities in Alaska to develop needed public facilities by marketing general obligation bonds. The bond bank will purchase these bonds, offering its own revenue bonds to the public bond market;
4. The Division of Business Loans administers five revolving loan funds and two public corporations - the Small Business Revolving Loan Fund, the Tourism Revolving Loan Fund, the Commercial Fishing Revolving Loan Fund, the Child Care Revolving Loan Fund, the Water Resources Revolving Loan Fund, the Alaska State Development Corporation, and the Small Business Development

Corporation. These five loan funds enable qualified businesses and public utilities to obtain long-term financing for developing, expanding, or modernizing their operations;

5. The Veterans Affairs Revolving Loan Fund makes loans to qualified Alaska national guardsmen and veterans in Alaska. These loans may be used to purchase, refinance, build and remodel homes, farms, businesses, and multiple dwellings. In addition, a qualified veteran may receive a loan for education, fishing, mining, or personal use;
6. The Agricultural Revolving Loan Fund provides long-term, low interest loans to promote rapid development of agriculture as an industry throughout the State;
7. The Senior Citizen Housing Development Program provides loans and grants to municipalities, housing authorities, and other non-profit local sponsors to stimulate new housing construction and for rehabilitation of existing units for senior citizens;
8. The Alaska State Housing Authority (ASHA) and the Alaska Housing Finance Corporation (AHFC) are operated by the State for public and low-cost housing programs and State-supported financing for low- and moderate-cost private sector housing development. Currently, ASHA receives most all of its funding from the U.S. Department of Housing and Urban Development, and currently manages housing units throughout the State. AHFC makes or buys

mortgages on low- or moderate-income housing, insures mortgages, and makes home improvement loans and loans for other associated costs of home ownership, including down payments, to qualified persons or developers. In addition, the State has established 13 regional Native housing authorities with powers essentially similar to those of ASHA. The Federal Government provides virtually all of the funds for these activities, so State participation is minimal and limited to insured short-term loans; and

9. The Alaska Power Authority is designed to promote the development of hydroelectric and fossil fuel power sources for domestic Alaska usage. The Authority is generally empowered to issue bonds and notes to finance power development activities in the State, with the debt being secured by the projects themselves or by the earnings of these projects. This program is still in the formative stages and has yet to issue bonds.

PERMANENT FUND QUESTIONS

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

A. Inside the State:

1. fisheries;
2. alternative energy development -
 - large scale;
 - small scale;
3. agriculture;
4. mineral extraction;
5. tourism;
6. other industry (please specify) _____;
7. timber; and
8. other _____.

B. Invest Outside:

1. If it would produce a higher rate of return on the money invested; and
2. Other _____.

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

- A. It would create more jobs;
- B. It would give me an opportunity to make more money;
- C. It would give the State the highest return on the Permanent Fund investments;
- D. It would not encourage more people to come to Alaska;
- E. It would not harm the environment;
- F. It would increase the availability of Alaskan resources for in-state use;
- G. It would promote more Alaskan ownership and control of business;
- H. It would lessen government intervention in business; and/or
- I. Other _____.

III. How should the State go about using the Permanent Fund (or other State loan programs) to intervene in the economy to achieve the objectives determined for it?

- A. Market interest rate loans to any enterprise which can pay back the loan plus interest (first come, first served);
- B. Market interest rate loans to a certain set of enterprises specified by statute;
- C. Lower than market interest rate loans to a certain set of enterprises, specified by statute;
- D. State organizations to assist certain sectors collectively, on a

fee for service basis, to provide such services as marketing, organization, information, technical aid, research efforts, etc.;

- E. Joint ventures with private enterprise for the State to share ownership, control, and profit potential; and
- F. State owned and operated corporations in a certain set of enterprises chosen by the Legislature.

IV. Accountability and Control.

Permanent Fund policy will have to be set by someone. These policy makers will be responsible for carrying out the intent of the enabling legislation through the actual operation of the Fund. Because the Permanent Fund is public money, those who set policy must be accountable to the public. With which of the following alternatives would you feel most comfortable?

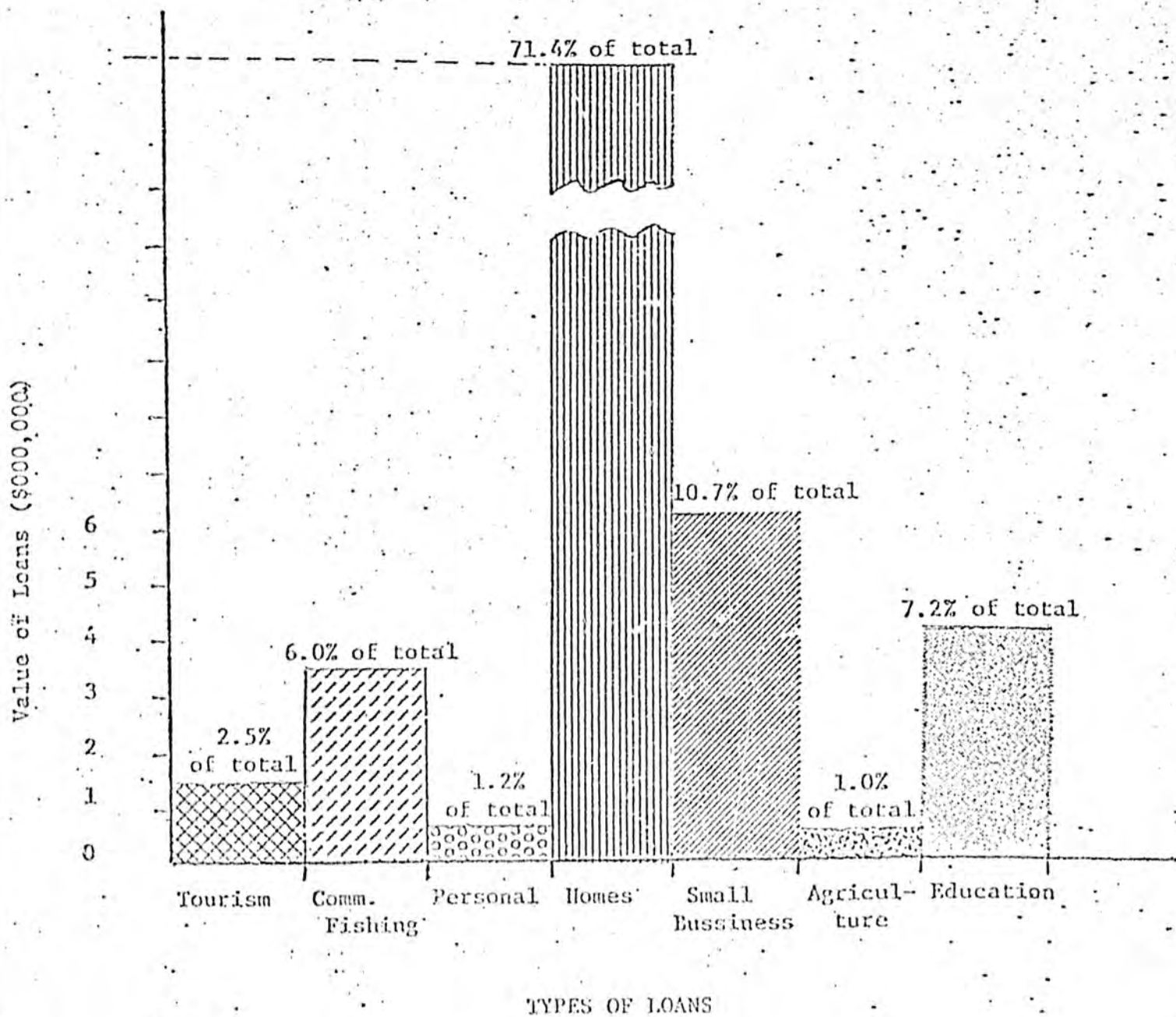
- A. A State agency accountable through the Governor and the Legislature by means of statutes, the budget process, etc;
- B. A board appointed by the Governor and serving at his pleasure;
- C. A board appointed by the Governor for a specified length of service;
- D. A board appointed by the Governor and confirmed by the Legislature;

- E. A board chosen from various segments of the political spectrum
(an example would be two members from the Administration, two
from the Legislature, and three from the general public);
- F. A board directly elected by the public; and
- G. Other _____.

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

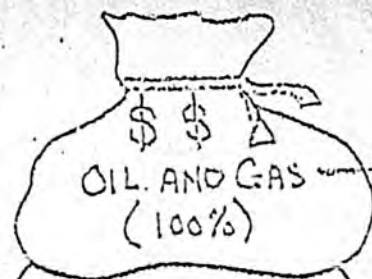
- A. I trust the Governor to choose wisely;
- B. I trust the Legislature to choose wisely;
- C. I trust the Governor and the Legislature working together to
choose wisely;
- D. I want broad representation;
- E. I think direct representation of political interests is good;
- F. I want maximum opportunity to choose the board;
- G. I want the board insulated from politics; and
- H. Other _____.

LOAN FUND ACTIVITY IN FY 76



OIL AND GAS REVENUES

(Statewide percentages)



Peruses, leases, + royalties

Question 1A →

PERMANENT
Fund (25%)

* 1. Loans for Renewable Resources	36%
2. Save it	26%
3. Loans to Communities	14%
4. Loans to Industry	10%
5. Loans to Individuals	9%
6. Other	5%
	100%
Total # respondents	3237

EXCESS WEALTH
(75%)

← Question 1B.

1. Taxcuts	28%
* 2. Loans for Renewable Resources	20%
3. Save it	12%
4. Community Revenue Sharing	11%
5. Other	8%
6. Cash payments	5%
Use for State Services	5%
Loans to Industry	5%
7. Loan to Communities	3%
Loan to Individuals	3%
	100%
Total # respondents	3187

① RENEWABLE RESOURCES

Coastal (51%)

Southcentral (39%)

Interior (36%)

Copper River (35%)

Southwest (30%)

② SAVE IT

Southwest (31%)
Copper River (31%)

Interior (28%)
Southcentral (27%)

Coastal (18%)

PERMANENT
FUND

Southcentral (14%)
Interior (12%)

Coastal (18%)
Copper River (17%)

Coastal (7%)

Interior (10%)
Southcentral (10%)

Southwest (11%)
Copper River (11%)

Copper River (8%)

Coastal (8%)
Southwest (8%)

Interior (11%)
Southcentral (13%)

③ Loans to Individuals

③ Loans to Communities

Southwest (27%)

④ Loans to Industry

TABLE #1

ALLOCATION OF PERMANENT FUND
REGIONAL PREFERENCES
(Percent Distributions)

1. What should be the role of the Permanent Fund in the future of Alaska? Indicate your priorities below for management of the Permanent Fund.

☐ hold Permanent Fund contributions to a minimum to provide a maximum amount of money for governmental services

☐ increase Permanent Fund contributions as much as possible to reduce nonrenewable revenues available for governmental growth

☐ put money into Permanent Fund at as high a level as possible in order to maximize income from it

☐ put as much money into the Fund as possible in order to maximize money available for investment

☐ put as much money into the Fund as possible for the security of future Alaskans

other _____

2. In last year's Public Forum, renewable resource industries. (fisheries, forest products, agriculture, tourism/recreation, alternative energy sources) were indicated as the priority for investment of the Permanent Fund.

What were your reasons?

☐ to create more permanent jobs for Alaskans

☐ to provide an opportunity for increased income for Alaskans

☐ to not encourage more people to come to Alaska
(alternate wording: to avoid excessive growth in Alaska)

☐ to minimize the impact on environmental quality

☐ to reduce our dependence on non-renewable resources

☐ to provide for a stable economic base in the future

☐ to promote diversity in the Alaskan economy

☐ to protect a way of life

☐ to make more Alaskan products available in the state

☐ to promote more Alaskan ownership of business

other _____

3. Would you still vote for renewable resource industries if the returns were smaller than investments from non-renewable (extractable) industries?

_____yes

_____no

1. In last year's Public Forum, renewable resource industries (fisheries, forest products, agriculture, tourism/recreation, alternative energy sources) were indicated as the priority for investment of the Permanent Fund.

Generally, renewable resources pay smaller returns on capital invested than extractive industries, *and non-renewables*,

2. Knowing this, would you still vote for renewable resource industries?

☐ yes

☐ no

☐ I don't agree with last year's priority

2. The Public Forum is interested in understanding what was important to you about investing in renewable resources. Please check the items below that you would hope to happen from investing in renewable resources.

☐ more permanent jobs for Alaskans might be created

☐ opportunities might be provided for increased income for Alaskans

☐ the impact on environmental quality might be minimized

☐ our dependence on non-renewable resources might be reduced

☐ there might be a more stable economic base in the future

☐ a way of life related to renewable resources might be protected

other _____

*The Public Forum is interested in understanding
 * * * * * why — of last year's respondents chose as investment
 Please check the items below that
 reflect what you hope to happen from investing in
 renewable resources.*

* * * * *

This year, the legislature will be looking at the relative size of the Permanent Fund ~~the~~ ^{and} the ways in which it is managed.

Currently, state law calls for at least 25% of certain oil monies to be placed in the Permanenet Fund.

What do you want the Permanent Fund to accomplish?

_____ hold down the size of the Fund so there's more money for government services

_____ increase the size of the Fund so there's less money for governmental growth (services?)

_____ increase the size of the Fund to increase the income earned from its investment

_____ increase the Fund to increase the amount of money available for the state to invest

other _____

REVISED PERMANENT FUND QUESTION 8/22

Reference what the leg. will be doing this yr.; reference at least 250% + rest into general fund

1. What should be the role of the Permanent Fund in the future of Alaska?

Indicate your priorities below for management of the Permanent Fund.

What do you want the PF to accomplish?

hold Permanent Fund contributions to a minimum to provide a maximum amount of money for governmental services

increase Permanent Fund contributions as much as possible to reduce nonrenewable revenues available for governmental growth

put money into Permanent Fund at as high a level as possible in order to maximize income from it

put as much money into the Fund as possible in order to maximize money available for investment

~~put as much money into the Fund as possible for the security of future Alaskans~~

leave on, rec. drop

other

these are separate, give first.

2. In last year's Public Forum, renewable resource industries were indicated as the priority for investment of the Permanent Fund.

(fisheries, forest products, agriculture, tourism/recreation, ~~community/regional~~ state-scale alternative energy sources)

What were your reasons?

to create more permanent jobs for Alaskans

to provide an opportunity for increased income for Alaskans

to not encourage more people to come to Alaska (to avoid excessive growth in Alaska)

to minimize the impact on environmental quality

to reduce dependence on non-renewable resources

to provide for stable economic base in the future

to promote diversity in the Alaskan economy (rec drop)

to protect a way of life related to renewable resources industries

to make more Alaskan products available in the state (rec drop)

to promote more Alaskan ownership of business (rec drop)

other

- Knowing this*
3. Would you still vote for renewable resource industries ~~if they would generate a smaller return?~~ *if the returns were smaller than*

 yes

 no

I need more information before I decide

4. Would you prefer to invest outside of Alaska if you assume that the rate of return is higher, the impact on the Alaskan economy would be minimized?

 yes

 no

what kind of impact?

Discussion that didn't get resolved:

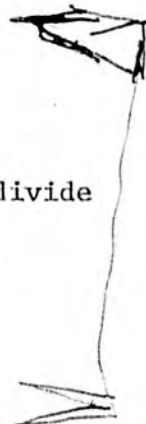
Fran is saying: give people a blank pie and ask people how they want to divide it up among:

- community development (more than 51% public investment)
- economic development (more than 51% private investment)
- savings *(highest return on \$)*

Mike is saying no.

if permanent subsidies and/or

if the returns were smaller than investment from non-renewable industries



1. What should be the role of the Permanent Fund in the future of Alaska?

- ☐ minimize contributions to maximize government services
- ☐ increase Permanent Fund for investment
- ☐ maximize Permanent Fund to increase the value to future Alaskans
- ☐ increase Permanent Fund to hold down state growth

James Wooding

Rewrite of above:

- 1 ☐ hold down the size of the Fund so there's more money for government services
- 2 ☐ ~~increase the size of the Fund so there's more money for government services~~
~~increase the size of the Fund for investment~~
- ☐ increase the size of the Fund to increase the value for future Alaskans
- ☐ increase the size of the Fund to hold down state growth

Rewrite of Klein's:

relative size

1. What should be the role of the Permanent Fund in the future of Alaska. Indicate your priorities below for management of the Permanent Fund.

- ☐ hold down the size of the Fund near the 25% minimal level so there's the most money possible for governmental services
- ☐ increase the size of the Fund as much as possible ^{so} there's less oil and gas money available for governmental growth
- 3 ☐ increase the size of the Fund ~~as much as possible~~ ^{increase} to ~~maximize the~~ income earned ~~from it~~ ^{from its investment}
- 4 ☐ increase the ~~size of the Fund as much as possible~~ ^{increase} to ~~maximize the~~ money available for the state to invest ^{ant.}
- ~~increase the size of the Fund to provide more security for future Alaskans~~

other _____

THE PERMANENT FUNDWhat is it?

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

The amendment reads:

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

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

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

provided for by law, can be spent.

Understanding the difference between the principal of the Permanent Fund and the income that the investment of the principal earns is important. [In the case of this fund, the voters agreed to use at least 25% of oil (or other mineral revenues) coming into the State for investment purposes. None of that money may be put into the General Fund for State programs or for the general operating expenses of government. It can only be invested through (1) savings which accumulate interest or (2) loans which are returned with interest. What may be spent in the future years are the earnings from that investment.]

For example, if the State put \$250 million into a savings account it might earn interest at 7 percent. That interest over a five year period would amount to approximately \$87.5 million, plus what has been compounded. The State may spend the \$87.5 million, the earnings, but the \$250 million, the principal, must stay in the Permanent Fund ~~for investments~~.

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

The Fund is a big responsibility and it is critical that it is understood and managed properly.

Current Status of the Fund

~~The future and direction of the State's economy will be significantly affected by the revenues produced by the development of our oil and gas resources.~~ Total State petroleum revenues produced between 1977-1985 are estimated to be \$12.5 billion from all sources (taxes, royalties, leases and bonuses). The portion of that ~~petroleum revenue which is~~ required by the ~~recently adopted~~ constitutional amendment creating the Permanent Fund is expected to be ^{at least} \$1.75 billion by 1985^(x) (assuming the 25% minimum contribution required by the amendment).

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

~~It is expected that enabling legislation creating and structuring a Permanent Fund management and investment organization will be accomplished during the 1978 legislative session.~~

Beginning in January, the state legislature will consider laws on the Permanent Fund. To assist the legislature, special House and Senate committees have been working over the summer to answer questions about how to set up and manage the fund. To assist these committees and the governor, who will have to decide whether to sign any Permanent Fund bill passed by the legislature, the Alaska Public Forum is asking you to answer a series of questions about the Permanent Fund.

These activities do not encompass all the efforts that have been made or will be made to answer questions about the Permanent Fund. For instance, the State Investment Advisory Committee, which advised the Department of Revenue ^{Comm} ~~Commissioner~~ on investment

policies for the State, wrote House Bill 298 to set up and manage the Permanent Fund. The Governor introduced that bill during the last legislative session for the purpose of discussion. A second bill, House Bill 300, based on HB 298 but incorporating some changes, also was entered during the last session.

In ~~addition~~, various ~~technical questions~~ research and analysis continues as policy makers prepare for the debate which will take place during the 1978 session. In addition to the Public Forum, other methods of gathering Alaska opinion are currently underway. But your answers to the Forum's Permanent Fund questions will be a valuable aid to those who must decide policy.

How much money should go into the Fund?

Perhaps the most important thing to understand when answering questions about Permanent Fund goals is that choosing one goal over another involves compromises or trade-offs.

In answering question 1b., for example, you should know that money placed in the Permanent Fund (the principal) will not be available for financing government programs through the general fund. As required by the Constitution, all State revenues from all sources go into the General Fund with the exception of money specifically dedicated to the Permanent Fund and the Renewable Resource Development Fund. Although some projections of state revenue indicate that the state will have large surpluses of money by 1985, the amount of money is not infinite. You also should know that the money earned by Permanent Fund investments (the interest) may be available for financing government programs through the General Fund. As far as the principal is concerned, however, the trade-off is obvious: money put into the Permanent Fund will not be available in the General Fund.

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

The legislature can decide, either by fixing in the enabling legislation or on a year-to-year basis, whether more than 25% should go into the Permanent Fund. This decision will depend on the need for state expenditures, the amount of oil revenues coming in relative to that need, and ~~for~~ the uses to which the Permanent Fund will be put. ~~[If we use most of our oil wealth to finance the general operations of State government, it will meet public needs but will also serve to increase our financial dependence on oil. Thus, part of the future role of the Permanent Fund will undoubtedly be to either supplement the General Fund with earnings from fund investments or to help create a tax base to provide new state revenue sources or some mix of the two.]~~

Your Goals for the Permanent Fund.

In answering question two, it is equally important to keep trade-offs in mind. If, for example, you choose the goal of creating more jobs, you should realize that it involves a trade-off against the goal of not encouraging more people to come to Alaska. Historically, many people have come to Alaska to fill available jobs. The more jobs that are created here, the more likely it is that people will arrive to fill them. The most recent example of this, of course, is the construction of the Trans-Alaska Pipeline.

Different goals involve other trade-offs, some more subtle than others. It is possible, for instance, that the goal of making more Alaska products available may involve a trade-off against the goal of making the safest possible investments.

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

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

When discussing the question of investment goals, it is important to realize that Permanent Fund money may not be necessary to accomplish them. For example, in the renewable resources area there are already in existence a variety of programs. These include programs of the Department of Fish and Game, the Alaska Power Authority and the Renewable Resources Development Fund. In addition, there are several existing government programs as well as the institutions of private enterprise that address other goals. In short, the Permanent Fund is not the only money available to accomplish Alaska goals. Because of these facts, it is possible that Permanent Fund money could be used to accomplish objectives other than those stated in the questions.

REVISED PERMANENT FUND QUESTIONS

1. A decision will be made this year regarding the amount of money placed in the Permanent Fund. With this in mind, which of the following alternatives do you favor?

- less money in the permanent fund and more money in the general fund.
- more money in the permanent fund and less money in the general fund.

What is your reasoning for this choice? .

- Save money for the future
- keep government spending down
- provide money for income producing investments
- provide money for government programs
- other _____

2. In last years Public Forum the participants indicated the highest priority for using the Permanent Fund to promote the renewable resource industries. Do you agree with this emphasis?

yes _____
no _____

If yes why?

_____ to create more permanent jobs for Alaskans
_____ to provide an opportunity for increased income for Alaskans
_____ to minimize impact on environmental quality
_____ to reduce our dependence on non-renewable resources
_____ to protect a traditional way of life
_____ to make more Alaskan products available in the state
_____ to promote more Alaskan ownership of business
other _____

8/25/77

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

yes

no

permanent fund background

in november 1976 Alaska voters approved ~~and passed~~ a constitutional amendment creating the Alaska Permanent Fund. The amendment reads: "At least twenty-five percent of all mineral lease ~~rentals~~ ^{sale} rentals, royalties, royalty ~~sale~~ proceeds, federal mineral revenue sharing payments and ~~bonuses~~ ^{or} received by the State of Alaska shall be placed in a permanent fund, the principal of which shall be used only for those income-producing investments specifically designated by law as eligible for permanent fund investments. All income from the permanent fund shall be deposited in the general fund unless otherwise provided by law."

(there are ^{five} ~~four~~ important distinctions to be noted in the amendment. First, ~~at least~~ at least twenty-five percent means that more ~~than~~ twenty-five percent can be placed in the permanent fund; second, all mineral lease rentals, royalties, royalty sale proceeds, federal revenue sharing payments and bonuses ^{specifies} ~~limits~~ the type of money that ~~will~~ go in the permanent fund; third, the principal of the permanent fund can be invested but not spent; fourth, permanent fund investments must be income-producing; fifth, the income from permanent fund investments ^{which} shall be deposited in the general fund unless otherwise provided for by law, can be spent.

Beginning in January, the state legislature will ~~begin~~ ^{laws} considering ~~the law to set up~~ ^{on} the permanent fund. To assist the legislature, special House and Senate committees have been working over the interim to answer questions about how to set up and manage the permanent fund. To assist these committees and the governor, who will have to decide whether to sign any permanent fund bill passed by the legislature, the alaska public forum is ^{is} asking you to answer a series of questions about the permanent fund.

fund background 2-2-2-2

These are not, of course, all the efforts that have been or will be made to answer questions about the permanent fund. The State Investment Advisory Committee, for instance, wrote House Bill 298 ~~which~~^{to} set up and manage the permanent fund. That bill was entered by the governor as a discussion bill during the last legislative session. A second bill, House Bill 300, based on HB 298 but incorporating some changes, also was entered ~~in~~^{during} the last session.

In addition, various technical questions are being researched and other methods of determining public opinion are being employed. But your answers to the forum's permanent fund questions will be a valuable aid to those who will have to decide policy.

Perhaps the most important thing to understand when answering questions about permanent fund goals is that choosing one goal over another involves trade-offs. ~~Example~~ In answering question 1.B., for example, you should know that ~~that the money~~ money placed in the permanent fund (the principal) will not be available for financing government programs through the general fund. Although some projections of state ~~revenue~~^{revenue} ~~from 1980 to 1985 indicate~~ indicate that the state will have large surpluses ~~of~~ of money by 1985, the amount of money is not infinite. You ~~also~~ also should know that the money earned by permanent fund investments (the interest) may be available for financing government programs through the general fund. As far as the principal is concerned, however, the trade-off is obvious: money put into the permanent fund will not be available in the general fund.

-more-

fund background 3-3-3-3

Another element involved is how money will be put into the permanent fund. Instead of a straight percentage, it is possible that a more flexible formula may be used. The formula is being considered because unusually high demands on government programs over a certain period may have to be met or unusually ^{me} ~~high~~ surplus revenues may be put into the permanent fund.

In answering question 2 it is equally important to keep trade-offs in mind. If, for example, you choose the goal of creating more jobs you should realize that it involves a trade-off against the goal of not encouraging more people to come to Alaska. Historically, many people have come to Alaska to ~~work~~ ~~fill~~ ~~the~~ available jobs. The more jobs that are created here, the more likely it is that people will come in to fill them. The most recent example of this is the construction of the trans-Alaska oil pipeline.

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

-more-

fund background 4-4-4-4

When discussing the question of investment goals, it is also important to realize that Permanent fund money may not be necessary to accomplish them. ^{For} ~~With~~ renewable resources, for example, there already are in existence a variety of programs. These include programs of the Department of Fish and Game, the Alaska Power Authority and the Renewable Resources Development Fund.

~~XXXXXXXXXXXXXX~~ As ~~an important consideration~~ there are many existing government programs as well as the institutions of private enterprise that address many other goals. In short, the permanent fund is not the only money available to accomplish Alaskan goals. Because of these facts, it is possible that permanent fund money could be used to accomplish goals other than those stated in the questions.

FINAL PERMANENT FUND QUESTION

25% of certain non-renewable resource monies have been dedicated to the Permanent Fund.

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

- * To save money for the future
- * To reduce the money available for State programs
- * To provide money for income producing investments

1.B. Would you like to see more than 25% of certain non-renewable resource money dedicated to the Permanent Fund?

Yes _____

No _____

2. What goals would you like to accomplish through Permanent Fund investment?

Please rank in order of importance.

- * Create more jobs in Alaska
- * Maintain environmental quality
- * ~~To~~ **Not** encourage more people to come to Alaska
- * Make the maximum amount of money ~~from Permanent Fund investments~~
- * Make more money available for investing in the State
- * *Make the safest possible investments*
- * ~~Create safe investments that generate recurring revenues~~
- * Make more Alaskan products available
- * Assist in stabilizing the Alaskan economy. *(What does a vote for this mean?)*

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

Yes _____ No _____

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

Yes _____ No _____

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

Yes _____ No _____

10 minutes what say about PF

ALASKA PERMANENT FUND

In Nov. 1976

Constit

use amend language
An ~~overwhelming~~ majority of Alaska voters approved an amendment to the state constitution last November which provides that at least 25 percent of certain state nonrenewable resource revenues be placed in a permanent fund. The amendment requires that the fund's "principal shall be used only for those income-producing investments" the legislature designates as eligible for permanent fund money. The amendment also provides that income from the investments will go into the State's General Fund (where all other revenues and taxes are deposited) unless the legislature designates that income for other purposes.

This January

In 1978 the Tenth Alaska Legislature will consider several different proposals for management and organization of the Permanent Fund and use of the fund's earnings. A great deal of work has already been accomplished by the administration and the legislature in developing background information for these proposals. The administration, through the Department of Revenue, has ~~already~~ ^{its} consolidated ~~their~~ efforts into a "discussion bill," HB 298, described later in this section. Research and analysis continues as policy makers prepare for the debate which will take place during the 1978 session.

The Public Forum will play a large role in this debate. In addition to research on technical questions, policy makers also seek information on how the public views the issues pertaining to the Permanent Fund. They must find out what the public wants before they can devise the most effective institutions and pol-

icies to meet these goals. Thus, the Public Forum will be used as a major vehicle to draw out public opinion and ideas and stimulate discussion on how to make the Permanent Fund work toward our common visions for Alaska.

The amendment to the constitution lifted the prohibition against special dedicated funds to allow a minimum of 25 percent of all mineral lease rentals, royalty sale proceeds, federal mineral revenue-sharing payments, and bonuses to accumulate in a special fund separate from the General Fund.

Understanding the difference between permanent fund principal and the income the investment of principal earns is important. The principal represents Alaska's mineral wealth transformed into doallars through the sale of natural resources to private developers. The only restriction on the use of the principal of the fund is that it must be for "income-producing investments" and, therefore, not for the general operating costs of government. The major task of the state administration and legislature is to determine to what specific uses (i.e., investments) these dollars should be put and how to best ^{administer} administrate the fund. Last year's Public Forum response was th use the fund for renewable resources. This year we seek to clarify this reponse and ask some additional questions on how to achieve your objectives.

If the fund is invested wisely, ^(interest) the income ^{produced} by the investment will yield a fairly certain recurring return on fund investment. ^{Unlike the principal, the interest is not restricted to "income-producing" use.} ~~The income from these investments will be deposited in the State's General Fund unless otherwise provided for by law.~~ ^{Unless otherwise provided for by law, interest}

*
Move
to
p. 3

Government decision makers must determine where and how to use the fund's earnings which, unlike use of the principal, need not produce income.

As with the \$900 million North Slope lease sale, many pressing needs exist for the billions of dollars which the State will receive in revenues from production of oil at Prudhoe Bay as well as from future sales, leases, royalties, and taxes from other areas. Nevertheless, these riches present a serious dilemma as well as a momentous opportunity for your government and the future of Alaska. * (Insert from p. 2)

The problem is that our mineral sale revenues have recently been financing about 60 percent of state expenditures. Since oil and gas deposits are finite, this source of money is ultimately limited. The State is presently deliberating how to move from a dependence on this single unreplenishable source of funding to sources based exclusively on continuing state economic activity without substantially reducing services, disrupting the growth of the Alaskan economy, or saddling the populace with a large tax burden in the short run. Although substantial oil revenue seems assured for at least 10 years (with possible interruptions), how will we pay for government if revenue from mineral sources ultimately declines?

The opportunity presented by these oil revenues lies with how much oil revenue is used for state expenditures and how much is placed in the Permanent Fund. The constitutional amendment provides that at least 25 percent of these oil revenues be placed in the Permanent Fund, which leaves up to 75 percent for the General Fund (from which state expenditures are made).

The legislature will decide, (by either) fixing in the enabling legislation or on a year-to-year basis, whether more than 25 percent should go into the ^{Permanent} fund. This will depend on the need for state expenditures, the amount of oil revenues coming in relative to that need, and on the uses to which the Permanent Fund will be put. If we use most of our oil wealth to finance the general operations of state government, it will meet public needs but will also serve to increase our financial dependence on oil. Thus, part of the future role of the Permanent Fund will undoubtedly be to either supplement the General Fund with earnings from fund investments or to help create a tax base to provide new state revenue sources of some mix of the two.

The role of the Permanent Fund in this context is the focus of this part of this year's Public Forum.

The governor anticipated voter approval of the permanent fund amendment, and in August 1976, he temporarily expanded the membership and duties of the State Investment Advisory Committee. This committee is charged by statute to advise the Commissioner of the Department of Revenue on investment policy for the State. ^{The governor} He appointed additional members from the general public and the legislative and executive branches and directed the entire body to study and report on the estimated size, investment goals, management, organization, and public interest in the Permanent Fund.

The State Investment Advisory Committee identified several key issues that required resolution, ^{and} conferred with consultants' reports on many of the resource-based monetary funds and development banks throughout the world.

In March 1977 this proposal was introduced in the State House to begin debate on the structure of the Permanent Fund. The

bill (HB 298) would structure the Permanent Fund essentially as a development bank. Such a structure is premised on the belief that at least part of the money that accumulates in the Permanent Fund can be loaned to promote instate enterprises that will help diversify the Alaska^f economy. The development Bank, as proposed by the State Investment Advisory Committee, would have a two-tiered management system, a board with overall policy-making power, and a committee under the policy board to approve specific investment proposals. The bill gives the president of the fund's corporation strong executive power and principal responsibility for presenting investment ^oproposals of at least 40 percent of the Permanent Fund in high-grade securities, up to 30 percent in Alaska development loans, and up to 30 percent in community projects and private dwellings.

A second proposal was developed from the original committee proposal which differs in level of funding and provision for confirmation of policy board members. While HB 298 calls for deposits of 50 percent of proceeds from bonuses, mineral lease rentals, royalties, and federal mineral revenue-sharing payments, HB 300 includes 100 percent of bonus payments and the same percentage as HB 298 from other sources. Except for the policy board appointment power of the governor (which is subject to legislative confirmation only under the provisions of HB 300), either proposal would operate the fund rather independently from the executive or legislative branches of state government.

In 1977 the legislature passed an interim Permanent Fund manage-

ment bill that will stay in effect until specific investment objectives and management structure have been thoroughly examined and agreed upon. It directs the commissioner of the Department of Revenue to invest Permanent Fund money into various "money-market instruments," such as U.S. treasury notes, certificates of deposit, and high-grade securities (not stock), all of which are relatively liquid and secure. By July 1, 1977 more than \$3.9 million had accrued to the Permanent Fund and been invested.

THE FUND'S RELATIONSHIP TO THE CONSTITUTION AND OTHER STATE FUNDS

Oil and minerals are a removable portion of Alaska's statehood entitlement. This nonrenewable wealth is now being extracted and transformed into another form of wealth--money. The decision to keep a portion of that wealth in a renewable status through dedication to the Permanent Fund provides an opportunity to protect that wealth from being spent and lost to future generations.

The form of the wealth is changing, yet the State still stands in the role of trustee, holding this resource wealth in trust for the benefit of the people of Alaska. Any objectives established for the Permanent Fund must be consistent with the same legislative obligations required for resource management.

The legislature must decide into what income-producing assets Permanent Fund money should be placed. It is important to clearly define the obligations of the State before setting fund objectives.

The income earned from fund investments provides another source of wealth. As discussed above, a significant portion of state expenditures presently relies upon oil wealth. The legislature has already stated that one objective of the fund is to diversify the state economy. As oil wealth declines, the Permanent Fund may bear the responsibility of supplementing the General Fund through income from fund investment, creation of an expanded tax base, or some combination of the two.

The Permanent Fund is one of several tools policy makers can use to achieve public objectives. Each year the legislature appropriates money from the General Fund to finance state activities. As required by the constitution, the General Fund is the sole repository (with the exceptions of the Alaska Permanent Fund and the Renewable Resources Development Fund) of all state revenues from all sources. The legislature is the only body empowered by the constitution to make appropriations (subject to veto by the governor) from the General Fund for whatever purposes the legislature deems proper.

The objectives of some of these activities may be similar to certain proposed uses of the Permanent Fund. For example, the State currently maintains loan programs to meet a variety of public needs, ranging from businesses to senior citizens housing and home loans. Careful coordination with existing loan activities will help avoid duplication and conflict of programs.

OBJECTIVES FOR PERMANENT FUND INVESTMENT

The people of Alaska should establish the overall objectives for

their Permanent Fund. State government can only achieve this through public meetings like the Public Forum and other public participation and information programs.

REDP
The response to last year's Public Forum tells us that Alaskans most desire an expansion of the State's renewable resource industries. This year we seek to define what you had in mind as renewable resource industries and to uncover what objectives or visions for Alaska lie behind this. Renewable resource industries mean many things to many people, and each industry can imply different goals to different people. If you can tell us what it is about resource industries that you find attractive and important, ^{it} ~~we~~ will ^{help} ~~try~~ to design ~~the~~ enabling legislation ^{that} ~~to~~ reflect ^s your wishes.

As you think about your objectives and prepare to answer the questions on the Permanent Fund, consider the following points.

Many of the proposals for instate investment may involve an interest subsidy; that is, the money is loaned at lower interest, in greater quantities, or at better terms than borrowers can obtain from private lenders. If this occurs, the fund would probably earn a lower return than the market rate unless the General Fund made up the difference (which has been proposed).

Subsidies may only make sense if the loan or guarantee launches an instate enterprise that not only repays the loan, but also creates new individual tax sources to cover the original subsidy as well as the cost of additional state and local government services and environmental and social costs generated.

If no such instate opportunities exist, the Permanent Fund cannot create them. ~~Instate investments must be thoroughly eval~~

~~which to separate the winners from the losers.~~

Another point to ponder is that objectives often conflict. Although different strategies may pursue the same objectives, each lends itself to the achievement of some more than others and even some to the exclusion of others. For example, a strategy which seeks to distribute fund benefits directly to individuals, such as consumer loans, will fail to provide public facilities, such as through loans to municipalities. Likewise, strategies which seek to guide the state's economy through economic diversification, for example, may not maximize the income from fund investment.

Tradeoffs are inevitable. As you think about your objectives for the Permanent Fund, think about the tradeoffs involved.

OBJECTIVES FOR THE CONTROL AND MANAGEMENT OF THE PERMANENT FUND

A common concern of many Alaskans after realizing the potential dollar magnitude of their Permanent Fund is who will control this wealth. The only other fund of similar or larger size in state government is the General Fund. As discussed earlier, the constitution requires that all appropriations from the General Fund be made by the Legislature and be subject to gubernatorial veto. After appropriation by the Legislature, most or any of the executive branch usually administers General Fund money. (The court system, University of Alaska, and the Alaska Housing Finance Corporation are examples of some of the exceptions.)

The state constitution requires that the legislature determine what kind of investments are eligible for Permanent Fund money. However, the day-to-day management of the money may be delegated to an agency in the executive branch (as it is presently) or to an organization or organizations outside the legislative and executive branches.

The two critical management questions are: How much control over policy should be delegated by the legislature to another agency or agencies? To what extent will the managers in those agencies be accountable to the people of Alaska, either directly or through their elected officials?

If the legislature simply directs the managing agency to diversify the Alaskan economy by making sound investments in Alaska's renewable and nonrenewable resources (one of the investment guidelines in HF 228), a great deal of discretion is left to the managing agency as to what is a sound investment, what resources to invest in, and which individuals or corporations will receive financing. For example, fund managers may decide to invest in a multimillion dollar hydroelectric project, or they could use the same money for home loans to individual Alaskans.

Permanent Fund managers must be accountable to elected officials and the public, but at the same time, they should not be subjected to political pressure. If the investment process is to be insulated from political influence by insulating fund managers from policy directives of elected officials, a large degree of both responsiveness and accountability to the public will be lost.

Current proposals call for appointment of managers by the Governor (one adds confirmation by the Legislature) with removal only for cause. The State Investment Advisory Committee discussed the possibility of elected members, but a brief look at Alaska's highly centralized government (with only the Governor, legislators, and Lieutenant Governor being elected) indicates why this probably would not be consistent with the State Constitution.

"Politics" will not necessarily be kept out of loan decisions by placing experts on a board which is not accountable to the executive branch or the Legislature. Clear and widespread notice to the public about the types of loans that qualify, how loans are applied for and granted, disclosure requirements for decision makers, publishing list of loans or guarantees made, and regular auditing by the executive and legislative branches of government might provide at least a partial remedy to the control and accountability problems.

An alternative to the highly centralized management structure proposed in HB 298 would be for the Legislature to provide for the administration of the Permanent Fund under the existing constitutional power of appropriation: The Legislature, with approval of the Governor, would designate eligible investments by law. The Legislature annually would pass an investment bill for the Permanent Fund, much like the budget bill for the General Fund. The Permanent Fund investment bill would apportion available Permanent Fund money among the eligible investments.

Funds deposited in the Permanent Fund would temporarily be invested in liquid and secure money-market instruments pending each year's investment bill, as is now being done with Permanent Fund receipts. The Legislature might choose to create new types of financial intermediaries and designate them as eligible for loans or loan

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guarantees in order to meet Alaska's changing capital needs. For example, the development bank corporation proposed in HB 298 could be one of the new financial intermediaries designated as an appropriate recipient of ~~Fund~~ money. The organization of the ~~Fund~~ may profoundly affect how ^{it} ~~the Fund~~ performs, but the organization should reflect — not determine — the goals of the ~~Fund~~. Goals established today may not be those held by tomorrow's Alaskans. There must be built into any Permanent Fund structure both the ability to protect the principal of the ~~Fund~~ and responsiveness to meet changing goals.

PERMANENT FUND INVESTMENT QUESTION --- Number 1

1.If Permanent Fund investment inside the state would increase economic activity, where would you favor investment emphasis being placed?

- ☐ inside the state
- ☐ outside the state

Now that you have stated your preference, please tell us why.
Rank your top three reasons.

- ☐ to create more jobs in Alaska
- ☐ to maintain environmental quality
- ☐ to give me a chance to make more money
- ☐ to not encourage more people to come to Alaska
- ☐ to increase Alaskan ownership of business
- ☐ to reduce inflationary pressures
- ☐ to diversify the economy
- ☐ other _____

PERMANENT FUND INVESTMENT QUESTION --- Number 2

1. Where would you favor investment emphasis for the Permanent Fund?

- ☐ inside the state
- ☐ outside the state

Now that you have stated your preference, please tell us why.
Rank your top three reasons.

- ☐ to create more jobs in Alaska
- ☐ to maintain environmental quality
- ☐ to give me the chance to make more money
- ☐ to not encourage more people to come to Alaska
- ☐ to lessen the risk of influence peddling
- ☐ to give the state the highest return on Permanent Fund money
- ☐ to reduce the risk of loss on investments
- ☐ to increase Alaskan ownership of business
- ☐ to reduce inflationary pressure
- ☐ to diversify the economy
- ☐ other _____

PERMANENT FUND INVESTMENT QUESTION --- Number 3

1. What goals would you like to accomplish through Permanent Fund investment? Rank your top three choices.

- ☐ create more jobs in Alaska. *in*
- ☒ maintain environmental quality *out*
- ☒ ~~give me the chance to make more money~~ *in*
- ☒ not encourage more people to come to Alaska *out*
- ☒ ~~lessen the risk of influence peddling~~ *out*
- ☐ give the state the highest return on Permanent Fund money *most money out*
- ☐ reduce the risk of loss on investments *out* *Safety*
- ☒ ~~increase Alaskan ownership of business~~ *in* *Alaskan pressure*
- ☒ reduce inflationary pressure *out*
- ☒ diversify the economy *in* *stabilize economy*
- ☐ other _____

To achieve your goals, where would you favor investment emphasis ~~of~~ for the Permanent Fund?

- ☒ inside the state
- ☒ outside the state

If your goals would be achieved best by investment outside the state, would you favor emphasis on outside investment?

- ☒ yes
- ☒ no

Under what circumstances would you favor
~~and~~ emphasizing PF ^{invest} ~~Money~~ outside the state.

- not people
- not emotion
- highest return

Tentative Permanent Fund Questions

1. What percentage of the oil revenues do you feel should be dedicated to the permanent fund?

- . 25%
- . between 25% and 50%
- . between 50% and 75%
- . more than 75%

Now that you have indicated your preference, please tell us why?

- . to provide more money for government services
- . to reduce government growth
- . to increase the income from the permanent fund
- . to increase the money available for investment

2. In last year's Public Forum renewable resources was identified as the priority for investment of the Permanent Fund. Which aspect of renewable resources would you support?

- . Fisheries
- . Timber
- . Agriculture
- . Tourism/Recreation
- . Community scale alternative energy sources
- . Regional or state scale alternative energy sources

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

- . to create more jobs.
- . to give me an opportunity to make more money.
- . to give the State the highest return to help pay for operating state government.
- . to not encourage more people to come to Alaska.

- . to maintain environmental quality.
- . to make more Alaskan products available in state.
- . to promote more Alaskan ownership of business.

3. Please indicate where you would like to see Permanent Fund money invested.

- . inside Alaska
- . outside Alaska

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

- . to create more jobs in *Alaska*
- . to give me an opportunity to make more money
- . to give the State the highest return to help pay for operating state government
- . to not encourage more people to come to Alaska
- . to maintain environmental quality
- . to reduce the risk of loss on investments
- . to provide balance in investments
- . other

~~to avoid~~

1. Please indicate the area you would like to see emphasized for investment of Permanent Fund money.

- inside Alaska
- outside Alaska

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

- to create more jobs in Alaska
- to maintain environmental quality
- to give me an opportunity to make more money
- to not encourage more people to come to Alaska
- to give the State the highest return to help pay for operating state government
- to reduce the risk of loss of investments

1. Please indicate the area you would like to see emphasized for investment of Permanent Fund money.

- inside Alaska
- outside Alaska

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

- to create more jobs in Alaska
- to maintain environmental quality
- to give me an opportunity to make more money
- to not encourage more people to come to Alaska
- to give the State the highest return to help pay for operating state government
- to reduce the risk of loss of investments

1. Please indicate the area you would like to see emphasized for investment of Permanent Fund money.

- inside Alaska
- outside Alaska

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

- to create more jobs in Alaska
- to maintain environmental quality
- to give me an opportunity to make more money
- to not encourage more people to come to Alaska
- to give the State the highest return to help pay,
for operating state government
- to reduce the risk of loss of investments

1. Please indicate the area you would like to see emphasized for investment of Permanent Fund money.

- inside Alaska
- outside Alaska

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

- to create more jobs in Alaska
- to maintain environmental quality
- to give me an opportunity to make more money
- to not encourage more people to come to Alaska
- to give the State the highest return to help pay for operating state government
- to reduce the risk of loss of investments

goals of the permanent fund

1. under constitutional amendment:

- a) remove money from general fund
- b) put money in income producing investments

2. under HB 298

- a) conserve revenue for benefit of Alaskans
- b) assist diversification of Alaskan economy
- c) seek to smooth economic cycles
- d) encourage investment of private capital in private enterprise
- e) promote investment public/private capital in community development
- f) supplement private investment on reasonable terms

3. other

- a) replace oil revenues in state budget (Hammond/DPDP)
- b) use to put a lid on budget growth (Gruening, contribution formula)
- c) preserve Alaskan lifestyle (everyone)
- d) make Alaska a better place to live (everyone)
- e) promote renewable resources (Public forum)
- f) improve conditions in rural Alaska (Dupere/senate)
- g) return money to Alaskans (Hammond/Alaska Inc.)

PERMANENT FUND CONTROL QUESTION --- DRAFT TWO

Permanent Fund policy will have to be set by someone. | One suggested management structure involves ^{two} ~~to~~ boards --- an investment board to make decisions on ^{specific} ~~specific~~ investment proposals and a policy committee to set broad guidelines for the investment board. ~~KB~~ Because the Permanent Fund is public money, those who set policy must be accountable to the public. Which of the following ~~policy-board~~ possibilities do you prefer?

1. A board appointed by the governor and responsible to him?
2. A board appointed by the legislature and responsible to it?
3. A board appointed by the governor and responsible to him and the legislature?
4. A committee of the legislature being the policy board?

5. political player
6. cit rep.

Question 2 -

PERMANENT FUND CONTROL QUESTION --- DRAFT

Permanent Fund policy will have to be set by someone. *One suggested*
likely management structure ~~is~~ *involves two boards —* an investment committee to make
and decisions on each investment, ~~with~~ a policy committee to set
broad guidelines. Because the Permanent Fund is public money,
those who set ~~the~~ policy must be accountable to the public.

~~Based on this,~~ Which of the policy board possibilities do you
prefer?

1. A *policy* board which serves at the pleasure of the governor? This
means appointment by the governor, ~~confirmation by the legislature,~~
with the governor having the authority to fire. *(The investment committee*
is selected by the policy board.)
2. A board appointed by the legislature, responsible to it?
3. A board chosen by various segments of public representation?
An example would be a seven-member board with two ~~ex~~ members appointed
by the governor, two by the legislature and three directly elected.
4. A board appointed by the ~~legislat~~ governor and confirmed
by the legislature with strict regional (geographic) apportionment?
5. A committee of the legislature?

3. A board appt. by gov, but the leg having
authority to fire ~~for cause~~
4. Let leg set policy.

middle of next week

- PRESENT AS OPPORTUNITY, NOT
IMPROBABLE, FUTURE CRISIS?

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1. WEALTH MANAGEMENT

The issue of wealth management, how the state raises funds and spends them, relates to all state activities and to nearly any question which might be posed to the public through the Forum. Virtually every public meeting abounds with suggestions for things the state should do or should provide, i.e. ways for the state to allocate its revenues. However, oil wealth has recently been financing about 60% of state expenditures. (Explain what makes up the 40%, the 60%, and how this situation has evolved.) Since these revenues result from the sale and development of non-renewable publicly owned resources (Explain non-recurring nature), it is clear that this currently painless method of financing state government cannot continue indefinitely. (Explain the prospects for oil revenue decline - time horizon).

The other side of the equation, state expenditures, present an equally difficult problem. As population increases and costs rise, upward pressures are exerted against expenditure ceilings as attempts are made to maintain current service levels. (Explain rate of expenditure growth and give projections).

→ This then is the wealth management question. How can the state adjust its revenue/expenditure situation to assure a stable, long - run government sector, where sufficient revenue comes in every year to pay for state expenditures ?

{ As state oil reserves are depleted over time, we may face the difficult task of moving the financing of state expenditures from a non-recurring to a recurring source of revenue. }

The creation of the Permanent Fund has been viewed by some as a partial solution to the wealth problem, since the Fund assures that a portion of the wealth will be preserved. (Discuss percentage contribution, different projections of principle, and implications for the general fund). However, even though the interest earnings from Fund investments will represent a recurring revenue source, (give different amounts under different assumptions) these earnings will not be

large enough to bridge the gap which would result from declining oil revenues. (Give projected gaps given different expenditure levels and ^{NON-MINERAL} ~~40%~~ tax revenues). Also, there is little evidence that the state, through intervention in the private economy, has the ability to assure the growth of a tax base large enough to replace oil income. (Expand) Thus, as oil revenue allows state government to grow larger, this potential fiscal crisis also grows larger. The following question asks you to think about this problem.

Q. At present approximately 60% of state expenditures are financed with oil wealth. Since ^{in all likelihood,} state expenditures will continue to grow as oil wealth declines, how would you rank the following methods for bringing state revenues and expenditures into balance in the future?

- _____ a. Put as much oil revenue as possible into the Permanent Fund, invest it in maximum return investments, and use the earnings to help pay for state expenditures..
- _____ b. Try to stimulate those ^{enterprises} industries which would hopefully increase tax receipts to a greater extent than they increase state costs.
- _____ c. Let future residents worry about paying for state expenditures if and when oil revenues decline.
- _____ d. Raise existing taxes. Specify type: _____ personal income
_____ excise
_____ business
_____ other
- _____ e. Reduce certain types of state expenditures. Specify area of reduction: _____
- _____ f. Set a ceiling on state expenditures.

2. THE PERMANENT FUND

The response to last year's Public Forum indicated that Alaskans favor the expansion of renewable resource industries. Forum participants chose "Loan it to develop renewable resource industries" most frequently as their preferred use of the state's new oil and gas money. (Expand with an analysis of last year's results).

Q. a. In order to refine this response please indicate which sector of the state's economy you would like to see supported through the Permanent Fund. Along with your choice, please specify some examples of the types of enterprise you envision.

Hydroelectric power development and related industry _____

Mineral Extraction _____

? → Primary Processing (mineral) ~~or renewable resource~~ _____

Timber _____

Fishing _____

Recreation/Tourism _____

Agriculture _____

b. What was your objective for selecting that particular sector? Please rank those aspects of concern to you which you feel the state should address.

Provides employment *create more jobs*

Increases personal income *my income*

Increases (or doesn't decrease) recreation potential *- out*

- Promotes varied lifestyles *- out*

- Stimulates overall economic development *- out*

* ~~Increases Alaskan ownership and control~~

Preserves environmental quality

Minimizes immigration *into Alaska*

(Promises long - term community and job stability. *- out*

increase avail of A resources in state use.

c. How should the state go about using the Permanent Fund (or other state loan programs) to intervene in the economy to achieve public purposes? *THE OBJECTIVES DETERMINED FOR IT BY THE LEGISLATURE?*

- a. Market interest rate loans to any enterprise which can pay back the loan plus interest.
- b. Market interest rate loans to only a certain set of enterprises chosen by the legislature.
- c. Lower than market interest rate loans to a certain set of enterprises chosen by the legislature.
- d. State organizations to assist certain sectors collectively, on a fee for service basis, to provide such services as marketing, organization, information, technical aid, research efforts, etc.
- e. Joint ventures with private enterprise for the state to share ownership, control, and profit potential.
- f. State owned and operated enterprises in certain set of enterprises chosen by the legislature.

control
in how d. The Permanent Fund is your money. The state holds it in trust for your benefit. In addition to telling the state how you would like your money used, you can also tell us how much control you think people ought to retain over the decision - making process established for the Fund. Of the following basic alternatives, which one do you feel will provide you with the appropriate degree of accountability and control over the Fund's management?

- a. Direct control by the legislature. ✓
- b. Direct control by the Governor (through a state agency).
- c. Direct control by citizens.
- d. Indirect control by a state corporation.

Should the Permanent Fund be administered at the local _____, regional _____, or State _____ level? (check one)

Categories
geographic balance

governor picks?

Senate district? - Rice Waterhouse

some appoint by govt, some by leg

2 conc

5 gen public

House & Senate members

run 4 May

put members on

4 total

build in secure
minority voice.

PERMANENT FUND QUESTION

emphases

1. In order to refine last year's Public Forum results regarding the use of

Permanent Fund monies, please indicate the one area you ~~most strongly~~ *would like to see*

emphasized ~~support~~ *support* for investment of part of the Permanent Fund.

1. inside the state:

A. Fisheries

B. Alternative energy development

_____ large scale (industrial)

_____ small scale (residential)

C. Agriculture

D. Mineral Extraction

E. ~~Recreation~~/Tourism

Other

F. ~~Basic Industry i.e.) oil refining, coal export, aluminum~~

the state
G. Invest Outside in ~~safe, guaranteed manner~~

G. Timber

Now that you have indicated your preferred area will you please tell us why you chose this area?

A. It would create more jobs.

B. It would give me an opportunity to make more money.

C. It would give the state the best return to be used *help* to pay for the operation of our government.

D. It would not encourage more people to come to Alaska.

E. It would not harm the environment.

F. It would increase the availability of Alaskan resources for in-state use.

G. It would promote more Alaskan ownership and control of business.

H. Other _____

H. Ups gov out of biz.

PERMANENT FUND GOALS QUESTION

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

1. Inside the state:

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

2. Outside the state

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

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

PERMANENT FUND CONTROL QUESTION

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

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

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

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

SCOMM

#9:198

VII Permanent Fund Questionnaire

The Permanent Fund belongs to you. What are your suggestions for use of the money? Would you please take the time to share your ideas with us by indicating your preferences for permanent fund investment proposals. For each proposal, please answer the following questions. Feel free to suggest as many proposals as you think we should consider.

1. What investment proposal do you suggest and how is it income-producing for the Permanent Fund?
[Example — invest in blue chip, preferred stocks]

The Money should be invested in Govt. Insured, interest bearing paper that will have a guaranteed No loss income. This income should then be a tax credit or for-tax share for all Alaska residents tax payers.

2. What objectives are achieved by your proposal?

Very little fund Maintenance Cost — No loss of principal via No risk. Net return greatest because of little Maintenance Cost. Direct Cash benefits every Alaskan resident + Would likely be all spent in the local economy.

3. What objectives are avoided by this proposal? [Example — no diversification of Alaska economy, does not affect unemployment, does not affect consumer loans]

Avoid loss of principal, Avoid high cost of Govt. Administration, Avoid potential political graft, Avoids a limited few receiving all the benefits. Avoids political pork barreling.

4. What may limit the effectiveness of this proposal?

Short Sighted, Narrow Minded, Tunnel Visioned individuals who see the funds as a means of political & economic bargaining for personal gain.

5. Which groups would benefit from this proposal? [Example — financiers, brokers]

every resident of Alaska. Why should certain groups have to benefit only?

6. What groups are likely to oppose this proposal?

Politicians, Bankers, Unions, Real Estate Speculators

7. What are your suggestions for management of the Permanent Fund?

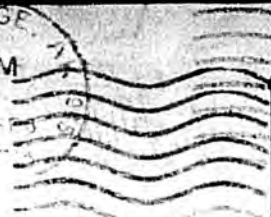
It could be managed by a few competent administrators w/ financial background probably in a small Division within the Dept. of Revenue



Note: If you would like to receive further information on the progress of this committee, please check here and correct the address if necessary.

fold so that our address is on the outside, and mail it to us.

Jon. Norvell
Box 1751
Juneau, AK
99802



Special Committee on the Alaska Permanent Fund
528 West Fifth Avenue, Suite 270
Anchorage, Alaska, 99501

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Alaska State Legislature

SPECIAL COMMITTEE ON THE ALASKA PERMANENT FUND

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MEMBERS

REP. CLARK GRUENING, CHMN.
REP. TERRY GARDINER, V. CHMN.
REP. E. J. HAUGEN
REP. RUSS MEEKINS
REP. BILL MILES
REP. LEO SCHAEFFER
~~REP. JOE HAYES~~
Rep. Joe Hayes

House of Representatives

February 16, 1978

Mr. Jon Norvell
Box 1751
Juneau, Alaska 99802

Dear Jon:

Thank you for your comments on the Alaska Permanent Fund. We are just completing public hearings on the bills before this Committee and are working to get them on the floor of the House.

Enclosed are copies of House Bills 595, 596 and 682 that this Committee drafted after weighing the results of the questionnaire, testimony at the public hearings we held this summer and fall and input from our financial advisors. These bills incorporate some exciting ideas and I hope you will take time to read them. I might call your attention to HB 596, Sections 37.13.040 (p.7, line 5) and 37.13.130 (p. 9, line 20) which incorporate some of your suggestions.

Again thank you for your comments and please don't hesitate to make your views known again.

Cordially,

Representative Clark Gruening

Enclosures

M E M O R A N D U M

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

From: Kathy Brown *KB*
House Finance Committee

Date: November 18, 1977

Subject: Permanent Fund Questionnaire

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

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

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

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

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

- * I suggest a guideline for fund manager for a minimum:
 - 50% U.S. Government securities
 - 25% Alaska municipal bonds (with bonding limitations) and state bonds. Balance - blue chip and Alaska investments in resource development. Limit fund for agriculture development and exclude fish hatcheries.
- * Purchase bonds marketed by Alaska Power authority to build hydro- and geo-thermal electric generation facilities.

2. WHAT OBJECTIVES ARE ACHIEVED BY YOUR PROPOSAL?

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

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

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

3. WHAT OBJECTIVES ARE AVOIDED BY THIS PROPOSAL?

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

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

4. WHAT MAY LIMIT THE EFFECTIVENESS OF THIS PROPOSAL?

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

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

5. WHICH GROUPS WOULD BENEFIT FROM THIS PROPOSAL?

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

2. a.) Possibly individual taxpayers even initially if surplus income available for direct or indirect tax relief.

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

6. WHAT GROUPS ARE LIKELY TO OPPOSE THIS PROPOSAL?

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

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

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

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