

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 86 / 2

299 SCOM 9: HOUSE SPEC. COMM. ON PERMANENT FUND 1977-78

Bethel Native Corporation  
Ed Hoffman Sr., President  
P.O. Box 719  
Bethel, Alaska 99559

Kuskokwim Corporation  
Glen Fredericks, President  
Aniak, Alaska 99552

*(Merger of: Lower Kalskag,  
Upper Kalskag, Aniak, Cauthaluk,  
Napamiut, Crooked Creek, George-  
town, Red Devil, Sleetmute, and  
Stony River.)*

NGTA Incorporated  
Stanley Anthony, President  
(merger of Nightmute and  
Umkumiute)  
Nightmute, Alaska 99690

Kotlik Yupik Corporation  
Joseph P. Mike, President  
Kotlik, Alaska 99620

Emmonak Corporation  
Axel Johnson  
Lower Yukon River  
Emmonak, Alaska 99581

Oscarville Native Corporation  
Nicholi Stevens, President  
Oscarville, Alaska 99559

St. Mary's Native Corporation  
Moses Paukan, President  
St. Mary's, Alaska 99658

Lime Village Company  
Annie Elson, vice president  
Lime Village via  
McGrath, Alaska 99627

Paimiut Corporation  
Elmer C. Simon, Chairman  
Paimiut via  
Hooper Bay, Alaska 99604

Nunapiqlluroq Corporation  
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Hamilton via  
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Tommy Kozevnikoff, President  
Pitka's Point, Alaska 99658

Ohog Corporation  
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Russian Mission, Alaska 99657

Newtok Corporation, Inc.  
Larry Charles, President  
Newtok, Alaska 99557

Tulkisarmute Incorporated  
Andrew B. Alexie, President  
Tuluksak, Alaska 99679

Tuntutuliak Land Limited  
Kuvieia Andrew, President  
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Arviq Incorporated  
Henry Bavilla, President  
Platinum, Alaska 99651

Nunapitchuk Limited  
Ivan N. Wassillie, President  
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via Homer, Alaska 99603

Port Graham Corporation  
James LaBelle, President  
via Homer, Alaska 99603

Eyak Corporation  
Pete Kompkoff, Jr., President  
P.O. Box 340  
Cordova, Alaska 99574

Tatitlek Corporation  
John Borodkin, President  
P.O. Box 758  
Cordova, Alaska 99574

Chenega Corporation  
Nick Kompkoff, President  
P.O. Box 459  
Cordova, Alaska 99574

#### NANA REGION

Kikiktagruk Inupiat Corporation  
Thomas Sheldon, President  
Kotzebue, Alaska

Villages merged with NANA  
Ambler  
Deering  
Kivalina  
Noatak  
Selawik  
Buckland  
Kiana  
Kobuk  
Noorvik  
Shungnak

#### COOK INLET

Eklutna, Incorporated  
Peter Fzi, President  
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Chugiak, Alaska 99567

Tyonek Native Corporation  
Agnes Brown, President  
445 E. 5th Avenue, Suite 9  
Anchorage, Alaska 99501

Seldovia Native Association, Inc.  
Fred Elvsaas, President  
Box 185  
Seldovia, Alaska 99663

Chickaloon-Moose Creek Native  
Association, Inc.  
Angeline Stevig, President  
2600 Fairbanks Street  
Anchorage, Alaska 99501

Kenai Native Association, Inc.\*  
George Miller, Jr., President  
P.O. Box 1210  
Kenai, Alaska 99611

Ninilchik Native Association, Inc.  
Grassim Oskolkoff, President  
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Ninilchik, Alaska 99639

Knikatu  
Bailey Theodore, President  
610 C Street, Suite 202  
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Salamatoff Native Assn., Inc.\*\*\*  
James Segura, President  
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Alexander Creek, Inc.\*\*\*  
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Anchorage, Alaska 99501

Caswell Native Association\*\*\*\*  
Margaret Ward, President  
145 W. 15th Street  
Anchorage, Alaska 99501

Montana Creek Native Assn.\*\*\*\*  
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General Delivery  
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Point Possession, Inc.\*\*\*\*  
Fedoria Pennington, President  
1420 "I" Street  
Anchorage, Alaska 99501

#### DOYON

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Alatna, Alaska 99720

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Allakaket, Alaska 99720

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Kenneth Chase, President  
Anvik, Alaska 99558

Neets'ai Corporation\*\*  
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Randy Van Dyke, President  
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Tehtet' Aii Corporation  
Winston James, President  
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Chalkyitsik Native Corporation  
Rev. David Salmon, President  
Chalkyitsik, Alaska 99788

Davzhit Hanlani Corporation  
Allen John, President  
General Delivery  
Circle, Alaska 99733

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Box 278  
Dot Lake, Alaska 99737

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Eagle, Alaska 99738

Evansville, Inc.  
Rhoda Musser, President  
Bettles Field, Alaska 99726

Gwitchyaa Zhee Corporation  
Jonathan Solomon, President  
P.O. Box 57  
Fort Yukon, Alaska 99740

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Pat Sweetsir, President  
P.O. Box 38  
Galena, Alaska 99741

Hee-Yea-Lingde Corporation  
Wilbert Nicholas, Sr., President  
Grayling, Alaska 99590

DOYON, Continued from p. 5

Mendas Cha-ag Native Corporation  
Fred KIRSTEATTER, President  
(Healy Lake)  
P.O. Box 667  
Delta Junction, Alaska 99737

Deloycheet, Inc.  
James Walker, President  
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General Delivery  
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Kaltag, Alaska 99748

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823 5th Avenue  
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P.O. Box 322  
Nenana, Alaska 99760

Northway Natives, Inc.  
Kenneth Albert, President  
P.O. Box 441  
Northway, Alaska 99764

Nik'aghun Limited  
Peter Demoski, President  
General Delivery  
Nulato, Alaska 99765

Baan O Yeel Kon Corporation  
Rick Evans, President  
171 Carr Street  
Fairbanks, Alaska 99701

Dineega Corporation  
Donald Honea, Sr., President  
P.O. Box 28  
Ruby, Alaska 99768

Zho-tse, Inc.  
Adolph Hamilton, President  
Shageluk, Alaska 99665

Dinyea Corporation  
Steve Matthews, Act. Director  
Tanana Chiefs Conference  
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Tanacross, Inc.  
Reggie Denney, President  
402 E. Apartment 2  
Fairbanks, Alaska 99701

Tozitna, Ltd.  
Adrianna Erhart, Exec. Director  
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Tanana, Alaska 99777

MTNT, United  
Larry Wiggins, Exec. Director  
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McGrath, Alaska 99627

Consolidation of:  
Takotna, McGrath, Nikolai  
and Telida

Tetlin Native Corporation\*\*  
Ray Demit, President  
Tetlin, Alaska 99779

Venetie Indian Corporation\*\*  
Robert Frank, President  
Venetie, Alaska 99781

KONIAG

Leisnoi, Inc.  
(Woody Island)  
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Kaguyak, Inc.  
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Nu-Nachk-Pit, Inc.  
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Larsen Bay, Alaska 99624

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Ouzinkie Native Corporation  
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Karluk Native Corporation  
Alex Panamaroff, President  
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Uyak Natives, Inc.\*\*\*  
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Shuyak, Inc.\*\*\*  
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Anton Larsen, Inc.\*\*\*  
Rika Suender, President  
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Kodiak, Alaska 99615

Ayakulik, Inc.\*\*\*  
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Litnik, Inc.\*\*\*  
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Uganik Natives, Inc.\*\*\*  
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Bells Flats Natives, Inc.\*\*\*  
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130 Seward, Room 302  
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Hydaburg, Alaska 99922

Huna Totem Corporation  
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Kake Tribal Corporation  
Albert Davis, President  
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Kavilco Incorporated  
Louis A. Thompson, President  
Kasaan, Alaska 99924

Klawock Heenya Corporation  
Leonard Kato, President  
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Klawock, Alaska 99925

Klukwan, Inc.  
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Kootznookoo Incorporated  
Daniel G. Johnson, Sr., Pres.  
P.O. Box 116  
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Shaan-Seet Incorporated  
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P.O. Box 90  
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Shee Atika, Inc.\*  
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**Editor's Note:** These proposed procedures for determining if a Native group is a Federally Recognized Tribe were published in the *Federal Register* for June 16, 1977. The deadline for comments to be received in Washington, D.C. is July 18. In order to get the information out as timely as possible, we sent a Special Informational Supplement to our readers earlier.

*Federal Register June 16, 1977*

**DEPARTMENT OF THE INTERIOR**  
Bureau of Indian Affairs  
[25 CFR Part 54]  
Procedures Governing Determination  
That Indian Group is a Federally  
Recognized Indian Tribe

Issuance of New Part

AGENCY: Bureau of Indian Affairs.

ACTION: Proposed rule.

**SUMMARY:** The Bureau proposes new regulations that would establish procedures to govern the determination that an Indian group is a federally recognized Indian tribe. The recent increase in the number of such requests before the Department necessitates the development of procedures to enable that a uniform and objective approach be taken to their evaluation.

**DATES:** Comments must be received on or before July 18, 1977.

**ADDRESSES:** Written comments should be directed to: Director, Office of Indian Services, Bureau of Indian Affairs, 18th and C Streets N.W., Washington, D.C. 20245.

**FOR FURTHER INFORMATION CONTACT:**

Mr. Leslie N. Gay, Jr., Division of Tribal Government Services, Branch of Tribal Relations, Telephone: (202) 343-4045.

**SUPPLEMENTARY INFORMATION:** Various Indian groups throughout the United States, thinking it in their best interest, have requested the Secretary of the Interior to "recognize" them as an Indian tribe. Heretofore, the sparsity of such requests permitted an acknowledgment of a group's status to be at the discretion of the Secretary or representatives of the Department. The recent increase in the number of such requests before the Department necessitates the development of procedures to enable that a uniform and objective approach be taken to their evaluation.

The authority for the Commissioner to issue these regulations is contained in (5 U.S.C. 301), and Sections 463 and 465 of the revised statutes (25 U.S.C. 2 and 9), and 230 DM 1 and 2.

It is proposed to add a new Part 54 to Subchapter G of Chapter I of Title 25 of the Code of Federal Regulations to read as follows:

**PART 54--PROCEDURES GOVERNING THE DETERMINATION THAT AN INDIAN GROUP IS A FEDERALLY RECOGNIZED INDIAN TRIBE**  
Sec.

54.1 Definitions

54.2 Purpose

54.3 Who may petition.

54.4 Where the petition is to be filed.

54.5 Notice of receipt of the petition.

54.6 Form and content of the petition.

54.7 Processing of the petition.

54.8 Action by the Commissioner.

Authority: 5 U.S.C. 301; secs. 463 and 465 (25 U.S.C. 2 and 9); 230 DM 1 and 2.

54.1 Definitions.

(a) "Secretary" means the Secretary of the Interior or his authorized representative.

(b) "Commissioner" means the Commissioner of Indian Affairs or his authorized representative.

(c) "Bureau" means the Bureau of Indian Affairs.

(d) "Department" means the Department of the Interior.

(e) "Indian group," referred to also herein as "group," means any community of persons of Indian, Aleut, or Eskimo extraction.

(f) "Federally Recognized Tribe" means any Indian group within the United States that the Secretary of the Interior acknowledges to have had and should continue to have the status of a domestic dependent sovereign.

54.2 Purpose.

The purpose of this part is to establish a Departmental procedure and policy for determining which Indian groups should have the status of federally recognized Indian tribes. These regulations shall not apply to any group which has already been recognized by the Secretary of the Interior.

54.3 Who may petition.

Any Indian group in the United States which believes that it has the status of a federally recognized Indian tribe may submit within one year from the effective date of these regulations a petition requesting that the Secretary acknowledge such status.

54.4 Where the petition is to be filed.

A petition requesting acknowledgment that an Indian group has the status of a federally recognized Indian tribe shall be filed with the Commissioner of Indian Affairs in Washington, D.C. 20245.

54.5 Notice of receipt of the petition.

Within ten days after receiving a petition, the Commissioner shall acknowledge receipt of such petition and shall have published in the *Federal Register* a notice of such receipt, including the name and location of the Indian group submitting the petition and the date it was received. The notice shall also indicate where a copy of the petition may be examined locally. The notice shall invite comments concerning the petition, which comments shall be considered by the Commissioner in connection with his review as specified in 54.7 of this part, if received by him within sixty days of the date of the notice.

54.6 Form and content of the petition.

The petition may be in any readable form which clearly indicates that it is a petition requesting the Secretary to acknowledge that the Indian group has the status of a federally recognized Indian tribe. It shall include at least the following:

(a) A statement of the facts and arguments which the petitioners believe will establish that their group is a federally recognized Indian tribe which has been and should continue to be dealt with as such by the United States.

(b) A list of all current members of the group, and a copy of each available former list of members.

(c) A copy of the group's governing document or, in the absence of such written document, a statement describing fully the procedures which govern the affairs of the group and its membership standards.

54.7 Processing of the petition.

(a) Upon receipt of a petition, the Commissioner shall cause a review to be conducted to determine whether the group is a federally recognized Indian tribe which has been and should continue to be dealt with as such by the United States. The review shall include consideration of the petition and, to the

*Continued on p. 8*

# ALASKA NATIVE MANAGEMENT REPORT

515 D Street  
Anchorage, Alaska 99501



Representative Clark Gruening  
940 Tyonak Drive  
Anchorage, Alaska 99501

extent necessary, verification of the factual statements contained therein and an opportunity to present oral arguments.

(b) The Commissioner may require that the group provide additional information, especially about its members, including but not limited to the age, Indian ancestry, nature of tribal affiliation, and addresses of individual members. On the basis of this review the Commissioner shall make a written report to the petitioner and interested parties setting forth his findings and conclusions as to the group's status. All timely filed petitions shall be disposed of no later than three years from the effective date of these regulations.

(c) The Commissioner's report shall deal specifically with whether the group:

- (1) Manifests a sense of social solidarity.
- (2) Has as members principally persons of common ethnological origins.
- (3) Exercises political authority over its members.
- (4) Has a specific area which the group either presently inhabits or has inhabited historically.
- (5) Is not, nor are its members, the subject of congressional legislation terminating the Federal relationship.
- (6) Has been a party to a treaty or agreement with the United States, or is a successor in interest to an Indian tribe which was a party to a treaty or agreement with the United States, which treaty or agreement was ratified by Congress and remains in effect. For purposes of this paragraph, "successor in interest" to a tribe means an Indian group whose members are principally descendants of the tribe in question, which has evolved from the tribe by a continuous process of social evolution, and which has, as an entity, assumed at least some of the rights, obligations, and traditions of the tribe in question. If the group has been a party to a treaty or agreement with the United States, which treaty or agreement was not ratified by Congress, the Commissioner's report shall indicate, to the extent possible, the reasons for nonratification.
- (7) Has been designated a tribe by an Act of Congress, Executive Order, or judicial decision, or in the legislative history of a bill which was subsequently enacted into law.
- (8) Has, or has been treated by a state or by a Federal Government Agency as having, collective rights in land, water, funds or other assets, or collective hunting and fishing rights.
- (9) Has received services from any Federal or state agency (the report shall specify the exact nature and extent of such services, whether incidental or otherwise)
- (10) Has as members principally persons who are not members of any other Indian tribe.

## 54.8 Action by Commissioner.

(a) The Commissioner's report shall state his conclusion as to whether the petitioning group has had the status of a federally recognized Indian tribe and should continue to be dealt with as such by the United States.

(b) The Commissioner shall determine that an Indian group is a federally recognized Indian tribe whenever the group satisfies paragraphs (1-5) and (10) of 54.7(c) so long as at least one other paragraph of that section is also satisfied.

(c) The Commissioner shall determine that an Indian group is not a federally recognized Indian tribe if the group fails to satisfy paragraphs (1)(5) and (10) of 54.7(b) along with at least one other paragraph of that section.

(d) A summary of the Commissioner's report and his determination as to the group's status shall be published in the Federal Register and shall be subject to review by the Secretary, who may, by acting within thirty days of such publication, supersede that determination. If the Secretary takes no action within such thirty-day period, the Commissioner's determination shall be final, and become effective immediately. If, after review, the Secretary reaches a conclusion contrary to that made by the Commissioner, he may supersede the Commissioner's determination. The Secretary's determination will be final and notice thereof shall be published in the Federal Register.

The primary author of this document is Mr. Leslie N. Gay, Jr., Chief, Branch of Tribal Relations, Bureau of Indian Affairs, (202) 343-4045.

Raymond V. Butler,  
*Acting Deputy Commissioner of Indian Affairs.*

## SOME DATES TO REMEMBER

- July 15-- Juneau. Grand Opening, Sealaska Plaza.
- July 21-- Oversight hearings on easements and the delay in land conveyances under ANCSA, Washington, D.C.
- August 12-- Anchorage. House Committee on General Oversight and Alaska Lands, Rep. Sieberling, Chairman. Hearings on Alaska D-2 lands.
- August 20-- Fairbanks. House Committee on General Oversight and Alaska Lands, Rep. Sieberling, Chairman. Hearings on Alaska D-2 lands.
- November 10, 11, 12. AFN Convention. Tundra Times banquet, evening of November 12.

# the alaska native management report

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## ACCESS ACROSS FEDERAL LANDS STUDIED

Information is being sought by a Congressional investigating team on the effects of federal laws on access to minerals located on non-federal lands. Alaska Natives and Native corporations, as the State's largest land-owners, are expected to be most impacted by such laws as the BLM Organic Act and D-2 legislation. The team is seeking specifics on what effects have been encountered, and on those expected.

Bill Davis, of the Office of Technical Assessment (OTA), told a group of land managers recently that, while a great deal of attention has been given to the question of getting to minerals on federal lands, a systematic examination has not been made of access across the federal domain to non-federal mineral holdings.

Primary attention is being given to physical access. For example, to get to a non-federal mineral deposit, a road might have to be built across land administered by the Department of the Interior. OTA is looking at the various laws and government practices which affect such a project.

A second, different kind of access question, split ownership, also is being considered. In this case, OTA is interested

*ACCESS, Cont. on p. 3.*

## STEVENS WOULD SPEED NATIVE FUND PAYOFF

The office of Senator Ted Stevens has confirmed that the Senator is considering the introduction of legislation which would make it possible to speed up payments into the Alaska Native Fund of monies due Alaska Natives under ANCSA. The details of the legislation have not been worked out as yet, and the Senator is not sure when the bill will be ready for introduction.

Word is that the State of Alaska is interested in enlarging its payments of the 2% override on oil royalties in order to fulfill its obligations to

the Natives in a shorter length of time.

(Recent figures from the Congressional Research Service on losses to Native corporations through inflation and investment yields foregone under the present method of payout are cited on page 2.)

## ANDRUS MEETS WITH AFN BOARD

*by Nancy Harvey, Tundra Times Correspondent*

Interior Secretary Cecil Andrus may decide this week whether to appeal a U.S. District Court ruling requiring the Department to follow easement guidelines established by the Alaska Native Claims Settlement Act.

Andrus made the statement last week at a meeting with the Alaska Federation of Natives Board of Directors, winding up a four day visit to the state.

Saying he "came to Alaska to look and listen and reach no conclusions," Andrus did say the Department's solicitor was reviewing Judge James von der Heydt's ruling and that a decision regarding appeal would be forthcoming, hopefully upon his return to the nation's capital this week.

### *Land Conveyances*

AFN President Byron Mallott voiced concern over statements made last week by Assistant Secretary Guy Martin during hearings held by the House

Subcommittee on General Oversight and Alaska Lands. Martin told the subcommittee that a substantial part of the 40 million acres should be conveyed by the mid 1980's, fifteen years after passage of the Settlement Act. To date, Alaska Natives have received title to approximately 4.5 million acres of land.

Andrus told the Board the Bureau of Land Management had advised him that 70-80% of the conveyances could be accomplished within the next three years, providing the Bureau maintains its current staffing level. Andrus went on to say the Department of Interior would start pushing the

*ANDRUS, Cont. on p. 3.*

## GERARD TO INTERIOR POST

Forrest J. Gerard, a member of the Blackfoot Tribe, has been nominated by President Carter to be the first Assistant Secretary of the Interior for Indian Affairs. According to Secretary of the Interior, Cecil D.

Andrus, Gerard was selected from a slate of some 40 recommended persons. Andrus commented that he was "delighted" with the Gerard nomination "to head this Nation's highest post relating to Indian affairs."

## TIME ERODES SETTLEMENT VALUE

The economics division of the Library of Congress has totalled up some interesting figures at the request of the House Committee on Interior and Insular Affairs. They concern the general effects of inflation and earnings foregone as a result of the method of payout of \$462 million under the Alaska Native Claims Settlement Act. The values are as follows:

- the \$344.1\* million already paid out was worth \$252.4 million in purchasing power of 1972 dollars (Table 1).

\* (There is a discrepancy in figures between this total and the \$323.7 million shown on page 7.)

- the purchasing power of the remaining \$118 million in 1972 dollars if paid out as planned in 1972 dollars would be about \$75 million. If paid all in 1977 the value would be \$81.5 million (Table 2).

- the purchasing power of the \$118 million in 1977 dollars, if paid out over the next four years would be \$109.1 million (Table 3).

- an illustration of earnings foregone can be cited by assuming that the \$462 million was paid in a lump sum in 1972 and invested at 4 percent (the approximate short term Treasury bill rate). The value in 1977 would have been \$562 million. If the \$462 million had been invested in, say, Certificates of Deposit at 7 percent, the value in 1977 would have been \$648 million. (As we know, of course, some of the monies would have been allotted to per capita distribution, some spent on operating expenses of the corporations, some on capital expenditures, and some on actual investments.)

Finally, in using these data and the lines of argument that may flow from them, it is important to remember that an earlier payout would not have avoided the price level erosion of the value of the settlement, but would have allowed opportunities for sheltering the amount from the most adverse impacts of that inflationary period.

Table 1

Purchasing Power of Settlement Award in 1972 Dollars

| Fiscal Year    |       |
|----------------|-------|
| 1972           | 12.5  |
| 1973           | 48.0  |
| 1974           | 61.7  |
| 1975           | 55.6  |
| 1976           | 53.1  |
| trans. quarter | 21.5  |
| Total          | 252.4 |

Source: CRS calculations with data from the Interior Committee and the Bureau of Labor Statistics.

Table 2

Purchasing Power of Remaining \$118 in 1972 Dollars

| Fiscal Year | If paid out as planned in four parts: | If paid all in 1977: |
|-------------|---------------------------------------|----------------------|
| 1977        | 20.4                                  | 81.5                 |
| 1978        | 19.3                                  |                      |
| 1979        | 18.3                                  |                      |
| 1980        | 17.4                                  |                      |
| Total       | 75.4                                  |                      |

Table 3

Purchasing Power in 1977 Dollars If Paid Out Over Next Four Years

| Fiscal Year |       |
|-------------|-------|
| 1977        | 29.5  |
| 1978        | 27.9  |
| 1979        | 26.5  |
| 1980        | 25.2  |
| total       | 109.1 |

Source: CRS calculations with data from the Interior Committee. Inflation forecasts for Fiscal Years 77-79 from the Data Resources, Inc. Forecast of 3-25-77. FY 1980 inflation assumed to be 5%.

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Richard Janson is president of the Alaska Native Foundation. Emil Notti is chairman of the board of directors. The executive board includes: Notti, Janson, Victor Fischer, Vincent Schuerch, Roy Huhndorf, Byron Mallott, and Boris Kosbruk. Other members of the board are: Larry Mercurieff and Richard Stitt.

## ANDRUS, Continued from page 1.

manpower available, and that there was "no reason for a prolonged time frame."

"Assistant Secretary Martin's remarks were cautious. Hopefully a majority of the conveyances will be completed by the mid-1980's," Andrus stated. "Right now we're looking at a three year time frame."

Mallott told Andrus that easements were the biggest stumbling block to implementation of the Settlement Act.

"There needs to be a new attitude within the Department of Interior," Mallott said. "In the past the Department has regarded ANCSA as a public lands act." Mallott said Judge von der Heydt's decision made it clear ANCSA was a Native claims settlement.

*Co-Man Policy*

Sticking with his policy of "looking and listening" while in Alaska, Andrus asked the Board their opinion of Governor Hammond's cooperative management system for the d-2 lands.

Mallott responded that AFN had no policy yet concerning cooperative management, but they were very concerned Native corporations not be denied economic development options.

*Subsistence*

On other d-2 related issues, Andrus told Board members his visit to a

southcentral village, which he couldn't identify by name, gave someone from the lower 48 a different perspective. Andrus said he talked with a number of villagers during his hour and a half visit and referred to the experience as a real eye-opener.

Andrus visited the village of Branch River earlier in the week with Governor

Hammond to gain a deeper insight into subsistence values in Alaska. Andrus discussed subsistence priorities with villagers and seemed responsive to needs.

"There's no question that the Secretary is sensitive to and will be responsive to the subsistence needs," Mallott said. "I think it's going to become a matter of language now."

Perhaps the most emotional and most discussed issue with the Secretary concerned land conveyances.

Richard Stitt of Sealaska summed the feelings of those present when he told Secretary Andrus the delays in land conveyances are damaging. Native interests more and more.

"All we're urging is that conveyances need to be pursued in a priority nature. We urge a commitment (on the part of the Department of Interior) to resolve these conveyances."

## ACCESS, Continued from page 1.

in the laws and practices which affect severed estates. For example, in some places the federal government owns the surface but a private party owns the subsurface mineral rights; this type of situation is being examined as an access matter.

OTA is interested only in onshore mineral deposits and is not examining oil and gas questions.

Land management and resource laws are central to the assessment. Although it is recognized that some laws have an indirect effect on non-federal mineral development, the main concern is with those having a direct effect on access. For instance, the Clean Air Act is considered a law with indirect effects; a mine on private lands

might be influenced if adjacent federal land required maintaining high air quality. On the other hand, the BLM Organic Act is considered a law with direct effects since it sets down the steps which must be taken before a right-of-way will be granted across federal lands.

According to OTA, its goal is objective analysis. The office makes no assumption that access is good or bad. It is concerned with the federal practices and laws which make minerals on non-federal lands both more available and less available. OTA is seeking information concerning both the positive and negative effects which may result from access through federal holdings, asking opinions of a wide variety of interested parties.

CURRENT STATUS OF CONVEYANCES  
July 15, 1977

|                | Interim<br>Conveyances | Patents    | Totals         |
|----------------|------------------------|------------|----------------|
| Ahtna          |                        | 150.49     | 150.49         |
| Aleut          |                        | 136.39     | 136.39         |
| Arctic Slope   | 4,026,138.70           | 65,294.80  | 4,091,433.50   |
| Bering Straits |                        |            |                |
| Bristol Bay    | 79,986.24              | 1.25       | 79,987.49      |
| Calista        |                        |            |                |
| Chugach        | 141,465.00             |            | 141,465.00     |
| Cook Inlet     | 22,682.34              | 5,717.66   | 28,400.00      |
| Doyon          | 73,821.00              | 13,974.44  | 87,795.44      |
| Koniag         | 73,377.92              | 0.70       | 73,378.62      |
| NANA           | 23,718.74              |            | 23,718.74      |
| Sealaska       | 1.0086                 | 892.208    | 893.2166       |
| TOTALS         | 4,441,190.9486         | 86,166.688 | 4,537,358.8866 |

# OVERSIGHT HEARINGS

## "Convey Now" Say Natives

The Chairman of a House subcommittee investigating delays in transfer of lands to Natives under terms of the Alaska Native Claims Settlement Act, called the performance of the BLM "shocking" and "disgraceful."

Congressman John Sieberling, (D - Ohio,) chairman of the House Subcommittee on Oversight and Alaska Lands, made the remarks after hearing Dan Alex of Eklutna report that his village corporation has had to spend 50.3% of the monies it has received under the Act in litigation, just to obtain the land it is entitled to by law.

Alex told the committee that at the present rate of land transfer, it will take 58 years for Eklutna to get all of its interim conveyances, and 2,500 years to get the patents.

In two days of hearings last week in Washington, D.C., the subcommittee heard a parade of witnesses from Alaska Native regional and village corporations outline the problems related to the delay in land conveyance, and call for the adoption of the recommendations of the American Indian Policy Review Commission, especially the portions calling for transfer of all Native lands by December 31, 1978, and the abolishment of the easement provisions of the Act.

Major problems cited over and over again by those testifying were: the attitude of the Department; delays, easements, navigability; and the tremendous cost of litigation.

in an effort to determine where the delays are occurring and what can be done to overcome them.

He said that two meetings had already been held, with all the interested parties in attendance: Na-

### "FULL REVIEW" PROMISED

Guy Martin, Assistant Secretary for Land and Water Resources of the Department of Interior, told the subcommittee that he had initiated a full review of land claims matters

Natives, the State, Land Use Planning Commission, and Interior Dept. personnel and others are slated if necessary. A final report will be prepared, hopefully by September 15, when the subcommittee has scheduled hearings on D-2 lands again.

John Borbridge, president of Sealaska Corporation and a member of the Indian Policy Review Commission, told the committee that the erosion of the value of the settlement and the economic costs to the Natives resulting from delays in conveyance are "staggering."

Figures furnished the committee by the Library of Congress research team indicate that the loss to the Natives by inflation and earnings foregone amounted to some \$226 million since passage of the Act. (See page 2.)

By far the most poignant and distressing testimony on the human cost of the delays came from the various villages, such as Galena, Ruby and Hoonah. Because of the need for land for village expansion and the construction of municipal facilities of various sorts, these villages

all await the 1280 acre reconveyances required under section 14(c) of the Act. But because Interior has not conveyed the land to the village corporations, these corporations cannot in turn make the reconvey-

### Indian Policy Review Recommendations:

The recommendations of the American Indian Policy Review Commission, presented to Congress on May 17th, contained a special section of recommendations on Alaska, according to John Borbridge, Jr., AIPRC Commissioner and President of Sealaska Corporation.

Among the recommendations:

- • legislation is needed on tribal definition. Congress should prescribe the order of preference in which application for benefits under Federal laws and programs will be received from the several kinds of Alaska Native organizations, and should confirm the Tlingit-Haida Central Council, Tanana Chiefs Conference, and similar groups as the general and supreme governing body of a single tribal entity.

- • legislation to limit easements on Settlement Act lands to definitely defined easements across such lands and at periodic points that are necessary under treaty obligations and to provide access to public lands.

- • limitations on environmental impact statement requirements were called for and a December 31, 1978 deadline for conveyance of Settlement Act lands was proposed.

- • Congress was urged to honor its promise to advance payments to relieve the adverse impact to Natives due to delay in construction of the Trans-Alaska Pipeline. (Buckley Amendment)

- • the Commission also stressed the Natives' rights to make use of their lands for subsistence purposes without interference, and suggested exemption from state and local taxation for lands that are undeveloped, leased or unproductive.

- • Congress was asked to determine whether tax exemptions and the period of inalienability of stock currently provided by the Settlement Act should be provided.

- • clarification of interpretation of revenues under Section 7(i), revenue sharing, of the Settlement Act was requested.

ances to the municipality. A host of vitally needed improvements are stalled: schools, airports, housing projects, and municipal buildings. Private businesses cannot get title, hence cannot get financing.

The greatest stumbling block is easements. An estimated 115,000 acres will be taken from the Natives for this purpose. Sieberling suggested that legislation might be introduced calling for the Department of Interior to provide "in lieu" lands to make up for this loss.

He said his committee will communicate with the Department of Interior urging immediate conveyance of village core townships as a number one priority.

Sieberling appeared to look favorably on some reimbursement for land selection costs, and on possible immediate lump sum payment of Alaska Native Fund monies to overcome the effects of inflation losses. He agreed that the ANCSA is a Native claims act rather than a D-2 Act, and that the Native conveyances should be made before D-2 lands are reserved.

"It is my hope and intent to resolve the D-2, easements, and Native land transfer problems during this session of Congress," he asserted. "But if adjustments have to be made, they will not be at the expense of the Natives; I am committed to that."

### IRS RULINGS

"What Congress has given, the Internal Revenue Service is attempting to take back," according to Calista testimony read into the record.

Recent rulings of the IRS have disallowed: pre-opening costs, land selection costs, and village training and education programs.

IRS has also taken the position that monies and non-monetary considerations in the exploration benefits from oil exploration contracts related to land selection are includable in gross income subject to taxation.

"Under pending litigation under 7(i) it is possible that this income is subject to 7(i) distribution." Even if this income is found to be subject to 7(i) distribution, the 70% which the corporation may not keep would still be taxed before distribution, then again taxed a second time when the receiving corporation gets it.

Calista testified that these IRS rulings would cost its regional corporation almost \$3 million in one year alone (FY 1973 - 74).

### EFFECTS OF DELAY IN CONVEYANCES

#### ON THE VILLAGE MUNICIPALITIES...

#### Ruby

"A school was to be built in Ruby, the village right up-river from Galena. It was to be built on land which the village corporation would have transferred to the village government under 14(c)(3) if title had been transferred. In order to acquire the land to build this one school the process was ridiculous.

First—the state who is to build the school had to apply to BLM under section 22(i) of the Act.

Next—under BLM's interim management policy, BLM had to:

First, develop a special lease format under the Organic Act, requiring sending the matter back to D.C. for development;

Then, obtain the concurrence of the region and village corporations.

In order for the concurrence to be issued by the village corporation, it had to:

First, come to an understanding with the village government that the school site was to be conveyed to the city for community expansion purposes under the Act;

Next, submit the matter to the regional corporation for review and advice as required by section 14(c)(5);

Then, hold a joint meeting with the village city council to approve the agreement;

Then, issue a letter of non-objection to BLM for the lease.

The village government not only has to participate in the process I've just mentioned, but it also has to come up with an agreement with the state to convey it the land when title is received. It, too, must express its non-objection to BLM for the lease.

The state, which initially files for the lease with BLM, must negotiate the agreement with the city. It must check out its funding source on each individual project—which sometimes involves a federal agency, which then gives rise to a whole other set of reviews and policy determinations—in order to make certain it can build or operate the project on land for which it doesn't have title.

RUBY, Continued on page 6.

*RUBY, Continued from page 5.*

The regional corporation (Doyon, in this instance) has to review the agreements under section 14(c)(5) ANCSA. It has to negotiate with the state and BLM as to the wording of the lease to make certain its rights as the subsurface owner are protected. It, too, must issue a letter of non-objection to BLM for the whole transaction.

BLM then goes through its procedures to determine whether it can issue a lease and under what conditions. And finally a lease is issued.

Now, had the land been conveyed as the Act states that it should have been, there would be a simple three-step procedure:

- 1) the state requests the land from the city;
- 2) the city and state agree as to the school site;
- 3) the city conveys the land to the state.

In my example, we were dealing with a school, but this process is repeated time and time again for any project which requires land to be used."

*Eklutna*

"It has been a very frustrating experience trying to get our corporation on a viable footing. Under the Act we get a small amount of money in proportion to the responsibilities for making our corporation viable. We are not the typical Alaska village. Eklutna now is in part, a part of the Municipality of Anchorage. We are faced with the large task of generating the capital by 1991 of just paying the taxes that will become due on land that we do not yet have. It seems that every time we have met the requirements for the transfer of land we learn of new requirements to be met or of new reasons why we cannot receive land."

"Eklutna, Inc. has 1600 acres of an entitlement of 115,000+ acres, or 1.39% of its entitlement. Back in 1974 we published in a local paper, four consecutive times, that we were to receive about 5,000 acres. (Because of protests from the State and borough) BLM saw fit to retain 3400 acres. Failure of BLM to transfer the 3400 acres has had a negative impact financially on Eklutna as can be seen by the letter from Roger Bates of Jack White Real Estate Company..."

The relevant portion of the letter reads: "If in 1977 you used a value of \$3,000 per acre, the land could have a value of as much as \$10,200,000. When you consider that you would have to use prudent development so that you would not flood the market with real estate and development was done in orderly fashion, the lost revenue to Eklutna, Inc. would probably be from \$1,000,000 to \$1,750,000 in the preceding three years. One must realize that the land is some of the finest ground in the area with good soils and very desirable for both residential and commercial development."

*Seldovia*

Economic losses to the Seldovia Native Association by reason of non-conveyance are staggering. Based on a current timber sale and a timber survey by Louisiana-Pacific, \$88,686,113.40 worth of marketable timber stands on Seldovia-selected lands, most of it unavailable to the corporation for development. Of their 187,391 acre entitlement, Seldovia has received only 13,728.5 acres to date.

"Although we selected (our land) primarily for timber, we also realize the value of waterfront land... Being on the Kenai Peninsula, much of this is high value recreational land, and well-suited for home development. A good part of the waterfront land fronts the Lower Cook Inlet OCS sale area, which makes it ideal for industrial uses for the petrochemical industries. Of course, not having title, we cannot make any commitments with industry, though interest has been shown in this area..."

*Hoonah*

"The purpose of the Act is simple—to settle Native land claims. We have surrendered our claims contingent on, among other things, the promised land conveyances. The delay in making the required conveyances has caused our corporation to suffer economic hardship. We cannot go forward as a viable, competitive economic unit of society until we have the land to which we are entitled.

"More specifically, we cannot borrow money for the development of timber resources until we have those resources surveyed, and we cannot afford to spend approximately \$45,000 for a timber survey until we know which land to have surveyed.

"Furthermore, we cannot finalize SANTCO, our proposed Southeast Alaska Native Timber Company, until we know the extent of our resources..."

"Upon receiving patent to the designated lands the village corporations are obligated to convey not less than 1,280 acres to any municipal corporation in the Native village. However, because Huna Totem has not yet received its land conveyances, this cannot be done.

"While the city of Hoonah is small in size compared to local communities, we have recently constructed 65 new homes and are planning for 35 more single family dwellings. Plans are also being finalized for 17 units of elderly housing. Consideration is being given to developing a new business/shopping area and constructing a cold storage facility to support our fishing industry. These plans are stymied because the city of Hoonah does not have available land for expansion until we convey the 1,280 acres, and we cannot because we have not received our land conveyances from the Federal Government. Surely these delays were not envisioned when the Act was passed by Congress."

## FROM THE NEWSLETTERS

## CHENEGA BUYS CHARTER BOAT

Chenega Corporation has bought a new charter vessel, the *Chenega Bay*, a 26-foot fiberglass sedan cruiser built by Pleasurecraft Marine of Tacoma.

Under the command of Ken Hawkins, the *Chenega Bay* will go into the business of charter fishing trips from Seward this summer, and from Cordova this fall for hunting trips.

Chenega's first successful charter fishing boat, *Chenega*, sank last year; the insurance settlement was used to reinvest in the new vessel.

## CIRI J.V. FOR BETHEL UTILITIES

Cook Inlet Region Inc. (CIRI) has joint-ventured with Alaska Constructors, Inc. to install sewer and water distribution systems in Bethel. Work began on the project the first week in June. All pipes will be elevated and insulated for arctic weather. About 240 buildings will be connected to the system; 60 of them had to be raised on their foundations to insure proper drainage. The project was necessitated after a fire in 1975 destroyed the Bethel power plant and all underground utilities froze.

## PORT GRAHAM CORPORATION

Port Graham Enterprises, Inc., a subsidiary of the Port Graham Corporation, has purchased 7.5 acres in downtown Homer. Plans for the real estate include two apartment complexes, to be completed by November. The remaining acreage is being studied for possible subdivision or more apartments. Port Graham Enterprises is headquartered in Homer; its general manager is Durente Tabios.

Port Graham Corpora-

tion also owns the 86 foot fishing vessel *Beluga*, which is currently tendering in Cook Inlet; and owns and leases a 3000 square foot office building in Port Graham. They also own and lease heavy equipment, mostly for local village work.

## DISTRIBUTION OF MONEY PURSUANT TO SECTION 6(C) OF THE ANCSA

June 30, 1977

| Region           | Distribution<br>6/30/77 | Total Through<br>6/30/77 |
|------------------|-------------------------|--------------------------|
| Ahtna            | 3,258.42                | 4,377,580.94             |
| Aleut            | 9,421.40                | 13,170,717.10            |
| Arctic Slope     | 3,434.67                | 15,817,393.74            |
| Bering Straits   | 8,946.57 a              | 27,704,576.17            |
| Bristol Bay      | 16,245.92 b             | 22,164,592.11            |
| Calista          | 20,141.87               | 54,896,353.51            |
| Chugach          | ---- c                  | 8,129,536.09             |
| Cook Inlet       | ---- c                  | 25,205,750.49            |
| Doyon            | 23,158.85 a             | 37,793,856.47            |
| Koniag           | 9,599.86                | 13,329,614.02            |
| NANA             | 14,655.18               | 19,867,620.82            |
| Sealaska         | 21,763.26               | 65,637,799.59            |
| Thirteenth       | 9,835.68                | 10,640,695.08            |
| To 19b Reserve d |                         |                          |
| from BSNC        | 1,517.66 a              | 3,929,494.15             |
| from Doyon       | 1,125.85 a              | 1,059,243.41             |
| TOTAL            | 143,105.19 c            | 323,724,823.69           |

a Part of the 6/30/77 distribution for Bering Straits and Doyon is put in the 19b Reserve. The amount is proportional to the enrollment in the Reserves.

b The 50% for distribution to Village Corporations and at-large-members [Sec. 7(j)] in Bristol Bay is paid to the Corporation, and the remainder, by direction, is paid to Seattle-First National Bank.

c Because disenrollments are retroactive, Chugach and Cook Inlet owe the fund a total of \$4,658.04. This will be adjusted at the time of the September, 1977, payment.

d These amounts are held in reserve pending appeal of a decision that enrollment in 19b Reserves be counted in making distributions. Interest paid on the reserve totals \$126,941.66 to June 30, 1977.

## ALASKA NATIVE MANAGEMENT REPORT

515 D Street  
Anchorage, Alaska 99501

Representative Clark Gruening  
940 Tyonek Drive  
Anchorage, Alaska 99501



### ADDRESS CORRECTION REQUESTED

#### LAND CLAIMS RECORDS SOUGHT

The Alaska Native Foundation has launched a project to locate and preserve records relating to the Alaska Native Claims Settlement Act of 1971, particularly the campaign for its enactment. The collection will serve as a means of preserving the records in a central location and thus will become a major resource for study of the Settlement Act and the Native role in its enactment.

Persons and organizations who were involved in the development of the legislation will be asked to donate relevant records of Native associations and personal records to this collection, which will be under the administration of the Foundation.

The first phase of the project, locating the records so as to determine the space needed for the

collection and a search for a permanent repository for the materials, is being underwritten by the Bureau of Indian Affairs. Later phases will involve gathering the documents, arranging and describing them, and publication of inventories.

Barbara S. Smith, a trained historian and archivist, has been named project director. Anyone with information on such records is urged to call the Alaska Native Foundation, 274-5638.

#### COMMITTEE SLATES D-2 HEARINGS

The U. S. House Subcommittee on Merchant Marine and Fisheries will be holding hearings in Anchorage on Fisheries and Wildlife on D-2 lands at East Anchorage High School, August 7 and 8, from 9 a.m. to 5 p.m. Meetings are scheduled also for Fairbanks on August 9 and 10 at the Woods Center, University of Alaska, and in Juneau on August 12.

#### SOME DATES TO REMEMBER

##### *Subcommittee Hearings on Marine and Fisheries:*

August 7 and 8 Anchorage. East Anchorage High School, 9 a.m. to 5 p.m.

August 9 and 10 Fairbanks. Woods Center, University of Alaska.

August 12 Juneau.

August 12--Anchorage. House Committee on General Oversight and Alaska Lands, Rep. Sieberling, Chairman. Hearings on Alaska D-2 lands.

August 20-- Fairbanks. House Committee on General Oversight and Alaska Lands, Rep. Sieberling, Chairman. Hearings on Alaska D-2 lands.

##### *Hearings on Joint Foreign-American Fish Ventures:*

August 3: Petersburg.

August 5,6: Seattle.

August 22: Anchorage.

August 23: Sand Point.

August 24: Kodiak.

October 14, 15: Anchorage. Chugach Natives Inc. annual stockholders meeting. Ramada Inn, 8:30 a.m. Registration for meeting Oct. 13.

November 10, 11, 12: AFN Convention. Tundra Times banquet, evening of November 12.

LIST OF  
POSSIBLE RECIPIENTS OF THE COMMITTEE REPORT

| <u>Who</u>                                                                           | <u>Details</u>                  |
|--------------------------------------------------------------------------------------|---------------------------------|
| <i>Service</i> ✓ All state newspapers, TV and radio stations.                        | Scott Foster                    |
| All Commissioners                                                                    | Gov's. Office                   |
| <i>Done<br/>1/10/70<br/>Ch. WC</i> ✓ Selection from State Directory of Corporations: |                                 |
| - Profit corps.                                                                      |                                 |
| - Non-profit corps.                                                                  |                                 |
| - Industry Associations                                                              |                                 |
| - Cooperatives                                                                       | State Directory of Corporations |
| <i>Public<br/>Oct 1</i> Elderly groups                                               | Office on Aging                 |
| ✓ All Chambers of Commerce                                                           | State Chamber of Commerce       |
| ✓ Native Village and Regional Corporations:                                          | Alaska Native Foundation        |
| 2 ( -Housing Authorities                                                             |                                 |
| -Health Corporations                                                                 |                                 |
| -Profit and Non-profit                                                               |                                 |
| <i>10/1/70<br/>10/2/70<br/>216 4776</i> All municipalities                           | Alaska Municipal League         |
| All utilities, private and public:                                                   | Public Utilities Commission     |
| -telephone                                                                           |                                 |
| -power                                                                               |                                 |
| -water                                                                               |                                 |
| All State and local chapters of conservation groups:                                 |                                 |
| -Sierra Club                                                                         |                                 |
| -Alaska Conservation Society                                                         |                                 |
| -Audubon Society                                                                     |                                 |
| -Isaak Walton League                                                                 |                                 |
| ✓ -Alaska Center for the Environment                                                 | Scott Foster                    |
| League of Women Voters, State and local chapters. Coastal Management                 |                                 |
| State, regional, and local industry associations.                                    |                                 |

ISER

DPDP

~~ANALYSIS OF THE GROWTH IMPLICATIONS OF VARIOUS SCENARIOS OF THE EXPANSION OF DIFFERENT INDUSTRIES IN THE ALASKA ECONOMY.~~

FOR VARIOUS SCENARIOS OF THE EXPANSION OF DIFFERENT INDUSTRIES IN ALASKA, AN ANALYSIS OF THE GROWTH IMPLICATIONS ON STATE GOVERNMENT AND THE ECONOMY.

Public investment - tax, loans, or Permanent

Fund - capital projects evaluation (Page 40

BD)

ISER Legislative

Study of income effects of Alaska Inc.

Affairs

Study of \$900 million spending-empirical evidence about spending

Study of Salmon/Bottom Fishery and potential (like DeltaBarley)

FISCAL PLANNING AND COORDINATION WITH THE REST OF STATE GOVERNMENT

Coordination of Alternative Strategies

STAFF, BTH

COMBINATION OF SHORT AND LONG TERM REVENUE PROTECTION AND EXPENDITURE PROJECTIONS (BTH), ESTIMATES OF THE SIZE OF THE SURPLUS, AND ANALYSIS OF THE IMPLICATIONS FOR STATE SAVING AND THE PERMANENT FUND.

Daniels

Study of Banking Regulations and tie in to Permanent Fund (Page 35 BD)

B&M, CED.

Study of <sup>STATE</sup> revolving <sup>PROGRAMS</sup> loan funds and tie in to Permanent Fund (Page 42 BD) (Page 35 AT)

DPDP

Tussing

Develop appropriate <sup>CONTRIBUTION</sup> consideration formula to <sup>(TO SMOOTH THE GROWTH OF THE GENERAL FUND.)</sup> Permanent Fund (Page 32 AT)

Criteria and Constraints

STAFF

DEVELOPMENT OF LOAN CRITERIA WHICH EMBODY THE GOALS CHOSEN FOR THE FUND BY THE LEGISLATURE.

Daniels

Study of dual accounting and socioeconomic annual report <sup>(PERFORMANCE EVALUATION CRITERIA)</sup> (Based on criteria and goals) (Page 62 BD)

1  
1975  
*copy in good standing  
if required*

ELECTRIC AND TELEPHONE COOPERATIVES

|                                                                         |         |
|-------------------------------------------------------------------------|---------|
| Alaska Generation and Transmission Electric Cooperative, Inc.           | 5664 D  |
| Alaska Rural Electric Cooperative Association                           | 2988 D  |
| Alaska Village Electric Cooperative, Inc.                               | 7789 D  |
| Bristol Bay Telephone Communication Cooperative, Inc.                   | 10746 D |
| Chugach Electric Association, Inc.                                      | 1768 D  |
| Central Alaska Power Association, Inc.                                  | 3171 D  |
| Cook Inlet Rural Telephone Cooperative, Incorporated                    | 4890 D  |
| Copper Valley Electric Association, Inc.                                | 3292 D  |
| Copper Valley Telephone Cooperative Incorporated                        | 5208 D  |
| 0. Dillingham Electric Cooperative, Incorporated                        | 5385 D  |
| 1. Glacier Highway Electric Association, Inc.                           | 1509 D  |
| 2. Golden Valley Electric Association, Inc.                             | 1485 D  |
| 3. Homer Electric Association, Inc.                                     | 1490 D  |
| 4. Kenai Lake Electric Cooperative, Inc.                                | 2552 D  |
| 5. Kodiak Electric Association, Inc.                                    | 1367 D  |
| 6. Kotzebue Electric Association, Inc.                                  | 2051 D  |
| 7. Matanuska Electric Association, Inc.                                 | 1348 D  |
| 8. Matanuska Telephone Association, Incorporated                        | 2799 D  |
| 9. Naknek Electric Association, Inc.                                    | 1800 D  |
| 10. Northern Generation and Transmission Electric Cooperative, Inc.     | 5654 D  |
| 11. Nushagak Electric Cooperative, Inc.                                 | 6158 D  |
| 12. Trans-Alaska Electric Generation and Transmission Cooperative, Inc. | 10637 D |
| 13. Unalaska Electric Association, Inc.                                 | 5775 D  |
| 14. UPTZ Telephone Cooperative, Inc.                                    | 13170 D |
| 15. Barrow Utilities, Inc.                                              | 6249 D  |
| 16. Ugogik Electric Association, Incorporated                           | 12711-D |
| 17. Iliamna - Newhalen Electric Cooperative, Inc.                       | 16570-D |

1977 COOPERATIVE LIST

|         |                                                                                                               |
|---------|---------------------------------------------------------------------------------------------------------------|
| 5960-D  | Akiachak Co-operative<br>77-78- 2500<br>76/77 2 pt                                                            |
| 12645-D | Aleknagik Cooperative Store<br>76/77 2500<br>75/76 1 pt<br>77/78 2500                                         |
| 9562-D  | Alaska Crop Improvement Association, Inc.<br>77/78- 2500<br>76/77 1 pt                                        |
| 15712-D | Alaska Farmers Cooperative<br>77/78 2500<br>76/77 2 pt                                                        |
| 9955-D  | Alaska General Cooperative Corporation<br>77/78- 2500<br>76/77 1 pt                                           |
| 10131-D | Alaska Independent Taxi Operators Association, Inc.<br>77/78- 5400<br>76/77 1 pt                              |
| 3436-D  | Alaska Native Arts and Crafts Cooperative Association, Inc.<br>76/77 5200 75/76 1 pt<br>77/78 2500 76/77 1 pt |
| X9132-D | Alaska Native Industries Cooperative Association, Inc.<br>77/78 2500 76/77 1 pt 75/76 5171                    |
| 17046-D | Alaska Oilfield Shippers Coop, Inc.<br>77/78 2500 76/77 1 pt                                                  |
| 5848-D  | Alaska Outport Transportation Association, Inc.<br>77/78 2500 76/77 1 pt                                      |
| 6488-D  | Alaska Potato Growers Cooperative Association<br>77/78 2500 76/77 1 pt                                        |
| 9473-D  | Anchorage Cooperative Nursery School, Inc.<br>77/78 2500 76/77 1 pt                                           |
| 16749-D | Big Bear Consumers Co-operative, Inc.<br>77/78 2500 76/77 1 pt                                                |
| 10313-D | Brevig Mission Cooperative Association, Inc.<br>77/78 2500 76/77 1 pt                                         |
| 9597-D  | Brevig Mission Native Cooperative<br>77/78 2500 76/77 1 pt                                                    |
| 9567-D  | Brook Range Co-op, Inc.<br>77/78 2500 76/77 1 pt                                                              |
| 10058-D | Chaninik Cooperative, Inc.<br>77/78 2500 76/77 1 pt                                                           |
| 3735-D  | Chignik Boat Owners Association<br>77/78 2500 76/77 1 pt                                                      |
| 10937-D | Commercial Fishermens Cooperative Association, Inc.<br>77/78 2500 76/77 1 pt                                  |

2908-D Cook Inlet Fishermen's Association  
7/78 25.00  
1 pt

3138-D Cordova Aquatic Marketing Ass'n, Inc.  
7/78 25.00  
1 pt

15118-D Elim Fish Processing Cooperative  
7/78 25.00  
1 pt

14677-D The Fairbanks Community Consumer's Cooperative  
7/78 25.00 76/77 1 pt  
7/78 25.00 76/77 1 pt

9403-D Fortuna Ledge Cooperative Association, Incorporated  
7/78 25.00  
76/77 1 pt

12812-D Golovin Fish Processing Cooperative  
76/77 37.00 75/76 1 pt  
77/78 50.00 76/77 1 pt

8658-D Goodnews Bay Fisheries Co-operative  
77/78 25.00  
76/77 1 pt

2785-F Halibut Producers Cooperative  
77/78 25.00  
76/77 1 pt

13535-D InnuIt Co-op  
77/78 25.00 76/77 1 pt

12065-D Ivanof Bay Seafoods

15754-D Juneau Consumers' Cooperative, Inc.  
7/78 25.00  
76/77 1 pt

9211-D Kasigluk Cooperative Store  
7/78 25.00  
76/77 1 pt

14225-D The Kenai Peninsula Fishermen's Cooperative Association  
7/78 25.00  
76/77 1 pt

13060-D Ketchikan Indian Arts and Crafts, A Cooperative  
77/78 25.00  
76/77 1 pt

11614-D Kiana Cooperative Store  
7/78 25.00  
76/77 1 pt

6934-D Kodiak Livestock Cooperative  
7/78 25.00  
76/77 1 pt

10712-D Kodiak Shrimp Producers Cooperative  
7/78 25.00  
76/77 1 pt

7250-D Kuskokwim Fishermen, Incorporated  
7/78 25.00  
76/77 1 pt

15220-D Kvichak - Naknek Aquatic Cooperative  
7/78 25.00  
76/77 1 pt

8572-D Manokotak Village Residents Co-operative, Inc.  
7/78 25.00  
76/77 1 pt

1080-D Matanuska Maid, Inc.  
7/1/77 25.00  
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9798-D Musk Ox Producer's Cooperative  
7/1/78 25.00  
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16026-D Naknek Cooperative  
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902-D Nondalton Knechik Cooperative Store  
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11772-D Nondalton Knechik Cooperative Store  
7/1/77 25.00  
7/1/78 25.00

12663-D Norton Sound Fishermen's Cooperative  
7/1/77 25.00  
7/1/78 25.00

9222-D Northwest Skin Sewers  
7/1/78 10.00  
7/1/78 10.00

3131-D North Pacific Fisheries Association, Inc.  
7/1/77 5.30  
7/1/78 25.00

6596-D Nulato Cooperative Association, Incorporated  
7/1/78 25.00  
7/1/78 25.00

11589-D Northern Shippers Cooperative, Inc.  
7/1/78 25.00  
7/1/78 25.00

12304-D Nushagak Telephone Cooperative, Inc.  
7/1/78 25.00  
7/1/78 25.00

15954-D Pay N Tuk Cooperative  
7/1/78 25.00  
7/1/78 25.00

9349-D Peninsula Marketing Association, Inc.  
7/1/78 25.00  
7/1/78 25.00

14619-D Petersburg Consumer's Coop Inc.  
7/1/78 25.00  
7/1/78 25.00

2955-D Petersburg Fishing Vessel Owners Cooperative  
7/1/78 25.00  
7/1/78 25.00

10130-D Reindeer Herders Association, Incorporated  
7/1/78 25.00  
7/1/78 25.00

13543-D Sitka Consumers, Inc.  
7/1/78 25.00  
7/1/78 25.00

12774-D Sitka Fisherman's Cooperative, Incorporated  
7/1/78 25.00  
7/1/78 25.00

3659-D Service Activities of Federal Employees  
7/1/78 25.00  
7/1/78 25.00

10241-D Southeastern Consumer Cooperative  
7/1/78 25.00  
7/1/78 25.00

15625-D Southeastern Herring Cooperative  
7778 35.00  
7617 apt.

9433-D Togiak Village Cooperative, Inc.  
7778 30.00  
7617 apt.

9998-D Toksook Bay Arts & Crafts Cooperative, Incorporated  
7778 30.00  
7617 apt.

9827-D Toksook Bay Cooperative Association  
7778 30.00  
7617 apt.

4039-D Wainwright Cooperative Association  
7778 30.00  
7617 apt.

4530-D Western Alaska Cooperative Marketing Association  
7778 30.00  
7617 apt.

16465-D Wrangell Consumers Co-op  
7778 30.00  
7617 apt.

15636-D Yakutat Fishermen's Cooperative, Inc.  
7778 30.00  
7617 apt.

7815-D Yukon Delta Fish Marketing Co-op  
7778 30.00  
7617 apt.

17096-P T & H Native Purchasing Association, a Cooperative

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# Hammond resists local use of permanent fund for hydro

Stressing his concern with statewide "equity," Gov. Jay Hammond told the Thomas Bay Power Commission he is not in favor of using a portion of the permanent fund to provide low-interest, long-term hydroelectric project financing here.

Speaking at Wrangell city council chambers Friday afternoon, Dec. 2, Hammond indicated he would only be in favor of

using permanent fund principal for the benefit of all Alaskans on an equal basis.

The governor said he could not support use of the fund which would "leave some out in the cold by overlooking the need for equity."

He also said he is opposed to using the fund for ongoing subsidies for programs or projects not capable of supporting themselves.

However, the governor told commissioners and an audience of approximately 25 Wrangell and Petersburg residents, "This doesn't mean the earnings from the fund can't be used" as seed money for projects.

"I think it would be appropriate," the governor said, for interest from non-renewable resources, such as oil, to help fund renewable resources, such as hydroelectric projects.

The Thomas Bay Power Commission—and the Southeastern Conference—have urged that a portion of the permanent fund be used to finance the state water resources revolving loan fund. The loan fund could then provide low-interest, long-term financing for such projects as hydroelectric and municipal water systems.

State Rep. Ernie Haugen (R-Petersburg), a member of the Thomas Bay Power Commission, stressed that the fund should be used for loans, not grants: "Our intent is not to get something for nothing. We simply want people to help get us on our feet" in the form of low-interest, long-term arrangements.

Commissioner Dick Ballard told the governor the "massive costs" of construction and capital for a hydroelectric project require some sort of seed loan, which he said, would eventually be beneficial to all by being "repaid to be reinvested elsewhere in the state."

Ballard said using income from the permanent fund to

support the water resources revolving loan fund "would require several years to even get enough funds to support one (hydroelectric) project."

Sterling Gallagher, state commissioner of revenue, suggested the commission "use the guarantee power of the permanent fund" to secure other financing for a hydro project, from the federal government or private business.

A major financing problem facing a Wrangell-Petersburg project, Ballard said, "is the terrific capital cost—it might take us 15 years in a project to get to a full use rate."

Gallagher, however, suggested one solution is to make a project "cost effective," by, for instance, "making the town all electric" and including conversion costs right in the bond issue.

Haugen also noted the advantages of seeking a

graduated interest rate to ease the front-end burden on a hydro project, saying, "If we could go to a definite power site, and get off the ground at a low rate of interest, we'd be willing to later give the state an added rate (of interest) for the favor" eventually reaching six or seven percent.

Following suggestions by the governor and Gallagher that the commission should look to the federal government for financing, or other forms of support, Ballard said a Wrangell-Petersburg project currently could not receive consideration under federal guidelines.

The cities are too large to qualify under current

federal REA (Rural Electrification Administration) funding guidelines, although efforts are being made to effect changes in REA restrictions through congressional action.

Following a commission meeting with Army Corps of Engineer officials Thursday, Dec. 1, in Petersburg, Ballard added, it was stressed that "one problem with small hydroelectric projects is they do not meet the cost-benefit ratio required to meet the guidelines."

"The corps has to look at dollars and cents facts," Ballard said. "They can't justify a project on the ground of blue-sky benefits."

ALASKA CLIPPING SERVICE

Anchorage Daily Times  
Anchorage, Ak.

DEC 10 1977

## ALASKA STATE LEGISLATURE

The House Special Committee on the Permanent Fund will meet from 1:30 p.m. to 5:00 p.m. December 12 and 9:00 a.m. to 5:00 p.m. December 13 in the Conference Room, 528 West Fifth Avenue. The meeting is open to the public.

ALASKA CLIPPING SERVICE

Wrangell, Alaska  
Sentinel

DEC 7 1977

# Top Forum issues: Permafund, state government

## Permanent Fund:

### What is it?

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

The amendment reads:

"At least twenty-five per cent 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 for by law."

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

1. At least twenty-five percent means that more than twenty-five percent can be placed in the Permanent Fund.

2. All mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses specifies the type of money that will go in the Permanent Fund.

3. The principal of the Permanent Fund can be invested but not spent.

4. Permanent Fund investments must be income-producing.

5. The income from Permanent Fund investments, which shall be deposited in the general fund unless otherwise provided for by law, can be spent.

In brief, the voters agreed to use at least 25 per cent of

the specified oil and other mineral revenues paid to the state for investment purposes. None of that money may be put into the General Fund, which finances the general operating expenses of government. All that may be spent in future years are the earnings from Permanent Fund investments.

Understanding the difference between the principal and the earnings of the Permanent Fund is important. For example, if the state put \$250 million into a savings account, it might earn interest at seven per cent. 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, perhaps, six per cent interest. In this case the state will earn \$6,000 at the end of one year which it can spend on state activities, unless otherwise provided for by law. Again, the state returns the \$100,000 to the Permanent Fund for future investments.

The fund is a big responsibility, and it is critical that it is understood and managed properly. The estimated revenues which will be produced by the development of our oil and gas resources give an idea of the potential magnitude of the fund. Total state petroleum revenues produced between 1977-1985 are estimated to be \$11 billion from all sources (taxes, royalties, leases, and bonuses). The portion of that petroleum revenue required by the constitutional amendment creating the Permanent Fund is expected to be at least \$1.3 billion by 1985.

### Current status of the fund

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

Beginning in January, the state legislature will consider laws on the Permanent Fund. In the last legislative session, two bills dealing with the structure and management of the Permanent Fund were introduced for the purpose of discussion. The State Investment Advisory Committee, which advises the Commissioner of Revenue on investment policies for the state, wrote House Bill 292. The bill was sponsored in the legislature by the Governor. A second bill, House Bill 306, based on HB 292 but incorporating some changes, also was introduced in the last session.

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

## 3

As a result of oil development Alaskans are going to receive a huge sum of cash. Billions of dollars, in fact, over the life of the Prudhoe Bay oil field. Cordovans were told by representatives of the Alaska Growth Policy Council Sunday that, per capita, Alaska will receive as much money from oil development as the government of Saudi Arabia does from theirs. That breaks down in dollars to about \$4,000 per year for every man, woman and child residing in Alaska. The annual payments will continue for the 20-year plus life expectancy of the Prudhoe Bay oil field.

That mistake so upset voters that we passed a constitutional amendment by a six to one margin that will allow the oil money to be dedicated for a special purpose, a kind of savings account we call the Permanent Fund.

The amendment that allows for the Permanent Fund left a number of questions to be decided by the legislature. The amendment only stated a minimum amount that must go to the Permanent Fund, which is 25 percent of the revenue from all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing and bonuses. Those sources only bring in 55 percent of the total oil revenues the state receives. The other 45 percent, like all other state revenues, must go directly into the general fund to be used at the discretion of the legislature. So remember that the minimum 25 percent which must go into the Permanent Fund is only 25 percent of the eligible oil revenue, in other words, 25 percent of 55 percent of the state's total oil revenue. That works out to about 12 to 14 percent of the total state oil revenue. The legislature will decide exactly where above the 25 percent to set the amount to go into the Permanent Fund during the next session. You should contact your representative and let them know how much you feel should go into the Permanent Fund.

So the question comes up again: What should we do with our incoming oil wealth? There is one answer that would equitably distribute the state's oil wealth and serve to check the expansion of state and local governments. We could give the oil revenue directly to the people it belongs to—the residents of Alaska. Several ideas have been advanced on how to actually carry out such a program, including Gov. Hammond's Alaska, Inc., proposal.

The rapid growth in state government has been funded by oil revenues. That growth would slow down considerably if the oil revenue was given to Alaskans and government growth had to depend on taxation for expansion. Once the oil money is in the pockets of Alaskans, they will be far slower to give it up to some government program which the legislature may see as politically expedient.

What should we do with the oil revenue? Give the question some thought. Communicate with the government officials, and let them hear your views. Remember, it is your money they are playing with. Use your money wisely to get it into the investment market and the

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## 31

It would be better to have  
either more responsibility or  
more money. But not both.



stantly revising the tax policy," Mr. Croft told the House Chamber of Commerce Monday. But he said that in light of "substantial" budget reductions faced by the state due to

— Permanent Fund — Mr. Croft supports the idea of an income-producing investment fund, but pointed out a potential danger in that the people who decide the uses of the fund will probably have more impact on the development of Alaska than the legislature. He said he hoped the fund would

see "Crack," page 2.

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$$\frac{1}{\Gamma(\alpha)} \int_0^t (t-\tau)^{\alpha-1} \frac{d}{d\tau} \left( \frac{1}{\Gamma(\beta)} \int_0^\tau (\tau-\eta)^{\beta-1} \frac{d}{d\eta} f(\eta) d\eta \right) d\tau = \frac{1}{\Gamma(\alpha+\beta)} \int_0^t (t-\eta)^{\alpha+\beta-1} \frac{d}{d\eta} f(\eta) d\eta$$

**Education**—The state should fund 100 percent of a local district's basic education costs, with the district providing another 10-15 percent in extra programs. "When local areas have a per-pupil \$10-\$15 per cent of total cost of education, the state is not meeting its responsibility," Mr. Crow said.

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DEC 8 1977

# Libertarians may field candidate for governor

By BILL WILSON  
Daily News Staff Writer

Those people who attacked the Anchorage municipality's personal property taxes in last fall's election are talking about running a Fairbanks insurance man for governor.

They are the Libertarians, and the candidate, should he agree to run, would be Dick Randolph.

RANDOLPH stresses that it's all very iffy right now, but is quick to list a number of complaints and solutions. They stem from a strict interpretation of the U.S. Constitution and a deep commitment to "inalienable rights."

Anchorage Libertarians mounted an unsuccessful drive in the October local election to drop personal property taxes. Randolph agrees with their premise that the holding of property is one right that should not be infringed upon by government.

Randolph served as a Republican State representative from 1970 to 1974. He quit the legislature when public disclosure laws passed. "That whole thing is totally abhorrent to me," he said.

ALTHOUGH he has "significant doubts if the political process will solve any of the problems," Randolph says he has not ruled out his candidacy. No running partner has been approached, he said, but there are a number of possible candidates for the lieutenant governor spot on the Libertarian ticket.

Randolph also said he might run as an independent.

Gov. Jay S. Hammond and Democratic Sen. Chancy Croft are the only declared candidates so far. Anchorage insurance man Tom Fink has said he will file after the first of the year either as a Republican or an Independent. Former Gov. William A. Egan has said he won't announce his decision whether or not to run until next January.

RANDOLPH said Tuesday that next year's campaign would be a good time to try. "This will be a beneficial year for a third party or a third person," he said. "They (Democrats and Republicans) are likely to nominate persons of the



Dick Randolph

same philosophical ilk. If they go with Chancy Croft and Jay Hammond, who are both liberal, then the true conservatives will have no where else to go.

"I am extremely interested in furthering the personal awareness of many Alaskans. Within the realm of possibility, I'll do whatever I can."

Randolph says the party, composed of around 50 dues paying members and about that many more interested subscribers to local party publications, are also looking at other means to push their cause, including running candidates for the state legislature and staying active in the referendum process.

GOV. HAMMOND has good ideas, Randolph said, but he ends up saying one thing and doing another.

The governor's plan to divide up Alaska's resource wealth among the voters, Alaska Inc., receives praise from Randolph. It is, he says, in tune with the Libertarian philosophy that "government should exist only to protect inalienable rights ... that the person, the individual, is the important entity in this whole thing."

Randolph says a "good intermediate step" in the all-important move away from government for government's sake is funding education with a voucher system, whereby the money now spent for educating students would be given to the families of those students on a per capita average. The families would then spend that voucher any

way it wanted to train its children.

Land policy is "a very basic issue" to Randolph. "Hammond is extremely socialistic" in his approach to public land. "They (the present administration) want to let very little of the state's land out of their control."

"Libertarians believe all land should be privately owned," he says. "There's no reason we couldn't have a park, but if the Sierra Club wanted a park, it would be the Sierra Club's park."

"We believe in individual rights and individual responsibility for those rights."

# Small turnout discusses top issues at Forum

By ROLLO POOL  
Daily News Staff Writer

About 35 local residents turned out to discuss four issues that concern Alaska's future at the Public Forum meeting at Ketchikan High School Saturday.

Area residents' opinions on subsistence, the permanent fund, and land disposal did not vary from the state trends, said members of the Alaska Growth Policy Council, which uses Public-forum information to present to committees and legislators.

The turnout was far smaller than for the first forum held in Ketchikan early this year. But snow and other events in Ketchikan Saturday apparently cut into attendance.

Gov. Jay Hammond was to attend but was snowed in in Wrangell. An attempt to fly by charter plane was turned back by weather. Hammond eventually reached Ketchikan by Alaska Airlines Saturday night and attended a dinner in his honor. He left Sunday morning for Juneau.

Saturday's forum here was the last forum in the second round of

public forums. Last year's public forums began in Ketchikan in October. Since then 77 forums have been held statewide.

## PERMANENT FUND

Growth Policy Council member Leonard Lane said that the permanent fund in 1985 would have between \$1.5 billion and \$5 billion depending on the percentage of royalties mandated to go into the fund.

Last year's legislature, he said, created the permanent fund, which would get at least 25 percent of state oil and mineral revenues. The money could be used for investment, loans or other purposes.

The percentage rate will vary from year to year if the legislature changes the rate he add. If the 100 percent of the revenues go into the permanent fund, the balance in eight years would be over \$5 billion.

"That would be one hell of an investment vehicle," he said.

The fund must "make a profit and a profit that is greater than the current inflation rate, otherwise inflation will eat away (the fund)," he said.

Last year's forum respondents said the fund money should go into investment in renewable resource industries, such as fisheries, timber and farming. Lane indicated that those projects and hydroelectric projects could receive state aid because of a new bill called the Renewable Resources Fund.

Uses for permanent fund investment, as tabulated on a public forum interim report for this year, were to assist in stabilizing Alaska's economy (18 percent of all first choices made), to create more jobs in Alaska (15 percent), to maintain environmental quality (14 percent) and to make more money available to in-state investments (11 percent).

Other uses included making the safest possible investments and discouraging people to come to Alaska. The two uses that received the lowest amount of support were to make more Alaskan products available and to make the maximum amount of money from permanent fund investments.

Nearly three fourths of all

public forum participants wished the permanent fund would provide income-producing investments. Over half wanted more than 25 percent of revenues

Cont. on page 3



Ketchikan Public Utilities Assistant Manager Don Bowey, left, listens intently to the permanent fund discussion led by Fran Ulmer, right, director of the state division of policy development and planning. She is the liaison

between the state of Alaska and the White House conference on Balanced National Growth and Economic Development. Rollo Pool photo.

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continued...



State lands spokesman Chip Dennerlein, far right, discusses the alternative for state land disposal as Lt. Gov. Lowell Thomas, Jr., left center, school board member Willard Jones, center, and pulp mill vice-president Don Finney, bottom left, look on. Rollo Pool photo.

## Small turnout . . . Cont. from page 1

placed in the fund.

### STATE LANDS

Persons attending the afternoon session on land formed a consensus that the state should provide lands for homes near existing communities. This should be done slow, to prevent a land grab situation and to help overcome problems that may develop. Persons also agreed that other lands should be held in trust for use by future Alaskans, said a land discussion spokeswoman.

Earlier in the day, state natural resource department coordinator Chip Dennerlein said his department was trying to find how the state should fit in with local governments on planning state, borough and unorganized borough lands.

He said it took from one to two years of steady work and planning to plan one land auction.

One person graphically described the present growth here as a "noodle of development."

One reason for this, Dennerlein said, was because Southeastern cities are surrounded by mental health lands. These lands of about one million acres were designated near the time of statehood for use as sources of revenue for mental health programs in Alaska "forever."

The Mental Health Board members, who control these lands, "don't like to sell. They like to lease them. Because if they sell them, that's it. They don't get any more revenue" from that land, he said.

In the future the board may be willing to swap its lands for leasable lands, in either coal-bearing or farming areas. This would open up land closer to the city hub for residential use.

Also the question of selling or leasing lands to private in-

dividuals was discussed. Dennerlein said he did not know if leasing the lands would cause more "state control" than people wanted or if costs would be high.

One person said that people would have a hard time securing loans from banks to build homes on leased lands. Another person suggested some permanent fund money could be used for financing homes on leased lands.

It was argued that lands that were sold "fee simple" would increase in value due to speculation, and might go for uses other than home sites.

Lt. Gov. Lowell Thomas, Jr., said that Hawaii leased lands to non-natives and those persons were able to secure loans and to build homes. They were also protected from losses if the state "recovered" their leased land, he said.

Leasing on an experimental basis was proposed.

Ketchikan participants also said that state and borough governments should have the right to say where developers would develop.

### SUBSISTENCE

The first part of the subsistence

discussion was devoted to defining the term "subsistence." July.

One offered definition was: "subsistence activity is the harvesting or taking of natural resources for individual, household or communal use, such as food, clothing and housing."

Others said that definition might vary depending on the region in Alaska, because persons in different parts of the state depend on subsistence to different degrees.

"There are going to have to be priorities established as to who can utilize subsistence and to determine who really needs subsistence for livelihood," said Judy Lane, spokeswoman for the subsistence discussion.

One person offered a paper that said Alaskan natives were suffering from vitamin deficiencies because they are not able to harvest and eat more salmon.

Public Forum worker Barbara Morse, during a presentation on subsistence, said the federal government had told the state to form subsistence regulations or it would intervene. She said hearings on subsistence plans would begin this month and a

final plan would be ready next July. Basically the plan calls for decisions on subsistence to be made by a board of game and a board of fisheries, each with seven members. They would be fed information from five regional councils composed of seven members of local committees. Local committees would have five members from regional boards and up to ten other local members who must receive board confirmations.

She said there may be more than one local board in an area and that persons who sit on regional councils and local committees would have to meet certain requirements, such as residency and expertise in fish or game. She said members of the state level boards would be governor-appointed.

At Saturday's meeting, four members of the Alaska Growth Policy Council attended. They were Harold Pomeroy, Frank Homan, David Klein and Leonard Lane. Non-voting members Fran Ulmer and Lowell Thomas, Jr., also attended.

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Southeast Alaska  
Empire  
Juneau, Alaska

# Revenue Share Changes Eyed

By G. MICHAEL HARMON  
Associated Press Writer

Gov. Jay Hammond said today he is exploring the potential for multi-million-dollar changes in the state's revenue sharing programs for local governments.

Hammond said his idea was based on the premise that state revenue sharing programs should recognize differences between property rich and property poor communities.

The current system, Hammond added, also is flawed because it acts as a roadblock to the formation of local government in unorganized boroughs.

"State revenue sharing now goes out to the municipalities on the same basis, regardless of needs or capabilities to fund programs at the local level," Hammond said. "It seems to me the system needs to be changed."

Hammond outlined his ideas in a wide-ranging interview with The Associated Press in which he also said:

—He will not push for passage during the upcoming Legislature of his Alaska Inc. concept for sharing income from the state permanent fund directly with the people.

—A special legislative committee chaired by Sen. Mike Colletta, R-Anchorage, has "subtly distorted the issue" by claiming that administration proposed booze tax increases will not solve the state's alcoholism problem.

—He will seek an attorney general's opinion on the constitutionality of his idea to balance growing urban influence in the Legislature with a reapportionment plan that would provide for the statewide election of the senate.

In addition to his ideas for major revisions of state revenue sharing, Hammond said he would submit legislation to the 1978 session for the creation of a blue ribbon panel to "investigate current and future state and local government relations."

"The group's two-year mission," Hammond said, "would be to study state and local government relationships, particularly in the unorganized borough areas."

One of the state's major problems and one of his major goals, Hammond said, was "restructuring our revenue sharing delivery system so that localities which make good faith efforts to tax themselves and to provide necessary services are in some way rewarded for this effort."

Under the current system where the state picks up 100 per cent of the cost of services in unorganized boroughs, Hammond said there is no incentive for unorganized areas to form local government.

"In the future, it's my hope that we can encourage local governments to adopt more responsibility for governing themselves," Hammond said. "Perhaps there is a way of accomplishing this through revisions of the revenue sharing programs."

Hammond said one way "would be to share revenues on a basis inversely proportionate to a municipality's per capita property values."

"Through such a system, municipalities with high per capita property values would receive less shared revenue than those which are property poor," Hammond said. Hammond said the system could be applied only to

increases in shared revenues.

"Accordingly, I am considering submission of legislation increasing shared revenues for police purposes on such a basis," Hammond said.

The governor also said he was exploring the possibility of a similar adjustment to school construction aid, keeping in mind that the ultimate goal of his administration is 100 per cent state funding of schools.

But until that goal is possible, Hammond said interim changes need to be made in the current system whereby the state funds 50 per cent of any school construction a municipality might wish to undertake.

"Such a system does not relate to comparative needs nor capability of meeting such costs at the local level," Hammond said. "Rich municipalities and poor municipalities are treated just the same."

As Hammond explained his concept:

"We would first determine the average property values per capita found throughout all municipalities. Should a municipality then wish to construct a school, their debt service obligation would be the amount which could be raised in their municipality were they to impose a mill levy equal to that which would be required if they had average property values per capita.

"Say, borough 'A' wished to build a \$1 million school and the normal 50 percent or \$500,000 debt service obligation could be paid off with a three-mill levy if they had average property values per capita. However, because of low property values, a three-mill levy in borough 'A' would raise only \$250,000 or 25 per cent. The state then would come in with \$750,000 or 75 per cent instead of the normal 50 per cent.

"Conversely, if borough 'B' wished to build a comparable school and had double the average per capita property values, their obligation would be to raise the entire amount while the state would contribute nothing."

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Ketchikan Daily  
News  
Ketchikan, Ak.

NOV 23 1977

## Gruening questions permanent fund

ANCHORAGE (AP) — The chairman of the state House Permanent Fund Committee says despite considerable time and energy, there are still many "ifs" about Alaska's permanent fund.

And Anchorage Democrat Clark Gruening told the Anchorage Bar Association on Monday, "We should be aware that this can slip through our hands very easily."

He said unanswered questions include whether to take Alaska's royalty share of Prudhoe Bay oil in oil or cash, what management goals of the fund should be, how much of the fund's principle to save, and who will run the fund operation.

And he says the size of the fund is still undetermined, with

estimates ranging from \$750 million to \$1.5 billion by 1985.

He said the committee is taking "a pretty short term direction that is pretty conservative and plan to protect the fund at all costs" until plans for operating and maintaining it are effected.

Gruening said the committee now is considering a proposal to establish a board of trustees to manage the fund. Such trustees would be appointed by the governor and approved by the legislature.

He said inflation is one of the committee's biggest worries, noting that with an annual inflation rate of about 10 per cent, fund investments bringing a 5 per cent return would result in a net loss in adjusted dol-

lars.

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Fairbanks  
News Miner  
Fairbanks, Ak

NOV 22 1977

## Gruening says Permanent Fund 'iffy'

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ALASKA CLIPPING  
SERVICE

Kodiak Mirror  
Kodiak, Alaska

NOV 22 1977

## Fund questions remain

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NOV 22 1977

## Permanent fund questions linger

Although much time and energy have been spent on the Alaska permanent fund, many "ifs" remain, Clark Gruening told the Anchorage Bar Association Monday.

Gruening, an Anchorage Democrat, is chairman of the House Special Committee on the Permanent Fund. He presented a list of unanswered questions that included whether to take the state's share of Prudhoe Bay oil or cash; what the management goals of the fund should be; how much of the fund's principle to save; and who will run the fund's operations.

AND THEN there is the matter of just how big the fund will be. Gruening said his committee has set "good better and best" ranges for the fund that place its size between \$750 million and \$1.5 billion by 1985.

Until the question of tariffs charged for transporting the oil is decided, the size of the fund will not be known, he said.

"We should be aware that this can slip through our hands very easily," he said pointing to the \$900 million earned and spent by Alaska since the original Prudhoe Bay lease sale in 1969.

"WE HAVE taken a short-term direction that is pretty conservative and plan to protect the fund at all costs (until a structure for operating and maintaining the fund is effected)" he said.

Inflation is one of the committee's biggest worries. With an annual inflation rate in the neighborhood of 10 percent, fund investments bringing a 5 percent return would

result in a net loss in adjusted dollars.

A proposal now being looked at by the committee would establish a board of trustees to manage the fund for the highest possible return consistent with preserving the principle, Gruening said. Those trustees would be appointed by the governor and approved by the legislature.

## PHILLIPS TELLS PLANS FOR QUESTIONNAIRE

Rep. Randy Phillips is circulating a draft of a voter registration questionnaire which he plans to distribute to 1,000 constituents in District 8.

The questionnaire is an attempt to "feel out" district residents on a number of major issues which the legislature will face when it convenes in January.

Last year Phillips distributed a similar questionnaire on a smaller scale and received an unusually high percentage of response. He says that many of the decisions which he made during the 1977 session were based on an analysis of the questionnaire returns.

Phillips was the second legislator to take part in a seminar dealing with contemporary political issues in the state which is being sponsored by Chugiak - Eagle River Community College and Community Schools.

At last week's session, Phillips polled the class on their support of instant voter registration which was vetoed

by Gov. Jay Hammond for a 10 percentage of the state's population taking part in the seminar favored the legislature.

Phillips said that he originally voted no on the proposition but had reconsidered the measure and had felt he would support it if he had gotten response from constituents.

He said that major issues facing the legislature in January will be the budget, the capital move construction costs, 192 land settlements, and the state's permanent fund.

Phillips answered questions at length on homestead legislation which he sponsored in the 1977 session, and homestead legislation proposed by Rep. Mike Beirne which he is also backing.

Assembly chairman Ernie Brannon was to address last night's seminar.

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## Perspective

### Putting Down Alaska's News Media

By Joe La Rocca

JUNEAU — Last week the state legislature's interim management arm, the Legislative Council, held a meeting aboard the state ferry system's flagship, the M.V. Malaspina, en route from Ketchikan to Juneau. The bipartisan council, consisting of seven House and seven Senate members, attends to housekeeping, administrative and policy matters arising between, as well as during, sessions of the legislature. It functions, in effect, as a mini-legislature, except that it cannot, of course, enact legislation.

Last week's meeting aboard the Malaspina failed to attract the eight-member quorum needed to transact official business, thus the council could take no action on the matters, generally routine, which appeared on the agenda, although some of them were discussed at length.

Among them was a concerted request from most of the states major news media asking the council for expanded press room space to accommodate the large number of reporters who are expected to come to Juneau to cover the upcoming session of the legislature starting Jan. 9.

Juneau's irrepressible Sen. Bill Ray dominated the discussion, leading off with an extended diatribe aimed at the general incompetence of the Alaska press corps, and its failure to discharge its responsibility to report legislative news accurately and objectively. In view of the news media's poor performance, Ray said, the legislature is under no obligation to provide them with expanded press room facilities. His disparaging remarks were designed, in part, to rankle fellow council member, Rep. Fred Brown of Fairbanks, who has successfully spearheaded recent efforts to provide state-funded television coverage of the legislature through the state public broadcasting commission.

Rep. Clark Gruening of Anchorage defended the request for additional press room space on grounds that legislators are obligated to do so, not to accommodate the press, but on behalf of their constituents, who must rely upon the press for news and reports about legislative activities.

I happen to agree that the performance of Alaska's news media generally, and their coverage of the legislature specifically, has historically been, and remains, deplorable, falling well below any standard of professionalism. But my reasons for thinking so are substantially different from those expressed by Senator Ray and many other legislators, which are largely egocentric. While it's true, as legislators often assert, that news media reports are frequently inaccurate and distorted, their criticism is sometimes hurled at the media whether it's justified or not, in an attempt to discredit coverage which may be critical of them.

The basic problem, as I see it, is that Alaska's news media are not observant or critical enough of the legislature and other government agencies. Scores of noteworthy events, large and small, vitally affecting the public interest are daily ignored or mis-reported, by the media, or escape their enfeebled scrutiny altogether. Indeed, if the press corps covered the legislature with even a minimal degree of thoroughness, professionalism and intelligence, I suspect that the Legislative Council would not only reject their request for additional press room space out-of-hand, but reclaim the absurdly deficient space it now provides as well.

The Legislative Council meeting alluded to here is a case in point. Except for this writer, not a single member of the press was on hand despite the fact that the council has at its disposal a slush fund totalling hundreds of thousands of dollars which is available for appropriations upon the slightest whim of a legislator who is in good standing with the legislative leadership. And unreported, for example, was the fact that for the first time in the Alaska legislature's history, the council agreed to appropriate sufficient advance funds to carry the upcoming second session of the Tenth Legislature through 120 days.

Historically, only the first 90 days of a session have been provided for in the initial session appropriation. While the council's action can be argued both pro and con. The salient fact is that it marked a significant milestone in the evolution of the legislative process in Alaska which whizzed by unnoticed. Some mention of other random shortcomings, errors and omissions of the Alaska news media, unrelated to the above, may be in order, starting with my favorite whipping post, the Associated Press, a monopoly which controls the flow of more than 90% of non-local news within the state, and misses much more than it reports.

Although the AP ostensibly maintains a staff of four

—Continued on page 13

## Perspective . . .

—Continued from page 4

year-round in Alaska, rarely are more than two of them available to cover events for its Alaska members, and sometimes only one is. One of the top AP staffers in its Anchorage bureau mainly handled administrative matters there; the one in Fairbanks reports and writes mainly for the AP's national wire; and the only AP reporter stationed here in Juneau is currently on vacation, which means that for all practical purposes, non-local news in Alaska's capital city has taken a two-week holiday, since the AP has made no provision to replace its correspondence here during his absence.

In a different but related vein, I was vastly amused by Gov. Jay Hammond's letter to the editor published recently in the Fairbanks Daily News-Miner in which the governor lavishly praised that paper for the award it received from the AP for turning over its coverage of the Pump Station 8 explosion, to the AP and its various affiliates because the disaster occurred too late to make that day's News-Miner deadline. That curious editorial decision would have gotten the person responsible for it fired from any self-respecting journal.

The governor's lapse may be excused in light of his ignorance of the journalistic ethic, but the News-Miner's managerial decision can only be attributed to its managing editor's higher and unshakeable loyalty to the AP, from whence he last came, and which taught him all he knows about journalism.

In his maudlin missive, the governor also said he was "particularly impressed" with the paper's "in-depth reports" on such things as the state's alcoholism problem and the D-2 issue, both of which the News-Miner has grossly distorted in its news columns in the governor's favor. No wonder he liked them.

ALASKA CLIPPING  
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All-Alaska  
Weekly

Fairbanks, Ak  
NOV 26 1977

NOV 20 1985

ALASKA RESOURCES



## Good Government And Football

By Thomas E. Kelly

**GOOD STATE** government is a lot like a good football team. The stars and ordinary players run the play that the quarterback calls. You don't normally run with the ball in the opposite direction of the goal. If you don't understand the play you stay in the huddle until you do understand it.

Above all, you don't give the fans the impression it's the first time you ever sulted up.

A few months back, the Alaska Department of Revenue announced that the state would receive billions of dollars that would be surplus to the state's needs by 1985. Alaska must have been the envy of the other 49 Sister States since it is so rich and its future economic wealth, measured in dollars, was assured.

Today, the commissioner of revenue and some of the legislative agencies lament that Alaska faces a huge revenue shortfall of \$100-200 million because of unforeseen circumstances — a higher than anticipated pipeline tariff and the temporary loss of one pump station.

**WITH ALL** the planners that we have in the state government these days you might have thought that someone would have understood contingencies. I guess they broke huddle before they understood.

Since the voters passed the Permanent Fund last year, some of the myopic state leaders figure that the only way to fund the appetite of state government is not to defer "rat holing" revenue into the treasury or to cut state government expenditures but rather to increase taxes.

That is precisely what the administration and the legislature is considering in the upcoming legislative session next January.

For over a year the governor and the state Royalty and Oil Gas Board have been telling the public that the state seeks to maximize the benefits from royalty oil by requiring that it be processed in the state. At great expense to both the state and industry, proposal after proposal to buy and process Prudhoe Bay crude in Alaska, including petrochemical processing, has been described.

**FROM THE NEWS** reports, the main qualifications to be eligible for royalty oil seem to be the amount of money to be spent on facilities and labor. The practical economic aspects of refining Alaskan crude in the state are given only cursory address.

Culminating last week's final review of royalty oil prospects in Valdez was the announcement from the commissioner of Fish and Game that there should be no new oil related facilities in Alaska until after

environmental studies on the effects of plant effluents on fish is completed — maybe in a few years. Any yokel knows that the existing plants on the Kenai and at North Pole have constructed experimental fish tanks and have a great amount of information that shows processed waters don't kill fish. In some cases they actually grow bigger.

It wasn't the commissioner's first time to sult up — he forgot his jersey.

**MANY STATES** approach near term financial problems in different ways than Alaska — not to say they are right and we are wrong. But it is interesting for comparative purposes to see what our nearest state, Washington, has done in anticipation of a near term loss of revenue. (Washington is rated the 39th state in economic opportunity, in contrast to Alaska's rating of 48).

Gov. Dixie Lee Ray, perhaps a novice signal caller, but with a keen perspective of how to win, has announced a freeze on hiring state employees, a curb on state employee travel and other non-essentials that were "not critically necessary" to the state's needs.

Now she might have attacked "fat industry" — ostensibly Boeing, in this case — and threatened to impose additional taxes to pick up revenue shortfall, but she did not. She attempted to balance existing state receipts with state expenditures by absorbing the decrease in revenues by reduction in government expenditures. Her team players huddled, listened and understood.

**BY DARKENED** contrast, witness what has happened in Alaska. We spend 300 percent more per capita than any other state for government. Cut payroll by not expanding state employment and let normal attrition reduce the number of employees or, in the alternative, reduce non-essential travel of state government executives? Absurd. It would deprive our governor, lieutenant governor, commissioners, deputy commissioners, directors and deputy directors from visits to such places as Denmark, South Africa, Russia, Canada and Washington, D.C. That wouldn't be good for the Alaskan taxpayer, would it?

Our ship of state brings to mind a popular song a generation ago — "A Ship Without A Rudder, A Boat Without A Sail."

*Tom Kelly, former commissioner of natural resources, is a consultant specializing in Alaska resources. He is a past president of the Anchorage School Board and is the president of the Chamber of Commerce.*

# Cocaine to caramels, ferries to

By BOB SPEED

Daily News Staff Writer

Southeastern callers dominated an hour-and-a-half televised call-in, question-answer session with Gov. Jay Hammond and members of his cabinet Wednesday night, and the questions ranged from cocaine legalization to whether Hammond plans to disband the ferry system.

The program, broadcast to most Southeastern communities and other rural areas receiving experimental satellite coverage, involved Lt. Gov. Lowell Thomas Jr. and most of Hammond's cabinet officials as well as the governor.

Hammond and his commissioners fielded nearly 50 questions during the session, which was broadcast over KATV television and KRBD-FM radio in Ketchikan, also ranging from fisheries questions and wolf control,

asked of Fish and Game Commissioner Ronald Skoog, to homesites and education and health programs, asked of other commissioners.

There was even one question from a Juneau eight-year-old lodging a protest about receiving only one caramel during a Halloween visit to the governor's mansion.

Most of the questions were informational in nature and state officials exploded no bombshells of information not previously known.

People asked questions about the proposed capital move, the Permanent Fund, use of pesticides and herbicides, state land selections and other topics of statewide interest.

Several questions from Ketchikan callers were aired, including ones on a new jail for the First City, the state stand on current negotiations between the U.S. and Canada over salmon in-

terception and insurance rates for houses using woodburning fireplaces.

The future of the experimental satellite system itself, used to broadcast the live call-in show, was questioned, and Hammond replied that

## 'Couldn't disband ferry system if we wanted to ...'

it will be up the legislature whether satellite communications will continue. He said, however, that the cost of satellite communications will be a "key consideration" which could cause the state to discontinue the experiment.

In response to a question whether the state will expand the marine highway system or build a road to serve Haines and Skagway, Transportation Department Commissioner Don Harris

said use of the marine highway system is currently seen as the cheapest solution to this transportation problem, but that the economic balance could change in the future which could bring a highway into more favorable consideration.

Highlights of the question-answer program were:

— Information will be publicized within a month about the state's first land distribution for the new homesite law; the first land will be distributed in north central Alaska.

— Harris said the state "couldn't disband the marine highway system even if it wanted to," in response to a question whether Hammond would get rid of the ferries before he leaves office; Harris noted that he was part of the original commission which recommended establishment of the ferry system and that the state, under

## Cocaine to caramels ... Cont. from page 1

fishermen's interests before the National Marine Fisheries Service in regard to the Tanner crab fishery, negotiations over international interception of salmon and other fishery issues; and although the state jurisdiction over fisheries ends at the state three-mile limit, the state has some influence over decisions about fisheries farther offshore, according to Skoog.

— The "bottle bill," which would require deposits on most beverage containers, "can be close to a break-even proposition" in larger communities and in those communities served by the ferry system.

— Under current circumstances, the state capital will be moved to Willow, "because the people have willed it so," said Hammond. However, the existing law could be changed and Lt. Gov. Thomas noted there is currently an initiative, Proposition 6, which would require all costs to be put on the ballot

bond issue in 1978.

— "The vast majority of people would not like to see cocaine legalized," said Attorney General Avrum Gross in response to a question regarding the drug's status following a state court decision saying it is wrongly classified under state law as a narcotic. The decision, which the attorney general's office has appealed, said the drug should be classified as a stimulant similar to amphetamines, but Gross said he believes the court went beyond its authority in saying how a drug should be classified.

— A new jail in Ketchikan will depend on the next legislative budget and the future of statewide bond issues for corrections facilities, said one state official, who called the condition of the Ketchikan jail "deplorable." He said public hearings will be held in January on new corrections facilities around the state, adding that most facilities are "severely overcrowded."

## fish on call-in

Hammond, has expanded the system and built new terminals in small communities not previously served.

— Hammond said there is a "short-fall of \$10 million" in the cost of treating alcoholism problems which "comes from the state's nest egg wealth," and he proposed additional taxes on alcoholic beverages rather than increases in the state income tax to support medical programs related to alcohol abuse. "It should be a user tax," he said.

— The state will institute Alaska hire (first preference given to Alaska residents for jobs) on the gas pipeline, to the extent allowed by the courts, according to Hammond and Labor Commissioner Ed Orbeck. Orbeck said that the state courts upheld the Alaska Hire law 3-2 and the case is now pending before the U.S. Supreme Court.

"We are enforcing Alaska hire. We will continue to do so," Orbeck said. Hammond said that "We hope that the second pipeline (Alaska hire) will be part of the collective bargain agreement" between contractors and unions, adding that it will be largely to the unions to make the program successful.

While the state is making controlled use of the herbicide 2-4-D, it has discontinued use of the controversial herbicide 2-4-5-T, which may be banned by the Environmental Protection Agency, according to Ernst Muelle, commissioner of environmental conservation. The chemical has been used in Alaska, he said, mainly by the Alaska Railroad and the Forest Service.

— The state is actively pressing

(Cont. on page 2)

ALASKA CLIPPING-SERVICE

Ketchikan Daily News

Ketchikan, Ak.

NOV 17 1977

ALASKA CLIPPING  
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Anchorage Daily  
Times  
Anchorage, Ak.

NOV 20 1977

## Gruening Cites Fund's 'Ifs'

By The Associated Press

The chairman of the state House Permanent Fund Committee says despite considerable time and energy, there are still many "ifs" about Alaska's permanent fund.

And Anchorage Democrat Clark Gruening told the Anchorage Bar Association Monday, "We should be aware that this can slip through our hands very easily."

He said unanswered questions include whether to take Alaska's royalty share of Prudhoe Bay oil in oil or cash, what management goals of the fund should be, how much of the fund's principle to save, and who will run the fund operation.

And he says the size of the fund is still undetermined, with estimates ranging from \$750 million to \$1.5 billion by 1985.

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that with an annual inflation rate of about 10 percent, fund investments bringing a 5 percent return would result in a net loss in adjusted dollars.

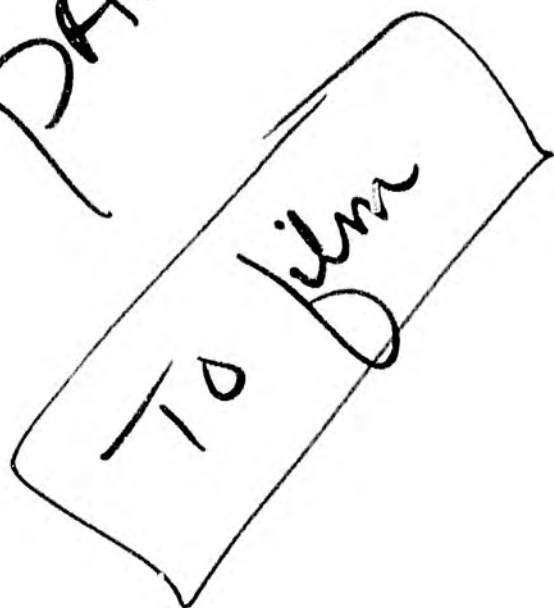
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SEP 15 1977



**PERMANENT FUND HEARING**—Rep. Clark Gruening and Rep. Russ Meekins, both Anchorage Democrats, listen to testimony at a hearing Wednesday in Fairbanks on the goals of the Permanent Fund. (Staff photo)

## Let state, not the bankers, run Fund, hearing told

By DERMOT COLE  
Staff Writer

"To some degree we don't trust ourselves to be rich right now," and that's one of the general purposes behind the Alaska Permanent Fund, environmentalist Bob Weeden told the House Special Committee on the Permanent Fund Wednesday.

During a day-long hearing in Fairbanks, the committee heard from about 20 local residents on what the goals of

the fund should be.

In a statement echoed by several others, Weeden, president of the Alaska Conservation Society, said the fund should not be controlled by bankers, but by the state as a whole.

Important social decisions are going to have to be made by the managers of the fund and, while bankers may make the right decisions, "Their chance of doing so is no greater than a trucker's

(See, LET, page 5)

### LET...

(Continued on page 1)

or a forester's or anyone else's," he said.

One of the things to recognize, he said, is that some of the Permanent Fund proposals, such as the elimination of state income taxes, could bring about big increases in the state's population, and possible effects of that sort should be considered before such proposals are put into effect, he said.

Jerry Smetzer, executive director of the Fairbanks Town and Village Assn., said the eventual size of the fund is "mind boggling" and he urged the committee to insure that the public is kept involved with the evolution of the fund.

Judging from those who testified, the idea of the fund is so novel and complicated to most Alaskans that there's no clear consensus on what ought to be done with the money.

Created by the state's voters through a constitutional amendment passed last year, the fund is to get at least 25 per cent of certain mineral revenues. A "medium income" estimate prepared this summer by the Legislative Affairs Agency puts the size of the fund at \$1.3 billion by 1985. The money can be placed only in investments that produce income for the state.

Suggestions at the hearing on how the money should be used covered a wide

range. Borough Mayor John Carlson said improved transportation systems are a vital need in the Interior and he said that perhaps the Permanent Fund could be used to expand the Alaska Railroad to a double line between here and Anchorage to promote petrochemical development.

George Matz, executive director of the Fairbanks Environmental Center, said some money should be invested in environmental research, while Ron Inouye, of the University of Alaska's Center for Northern Educational Research, said the fund should make investments to insure that valuable historical collections are preserved in the state.

Rep. Clark Gruening, D-Anchorage, chairman of the committee, indicated that the Permanent Fund wouldn't be the proper tool to accomplish many of the proposals brought up at the meeting. The state's general fund is likely to be larger than the Permanent Fund and would be better suited to handle many of the projects, he said.

Running through all of this is the notion that money invested in the Permanent Fund will indeed be "permanent." That is, the principal will grow larger and larger as the investments earn interest.

Sandra Stringer told the committee the fund should be invested so there's enough income to pay for things like research. She also asked that ordinary citizens be involved in decisions on the fund.

OCT 13 1977

# Alaskans voice opinions in state forum

3,500 people speak

In a land as diverse as Alaska, common threads have been observed among the concerns of the people as expressed in a series of Public Forum meetings held throughout the state in the past year, the Alaska Growth Policy Council said.

The council, an agency of the Office of the Governor, has summarized the findings of its various community sessions.

More than 3,500 Alaskans in 60 urban and rural communities participated. They discussed and recommended action on six prepared questions concerning the permanent fund, Alaska's land, public school construction, meeting human needs, oil and gas leasing, and royalty oil and gas.

The youngest participant was 13 years old. The oldest was 94. Nearly two thirds of those responding to questionnaires had been residents of the state for 10 years or more. At least a third had lived in Alaska more than 20 years. Overwhelmingly, it was this segment of the population who chose to speak and desired to be heard by the men and women with some influence in the decision-making process who led the Forum discussions.

Following is a brief summary of the statewide responses to the prepared Public Forum questions:

**1a. The Permanent Fund.** Last year the Forum asked, "How should the Permanent Fund money be invested?"

Renewable resources industries were ranked, by a wide margin, as the highest priority for permanent fund money and the second highest priority for permanent fund money and the second highest priority for all additional oil and gas money. The definition of those industries was colored by regional preferences, ranging from traditional industries such as timber, fishing, and farming to aquaculture and

utilization of solar and tidal energy.

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

**1b. Oil and Gas Money.** "How should the state use its new oil and gas money?"

While Alaskans were eager to support (in question 1a.) what many described as a potentially risky business with only long-term benefits—i.e., making loans to renewable resource industries—they also wanted immediate, tangible proof of our new wealth. They favored tax cuts. Under the issue of surplus oil and gas revenues not included in the Permanent Fund, this was the only option which superceded "loans to renewable resource industries" in popularity.

**2. Land.** "What should be the objectives for managing Alaska's land?"

Land was an intense emotional issue in Public Forum meetings and prompted lively discussions. While the most popular choice for management of state lands was "to provide land for people's needs," those "needs" varied from individual to individual and from region to region.

Most commonly, however, that option translated into... (1) land for individual ownership, such as homesites or small farms; and (2) land for personal use, to support subsistence activities or recreational pursuits in rural Alaska.

Under the land issue, renewable resource development was the second priority. The longer a respondent had lived in Alaska, the greater was his or her concern for protecting the future of those resources.

total number of participants statewide, it was of great importance to the Gulf Coast communities. In that region housing tied with employment as first priority under the human needs question.

**4. School Construction.** "How should public school construction be financed in both organized and unorganized boroughs?"

This issue did not arouse the interest, energy or controversial debates among participants that the other five topics seemed to kindle. A third of the participants statewide chose the status quo—meaning that, in light of the options presented they were not willing to change the present system of financing public school construction. The present system provides for property taxes plus supplemental state funding in organized areas and 100 percent state funding in unorganized areas.

**5. Oil and Gas Leasing.** "What should be the state's policy on future oil and gas lease sales?"

The cautions, moderate approach to oil and gas leasing was by far the most popular. Nearly 60 percent of Public Forum participants agreed that the state should sell leases at a constant pace to assure a steady flow of income. While the preponderance of votes advised moderation, almost one-fifth of the participants were emphatic that the state do no further leasing.

Only a few people were intrigued by the idea of quick lease sales and thus quick bucks. And there was no significant support for the state's modus operandi which was to lease when the state needed large sums of money to meet public needs.

**6. Royalty Oil and Gas.** "What is the best use of Alaska's royalty oil and gas?" Nearly half of the Public Forum participants felt that the state should provide in-

vening of the legislature in January.

The Alaska Public Forum is directed by the Alaska Growth Policy Council. This 11-member council was created by Governor Hammond in 1975 to broaden citizen involvement in matters of statewide importance.

**3. Human Needs** "What areas of human need do you feel require the most attention?"

For Alaskans participating in the Public Forum last year, education and employment were the broad social concerns. Throughout the state, respondents approached this question from both philosophical and practical viewpoints. The vote for education and employment may be distinguished from the remaining options as more of an affirmation of basic human values rather than pointing to critical social service problem areas.

A regional comparison showed that inhabitants of the North and Southeast regions of the state were more concerned with health care and alcoholism programs than participants in other regions. Understandably, programs for the elderly were more popular in the closer the participants were to the twilight of their years. A higher percentage of respondents in the Southcentral and Copper River regions favored this

and was the choice of the people of the

state residential use of the royalty oil and gas. Alaskans expressed the desire to have oil and gas available for their use. They did not want to be caught short during another energy crisis. There was also a common assumption that in-state residential use of the oil and gas would mean cheaper energy.

Use of the royalty oil and gas to promote industrial development in the state had significant support. It was the second choice statewide. However, it was clear through Forum discussions that people did not want industry subsidized by the state.

This fall the Forum will ask more detailed questions on the public's goals for permanent fund investments and those individual needs for land which Alaskans feel the state should address. In addition, discussions will center on two new topics—the subsistence lifestyle and the balancing of the state checkbook.

The Forum will conduct workshops around the state from October to December in order to have results of these sessions ready for the con-

# Here's how to invest a billion

(EDITOR'S NOTE: With the flow of oil from Alaska's North Slope, the state will receive vast amounts of revenue in the coming years, but the oil—and the money—won't last forever. This three-part series examines the new Permanent Fund for non-renewable resources.)

By DERMOT COLE  
Staff Writer

What investments should be made with the billions of dollars that will eventually accumulate in Alaska's Permanent Fund?

Suggestions on how the money should be used have ranged from a proposal to help finance a new Panama Canal to allowing everyone in the state to borrow a percentage of his or her "share" at low interest rates.

And there's a flock of ideas bel-

ween those two that will have to be sorted out when the legislature brings up the subject of Permanent Fund investments next year.

Right now, two interim committees are studying ways to run the Permanent Fund and they plan to develop recommendations for the full legislature by January.

By next July the fund is expected to total \$60 million to \$65 million, but that is just a small fraction of what it will eventually contain. By 1985, according to recent estimates, if just the constitutionally required 25 per cent of oil royalties from the North Slope and other mineral leasing revenues are placed in it, the fund will contain \$1.3 billion.

In essence, when voters approved the fund last November they did two things. They placed restrictions on the amount of money the legislature

will have at its disposal to spend on day-to-day governmental programs, and they set up a mechanism to channel a portion of the state's oil money into income producing investments.

## Last of a series

Supporters of the fund argue that because its investments must produce a profit, the benefits Alaskans receive from the state's non-renewable resources will be extended long beyond the day when those resources are depleted.

For example, some Permanent Fund advocates believe that eventually the earnings from the fund will allow the state to reduce or even eliminate personal taxes.

What shape the Permanent Fund's management and investment

policies take in the long run has yet to be decided, but some indication can be found in two bills introduced this past session. Essentially, they would structure the fund as part savings bank and part development bank.

Both bills would require that:

- Fifty per cent of royalties and other applicable revenues be placed into the fund, a move that could put \$2.5 billion or more into it by 1985;
- At least 40 per cent of the money be invested in high-grade securities;
- Up to 30 per cent be invested in Alaska development loans for establishing or expanding private enterprises;
- Up to 30 per cent be invested in community development projects of municipalities and private dwellings.

Under both proposals there would

be a two-tiered management system to control the fund. An appointed board would have overall policy-making power and an investment committee under that board would approve investment proposals.

Under both bills the Permanent Fund would be fairly conservative.

"I don't see the fund as a lender of last resort," Rep. Steve Cowper, D-Fairbanks, said. "I would think that investment decisions are going to have to be made on the same basis as any other bank. We have designated loan programs for high-risk activities which are deemed to be in the public interest. They will continue," he said.

Rep. Clark Gruening, D-Anchorage, said he believes the primary emphasis of the fund should be responsible fiscal management

(See COMMITTEES on page 2)

## What are 'wise investments'?

(Continued from page 1)  
additional money be stashed in the Permanent Fund.

In any case, the Permanent Fund will play a large part in Alaska's future, and along with the state's general fund, it's bound to hold some of the major keys to future development here.

Next year's legislature is bound to spend a lot of time debating and deciding where the money will go and who will control it.

Economists who have studied the subject say that although there are some similar resource-based funds, notably in the Middle East, Alaska's situation is unique because of the state's resource potential, its small but highly educated population, its democratic government and the eventual size and impact of the fund.

"I am awed by both the opportunity and the danger posed to Alaskans by the Prudhoe Bay oil revenues and the challenge of creating an Alaskan Permanent Fund," wrote Harvard economist Belden Daniels.

Alaska has an "unparalleled opportunity to use these revenues to build a strong, permanent economy through investments which produce both a reasonable internal rate of return of investment to the Permanent Fund and a reasonable external rate of return to the economy as a whole and to the treasury of the state. On the other hand, I am equally mindful of the danger that these resources could either be wasted through improper management or improperly employed to the detriment of Alaska's economy," he said.

The dangers and the opportunities of the Permanent Fund now are being addressed by two interim committees created by the legislature and funded to the tune of \$360,000 between them. The committees are to make recommendations to the legislature by early next year on what type of in-

vestments should be made with the money and how the massive fund should be controlled.

The legislature set interim investment policies for the fund earlier this year. For the present, its investments are limited to such safe, conservative things as U.S. Treasury notes. What shape the Permanent Fund will take in the long run has yet to be decided.

Starting this month, public meetings and forums on the fund will take place throughout the state.

Among the major questions the committees and the full legislature will have to answer are: Should more than the constitutionally required 25 per cent of applicable revenues be committed to the fund? Who will manage and control all that money? What investments should be made?

There's been strong bipartisan support from almost every quarter in the state for the fund, but its various backers have different goals. Sorting the many apparently conflicting proposals may prove to be a heated issue during the coming legislative session.

Some say the money should be used for low-interest loans to individuals, communities and businesses. Others say it should be invested outside the state in high-yield, low-risk securities.

Making loans to subsidize various in-state renewable resource industries is the thing to do, according to some Permanent Fund advocates, but there are those who say the fund shouldn't get into the business of subsidizing anything and should be run strictly as a "people's bank" with the goal of making as much money as possible.

The legislature will make decisions on these issues next session, when it begins the long job of hammering out a set of goals for the Permanent Fund—Alaska's bank account for the future.

Meanwhile, the Senate Permanent Fund Committee, chaired by Sen.

George Hohman, a Democrat from Bethel, has let contracts totaling \$135,000 to look for some answer: while the House committee, chaired by Rep. Clark Gruening, D-Anchorage, has hired economists prepared a brochure on the fund and scheduled public hearings in preparation for drafting proposed legislation.

The committees haven't been working closely together and each may come up with proposed legislation by the end of the year.

For Friday: Remember that \$900 million from oil lease sales?

## Permanent Fund could bring art to

*Betzi Woodman, a freelance writer living in Anchorage, recently testified before a special legislative committee examining possible uses for the Alaska Permanent Fund.*

*The Fund, which will quickly grow to billions of dollars through investment of oil revenues, has been considered for a wide variety of purposes. But no one, to our knowledge, has made a suggestion quite like Betzi Woodman's.*

*A resident of the state since 1953, she has long been active in community affairs, and her work has carried her to all parts of the state. As she told committee members, she and her family "have a broad stake in our adopted home."*

*The following is an excerpted version of her testimony:*

When the state received the then-unprecedented \$900 million in oil and gas lease bonuses in 1969, the late Gene Guess convened a series of seminars to get public opinion on how to use the riches. He invited a group of Alaskans from all regions and representing a broad cross section of interests in the state to meet with a faculty from the Brookings Institution. I was privileged to be an editor for the series and helped to record and summarize the final report of what the people wanted.

Brainstorming sessions revealed that defining quality of life was complicated. Each related to his or her particular experiences, attitudes and life style. Basically, however, accomplishing this goal would include:

- Protection of environmental values;
- Conserve non-renewable resources;
- Develop renewable resources, particularly fisheries;
- Provide educational opportunities which fit the peoples' needs and desires;
- Encourage cultural development;
- Support the strong, independent character of Alaskans.

It was suggested in the discussions that Alaska could skip certain historic phases in development—such as industrial—and find innovative approaches to economic questions.

At the same time the Brookings' findings were making their impact, a new phrase was heard throughout the land: Alaskans have the last chance to do it differently, to profit from mistakes made in the South 48. The phrase was used most often by those from the lower states as they

addressed various publics on such matters as building the pipeline.

Soon it will be a decade since those first "riches." How and where that money was spent is not the issue here. But attitudes of people, particularly leaders, and how they've approached the ideals are very much the issue. Alaskans, for all their vaunted strengths, are also very human. They, too, can be and often are greedy, shortsighted, impulsive, unwilling to consider all the options. They find it difficult to live up to their own statements of how to achieve a better society.

But perhaps this time the leadership of Alaska can help guide the people toward fulfilling lives. Leaders will certainly be asked to help make life a little easier for Alaskans, and that, if done with wisdom, is a valid consideration. But I fervently hope that totally cutting out various taxes which support our necessary institutions and government functions will not be the way you ease their lives.

I would ask instead that you look to ways of enhancing what we have rather than getting more or of setting up the machinery which would lead to the "more and more" syndrome.

So, with that background, here is my suggestions:

Establish a percentage of the income from the Permanent Fund to be available on an annual basis to Alaska communities for use in connection with cultural facilities.

A formula would be developed for communities according to population and could be weighted in a manner to be more helpful to those communities with less economic viability.

The funds would be available on application and would not require matching in kind or money. A community would have to demonstrate fiscal responsibility in use of the funds and show that a cultural facility (as defined below) actually exists or is actively being planned.

There would be no "strings" on how the money was used for the facility. That is, the only "approval" of use would be to show that the money would be used for some aspect such as: design for a new facility or complex; contribution to actual construction of such, maintenance or programming for the facility or addition of a wing, etc.; acquisition of art works or museum materi-

al; salary for curator/director; assistance in retiring debt on existing facility; furnishings for such a facility—new or to upgrade; sponsorship of a program recognized as valid for the type of facility—i.e. instructor in management of such an institution, artist in residence, special performance assistance to outside group, etc. These could be specified or it could be shown what would NOT be allowed.

The facility would have to be truly representative of public interest and use.

**DEFINITION:** A cultural facility is defined as a facility or complex which has its principal function serving the arts activities of the community through theater, concert hall, museum, and/or gallery; with additional compatible uses such as conventions, community meetings and library services as determined by each community.

The money could be allocated through the offices of: the State Council on the Arts and its member local arts councils or an authority or commission set up especially for this matter—always keeping in mind that the local interests get true representation. The object would be not to add another layer of government, but to safeguard allocations so that communities would indeed have local authority and that projects be valid.

There is extensive justification why this is an important consideration. A 1975 report found that 93 per cent of the adult American population felt that cultural activities and facilities were important to their lives, and the growth of the arts has reflected this appreciation.

A professor interested in the views on art of the average working person talked with 400 blue collar workers—maids, clerks, mechanics, bus and truck drivers, cab drivers, secretaries, hotel desk clerks, waitresses, carpenters and street laborers as they went about their daily tasks. Their opinions were written up in the study "Opinions of Working People Concerning Art." Some critics hailed it as the first "tell like it is" audience "pulse feeler" done in a long time.

Generally, the professor said, workers interviewed believed that art is necessary to the enjoyment, fulfillment and pleasure of living. A majority also think that tax money should be used to fund artists and art projects. "We found that contrary to the general belief, they (man and woman on

the street) like art, enjoy it, feel it worthwhile, know much more than we (the arts world) give them credit for. . . and of course, we discovered that we should have known all along: that most of them dabble in it themselves, as Sunday painters or collectors of everything from antiques to Ming vases, and coins, stamps—that they act in neighborhood groups, sing in choruses and quartets or save their money for tickets for special performances of plays, operas, ballets—which appeal to them."

As a bartender told one interviewer: "Art brings most of us closer to what we really are and what we feel."

A similar survey done in the Anchorage Borough three years ago revealed the same points of view and willingness to help support arts projects.

The preamble to the bylaws of an 11-community Cultural Facilities Development Committee reads:

"We who are involved in the arts know the importance of cultural facilities to the life of a community. We also know how stifling the lack of such facilities can be to cultural growth. Our task will be to make the voters of the state aware of what cultural facilities can contribute to our communities. Cultural centers can become the focal point for a variety of community activities, providing entertainment, cultural enrichment, recreation, instruction and social opportunity for all the people in the community as well as for those who visit our villages and cities."

"Along with Alaska's rapid economic development, there is a growing awareness of Alaska's renewable human resources. Civilizations are remembered for their lasting contributions to the arts, humanities and mankind. By providing a cultural home for the arts, artists and Alaska's ever-growing arts audience, these centers proposed for Alaska will contribute to such an endowment."

If ever there were something which would contribute to and enhance the quality of life in Alaska, participation in creative endeavors is it. And having a facility where it can happen, a situation usually beyond the capabilities of any but the wealthiest of cities, would be the catalyst.

We can do it differently in Alaska and this is one exciting, beautiful way.

And we DO care how they do it (O side because that's where we learn what to do and what not to do.

## THE HOUSE SPECIAL COMMITTEE ON THE ALASKA PERMANENT FUND

will hold

### PUBLIC HEARINGS

ON HOUSE BILLS 4, 298, 595, 596 & 682

beginning at 10:30 a.m.

February 3rd

in the Borough Assembly Chambers  
520 Fifth Ave.

Those wishing to hear or offer testimony on these  
bills are invited to attend.

Daily News-Miner, Fairbanks, Alaska, Thursday, February 2, 1978—3

*the war effects*

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NOV 7 1977

## Permanent Fund Group Suggests Loan Agency

ANCHORAGE (AP) — The state Senate Permanent Fund Committee has suggested that Alaska's state-operated loan programs be consolidated into one agency, backed by Alaska's Permanent Fund.

The committee suggests such an agency would make low-interest loans available to state residents. Members say the interest should be sufficient to cover costs, but suggest the state does not need to make a big profit.

The committee is preparing proposed legislation for consideration by the 1978 legislature. Members apparently are viewing the fund as a money pool that will help state loan programs get cheaper money for loans to Alaskans.

A report made to the panel this week says with backing from the fund, the state could borrow money for relending to Alaskans at interest rates of between 6 per cent and 6.5 per cent. It then could make loans available to citizens at between 7 per cent and 7.5 per cent interest.

"The Alaska Permanent Fund can then be maintained as a 'savings account,' not risking any of its principal and investing in high-

grade stocks, bonds and government securities," the report says. The state permanent fund is made up of 25 per cent of state income from nonrenewable resources such as oil and gas.

Here are some major points of the proposed loan legislation, likely to undergo further changes before it reaches the legislature:

— Loans delinquent for more than 60 days would be called in for collection, rather than allowed to go unpaid for several months as is sometimes the case now.

— Eligibility standards for state loans would require borrowers to be at least 18 years old with five years' state residency. At least 60 per cent of the shareholders of corporate borrowers would have to have five years' residency.

— Maximum loan levels would range from \$75,000 for a single-family home loan to \$4,000 a year for undergraduate university study to \$500,000 for some business loans.

— The rate of interest would be "sufficient to cover anticipated cost of money to the fund and may not exceed 1 per cent" over that cost, plus the amount required for loan insurance.

Lower interest rates would be permissible if the difference between the cost and the interest rate were made up by the general fund of the Renewable Resource Development Fund.

— And a watchdog agency would be formed. That citizens advisory board would be made up of persons appointed by the governor and the Legislative Council.

Committee vice chairman, state Sen. Pat Rodey, D-Anchorage, said the program would "force the state to run a tighter loan program. If a large portion of the permanent fund is to be used, I would have reservations. We don't have an accurate analysis of the needs or impacts this would have on the state economy."

A state House committee on the permanent fund is considering a two-way approach to the monies, with a trust fund for investments and a development bank offering support for local projects.

Rodey says the differences between the committee concepts don't have to "necessarily hit head on."

He said the development bank would be good for big projects.

Anchorage Daily  
News  
Anchorage, Ak

NOV 16 1977

## *Revenue sharing priority*

# Governor outlines '78 legislative goals

JUNEAU (AP) — Gov. Jay S. Hammond said Tuesday he is exploring the potential for multimillion-dollar changes in the state's revenue sharing programs for local governments.

Hammond said his ideas were based on the premise that state revenue sharing programs should recognize differences between property rich and property poor communities.

The current system, Hammond added, also is flawed because it acts as a roadblock to the formation of local government in unorganized boroughs.

"State revenue sharing now goes out to the municipalities on the same basis, regardless of needs or capabilities to fund programs at the local level," Hammond said. "It seems to me the system needs to be changed."

Hammond outlined his ideas in a wide-ranging interview with The Associated Press in which he also said:

—He will not push for passage during the upcoming legislature of his Alaska Inc. concept for sharing income from the state permanent fund directly with the people.

—A special legislative committee chaired by Sen. Mike Colletta, R-Anchorage, has "subtly distorted the issue" by claiming that administration-proposed booze tax increases will not solve the state's alcoholism problem.

—He will seek an attorney general's opinion on the constitutionality of his idea to balance growing urban influence in the legislature with a reapportionment plan that would provide for the statewide election of the senate.

In addition to his ideas for major revisions of state revenue sharing, Hammond said he would submit legislation to the 1978 session for the creation of a blue ribbon panel to "investigate current and future state and local government relations."

"The group's two-year mission," Hammond said, "would be to study state and local government relationships, particularly in the unorganized borough areas."

One of the state's major problems and one of his major goals, Hammond said, was "restructuring our revenue sharing delivery system so that localities which make good faith efforts to tax themselves and to provide necessary services are in some way rewarded for this effort."

Under the current system where the state picks up 100 per cent of the cost of services in unorganized boroughs, Hammond said there is no incentive for unorganized areas to form local government.

"In the future, it's my hope that we can encourage local governments to adopt more responsibility for governing themselves," Hammond said.

# Governor Explores Revenue Sharing

JUNEAU (AP) — Gov. Jay Hammond said today he is exploring the potential for multimillion-dollar changes in the state's revenue sharing programs for local governments.

The governor's concept would reduce the relative amount of state revenue sharing and school construction funds granted to municipalities with substantial property tax bases while increasing those funds for other communities. Anchorage apparently would be one of those communities to receive a lower share of state aid under the plan.

The governor said his idea would apply to future increases in revenue sharing, not to existing allotments.

Hammond said his idea is based on the premise that state revenue sharing programs should recognize differences between property-rich and property-poor communities.

The current system, Hammond said, also is flawed because it acts as a roadblock to the formation of local government in unorganized boroughs.

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Under the current system the state picks up 100 percent of the cost of services in unorganized boroughs, Hammond said, so there is no incentive for unorganized areas to form local government.

"In the future, it's my hope that we can encourage local governments to adopt more responsibility for governing themselves," Hammond said. "Perhaps there is a way of accomplishing this through revisions of the revenue sharing programs."

One alternative, Hammond said, "would be to share revenues on a basis inversely proportionate to a municipality's per capita property values."

"Though such a system, municipalities with high per capita property values would receive less shared revenue than those which are property poor," Hammond said.

To avoid opposition from municipalities — such as Anchorage — which might receive a reduced share of state funds under such a concept, Hammond said the system could be applied only to increases in shared revenues.

"Accordingly, I am considering  
(See Page 3, Col. 1)

# Governor Explores Revenue Sharing

(Continued From Page 1)

submission of legislation increasing shared revenues for police purposes on such a basis," Hammond said.

The governor also said he was exploring the possibility of a similar adjustment to school construction aid, keeping in mind that the ultimate goal of his administration is 100 percent state funding of schools.

But until that goal is possible, Hammond said, interim changes need to be made in the current system whereby the state funds 50 percent of any school construction a municipality might wish to undertake.

"Such a system does not relate to comparative needs nor capability of meeting such costs at the local level," Hammond said. "Rich municipalities and poor municipalities are treated just the same."

As Hammond explained his concept:

"We would first determine the average property values per capita found throughout all municipalities. Should a municipality then wish to construct a school, their debt service obligation would be the amount which could be raised in their municipality were they to impose a mill

levy equal to that which would be required if they had average property values per capita.

"Say, borough 'A' wished to build a \$1 million school and the normal 50 percent or \$500,000 debt service obligation could be paid off with a three-mill levy if they had average property values per capita. However, because of low property values, a three-mill levy in borough 'A' would raise only \$250,000 or 25 percent. The state then would come in with \$750,000 or 75 percent instead of the normal 50 percent.

"Conversely, if borough 'B' wished to build a comparable school and had double the average per capita property values, their obligation would be to raise the entire amount while the state would contribute nothing."

On the issue of his alcoholism program, Hammond said he never claimed that increased taxes would eliminate the problem but maintained that hikes were necessary to pay for the \$10 million worth of court and police costs which alcoholism is costing the state each year.

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NOV 15 1977

## State revenue sharing gets Hammond's eye

By G. MICHAEL HARMON  
Associated Press Writer

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## Public Airs Its Views At Forum

13-31-30-57-13  
By PATTI EPLER  
Times Staff Writer

Responsible use of Alaska land — both public and private — and the need to find a renewable yet stable source of state income were the two major recommendations evolving from the Alaska Public Forum held here yesterday.

About 100 persons attended the all-day workshop, less than expected. State officials who sponsored the forum blamed low attendance on several other major public meetings also held here yesterday.

Four issues were discussed: land use, the permanent fund, government financing and subsistence. Gov. Jay Hammond was on hand part of the day, sitting in on group discussions and fielding questions at a "people's news conference" at the end of the day.

Hammond turned the tables on the public at the conference and asked a few questions of his own, including, "What state services would you reduce to cut government spending?" The audience couldn't think of any off-hand, although one person suggested doing away with Job Service, the state employment office.

The governor wasn't surprised at the response, however, saying it was a difficult question to answer and one reason why more cutbacks have not been made. "The problem is everybody says reduce services but reduce his, not mine," Hammond said.

Questions put to the governor were varied and covered such subjects as Alaska Inc., more state highways, fisheries and agriculture, mining and other mineral development, other economic enterprises as an alternative to oil, public control of state spending and D2 land.

Hammond heartily agreed with the public that government financing should not depend on oil revenues and that alternatives to an oil-supported state government should be found. Improvement of fisheries and agriculture has already been started and the state is looking for ways to make these two industries stand on their own, rather than be subsidized by oil revenues, he said.

Dave Hawes, who described himself as a political activist, asked the governor when more roads to Bush areas would be constructed.

"I think roads should be built to areas where people aspire to have them and not imposed upon those who don't want them," Hammond said. "Let's see the revenues to provide maintenance first, then build the roads. I'm willing to provide any service but I'm not going to do it by expanded government spending."

Anchorage resident Duane Oliphant wanted to know what enterprises besides oil development the state is considering. Oliphant was particularly interested in mining as a potential revenue source. Hammond cited an accelerated fishing and agriculture program as two enterprises the state is emphasizing. He said:

NOV 5 1977

# Senate permanent fund wants loan consolidation

ANCHORAGE (AP) — The state Senate Permanent Fund Committee has suggested that Alaska's state-operated loan programs be consolidated into one agency, backed by Alaska's Permanent Fund.

The committee suggests such an agency would make low-interest loans available to state residents. Members say the interest should be sufficient to cover costs, but suggest the state does not need to make a big profit.

The committee is preparing proposed legislation for consideration by the 1979 legislature. Members apparently are viewing the fund as a money pool that will help state loan programs get cheaper money for loans to Alaskans.

A report made to the panel this week says, with backing from the fund, the state could borrow money for relending to Alaskans at interest rates of between 5 per cent and 6.5 per cent. It then could make loans available to citizens at between 7 per cent and 7.5 per cent interest.

"The Alaska Permanent Fund can then be maintained as a 'savings account,' not risking any of its principal and investing in high-grade stocks, bonds and government securities," the report says.

The state permanent fund is made up of 25 per cent of state income from nonrenewable resources such as oil and gas.

Here are some major points of the proposed loan legislation, likely to undergo further changes before it reaches the legislature:

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- Maximum loan levels would range from \$75,000 for a single-family home loan to \$4,000 a year for undergraduate university study to \$500,000 for some business loans;

- The rate of interest would be "sufficient to cover anticipated cost of money to the fund and may not exceed 1 per cent" over that cost, plus the amount required for loan insurance. Lower interest rates would be permissible if the difference between the cost and

- And a watchdog agency would be formed. That citizens' advisory board would be made up of persons appointed by the governor and the Legislative Council.

Committee vice chairman, state Sen. Pat Rodey, D-Anchorage, said the program would "force the state to run a tighter loan program. If a large portion of the permanent fund is to be used, I would have reservations. We don't have an accurate analysis of the needs or impacts this would have on the state economy."

A state House committee on the permanent fund is considering a two-way approach to the monies, with a trust fund for investments and a development bank offering support for local projects.

Rodey says the differences between the committee concepts don't have to "necessarily hit head on."

He said the development bank would be good for big projects, adding the senate proposal would fill capital shortages in areas that are too small for a development bank.

NOV 8 1977

# Oil industry discounts state's figures

Oil company representatives in Alaska say state officials are trying to create public support for higher taxes on oil by releasing figures which show the state will spend more than it makes in fiscal 1978.

The state figures do not take into account a surplus left in the budget from last year, the oil men say.

**LAST WEEK**, ARCO's Alaska vice president, Howard Slack, said Department of Revenue figures show the state started the current fiscal year with \$660 million in the general fund, of which about \$460 million is available for current operating expenses. The other \$200 million was already committed, primarily to state loan programs.

Monday, Exxon's Alaska production operations manager, Monte Taylor, told the Anchorage Chamber of Commerce that "the state is not in a financial bind. It has a \$700 million kitty in the general fund right now and will be accumulating billions more in surplus funds over the next few years."

The state Legislative Affairs Agency estimates the state will receive \$207 million less than anticipated from oil production this year because of the July 8 explosion of Pump Station 8 and higher-than-expected tariffs permitted in a recent ruling by the U.S. Supreme Court.

**STATE** Revenue Commissioner Sterling Gallagher said Monday he did not yet have precise estimates of the state's anticipated shortfall this year. But he said the state will spend more than it collects, and he argued that to label the general fund money as surplus is misleading.

"The question is, should we spend all of our one-time revenues? Should some of the one-time money be saved, or should we consume our inheritance?" he said.

Gallagher said \$370 of the surplus was attributed to money left over from the 1969 Prudhoe Bay lease sale that netted the state \$900 million. In fiscal 1976, the state raised the general fund leftover amount to \$503 million and to \$660 million in fiscal 1977. It is that total that was carried forward into the current year.

**BY ARCO'S** calculations, therefore, the state should have \$1.2 billion available in fiscal 1978 — using Legislative Affairs Agency

estimates of \$775 million projected revenues this year, added to \$460 million left from previous years. Against that is the \$854 million state budget (with payment to the Native Claims Fund) and a \$60 million contribution to the Alaska Permanent Fund.

ARCO says the state will have a \$320 million surplus left after this year, even if the legislative figures were accurate.

"There is no crisis," Slack said in a prepared statement. "Our concern . . . is simply that they (assertions that the state budget is in trouble because of lowered oil revenues) are calculated to mislead the public and provide a basis for higher taxation of our industry."

"... **IF THERE** were a need, that would be another matter. We wouldn't like it, but we could understand the legislature looking to us once again for the needed revenues."

And Taylor said the state will receive more field-level income from Prudhoe Bay than all the participating oil companies combined. With the tax increase approved by the 1977 legislature, an additional \$6 billion in taxes will go to the state, Taylor told the Chamber of Commerce in his luncheon address.

"That's a record - high tax measure," he said. "It's enough money to buy every man, woman and child in Alaska a \$14,000 Cadillac."

ANCHORAGE  
Times Mirror  
Fairbanks, Ak

NOV 4 1977

## Fund panel favors one loan agency

ANCHORAGE (AP)—The state Senate Permanent Fund Committee has suggested that Alaska's state-operated loan programs be consolidated into one agency, backed by

### Alaska's Permanent Fund

The committee suggests such an agency would make low-interest loans available to state residents. Members say the interest should be sufficient to cover costs, but suggest the state does not need to make a big profit.

The committee is preparing proposed legislation for consideration by the 1978 legislature. Members apparently are viewing the fund as a money pool that will help state loan programs get cheaper money for loans to Alaskans.

A report made to the panel this week says with backing from the fund, the state could borrow money for reloaning to Alaskans at interest rates of between 6 per cent and 6.5 per cent. It then could make loans available to citizens at between 7 per cent and 7.5 per cent interest.

"The Alaska Permanent Fund can then be maintained as a 'savings account,' not risking any of its principal and investing in high-grade stocks, bonds and government securities," the report says.

The state Permanent Fund is made up of 25 per cent of state income from nonrenewable resources such as oil and gas.

Here are some major points of the proposed loan legislation, likely to undergo further changes before it reaches the Legislature:

- Loans delinquent for more than 60 days would be called in for collection, rather than allowed to go unpaid for several months as is sometimes the case now;

- Eligibility standards for state loans would require borrowers to be at least 18 years old with five years' state residency. At least 60 per cent of the shareholders of corporate borrowers would have to have five year residency.

- Maximum loan levels would range from \$75,000 for a single-family home loan to \$4,000 a year for undergraduate university study to \$500,000 for some business loans;

- The rate of interest would be "sufficient to cover anticipated cost of money to the fund and may not exceed per cent" over that cost, plus the amount required for loan insurance. Lower interest rates would be permissible if the difference between the cost and the interest rate were made up by the general fund of the Renewable Resource Development Fund.

Ketchikan Daily  
News  
Ketchikan, Ak

NOV 5 1977

Two committees of the legislature are anticipating how to allocate money in the permanent fund of the state created by revenues from gas and oil production. Both the House Permanent Fund Committee and the Senate Permanent Fund Committee want to retain the principal and invest it to make more money for the state. How that is to be done and how the earnings will be handled will be the subject of debate in the next legislative session.

The House committee leans toward using permanent fund earnings to create a development bank. That bank could make long term loans for such things as hydroelectric projects, very popular in Southeast Alaska.

The Senate panel this week proposed combining all of the current state loan programs — vets', farm, boat and a half dozen others — into one central agency. The loan programs would be expanded by having the state market bonds, using the permanent fund as collateral. Presumably, the state could borrow money at 6 to 6½ percent and loan it out at 7 to 7½ percent, using commercial banks to administer the loans for a share of the interest difference. The state would make its money by investing the permanent fund collateral.

Loans would range from up to \$4,000 for financing a student's education to a high of \$500,000 for business.

The two committees probably will come out with some combination of both ideas. While the two permanent fund committees have their fund spending, pity the state finance committees and the state administration.

It was reported by Commissioner of Revenue Sterling Gallagher last week that the state will receive \$150 million less this year than anticipated from oil. The reasons are the less-than-expected volume of oil through the transAlaska oil pipeline because of the destruction of pump station eight, and the higher-than-expected charge for transporting oil through the pipeline. The state's royalty comes after delivery costs.

Lawmakers already are talking of an extension of the tax on oil reserves, which actually is only a loan from the oil companies as they set credit later on for what's paid.

Although two legislative committees are having fun anticipating the spending, we shouldn't be lulled into false security. Budget cuts next year will hurt more than ever and accelerating any loan programs are years away, particularly if the state's bonded debt rises to finance the capital-move.

# Loan plan for state's nest egg

By PAUL NUSSBAUM  
Daily News Staff Writer

Alaska's state-operated loan programs should be placed under one agency, with low-interest loans available to state residents and backed up by the power of the new Alaska Permanent Fund, a state Senate committee has suggested.

The Senate Permanent Fund Committee, preparing proposed legislation for consideration by the 1978 legislature, sees the fund as a money pool that will enable state loan programs to get cheaper money for loaning to Alaskans.

**THE COMMITTEE** has drawn up a draft bill for consolidating the various existing loan programs into a single Alaska Loan Programs Fund. Under current plans prepared by the committee, the permanent fund would provide the collateral for selling low-interest revenue bonds. The sale of the bonds would generate money for the loan program, with low interests available then to Alaskans who want to borrow for homes, boats, farms, education and small businesses.

A report to the committee this week said, "If the state can borrow funds for relending to Alaskans at 6 per cent to 6½ per cent, it does not need to make a big profit on savings, thus enabling it to make loans available at 7 per cent to 7½ per cent."

"The Alaska Permanent Fund can then be maintained as a 'savings account' not risking any of its principal and investing in high grade stocks, bonds and government securities."

**WHILE THE** Senate committee's draft bill is certain to be modified somewhat before it is sent to the full Senate for consideration next year,

these are some of the major points of the proposed legislation.

Loans which are delinquent for more than 60 days would be called in for collection, rather than allowing loans to go unpaid for many months, as is sometimes the case now.

Eligibility standards requiring five years of residency in Alaska, at least 18 years of age, and for corporations, at least 60 per cent of the shareholders must have been state residents for five years.

Maximum loan levels would range from \$75,000 for a single-family home loan to \$500,000 for

some business loans, by 1980 year for underprivileged university students.

**THE RATE** of interest charged borrowers would be sufficient to cover anticipated costs of money to the fund and may be as low as one per cent over the cost of borrowing the amount necessary for loan insurance.

Even lower interest rates would be permissible for the proposed loan program, but the cost of borrowing would be made up by the Alaska Permanent Fund, the Renewal Fund, or the Development Fund.

A watchdog agency over the fund  
(Continued on Page 2)

## • Loan plan for nest egg

(Continued from Page 1)

fund would be established, and the "Citizens' Advisory Board" would draw its membership from appointments made by the governor and by the Legislative Council.

**ANCHORAGE** Democratic state Sen. Pat Rodey is vice chairman of the committee, and he was cautiously optimistic about the planned loan program.

"It would force the state to run a tighter loan program," Rodey said Thursday. "If a large portion of the Permanent Fund is to be used, I would have some reservations. We don't have an accurate analysis of the needs or of the impact this would have on the state economy."

The Senate proposal is at wide variance with the permanent fund proposals emerging from a similar House committee. The House panel is leaning toward a two-pronged approach, with a trust fund type of set-up which would invest the fund at highest safe interest and a development bank approach that would provide support for local projects.

**THE TWO** approaches to the use of the state nest egg that will total about \$2 billion by 1985 are certain to cause clashes in the legislature next year. But Rodey said Thursday the differences don't have to "necessarily hit head on."

"The development bank is best for large magnitude projects; that's its great strength, such as for hydro-power projects, where the initial investment is tremendous."

"The strength of the Senate approach is that it will fill capital shortages in areas that are too small

for a development bank. You have to meet both needs."

**THE SENATE** committee's proposal is likely to advocate lending through existing banks and financial institutions, with the banks paid a fee to administer the loans and collect bad debts.

The Senate committee, chaired by Bethel Democrat George Hohman, has not drawn up final plans for managing the fund, but one of the leading proposals under consideration would place day-to-day management in the Department of Revenue. Loans would be made through a new division of the Department of Commerce and Economic Development.

The agencies that would be responsible for making sure the loan program and the permanent fund were not misused would be the Citizens' Advisory Panel, the Budget and Audit Committee and the state Ombudsman.

# Forum Plans Discussions Across State

Alaskans' goals for permanent fund investments and their land needs will be among the questions asked this fall at Alaska Public Forum discussions in 16 communities.

The subsistence lifestyle and balancing the state's checkbook are two new topics which have been added to the discussions this year by the Alaska Growth Policy Council's public forum.

The workshops begin Oct. 3 in Dillingham and continue through Dec. 3 at Ketchikan. Results of the meetings will be compiled in time for the convening of the legislature in January, according to an announcement from the forum office.

The forum in Anchorage is set for Oct. 22.

Other scheduled meetings include Togiak Oct. 4, Wainwright Oct. 5, Kotzebue Oct. 12, Noorvik Oct. 13, Nunapitchuk Oct. 26, Emmonak Oct. 28, Fairbanks Nov. 5, Chalkyitsik Nov. 8, Kenai Nov. 9, Galena Nov. 17, Copper Center Nov. 19, Cordova Nov. 29 and Hoonah Nov. 30.

Last year an estimated 3,500 state residents in 60 communities took part in the Public Forum. Six prepared questions were discussed and recommendations made. They concerned the permanent fund, Alaska's land, public school construction, meeting human needs, oil and gas leasing and royalty oil and gas.

When asked how the permanent fund money should be invested, 36 percent of those responding last year favored loaning it to develop renewable resource industries. 26 percent favored keeping it in a savings account, 14 percent favored loaning it to communities, 10 percent favored loaning it for industrial development, 9 percent preferred loaning it to individuals and 5 percent suggested other uses.

The permanent fund was established by an amendment to the state constitution, requiring that a minimum of 25 percent of the state's income from oil and gas royalties and bonuses go into the fund. The management of the fund and its uses

have yet to be determined by the legislature.

Another question last year asked Alaskans how the state should use its new oil and gas money which would not be invested in the permanent fund. Thirty percent said they wanted it used for tax cuts for Alaskans; 21 percent favored loaning it to develop renewable resource industries. Others wanted to save it by increasing the permanent fund or using it for more community revenue sharing and community grants.

In response to the question of what should be the primary objective for managing Alaska's land, 38 percent said "to provide land for people's needs."

At this year's forum, they will explore what those needs are. Twenty-five percent of those responding last year favored managing land to promote renewable resource development and 19 percent said the state should preserve the natural environment.

Human needs Alaskans considered the most important were education, employment and alcoholism.

Regarding financing of public school construction, 34 percent favored continuing the present system of property taxes plus state funding in organized areas and 100 percent state funding in unorganized areas.

Asked what the state's policy should be in regard to future oil and gas lease sales, 58 percent said the state should sell leases at a constant pace to assure a steady flow of income for a long period of time.

Asked the best use of Alaska's royalty oil and gas, 45 percent said the state should provide in-state residential use of the royalty oil and gas, while 21 percent said the state should use it to promote industrial development in Alaska.

The Alaska Growth Policy Council, which directs the forum, is an 11-member council created by Gov. Jay Hammond in 1975 to broaden citizen involvement in matters of statewide importance.

Anchorage Daily  
Times  
Anchorage, Alaska  
OCT 1 1977

Nov 7 1977

## Road Show Fizzle

**BILLED AS** "Alaska's Traveling Road Show" by its sponsor, the state-financed Alaska Growth Policy Council, the Alaska Public Forum conducted in Anchorage on Oct. 22 must be rated as somewhere between a flop and a fizzle.

It attracted about 100 persons, which is one-two thousandth (.002 percent) of Anchorage's population.

A brainchild of Gov. Jay Hammond's administration, the Alaska Public Forum is noble in concept. It seeks an opinion from all of us on four major issues: Alaska's Land and the Permanent Fund (both repeaters from last year) and two new subjects — Subsistence and the Billion Dollar Enterprise also known as state government.

**IDEALLY, INPUT** from the public will influence the administration and legislature in charting our course into the future.

For such a worthy program to work, however, it is essential that the public demonstrate it buys the idea by participating in the forum. The results of the Anchorage session aren't encouraging. On the basis of population, if the Anchorage attendance is the norm for the entire state, it would mean that about 225 warm body participants would play a major role in making state policy.

Such poor representation isn't acceptable for even sketchy political polling and certainly shouldn't be acceptable as telling anyone what is best for the state.

**PERHAPS, BEFORE** the last of the Alaska Public Forums is

staged in Ketchikan on Dec. 3, some enthusiasm will have been breathed into the program. But don't bet on it.

A 12-page tabloid paid for by the taxpayers and inserted in 21 of Alaska's newspapers says that the Public Forum concluded its first year of activities last April.

"More than 3,500 Alaskans in 60 urban and rural communities throughout Alaska participated," said the tabloid. "That enthusiastic response signaled a promising beginning."

**EVEN IF THAT** 3,500 includes questionnaires mailed in as well as those attending sessions, it is less than impressive. Even if it includes only live humans who attended the sessions, it averages out to about 56 persons per community — less than a box office smash.

Despite cute cartoons which do little to emphasize the seriousness of the problems addressed, the latest tabloid distributed to Alaskans does provide an opportunity for non-forum participants to answer questions for the Alaska Growth Policy Council.

**IF THE TABLOID** can inspire 3,000 to 4,000 responses from Anchorage and a total 10,000 for the state, there might be room to argue that it is providing a needed input conduit for Alaskans.

But if it can't reach that modest goal — representing a response from one out of every 43 Alaskans — the sponsors should consider the forum as an idea whose time hasn't come, an expensive road show that can't attract an audience.

NOV 3 1977

## State Municipal League Meeting Begins Today

Activities of the House and Senate Permanent Fund Committees will be one of the items under review when the Alaska Municipal league members gather in Juneau for their 27th annual meeting.

The three-day conference, which begins today, will also include addresses by Gov. Jay Hammond and George Rortbal, administrator of Region X of the Department of Housing and Urban Development.

Besides the permanent fund, the Municipal league will discuss local crime prevention, zero base budgeting, and audit procedures. During its elected officials program which begins at 12:30 a.m. Wednesday and continues

through Thursday. The conferees will also break into eight workshops to develop recommendations for the legislature and state administration.

Fairbanks  
News Miner  
Fairbanks, Ak

NOV 5 1977

## One-day Public Forum hears from the people

The Alaska Public Forum got underway here this morning with close to 100 people attending.

The one-day meeting is the ninth in a series of 16 being held in communities throughout the state. In opening remarks, Gov. Jay Hammond said, "I don't know of any better means of finding out what the public interest is" than going to the people and asking them through programs such as the Public Forum.

In the cafeteria at West Valley High School, Hammond was met with a sign held by Arnold Hogue saying "Hammond, help Alaska, Resign." Hogue said the sign "represents the feeling that I and a lot of others have."

The people attending were meeting to discuss four subjects: subsistence hunting and fishing, land management, the Permanent Fund and the state budget.

The forum winds up this afternoon with a so-called "People's press conference" at 3:30 p.m. There Hammond and other state officials will take questions from citizens attending.

The meeting is also attended by Lieutenant Gov. Lowell Thomas Jr., State Rep. Sally Smith, D-Fairbanks, State Rep. Don Bennett, R-Fairbanks, Sen. Glenn Hackney, R-Fairbanks, Commissioner of Administration Bill Allen and Commission of Commerce and Economic Development Phil Hubbard.

Thomas said the attendance at Forum meetings so far, especially in rural areas has been "gratifying."

He also said that President Carter's proposed National Forum early next year was in part inspired by the Public Forum programs in Alaska. "We can take a bit of credit for that," Thomas said.



# What Leaders Should Be Asking

By Joe Josephson

**IN A FREE SOCIETY**, a function of leadership is to help us understand our common hopes. The wiser leader appeals to what is best in people; the demagogue appeals to the worst.

President Carter moved from relative obscurity to the White House by addressing, in his phrase, "the goodness and decency of the American people." Every successful president has helped his fellow citizens glimpse more clearly the country's traditions, ideals and possibilities.

Now at the state level, we need leadership that can speak in terms of the goodness and decency of Alaskans — leadership that can help us understand ourselves and each other, to help us focus upon our hopes for Alaska ten or 20 years hence.

Without that leadership, the danger is that Alaskans will become increasingly, and needlessly, divided.

**MANY OF TODAY'S** public figures here are excellent and idealistic men and women. But the common tendency of public officials is to treat the Alaska citizen in terms of a specific function or capacity, instead of as a whole person. The citizen is viewed here as taxpayer, there as public employee; here as oilman, there as fisherman; here as merchant, there as consumer. Rarely are Alaskans simply addressed as citizens concerned for the health and well-being of the broader community. Rarely if ever are Alaskans inspired by leadership to approach public affairs in just that spirit.

The miracle of Alaska is that even without the help of uplifting leadership, rank-and-file Alaskans — even in a state with as large a transient population as ours — are deeply involved in the clubs, the charities, the cultural, social and recreational pursuits that help build a sense of community.

To a degree, some sporadic inspiration has come from state leaders. The Alaska Growth Council, under the leadership of Lt. Gov. Thomas, has made efforts to involve Alaskans in long-range planning for alternative Alaska futures. But in the main, Alaska citizens are self-starters who care deeply about where Alaska is going.

**GIVEN THIS** citizenry, it is especially sad that today state leaders may be asking secondary questions of the public about policies for the state's permanent fund. The questions asked are not those of primary importance to permanent fund investment strategy, and they are not the questions which help us understand better our own aspirations for Alaska tomorrow.

For example, Alaskans are asked whether the fund should be invested as loans to business, for long-term gain benefiting future generations, for developing the so-called "renewable" resources, or for other specific purposes.

In response, Alaskans who are lenders in the private economic sector have one idea; Alaskans who are

would-be borrowers have another. Alaskans who are large taxpayers, or who associate themselves with the concerns of these taxpayers, have one point of view; but Alaskans who need or want more state services, or who believe that large taxpayers pay too little and should pay more, have another.

Thus, the present questions put to Alaskans on the permanent fund are not designed, and could not be used, to develop a real consensus among the Alaska people that could unite Alaskans about permanent fund strategy or about broad-based goals and objectives for the Alaska future. Instead, these questions today call on Alaskans to weigh permanent fund investment alternatives from the standpoint of self-interest instead of the standpoint of the state community.

**A COMMUNITY** is more than the sum of individual interests. The right questions to be asked would deal with the kind of Alaska we want for the year 1990, or 2000, or beyond. About that, the chance for consensus is greater. And given an idea about Alaskans' aspirations for the Great Land, investment experts can develop investment strategies to realize those aspirations.

There is an analogy in an individual's own estate planning. The primary question is the goal of the estate: what objectives are sought? Only then does the estate planning technician have a framework for policy-making.

The questions posed today raise issues like these: should the permanent fund be used to provide loans to small businesses beyond what's available now in the private sector and existing government programs? Should the permanent fund be invested in Alaska economy or in nationally traded securities? Should the permanent fund be used to diversify the Alaska economy, to reduce dependence upon the depletable petroleum resources? Should the permanent fund be used to attract industry and create jobs, as by investments in the infrastructure for power and transportation?

**BUT THESE** are the secondary questions to which I refer. What leaders should be asking is what we like best about Alaska, what are our greatest anxieties for the future, what kind of Alaska we want to build for the next generation and beyond.

With the answers to those questions, investment strategies can be formed to meet our objectives. Today's questions, addressed to more narrow self-interest, will give public policy navigators no useful gyroscope for Alaska's journey.

*Joe Josephson, an Anchorage attorney, has resided in this city since 1958. He has served in the state legislature, was co-chairman of the Joint Federal-State Land Use Planning Commission during the Egan administration and has otherwise been prominent in Alaska's public affairs.*

ANCHORAGE DAILY NEWS  
SEP 25 1977



# Permanent Fund Management

By Joe Josephson

**UNDER THE ABLE** leadership of Rep. Clark Gruening, the Alaska House Special Committee on the Permanent Fund has begun to go to the public. The committee wants ideas about Alaska's permanent fund, its proper goals and objectives.

Back when the state constitution was amended to create the permanent fund, the change was heralded as a way that state income from non-renewable resources could be husbanded for the benefit of future generations of Alaskans.

Supporters of the permanent fund admitted that the same idea could be achieved through the normal state appropriation process, if legislatures showed fiscal restraint, without establishing a dedicated fund. But they argued that legislatures never do show restraint, and inevitably are influenced by voter demands for increasing state services.

**THE ARGUMENT** was of dubious merit, but it struck a popular chord. Although it took the legislature about a decade to spend the \$900 million received from North Slope bonuses in 1969 — in spite of unexpected delays in pipeline construction that deferred receipt of production revenues, and in spite of accumulated need for state services that had long been neglected — people cited legislative expenditures in the 70s as evidence that as long as funds are available to be spent, legislators will find a way to spend them.

The trouble with the permanent fund is that if that popular assumption is true — that legislators will spend the money available — the permanent fund does little to curb the growth of state government. State general fund surpluses for the 1980s are projected to mount to billions of dollars, even after the permanent fund dedications are considered; thus, the temptation for more state spending will be present, permanent fund or no.

**ONE ANSWER**, of course, would be to earmark more and more state revenues to the permanent fund, in an effort to place more petroleum receipts out of the legislature's reach. At some point, though, the underlying notion of that approach becomes clear — to deny to the people of Alaska, through their elected leaders, the opportunity to work their will in a democratic way.

The premise of the suggestion that the permanent fund should be enlarged is that the people of Alaska can't be trusted, through their elected officials, to spend available money, or save state revenues, for wise purposes and in wise proportions.

Moreover, earmarking more and more money for the permanent fund would not change underlying conditions that create pressures for state spending. Those conditions — be they the need to develop a diversified economy, or to share revenues with local governments, or to educate children and adults in schools

and colleges, or to promote the quality of the environment, or to maintain an equitable schedule of public employees' pay — are not likely to be changed because a permanent fund exists. To meet pressures for state spending, many of which will be legitimate, a legislature confronted by a huge permanent fund beyond its reach will reach out for revenue through higher taxation.

**ANOTHER DILEMMA** for permanent fund policymakers is that some investment proposals imply government growth and new stimulus for population growth. The rate of Alaska's population growth is likely to be high in any case, bringing the blessing of new human resources to the state, new skills and new services, but bringing also new stress on the capacity of our towns and cities and labor markets and parks and streams to absorb increased population pressures.

One of the House committee's consultants noted that there is only one sure way to curtail Alaska's population growth — that is, by making Alaska a very undesirable place in which to live. But that would be an odd course of deliberate governmental action, even if governments everywhere from time to time have set such a course unwittingly.

The resulting irony is that if the permanent fund investment policy is to stress loans or loan guarantees for Alaska small businesses or to subsidize industry, the policy will imply support for more government activity in the marketplace and more stimulus for immigration. The result of that will be more general fund expenditures over time, not the dampening down of state spending which some advocates of the permanent fund hoped for. Moreover, it is not clear that permanent fund investment policy will ever be free of the very public pressures that were said to operate upon the legislature itself.

**AS THE HOUSE** committee's informative pamphlet notes, "trade-offs are inevitable." The permanent fund won support at polling places around Alaska from conservatives who saw virtue in keeping a "nest egg" for future generations, out of today's "non-renewable" resource receipts. In the same election, the permanent fund won support from liberals who saw the possibility of new funding aid for the fellow or woman unable to win financial leverage in the existing private sector.

Now that both sides have produced constitutional change, the state's lawmakers must deal with these opposing philosophies for permanent fund management — a tough intellectual and political task.

*Joe Josephson, an Anchorage attorney, has resided in this city since 1958. He has served in the state legislature, was co-chairman of the Joint Federal-State Land Use Planning Commission during the Egan administration and has otherwise been prominent in Alaska's public affairs.*

# Billion-dollar enterprise

(The Alaska Public Forum will conduct a workshop at 9 a.m. Saturday at East High School on four state issues which the governor, members of the legislature, and the Alaska Growth Policy Council have identified as most important for public discussion this fall. These issues include land, the financing of state government, the permanent fund, and subsistence use of fish and wildlife.)

Prepared by the Alaska Public Forum

The Alaska state government is a billion dollar enterprise, responsible for providing a wide range of goods and services to the public. These goods and services must be paid for from the state treasury, where all public funds are kept.

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

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

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

Although substantial oil revenue seems assured for at least 10 years, how will we pay for government when revenue from mineral sources ultimately declines?

**Meeting Expenses.** As the population increases and costs rise, it becomes more difficult to maintain the current levels of services without spending more money. Some people suggest that we should restrict



government spending only to those additional activities which can be financed by new taxes or service charges. Yet on the other side of the scale, there seems to be rising expectations of government and demands for new or more expanded services.

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

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

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

**Balancing the checkbook.** Some people believe that we should continue to finance state government predominantly with revenues from mineral sales because we will continue to discover and develop these resources indefinitely. This position is difficult to support or disprove, since it assumes the existence of resources which have not yet been found. Some individuals maintain that scarcity of developable mineral resources is too far in the future for it to be of major concern to state government and the Alaska people today.

It is possible that the Alaska economy will expand at a greater rate than increases in government spending. This would probably mean attracting new industries to Alaska which would increase revenues more than they would increase the demand for expanded state services and facilities (e.g., new schools and roads).

The legislature and the governor, with public advice, will decide on the level of government expenditures. Finding the appropriate balance between state spending and the financing of that spending is the question of financial management. If you think spending should be held down, certain activities now undertaken by state government will need to be reduced.

# A big question: permanent fund

(The Alaska Public Forum will conduct a workshop at 9 a.m. today at East High School on four state issues which the governor, members of the legislature, and the Alaska Growth Policy Council have identified as most important for public discussion this fall. These issues include land, the financing of state government, the permanent fund, and subsistence use of fish and wildlife.)

## Prepared by the Alaska Public Forum

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

The amendment reads:

"At least 25 per cent 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 for by law."

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

1. At least 25 per cent means that more than 25 per cent can be placed in the Permanent Fund.

2. All mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses specifies the type of money that will go in the Permanent Fund.

3. The principal of the Permanent Fund can be invested but not spent.

4. Permanent Fund investments must be income-producing.

5. The income from Permanent Fund investments, which shall be deposited in the general fund unless otherwise provided for by law, can be spent.

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

Understanding the difference between the principal and the earnings of the Permanent Fund is important. For example, if the state put \$250 million into a savings account, it might earn interest at seven per cent. 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, perhaps, six per cent



interest. In this case the state will earn \$6,000 at the end of one year which it can spend on state activities, unless otherwise provided for by law. Again, the state returns the \$100,000 to the Permanent Fund for future investments.

The fund is a big responsibility, and it is critical that it is understood and managed properly. The estimated revenues which will be produced by the development of our oil and gas resources give an idea of the potential magnitude of the fund. Total state petroleum revenues produced between 1977-1985 are estimated to be \$11 billion from all sources (taxes, royalties, leases, and bonuses). The portion of that petroleum revenue required by the constitutional amendment creating the Permanent Fund is expected to be at least \$1.3 billion by 1985.

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

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

Research and analysis continues as policy makers prepare for the debate which will take place during the 1978 session. Special House and Senate committees have been working through the summer to answer questions about how to set up and manage the fund. To assist these committees and the Governor, who will have to decide whether to sign any Permanent Fund bill passed by the legislature, the Alaska Public Forum is asking you to consider your goals for this special fund.

## Policy profiles

### *Permanent fund: can it be a settlement?*

By JOHN HAVELOCK  
(Second of two columns)

Before the Native Claims Settlement Act was enacted, some non-Natives asked, "Why not a settlement act for us?"

The complaint was not entirely idle disgruntlement. Hostility to distinctions based upon race go pretty deep, right to the U.S. Constitution.

**BUT THE SAME** constitution imposes on the federal government a special obligation to respect the identity and enhance the welfare of Alaska Natives as Indians. The 1971 Native claims settlement did that. The Alaska Native has a very special, constitutionally based, identity.

Among the rest of us, government must make distinctions which ignore race and distribute benefits according to classifications bearing a rational relationship to an objective of public policy, such as promoting fisheries.

In a way, the fishermen of Alaska got a settlement act through the Commercial Fisheries Entry law. This act created a property interest in the commercial fisheries of Alaska and divided it among those with an historic economic interest in the fisheries.

**COMMERCIAL FISHERMEN** as a group have a special identity, economically defined, which the state recognizes by distributing benefits. Veterans, farmers, the unemployed, the injured, dozens of classes of people are selected by the state as special beneficiaries enjoying direct benefits in cash or kind. Classes of persons also enjoy special benefits, to the degree of use, in the public works and recreational opportunities of the state.

As a result of its budget, tax and development policies, the state of Alaska will soon enjoy a large budget surplus. The income going into the permanent fund didn't have to be. Taxes could have been lower. Leases could have been sold on a different schedule of basis. Gas costs to consumers could have been less. So this surplus is really no different from any other government surplus. It is a consequence of policy.

Disbursements from the fund do not have a different federal constitutional basis than any other government disbursement. There must be a rational class and a public purpose.

**HOW ABOUT** a settlement act for "everyone"? We have no identity, merely as residents, upon which to base an inherent claim to disbursement of this surplus. What governmental purpose is served by a distribution to everyone? What need is met? We are not Natives to whom a special federal obligation is due. We all do not fit in a single economic grouping in whose welfare the state has



an interest. We are highly differentiated by position.

Possibly, assuming it is desirable, the state could reach us all through two roles which most of us fit. Taxpayers may be given tax relief. Those too poor to pay taxes may receive income assistance through a negative income tax or similar strategy.

A biased distribution of benefit based on longevity of residency, as has been suggested by some, won't work. You can't give tax credit based on how many years you have been here.

**FOR INSTANCE**, you couldn't give a superior fisheries entry permit based on the duration of residency. Despite local hard feeling, the fisheries entry law required constitutionally to respect the interest of non-residents in permits. The state can't give higher unemployment or welfare benefits to a person simply because he has been here longer. The U.S. Supreme Court has spoken on this issue.

The court is not without reason. What rational distinction can the state draw between me who has lived here eighteen years and thee who has lived here one?

If such distinctions could be sustained, the mathematics of majority rule should dictate that the "median man" calls the shots by lining up with everyone less senior or everyone more senior to divide up the pie among the chosen half.

Should the permanent fund be divided up among special class benefits? There is much legislation now benefiting one kind of special group or another.

**MOST IN-STATE**, investment and distribution plans for the permanent fund tend to encourage even greater separatism, one group from another in our society.

One such proposal might have a regional basis. Just as the settlement act recognizes and encourages differences among twelve regions, the permanent fund could be carved into regionally oriented, benefit pots.

# Forum kicks off its second year

The Alaska Public Forum, a program to find out what Alaskans have on their minds, has been in business for about a year now.

The forum kicked off its second year Monday night with a meeting in Dillingham. It was the first of 16 meetings scheduled around the state between now and December. On Nov. 5 the forum will come to Fairbanks.

A recent report on the results of the first year's meetings shows that about 3,500 persons from 60 communities participated in the forum through a series of town meetings and by answering newspaper questionnaires.

Seven questions were posed at the meetings. The results seem to indicate that on most questions at least, there is no clear consensus as to what the state should do to make Alaska's future a brighter one.

Forum participants were asked to say how the Permanent Fund money should be invested; how the state should use its new oil and gas money; how public school construction should be financed in both organized and unorganized boroughs; how the state's land should be managed; what the state's policy on oil and gas lease sales should be; what social needs are the most pressing in the state; and how the state's royalty oil and gas should be used.

On the Permanent Fund question, 36 per cent of those who answered said it should be used for loans to develop renewable resource industries, while 26 per cent said it should be "saved."

When asked about the oil money that will be collecting in the state's coffers, 30 per cent of the participants said it should be used to provide tax cuts to Alaskans, 21 per cent said it should be loaned to develop renewable resource industries and the rest submitted various other answers.

On the question of what human needs are the most important in the state, 31 per cent said education, 23 per cent said

employment and 12 per cent said alcoholism.

Almost 35 per cent of those who attended said the present system of financing school construction should be continued, while 18 per cent said local property taxes should be used and supplemented with state money if necessary.

When asked about land and how it should be managed, 38 per cent said the state should act to meet people's needs and 25 per cent said it should be managed to promote renewable resource development.

A majority of those who participated said the sale of oil and gas lease sales should be timed to ensure a steady flow of income to the state over a long time.

Forty-five per cent of the participants said the state should provide for in-state residential use of Alaska's royalty oil and gas.

During forum sessions this year topics to be discussed include the Permanent Fund, subsistence, land policies and general state spending policies.

## Perspective

# Alaska's "Nest Egg": Is It an Empty Shell?

By Joe La Rocca

The trouble with the popular perception of Alaska's new State Permanent Fund as a "nest egg" is that the analogy is prophetically apt. Eggs not eaten soon rot; thus the Permanent Fund, now less than a year old and already showing signs of spoilage.

Conceived in the emotional aftermath of the public spending spree which quickly devoured the \$900 million in bonus proceeds from the state's 1969 oil and gas lease sale on the North Slope, the idea of a Permanent Fund palpably emerged from the 1976 legislature in the form of a proposed amendment to the state constitution aimed at removing its prohibition against dedicated or special state funds.

The proposed constitutional amendment was overwhelmingly ratified at last November's general election by Alaska's voters, whose political leaders had endowed the public with the fanciful notion that a vote for a Permanent Fund was a vote for fiscal responsibility. In fact, it was a facade erected behind which to conceal their prodigal extravagance with public monies.

The proposed amendment, for example, was heartily endorsed by the 1976 legislature and Governor Jay Hammond who together placed before the voters in 1976 by far the largest package of general obligation bond indebtedness ever proposed totalling a quarter of a billion dollars. Together they also launched a borrowing program against future oil revenues which has illegally plunged the

## Perspective . . .

—Continued from page 4

state into more than half a billion dollars of debt, thus amassing a state deficit unmatched by all the governors and legislatures since statehood.

Under those circumstances, the 1976 legislature — 50 of whose 60 members were up for re-election later that year — and Hammond, who faces re-election next year, sorely needed a symbol to overcome the political handicap of the spendthrift image they had cultivated. Enter the Permanent Fund, whose motherhood appeal in an emerging era of fiscal conservatism offered the ideal vehicle for politically exploiting that era's fetish.

Thus hoodwinked by their political leaders, Alaska's voters last year approved by a nine to one margin the creation of the Permanent Fund, which was soon enveloped in a swirl of political bickering over how it should be structured and managed, and by whom.

During its recent round of public hearings, the Special House Committee on the Permanent Fund announced that the fund has already accumulated nearly \$5 million and earned \$45,000 from interest on security investments. Unmentioned was the fact that more than half a million dollars have been committed by the administration and legislature to activities aimed at determining how to administer the Fund, an expenditure which is equal to 10 times the Fund's current earnings.

There is a widespread misconception that the Permanent Fund is designed, in part, to curb public spending by making substantial amounts of revenues from the sale of the state's non-renewable resources unavailable for appropriation by the legislature. That misconception was encouraged by the general impression that the new constitutional provision authorizing the creation of the Permanent Fund requires at least 25% of state oil and gas revenues to be deposited into the general fund, which may be used only for income-producing investments.

What is not generally known is that the minimum deposit requirement does not apply to oil and gas severance tax receipts, which are by far the single largest source of state revenues and will soon exceed all other revenue sources combined.

Thus, the Permanent Fund as presently instituted perpetuates the illusion of fiscal restraint. But as enormous volumes of North Slope oil and gas revenues pour into the state treasury, the legislature, the governor and the burgeoning bureaucracy they feed will have at their disposal exponentially increasing amounts of General Fund monies, the expenditure of which is not in any way proscribed.

As I wrote in this corner nearly a year ago, just prior to the general election at which the creation of the Permanent Fund was approved by the voters: "The simple truth is that the current legislature and governor have used the motherhood mystique of the Permanent Fund to lull the public into acceptance of the notion that they

are the practitioners of fiscal restraint, when, in fact, the opposite is the case. . . unfortunately, there's little doubt that the voters will blindly approve Proposition No. 2, for the concept of a permanent public fund has already been sanctified by the state's self-serving political establishment and Alaska's unthinking news media."

My earlier qualms, then speculative, are being rapidly confirmed by the political chaos in which the Permanent Fund is currently adrift.

Even the author of the constitutional amendment authorizing the creation of the Permanent Fund, Rep. Clark Gruening, D-Anchorage, acknowledged recently that there are serious problems with it. Gruening, chairman of the Special House Committee on the Permanent Fund, said: "I think the pit is bottomless." He was referring to the infinite multiplicity of proposals for using Permanent Fund monies.

According to reports, Gruening feels that many of the proposals can be accommodated through established state fiscal processes, such as budgetary appropriations or existing loan programs, of which there are about a dozen.

Therein lies the essential and seemingly incurable conflict: the clear absence of any consensus on what Permanent Fund monies should be used for. It's the same political dilemma which accompanies conventional options for public spending. Under existing fiscal policy, this conflict is resolved through the political process. There seems to me to be no value in artificially fragmenting that process simply to justify the existence of a redundant and politically-motivated public policy tool which not only serves no useful public purpose, but which is counter-productive to better

## FOR LOCAL GOVERNMENTS:

# Revenue Sharing Overhaul Studied

By G. MICHAEL HARMON  
Associated Press Writer

JUNEAU (AP) — Gov. Jay Hammond said today he is exploring the potential for multi-million-dollar changes in the state's revenue sharing programs for local governments.

Hammond said his idea was based on the premise that state revenue sharing programs should recognize differences between property rich and property poor communities.

The current system, Hammond added, also is flawed because it acts as a roadblock to the formation of local government in unorganized boroughs.

"State revenue sharing now goes out to the municipalities on the same basis, regardless of needs or capabilities to fund programs at the local level," Hammond said. "It seems to me the system needs to be changed."

Hammond outlined his ideas in a wide-ranging interview with The Associated Press in which he also said:

—He will not push for passage during the upcoming Legislature of his Alaska Inc. concept for sharing income from the state permanent fund directly with the people.

—A special legislative committee chaired by Sen. Mike Colletta, R-Anchorage, has "subtly distorted the issue" by claiming that administration-proposed booze tax increases

will not solve the state's alcoholism problem.

—He will seek an attorney general's opinion on the constitutionality of his idea to balance growing urban influence in the Legislature with a reapportionment plan that would provide for the statewide election of the senate.

In addition to his ideas for major revisions of state revenue sharing, Hammond said he would submit legislation to the 1978 session for the creation of a blue ribbon panel to "investigate current and future state and local government relations."

"The group's two-year mission," Hammond said, "would be to study state and local government relationships, particularly in the unorganized borough areas."

One of the state's major problems and one of his major goals, Hammond said, was "restructuring our revenue sharing delivery system so that localities which make good faith efforts to tax themselves and to provide necessary services are in some way rewarded for this effort."

Under the current system where the state picks up 100 per cent of the cost of services in unorganized boroughs, Hammond said there is no incentive for unorganized areas to form local government.

"In the future, it's my hope that we can encourage local governments to adopt more responsibility for governing themselves," Hammond said. "Perhaps there is a way of accomplishing this through revisions of the revenue sharing programs."

He said one way to accomplish this would be to share revenues on a basis inversely proportionate to a municipality's per capita property values.

"Though such a system, municipalities with high per capita property values would receive less shared revenue than those which are property poor," Hammond said. Hammond said the system could be applied only to increases in shared revenues.

"Accordingly, I am considering submission of legislation increasing shared revenues for police purposes on such a basis," Hammond said.

The governor also said he was exploring the possibility of a similar adjustment to school construction aid, keeping in mind that the ultimate goal of his administration is 100 per cent state funding of schools. But until that goal is possible, Hammond said interim changes needed to be made in the current system whereby the state funds 50 per cent of any school construction a municipality might wish to undertake.

"Such a system does not relate to comparative needs nor capability of meeting such costs at the local level," Hammond said. "Rich municipalities and poor municipalities are treated just the same."

As Hammond explained his concept:

"We would first determine the average property values per capita found throughout all municipalities. Should a municipality then wish to construct a school, their debt service obligation would be the amount which could be raised in their municipality were they to impose a mill levy equal to that which would be required if they had average property values per capita."

"Say, borough 'A' wished to build a \$1 million school and the normal 50 per cent or \$500,000 debt service obligation could be paid off with a three-mill levy if they had average property values per capita. However, because of low property values, a three-mill levy in borough 'A' would raise only \$250,000 or 25 per cent. The state then would come in with \$250,000 or 75 per cent in aid of the normal 50 per cent."

"Conversely, if borough 'B' wished to build a comparable school and had double the average per capita property values, their obligation would be to raise the entire amount while the state would contribute nothing."

On the issue of his alcoholism program, Hammond said he

never claimed that increased taxes would eliminate the problem, but maintained that a hike was necessary to pay for the \$10 million worth of court and police costs which alcoholism is costing the state each year.

Hammond also said he would not seek passage of his Alaska Inc. concept until the state budget was not so dependent on non-recurring oil income.

# Money, Land Are Key Issues As 100 Attend Public Forum

(Continued From Page A-1)  
in," Gruening said afterward. The public seemed quick to grasp the main concept of the fund though confused use of the general fund with the permanent fund, he said.

Tim Buckley, a forum staffer, led the session on land use. By 1985, state officials expect about 100 million of Alaska's 360 million acres to be state-owned with about one million of those acres in private hands, he said.

The balance will be controlled by the federal government, with 44 million acres owned by native corporations, he said.

The state is exploring ways of putting more land into private hands and is seeking input on how to do it.

Several land conveyance programs have been in effect in the past, including the Homestead Act and the open-to-entry program. The Homestead bill, passed during the last legislative session, will make about 5,000 acres available next spring and a cooperative program between the U.S. Forest Service and the state Department of Natural Resources is attempting to give communities surrounded by national forest land title to some of the surrounding land.

Most attending the discussion agreed land should be classified for its most suitable use — recreational, residential, commercial or industrial — and ways of insuring the intended use should be decided.

Land speculation was a major concern. Participants said land should be conveyed in a manner voiding people buying land and reselling it later for exorbitant prices.

Leasing land was preferable to its sale, if only to avoid speculation and to assure its intended use, they said.

Those involved in the discussion on government financing, called the billion-dollar enterprise by forum officials, said they had a fiscally conservative attitude toward the government.

One group proposed a moratorium on new programs and said the government should "live within our means."

The government should not depend so much on oil revenue and stop overspending on the basis of income from oil production, they said.

Government should "not be opposed to giving money to those who deserve it" but should stop spending money unwisely, the public said.

The discussion group favored "user taxes" such as that on tax on alcohol.

Tempers flared at the subsistence discussion, which forum officials said was the hardest topic to narrow

to a level that could be discussed within a workable framework.

The state proposed reorganizing the Fish and Game Board, currently a statewide seven-member board, into five regional boards which would have more awareness of the needs of each region.

The 53 advisory committees now in existence — although one state official said many of those committees exist in name only and haven't held a meeting in years — would still work with the regional boards and offer input from their respective communities.

David B. Nanalook, a Bush resident, said problems arise, particularly in Bush areas, because the board tends to listen to the fish and game biologists and not to the people who need subsistence hunting and fishing.

"Hunting regulations imposed in rural areas are not in compliance with the rural lifestyle," he said.

Opposition to subsistence living came from Dale Bondurant who said subsistence is "blown out of proportion in Alaska as a motherhood issue."

"The state constitution says the

fish, the wildlife and the waters be reserved for all the people's common use," he said.

Bondurant said his interpretation of the Alaska Native Claims Settlement Act was that when the natives agreed to the act, they gave up all "aboriginal claims."

Rosita Worl, who said she has extensively studied subsistence in the rural areas, said most persons in urban areas are not really aware of what a subsistence lifestyle is in Alaska today. On one hand there is the cash system and on the other is subsistence, she said, and now that rural areas have accepted the cash system, subsistence encompasses both aspects.

Most attention to the subsistence issue is focused on the use of land and resources but two other aspects need to be considered, Ms. Worl said.

Subsistence is really a social system in which the entire community works together to share the benefits of the hunting, she said. Citing whaling as an example, Ms. Worl said the whaling captain divides the catch among those who hunted as well as the elderly or needy. "It feeds the entire community," she said.

Subsistence also has great cultural value to village people, Ms. Worl said. "It's difficult to define," she said, "but there is a strong relationship to the environment. It is reflected and symbolized in the art, music and dance."

The forum staff will study the responses from each group and draw up a final report. Similar public forums have been conducted in other areas, and several more are scheduled over the next few months.

## Wide Margin Expected

PANAMA CITY, Panama (AP) — After six weeks of unusually free debate, Panamanians vote today in a national referendum whether to accept the Panama Canal treaties negotiated with the United States. Government officials privately predicted a 70 per cent "yes" vote.

OCT 6 1977

# Resources, land priorities in public forums

By BOB SPEED

Sally News Staff Writer

After several months of public forums around the state and more months of digesting the information gathered, the Alaska Public Forum has issued its report on the first year's results.

The public forum, sponsored by The Alaska Growth Policy Council, has also announced its second round of forums to be held around the state, the first of which have already taken place. One is scheduled in Ketchikan on Dec. 3.

The forums, which are supposed to get state residents' opinions on statewide concerns, met for the first time in Ketchikan last winter, and according to a year-end report just released people expressed similar problems and ideas.

About 3,700 state residents were attracted to the meetings which were held in communities in each of the state's seven regions. The public forum, under the direction of Lt. Gov. Lowell Thomas Jr., asked opinions on several statewide issues, including state policy on oil and gas revenue and planning, land use and

social services.

The forum also spent some time gathering information on topics of regional concern.

Renewable resource development and land were the most important areas of concern held in common among the state's seven regions, followed by transportation and problems regarding the size and growth of state government.

Some 58 percent of the participants believed the state should sell oil and gas leases at a constant rate for a "steady flow of income," according to the year-end report. Nearly half—45 percent—of the participants believed that the best use of royalty oil and gas would be to make it available for residential use at low cost and to ease any future national shortages. Another 21 percent said it should be used to promote industrial development, although people weren't in favor of subsidizing that industry.

However, there was little support for using the state's lands to promote industrial development, with only eight percent opting for that idea. The largest number of people, some 38 percent, said

the state should provide for people's needs through homesites, subsistence and recreational development. Another 19 percent said preserving the natural environment is a top priority.

Education was the top social need seen by forum participants, followed by employment. However, the Alaska Growth Policy Council determined that if those two issues were taken as "philosophical" statements, the largest single problem expressed by residents was alcoholism, a concern of 12 percent of the participants.

General health care was the next largest concern to participants with nine percent expressing that need, and related to that were the next two highest priorities, taking care of children and the elderly, each with seven percent expressing those needs.

A total of 3,714 people participated in the forums, ranging in age from 13 to 94. One-third of them were professional people including lawyers, nurses, pilots, government workers and others, but two-thirds were non-professionals ranging from carpenters and roofers to

lumbermen and farmers.

Of the participants, 68 percent were male and the largest single age group, 30 percent, were between the ages of 25 and 35; 20 percent were between 45 and 55 and another 18 percent were older.

In the second forum series, the permanent fund will again be a major issue, as will land use, and questions will be more specific on people's preferences for using the money and land.

Subsistence, which Thomas describes as "currently one of the most sensitive and controversial issues facing the state in the area of fish and wildlife management," will be a topic for the forum and the fourth question, will deal with the problem of balancing the state budget and financing government activities.

Thomas said today that emphasis will be placed this year on meetings in rural communities, although forums will also be held in Anchorage and Fairbanks and conclude in Ketchikan Dec. 3. Gov. Jay Hammond said today he would be in Ketchikan for that final forum.

OCT 14 1977

## At Southeast Conference:

# Officials develop unified stand for SE

by JANE HANCHETT

Daily News Staff Writer

SITKA—Municipal officials at the Southeast Conference strongly urged support from legislators and state administration officials for a percentage of the Alaska permanent fund to be designated for development of energy sources.

The southeast conference met in Sitka Thursday and today to develop a unified stand for Southeastern projects.

But the officials' remarks were received by cautious state officials and representatives of the senate and house special permanent fund committees. Those

committees and the state investment advisory commission currently are holding public hearings to find out what the public wants done with the permanent fund.

State voters in 1976 established the fund by passing a constitutional amendment that allows a minimum of 25 percent of all mineral lease rentals of royalties, royalties sale proceeds, federal mineral revenue sharing payments and bonuses to accumulate in a special fund.

Don Bowey, Ketchikan Public Utilities assistant manager; Rocky Gutierrez, Sitka city and

borough administrator, and Dick Ballard, of the Thomas Bay power commission (for hydroelectric development of Petersburg and Wrangell), emphasized the need in their communities for long term, low interest rate, hydroelectric development loans.

The community officials asked that a certain percentage of the fund be used for energy development, because continuance of a former source of loans, the water resources revolving loan funds, passed by the legislature in 1975, is now in question.

State Revenue Commissioner

Sterling Gallagher said there was no more money available for loans in the fund. The revolving loan fund depends on legislative appropriations.

A bill was passed this year to provide \$3.6 million for power projects development. The money consisted of \$200,000 for the water loan fund, \$1.6 million for Sitka's Green Lake hydroelectric project now in the planning stage, and \$1.8 million for a power project revolving loan fund, according to R.W. Beck Association consultants for Ketchikan, Sitka, and Wrangell-Petersburg water projects.

Sitka plans projects at Green

Lake, Ketchikan at Swan Lake and Wrangell-Petersburg at Thomas Bay.

Gov. Jay Hammond cut an original appropriation enacted in 1976 for the water resources loan fund from \$3 million to \$2.5 million, and this year cut the \$200,000 that the legislature had earmarked from the fund.

He also cut the power project loan fund from \$1.8 million to \$540,000, according to Beck consultant James V. Williamson. Sitka has been the only community to take advantage of the water resources loan fund since its enactment. Williamson said that the other communities

were "reluctant to borrow money from the loan fund since the loan conditions stipulated by the administration were not especially attractive."

Despite other communities comparative slowness to Sitka in applying for the funds, their officials Thursday expressed great need for continuance of the fund.

Ketchikan's Bowey called for "replacement legislation" that must contain "funding for hydroelectric and portable water projects" from the state's mineral resource wealth.

The next project of the legislature regarding the per-

manent fund is to enact "enabling legislation" setting for its structure and specifics on what the money will be used for. Proposed legislation now calls

for "at least 40 percent to be invested in investment grade securities, not more than 30 percent to be invested in the private sector of Alaska's economy and not more than 30 percent to be invested in community development projects and private dwelling Gallagher told the conference delegates.

Southeastern municipal officials all urged support for of their hydro projects as community development projects.

OCT 3 1977

# Education needs foremost in survey

By PAUL NUSSBAUM  
Daily News Staff Writer

Education and employment are the most important needs facing Alaskans, according to surveys of state residents conducted by the Alaska Public Forum.

And more than twice as many residents favored using royalty oil and gas for in-state residential use as favored other uses for the state's one-eighth portion of oil and gas found in the state.

A GREAT MAJORITY of those responding to the Public Forum survey questionnaires on future oil and gas leasing

wanted leases sold at a constant pace to insure a steady flow of income.

To questions on the use of the Alaska Permanent Fund, the highest percentage of those responding favored use of the state's savings account to develop renewable resources industries. New oil and gas money that is not dedicated to the permanent fund should be used to cut taxes for Alaskans, 30 per cent of those responding said. Those who wanted either permanent fund money or new oil and gas money used for industrial development were in a distinct minority, the survey showed.

Operated out of Gov. Jay S. Hammond's office, the Public Forum last year distributed questionnaires about state policy through newspapers and pamphlets. More than 3,800 persons responded to at least one question, and more than a third of those had lived in the state for at least 20 years. The respondents ranged in age from 13 to 94.

THESE ARE the questions asked and the responses received:

—How should the permanent fund money be invested?  
Loan it for renewable resource development, 36 per cent.

(Continued on Page 2)

(Continued from Page 1)

Save it, 26 per cent.

Loan it to communities, 14 per cent.

Loan it for industrial development, 10 per cent.

Loan it to individuals, 9 per cent.

—How should the state use its new oil and gas money? (All revenue except that invested in the permanent fund)

Use it for tax cuts, 30 per cent.

Loan it to develop renewable resource industries, 21 per cent.

Save it by increasing the permanent fund, 13 per cent.

Use it for more community revenue sharing and community grants, 12 per cent.

Use it for cash payments to Alaskans, 6 per cent.

Use it for more state services, 5 per cent.

Loan it to communities, 4 per cent.

Loan it for industrial development, 5 per cent.

Loan it to individuals, 3 per cent.

OCT 22 1977

# 'Savings' plan for oil wealth

By G. MICHAEL HARMON  
Associated Press Writer

JUNEAU — A special House committee directed its staff Friday to prepare legislative language in line with a tentative decision to earmark the profits as well the principal of the Alaska Permanent Fund as a savings account for the future.

Under the concept being developed by the House Permanent Fund Committee, income from investing the fund's oil revenues would be plowed back into the fund.

"With the permanent fund, we are more interested in preserving it for the future rather than using it to achieve social goals," said Rep. Russ Meekins, D-Anchorage and a member of the committee.

To accomplish social goals such as diversifying the state's economy, the committee is considering legislation to create an Alaska Development bank which also would be financed by oil wealth.

"But leaving social goals to non-elected public officials like those that will be necessary to manage the permanent fund bothers me," said Rep. Clark Gruening,

D-Anchorage and chairman of the committee.

Under the concept now being considered by the committee for submission to the 1978 Legislature, no time limit would be placed on how long profits from the permanent fund would be reinvested.

"My feeling is that we would just save it until we get a better idea of what we want the fund to do," Gruening said. "Anyway the permanent fund isn't going to amount to much until the 1980s."

Despite apparent agreement on the committee, officials of the administration of Gov. Jay Hammond raised doubts the savings account concept.

"You've got to tell the managers of the fund who are they trying to benefit and in what time frame," said Revenue Commissioner Sterling Gallagher. "They've got to know that to decide what kinds of things to invest in."

"When I look at the savings account concept," added Deputy Revenue Commissioner Jim Edenso, "I wonder just who the hell we are saving it for. What your asking the people of Alaska to do is

defer benefits which could be realized now."

And committee members acknowledged difficulty in their efforts to balance the savings account concept with directions for management of the fund.

At issue was a conflict between the committee's desire to safeguard the money while at the same time allowing flexibility in investment decisions by a proposed board of trustees.

Gruening said he wanted the staff to come up with language which gave trustees a mandate to preserve the principal of the fund, protect it against inflation and still maximize profits.

"We don't want the trustees to gamble, but we want to give them enough flexibility that the fund doesn't lose money in real purchasing power," Meekins said.

The House panel also grappled

with the dilemma of how to strike a balance between the "accountability and independence" of the board of trustees being proposed to manage the fund.

The issue arose during the presentation of a report by a representative of the financial consulting firm of White, Weld & Co. on the management of similar funds in other states.

Robert E. Greeley, a vice president in the consulting firm, said the legislatures of Wisconsin and Minnesota also faced the issue of accountability versus independence in establishing centralized agencies to invest revenues from their permanent, trust, and retirement funds.

In those states, Greeley said, the lawmakers "removed themselves" from the day-to-day decisions on how the funds are invested.

Oct 10 1977

## Permanent fund committee grapples with competing demands for money

By G. MICHAEL HARMON

Associated Press Writer

JUNEAU (AP) — Members of the House Permanent Fund Committee Friday grappled with the dilemma of how to strike a balance between "accountability and independence" in drafting legislation to manage the investment of Alaska's resource wealth.

"What we're trying to do is find ways to resolve potential conflicts between desires to use the fund to achieve social goals and pressures to achieve the highest return possible," said Rep. Clark Gruening, D-Anchorage and chairman of the committee.

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In those states, Greeley said, the lawmakers "removed themselves" from the day-to-day decisions on how the funds are invested while attempting to retain control through strict reporting requirements and their ultimate power of the purse over the administrative budgets of the agencies.

"If the managers do something they (legislators) don't like, they can eliminate the money for the staff," Greeley said.

Most of the committee members' questions to Greeley centered on the issue of control over investment decisions by fund managers.

"The important thing to me is the control of elected offi-

cials," said Rep. Russ Meekins, D-Anchorage. "I'm interested in keeping some kind of legislative control."

"I don't think the legislature should have control over specific investment decisions, but it should have control over the direction of the investments."

Rep. Bill Miles, D-Anchorage, said he also wanted to make sure legislation being prepared

by the committee provided for resolution of conflicts "when the legislative finds itself at loggerheads with the fund managers."

The committee questioned Greeley prior to beginning a review of its "rough, rough talking draft" of legislation which would keep profits from the Alaska Permanent Fund locked away in a savings account for the immediate future.

APR 11 1977

## Potential permanent fund conflicts give committee members dilemma

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However, the working draft does include a proposal for creation of an Alaska Development Bank to make more immediate use of income from the state's oil and gas wealth.

The development bank would have the same source of funding as the Permanent fund but in a different amount. It would be financed by not less than five per cent of state revenues from mineral lease bonuses and rentals and royalties until it has accumulated a balance of \$100 million. The Permanent Fund gets at least 25 per cent of such revenues with no upper limit.

Southeast Alaska  
Empire  
Juneau, Alaska

# Fund Accountability Faced

By G. MICHAEL HARMON

Associated Press Writer

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The draft copy includes detailed provisions for the operation of the bank. But Gruening said the proposals were only intended to give the committee a starting point for discussion, and would be changed drastically in the weeks to come.

The bill would create a State Investment Committee of legislators with

budget and audit review over the Permanent Fund, the Development Bank and the already-created Renewable Resources Development Fund.

Under the tentative House draft, the Permanent Fund would be supervised by a board of trustees and the Development Bank would be managed by both a board to set policy and a committee to make specific investment decisions. The legislature would have confirmation powers over both the trustees and the policy board.

The draft House proposal would continue the conservative standards for investment of

Permanent Fund income established by the 1977 legislature for monies flowing until the fund until a permanent management concept is approved.

The tentative proposal would restrict investments to U.S. securities, bonds issued by Canada, states and other public bodies and property improvement not under the National Housing Act.

It also provides that "income from investment of the permanent fund becomes a part of the permanent fund" with the exception of money needed to pay the administrative expenses of the board of trustees.