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#9: 197

# Alaska State Legislature

SPECIAL COMMITTEE ON  
THE ALASKA PERMANENT FUND  
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REP. RICK URION

## House of Representatives

August 8, 1977

Dear

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

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

Sincerely,

Mike Doogan  
Administrative Assistant

Enclosure

## PERMANENT FUND GOALS QUESTION

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

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

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

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

## PERMANENT FUND CONTROL QUESTION

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

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

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

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

BPQ PERMANENT FUND QUESTIONS

*In state  
out of state*

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

- ~~the legal minimum~~ 25%
- between 25% and 50%
- between 50% and 75%
- over 75%
- ~~A formula in which any surplus~~

*B section*

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

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

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

- to create more jobs.
- to give me an opportunity to make more money.
- to give the State the highest return to help pay for operating state government.
- to not encourage more people to come to Alaska.
- to maintain environmental quality.
- to make more Alaskan products available in state.
- to promote more Alaskan ownership of business.

3. After supporting renewable resource industries saving the Permanent Fund was what most Alaskans favored. Which means of saving the Permanent Fund do you prefer?

- saving in Alaskan banks.
- saving by creating a state bank.
- saving by investing in in-state, low risk securities.
- saving by investing in out-of-state, low risk securities.

PERMANENT FUND QUESTIONS

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

A. Inside the State:

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

B. Invest Outside

1. If it would produce a higher rate of return on the money *invested*
2. Other \_\_\_\_\_

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

- A. It would create more jobs;
- B. It would give me an opportunity to make more money;

*very  
is is frads  
change*

- ↓  
on the Permanent Fund investment;
- C. It would give the State the highest return ~~to be used to help pay~~  
~~for the operation of our government;~~
  - D. It would not encourage more people to come to Alaska;
  - E. It would not harm the environment;
  - F. It would increase the availability of Alaskan resources for  
in-state use;
  - G. It would promote more Alaskan ownership and control of business;
  - H. It would lessen government intervention in business; and/or
  - I. Other \_\_\_\_\_.

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

- A. Market interest rate loans to any enterprise which can pay back the loan plus interest *(first come, first served)*
- B. Market interest rate loans to a certain set of enterprises *specified in statute by the legislature by all individuals within the State*
- C. Lower than market interest rate loans to a certain set of enterprises *specified by statute chosen by the legislature by a representative body*
- D. State organizations to assist certain sectors collectively, on a fee for service basis, to provide such services as marketing, organization, information, technical aid, research efforts, etc.;
- E. Joint ventures with private enterprise for the State to share

OK

IV. Accountability and Control.

Permanent Fund policy will have to be set by someone. These policy makers will be responsible for carrying out the intent of the enabling legislation through the actual operation of the Fund.

Because the Permanent Fund is public money, those who set policy must be accountable to the public. With which of the following alternatives would you feel most comfortable?

- A. A State agency accountable through the Governor and the Legislature by means of statutes, the budget process, etc;
- B. A State corporation accountable <sup>to</sup> through the Legislature by means of a policy board;
- C. A State corporation accountable <sup>to</sup> through both the Governor and the Legislature by means of a policy board; and
- D. A State corporation more directly accountable to the public (say through elections or a large, representative policy board).

~~E. Through the Legislature~~

E. Other?

*Comments!*

1. Should the State government, through its policies and programs, attempt to manage the amount, rate, or distribution of population growth in Alaska?

- a. Yes .....
- b. No .....

2. What are the reasons for your answer above?

- a. Managed growth will mean more recreation and wilderness opportunity for me.
- b. Managed growth will slow economic growth and limit my job opportunities or my ability to increase my income.
- c. Managed growth will minimize any disruptions to my community.
- d. Managed growth will limit the in-state availability of Alaskan products at a lower price.
- e. Managed growth will lead to lower taxes in the long run.
- f. Managed growth will slow the growth of my community's tax base.
- g. Managed growth will limit my freedom.
- h. Managed growth will conserve the benefits of growth for current Alaskans.
- i. Managed growth means less demand for public services and lower government costs.
- j. Other .....

3. Population growth is directly tied to economic growth, and government attempts to manage population growth will undoubtedly influence economic development policies, such as with the Permanent Fund. If you answered "Yes" to Question 1, should growth management be achieved through:

- a. Land use planning
- b. Tax incentives
- c. Public investment (i.e., roads, schools, power projects, hospitals, etc.)
- d. Overall reductions in State spending
- e. Subsidized grants or loans to:
  - 1. business
  - 2. communities
  - 3. individuals
- f. Whatever State officials deem most effective, or
- g. Other .....

PROPOSED LAND DISPOSAL QUESTION

1. What relative emphasis should the State place on making land available for individual needs? Please select your top three choices.

- . land for homes near existing communities.
- . land for second homes.
- . land for homes away from existing communities.
- . land for farms.
- . land for businesses.
- . land for any purpose people desire.
- . keep as state owned for public use.
- . other.

2. How should this land be made available?

- . lease it based on current market value.
- . lease it for less than current market value.
- . sell it for current market value.
- . sell it for less than market value.
- . sell only the rights for specific use.
- . pass it on to municipalities for dispersal.
- . deed it to individuals for the cost of the survey.

TENTATIVE GROWTH MANAGEMENT QUESTIONS

1. Should the State government, through its policies and programs, attempt to manage the amount, rate, or distribution of population growth in Alaska?
  - a. Yes \_\_\_\_\_
  - b. No \_\_\_\_\_
  
2. What are the reasons for your above answer?
  - a. Managed growth will slow economic growth and limit my job opportunities or my ability to increase my income.
  - b. Managed growth will minimize negative impacts on my community.
  - c. Managed growth will slow the growth of my community's tax base.
  - d. Managed growth means less demand for public services.
  - e. Managed growth will mean more recreation and wilderness opportunity for me.
  - f. Other \_\_\_\_\_.
  
3. If you answered "Yes" to Question #1, should growth management be achieved through:
  - a. Land use planning (zoning)
  - b. Tax policies (property taxes)
  - c. Capital improvements (roads, schools, etc.)
  - d. Overall reductions in State spending
  - e. Other \_\_\_\_\_.

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DRAFT - INCOMPLETE

This background paper provides an overview of growth in Alaska, including past patterns and future projections, and discusses some emerging growth policy issues that must be dealt with by State government in the next few years. The other side of the economic growth issue, as discussed in the Permanent Fund questions, is the growth of the State's population and the problems and opportunities this growth presents. The entire question of the State's role regarding population growth is the subject of this year's Public Forum questions on Growth Management.

Growth can be defined, for the purposes of this discussion, as the rate, type, and location of population changes and economic development. Economic development is treated within the framework of the Permanent Fund and will only be implicit in this discussion. Population growth presents the State with several fundamental policy choices which relate to: the magnitude of population growth, the rate of this growth, the pattern of population growth, and the distribution of population within the State.

The various tools available to State government to affect the magnitude, rate, pattern, and distribution of population growth suggests that government could be very influential in managing growth and distributing the corresponding burdens. These tools include financial "carrots and sticks", such as different taxes or loan programs, and regulatory powers, such as liscensing, standards, land use controls, etc. Other less direct tools include resource allocation policies such as land disposal, capital improvement projects, leasing, etc., and the powers of persuasion, either through the dissemination of information or through political pressure.

In addition to these more traditional State powers, the State of Alaska

In addition to the above, the State of Alaska is also a major owner of in-state natural resources and the great wealth they represent. Therefore, the State should be able to effectively negotiate if not independently chart its future course of

growth and capture its fair share of the benefits. How fast the state develops its petroleum <sup>and other</sup> resources, and how it chooses to use the wealth they produce will have a very large impact on the shape of Alaska's future. <sup>private interests who pursue these res.</sup>

~~However,~~ the implications of State actions to guide this growth are only marginally predictable. Most policy actions only induce behavior, and cannot be relied upon to guarantee specific, predetermined results. Incentives and discouragements <sup>created by the state influences</sup> ~~influence~~ the immigrant or potential developer, but they do not wholly determine their decision. Actually, outside influences will have a tremendous impact on Alaska's population growth. Such ~~possibilities~~ <sup>possibilities</sup> as OCS leasing and development, VPR development, <sup>and</sup> ~~and~~ lands, ~~as well as~~ international and national market conditions, <sup>might</sup> ~~can~~ easily ~~overwhelm~~ <sup>overwhelm</sup> state ~~policy~~ policies on economic or population growth.

<sup>17115</sup>  
~~But~~ it ~~also~~ must be recognized that the state is not  
the sole, or even the dominant resource owner, nor can Alaska be in-  
sulated from national and world forces which <sup>will likely</sup> determine <sup>the progress of Alaska's economy</sup> develop-  
ment, ~~policies~~. The federal government, now as in the past, is the  
biggest landlord and resource manager in Alaska and likely will re-  
main pre-eminent in the future. Native corporations created under  
the Alaska Native Claims Settlement Act are also establishing their  
places in the development process. And as federal and state govern-  
ments and Native corporations look toward development of the resources  
they own, they are bringing the international petroleum industry  
into the process. It is not clear what Alaska will look like in  
the future, what kind of place it will be to live. What does seem  
clear is that the scale of development will be much larger and the  
consequences for Alaskans at least as far-reaching as any previously  
experienced.

Petroleum development, like the larger growth cycle it has set  
in motion, is also self-reinforcing. Prudhoe Bay and the pipeline  
have "opened up" the North Slope, the adjacent seas, and lands along  
the pipeline corridor to new federal, state, and Native corporation  
leasing and exploration activity. NPR-Alaska activities are similarly  
likely to encourage further developments on northwestern and  
western Alaska lands and seas, since it is generally easier and  
cheaper to extend development from existing areas, and to share or  
expand transportation facilities than to open new and isolated areas.  
And the geologically promising oil lands of Alaska are widespread.  
In the future, this "opening up" of Alaska lands may also help make  
possible large-scale development of other mineral resources such as  
coal, copper, tin, lead, and other commodities that are now unec-  
onomic to develop.

(2)

What does all of this economic activity mean? ~~It~~ It does not simply bring more jobs and higher incomes. It also brings a lot more people, and a variety of ~~problems~~ blessings and ills which increased concentrations of people seem inevitably to produce. Before we explore these pros and cons of increasing population, let's look at ~~the~~ some relevant statistics and projections to get a feel for just what has happened in Alaska in the recent past, and what we can expect for the future.

During the 1960's, Alaska's population and economy grew at a relatively rapid pace:

- o The population increased from 237 thousand in 1961 to 302 thousand in 1970, an increase of 28 percent.
  - o Civilian employment rose even faster, from 68 thousand to 105 thousand, for a 55 percent increase.
  - o The total market value of all goods and services produced in the state (Gross State Product) doubled, rising from \$681 million in 1961 to \$1.4 billion in 1970.
  - o Total state government revenues amounted to only \$46 million in 1961; they were almost six times higher, \$260 million, in 1970 (not counting the one-shot \$900 million sale of Prudhoe Bay leases in that fiscal year).
  - o Recurring state government revenues from oil and gas production at Kenai-Cook Inlet rose from \$4 million in 1961 to \$39 million in 1970.
- (3)

(Looking at the)

Indicators used to summarize 1960's growth in Alaska, bringing them up to 1975, and projecting them out to 1990, we see the following:

(4)

- A total population of 384,400 in 1975, an increase of 27 percent over 1970, almost doubling to over 700,000 by 1990.
- Total civilian employment of 164,500 in 1975, an increase of 57 percent over 1970, doubling to almost 330,000 by 1990.
- A Gross State Product of \$1.8 billion in 1975, a relatively small increase over 1970, more than tripling to \$5.7 billion by 1990.
- State oil and gas revenues of \$62 million in 1975, again a relatively small increase over 1970, skyrocketing to \$2.3 billion by 1990--an amount approaching forty times the total oil and gas revenues in 1975!
- And total state revenues of \$506 million in 1975, almost double those of 1970, increasing by another ten times to \$4.8 billion by 1990! (~~See Table 4.~~)

NOTE

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SHOULD  
BE

UPDATED

The fast growth in population and employment between 1970 and 1975 can be attributed almost fully to pipeline construction and anticipation of it, with a large part of this growth occurring in 1974 and 1975.\*

\*A word of explanation about the statistics presented above: The numbers for 1970 and 1975 are, of course, reasonably firm ones. The projections to 1980, 1985, and 1990 can only be characterized as good guesses. They are based not only on what is now in sight (e.g., Prudhoe Bay oil and new state revenues from it) but also on assumptions about additional developments (e.g., federal OCS leasing) and key factors (e.g., the future price of oil). There will always be room for argument and disagreement about such projections. Some may come out with lower figures and others with higher ones. The above projections are considered to be within the range of likely based on generally conservative assumptions.

More interesting stat:

miles of roads

# of housing units

# of fishing licenses bought

# people on welfare

instead of

GROSS state product

govt revenues

from oil

## Emerging Policy Issues

It should by now be clear that the central issue for public policy making in Alaska is not whether the state should grow or should remain as it is. Alaska is already growing rapidly and it is inevitable that it will continue to grow in the future. Even if nothing else happened, events already underway -- most importantly <sup>the</sup> ~~the developments at Prudhoe Bay~~ <sup>Alaska's energy resources and its</sup> -- are sufficient to guarantee a high rate of growth for at least the next ten to twenty years. The crucial policy issue facing Alaskans today is: to what extent and how should Alaska's growth be moderated and directed to serve social objectives and the broad public interest.

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While growth is inevitable, its rate, level, and quality are not. The effects of growth on individuals, families, and communities, on the countryside and on fish and wildlife habitats and resources, are not foreordained. Growth can be a blessing or a curse, or it can be some varying mixture of both. And whether we see it and experience it as good, bad, or indifferent depends on what we want in life for ourselves and for our children, on what we give priority to, and on what we value. In other words, choosing the kind of future we want to see is possible -- recognizing that there are some basic "inevitabilities" and "realities" -- and the act of choosing is above all a value judgement.

This means that there are few "right" or "wrong" answers. Rather, there are better or worse choices we can make, with "better" or "worse" being dependent on what it is we value or want. The notions of right or wrong, or correct or incorrect, come in mainly after we have decided where it is we want to go. It is then that we try to select the "right" or "most effective" means that will get us there.

For example, if you place high value on the personal relationships and experiences of small community life, you will not move to downtown Anchorage, and you probably will not favor locating a major industrial complex in or near your town or village. On the other hand, if you place high value on having a wide choice of goods and services and of different job opportunities, and you like the faster pace of urban life, you will not move to a small



rural community and you may favor an expansion of the industrial and commercial base of your city and growth in its population.

In reality, we often want contradictory or inconsistent things-- for example, both urban economic opportunities and rural wilderness and recreational experiences. In such cases, "trade-offs" often have to be made: you would give up just as much of one -- and no more -- to get a certain amount of the other. For example, from your small town or village you might move temporarily to the city to make more money and to enjoy the city's entertainments, but you would stay only part of the year and return home to live the rest of the year. Or, you might live permanently in the city and put up with driving ten miles in moderate traffic to reach a favorite rural recreational spot. But if you had to drive fifty miles in heavy traffic on weekends to compete for a spot on a stream bank, you might reconsider whether the benefits of urban life and the growth of the city were compensating adequately for the "bads."

These examples also point to decisions that can be made by government that may be supportive or not of our personal preferences and choices. Government can influence the rate, directions, and types of community growth and the availability and quality of rural recreational experiences through planning and zoning and other land use controls. It can promote new industrial and commercial development and jobs through tax breaks and loans and through expenditures on basic facilities such as ports, roads, and utilities.

*The Permanent Fund may be used to stimulate economic <sup>growth</sup> and <sup>hence</sup> population growth, ~~as~~ <sup>is keeping with</sup> last year's Public Forum response favoring development of renewable resource industries.*

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State Government  
(also)

It can moderate or discourage such developments by using the same means in lesser or opposite ways. It can increase the amount and improve the quality of education, health care, and recreational opportunities through expenditures on those programs and through reforms in how they are administered. And much more.

It is as often the case with government as with individuals that trade-offs will need to be made between competing "goods" as well as between "goods" and "bads." Further, for government it gets more complicated because it must not only try to accommodate the sometimes conflicting wants of individuals, but also to meet and reconcile the competing values of different population groups. And it must try to accomplish this in the context of forces, some of them national and international in scope, that it may have little or no control over.

We have already seen some of the changes and the prospects for growth that the national energy crisis and the discovery at Prudhoe Bay have brought to Alaska. But the basic point remains that Alaskans generally are still in a position to make some very important choices about what they want and what the future will bring. And state government, with the resources it controls and the wealth it will have, can be a powerful tool that Alaskans can use to shape the future they want.

Alaska is undoubtedly going to be called upon to contribute a large share of the energy resources required to meet national

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policy goals. But Alaskans (as well as other U. S. citizens) also place high values on outdoor recreation, wilderness, subsistence life-styles, and protection of wildlife. Programs of land use planning and management, resource conservation, and environmental protection will be required in the face of pressures for a rapid rate of resource extraction and increasing demands on air, water, and land resources. The need for adequate fish and wildlife and other environmental protection is particularly critical because of the limited biological carrying capacity of Alaska's arctic and sub-arctic climes.

Exhaustion of the state's petroleum resources and wealth is possible within the period of one or two generations. To what extent can or should state policy makers attempt to slow the rate of oil and gas extraction? How much of the public revenue generated by that extraction should be invested in renewable resource industries, such as fisheries, forestry, and agriculture? in small business? in industrial development? How much revenue should be saved and invested for use by future generations? How much should be expended on education, health, housing, transportation and other community facilities and services?

The needs and interests of both current and the growing number of new inhabitants of Alaska have to be accommodated. As employment opportunities and incomes increase, larger numbers of migrants are attracted to the state. The result is that the jobs and economic

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benefits are spread thinner, unemployment persists, and the average individual realizes a smaller gain. Some people experience many of the costs of growth and few of the benefits. They may directly experience the congestion and crowding, the higher prices, the increased crime, the family crises and breakdowns, and other problems that typically accompany economic booms. Others may find themselves in a position to take direct advantage of boom and growth conditions by increasing their incomes, avoiding many of the social costs, and enjoying a wider range of choice in commercial goods, services, and recreation.

Demands for public goods and services also grow with the population that is attracted by the economic opportunities based on resource development. At the same time, and often with a lag as has occurred in Alaska (the "fiscal gap" problem), the resource development generates the public revenues necessary to meet the expanded demand. Expenditure of these revenues then not only increases the level of services but also yields increases in economic activity (through creation of new jobs and incomes), which attracts additional population and, hence, stimulates additional public expenditures. With resource development generating both the growth and the revenues necessary to meet the new needs and demands accompany that growth, government size, complexity, and expenditures also increase.

STATE OF ALASKA

MEMORANDUM

TO: Commissioners  
Governor's Office Staff

DATE: August 10, 1977 .

FROM: Fran Ulmer *Fran* Director  
Policy Development and Planning  
Office of the Governor

SUBJECT: Public Forum Questions

Attached is a first draft of the Public Forum's presentation of the Permanent Fund: a background paper explaining the Fund and the questions which could be presented by the Forum.

On Monday, August 15 at 3:00 p.m., the Permanent Fund Public Participation Working Group will meet to discuss proposed changes in the issue paper and questions. Your participation by attendance or written comment would be appreciated.

Thank you.

FAU/ljs

Attachment

## I. INTRODUCTION

The intent of this background paper is to further inform Forum participants about the Alaska Permanent Fund - how it evolved, present management, possible future roles, and investment and management options for its principal and earnings. This paper also describes in greater detail the main issues to be resolved for drafting the legislation to implement the constitutional amendment. These issues form the basis for the questions which are being asked in this year's Forum.

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

In 1978 the Tenth Alaska Legislature will consider several different proposals for management and organization of the Fund and use of the Fund's earnings. A great deal of work has already been accomplished

by the Administration and the Legislature in developing background information for these proposals. The Administration, through the Department of Revenue, has already consolidated their efforts into a "discussion bill," HB 298, described later in this paper. Research and analysis continues as policy makers prepare for the debate which will take place during the 1978 session.

The Public Forum will play a large role in this debate. In addition to research on technical questions, policy makers also seek information on how the public views the issues pertaining to the Permanent Fund. They must find out where the public wants to go before they can devise institutions and policies which get us there. Thus the Public Forum will be used as a major vehicle to uncover public opinion, and people's ideas, on how to make the Permanent Fund work toward our common visions for Alaska.

## II. THE PUBLIC FORUM

Before we explore the details of the Permanent Fund, some information about the Public Forum and last year's results will help put this year's questions and discussion into perspective. Who participated in the Public Forum last year? What did they have to say about our oil wealth, and the Permanent Fund?

To paint a visual image of the 3,714 Alaskans from Metlakatla to

Barrow who addressed the current issues facing their State through the Public Forum workshops or questionnaire would be nearly impossible.

They were as diverse as the spectrum. The youngest was 13 years old. The oldest was 94. They were whalers, doctors, teachers, school children, government workers, homesteaders, bookkeepers, fishermen, and waitresses. The responses were weighted most heavily in the professional-technical category. And twice as many men as women participated.

Length of residency seemed a strong indicator of commitment to the State and its future. Nearly two-thirds of the Public Forum participants have been residents of the State for ten years or more. And at least a third have lived in Alaska for over 20 years. Overwhelmingly, it was this segment of the population who chose to speak, and desired to be heard by the men and women who have some influence in the decision-making process. What did they have to say?

Throughout Alaska there was resounding concern for renewable resource industries. They were ranked, by a wide margin, as the highest priority for Permanent Fund money and the second highest priority for all additional oil and gas wealth.

This concern for renewable resource industries transcended community, regional and professional boundaries. However, the definition of those industries was colored by regional perspectives, ranging from

aquaculture and experimental farms to utilization of solar and tidal energy.

Alaskans participating in the Public Forum also wanted to preserve the integrity of the Permanent Fund. They wanted to insure that it indeed remains a "permanent" fund. Their second choice of "save it" reflects the desire for secure investments - those with guaranteed earnings and high returns. (Furthermore, there was considerable support in the second half of this question for increasing the size of the Permanent Fund by increasing the percentage of revenues flowing into it.)

Each of the five regions expressed differing degrees of concern for the options listed under the Permanent Fund question. (Table 1.)

While loans to renewable resource industries drew substantially high votes across the board, it was clearly the coastal respondents who out-distanced all others in their support for this option.

Considering their economic base, that interest is probably equated with fishing and possibly forestry activities.

The Southwest had a higher percentage of people who marked "Loans to Communities" as their first choice. This option had healthy encouragement state-wide. However, while some communities in the State desired this option, many may not have sufficient tax base to repay such a loan.

Like hand in glove, Interior and Southcentral followed each other closely in the degree of importance they attached to each choice for

the Permanent Fund monies. On the whole, they tended to be more supportive of industrialization which was not a large vote getter state-wide.

While Alaskans were eager to use the Permanent Fund to support what many described as a potentially "risky" business with long-term benefits - i.e., making loans to renewable resource industries - some also wanted immediate, tangible proof of our new wealth. (Table 2.)

They favored tax cuts. Under the question of use of surplus oil and gas revenues which are not included in the Permanent Fund, this was the only option which exceeded "Loans to Renewable Resource Industries" in popularity.

Interestingly, tax cuts received the highest bid from those who did not attend the Public Forum workshops but merely filled out a Forum questionnaire.

This seems to indicate that when people gathered to bounce ideas back and forth, they tended to relinquish personal desires for communal benefits. The wide discrepancy in percentages on tax cut votes between questionnaire respondents and meeting-goers was made up in the workshops by stronger support for loans to communities, community revenue sharing, community grants and loans to renewable resource industries.

There was significant concern expressed for community assistance through community loans, community revenue sharing, and grants and

State services. Communities seemed to desire greater control over local services.

Industrial loans (i.e., loans to non-renewable resource industries) did not accrue substantial support. Loans to individuals, which lies at the bottom of the list of options percentage-wise, appeared to the majority of participants the least desirable investment.

This year's Public Forum will explore further the many questions about the Permanent Fund by building on these results. What did Alaskans mean by renewable resources? What goals and objectives lie behind Alaskans' support for such industries? The Forum will also address a number of other questions critical to the upcoming effort to draft legislation, including the problem of management of the Fund, accountability of the Fund's managers, whether the highest possible rate of return should be the investment objective, and whether or not the Fund should be used to subsidize certain industries or projects. The following brief history of the Fund should provide background useful for the consideration of these questions.

### III. EVOLUTION OF THE PERMANENT FUND

The Permanent Fund idea in Alaska gained popularity only after the \$900 million North Slope lease sale in 1969. Following this sale, the Brookings Institute conducted a series of seminars concerning "The

Future of Alaska." More than 100 Alaskans were invited to attend, explore some of the major emerging policy issues, and set future goals and a practical policy plan for Alaska's future. The participants agreed that the "Alaskan way of life" should be preserved. They defined this life-style as one which combines the conveniences of technology innovation with the opportunity and values of living as close to nature as possible.

After the Brookings seminars, several bills were introduced in the 1970 legislative session to establish some sort of "permanent fund" with the \$900 million. However, other more immediate uses for the money were judged to be more important, and no permanent fund was established.

The 1974 Legislature passed a bill creating the Alaska Renewable Resources Development Fund. This legislation provides that not less than five percent of non-renewable resources income will be deposited in a separate fund beginning July 1, 1976. Monies can be appropriated from the Fund only for capital and operating expenditures for the rehabilitation, enhancement, and development of renewable resource programs.

Another bill, which would have created a permanent fund by statute, passed the Legislature in 1975. However, because the creation of such a fund by statute instead of by constitutional amendment would never be truly "permanent," the Governor vetoed it and introduced House Joint Resolution 39, requiring a vote by the people to adopt a

constitutional amendment to establish the Alaska Permanent Fund. The voters approved that amendment in November 1976 by a margin of nearly nine to one.

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

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

If the Fund is invested wisely, the income produced by the investment will yield a fairly certain recurring return on Fund investments. The income from these investments will be deposited in the State's General Fund unless otherwise provided for by law. Government decision makers must determine where and how to use the Fund's earnings which, unlike

Future of Alaska." More than 100 Alaskans were invited to attend, explore some of the major emerging policy issues, and set future goals and a practical policy plan for Alaska's future. The participants agreed that the "Alaskan way of life" should be preserved. They defined this life-style as one which combines the conveniences of technology innovation with the opportunity and values of living as close to nature as possible.

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use of the principle, need not produce income.

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

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

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

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

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

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

The State Investment Advisory Committee identified several key issues

which required resolution, conferred with consultants, and produced a draft bill proposing a structure for the Permanent Fund. To arrive at its findings, the Committee examined consultants' reports on many of the resource-based monetary funds and development banks throughout the world.

In March of 1977, this proposal was introduced in the State House to begin debate on the structure of the Permanent Fund. The bill (HB 298) would structure the Permanent Fund essentially as a development bank. Such a structure is premised on the belief that enough money will accumulate in the Permanent Fund, and that this money can be successfully applied, to ~~allow~~ <sup>assist</sup> diversification of the Alaskan economy. The development bank as proposed by the SIAC would have a two-tiered management system, a policy board with overall policy-making power, and a committee under the policy board to approve specific investment proposals. The bill gives the president of the Fund's corporation strong executive power and principal responsibility for presenting investment proposals of at least 40 percent of the Permanent Fund in high-grade securities, up to 30 percent in Alaska development loans, and up to 30 percent in community projects and private dwellings.

A second proposal was developed from the original SIAC proposal which differs in level of funding and provision for confirmation of policy board members. House Bill 298 calls for deposits of 50 percent of proceeds from bonuses, mineral lease rentals, royalties, and Federal mineral revenue-sharing payments, while House Bill 300 includes 100

percent of bonus payments and the same percentage from other sources. Except for the policy board appointment power of the Governor (which is subject to legislative confirmation only under the provisions of H.B. 300), either proposal would operate the Fund rather independently from the executive or legislative branches of State Government.

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

During the 1977 legislative session, the Speaker of the House and the President of the Senate appointed special committees to consider alternative proposals for the Permanent Fund during the legislative interim. The committees, like the Administration, will gather and distribute information, listen to public opinion, seek expert advice, consider how the Fund should be administered, establish major goals for the Fund, and present their recommendations to the full Legislature in January of 1978. Both the Administration and the committees are making efforts in the areas of public education and participation to learn what Alaskans want their Permanent Fund to be. The Public Forum is a

major part of this effort.

#### IV. THE FUND'S RELATIONSHIP TO THE CONSTITUTION AND OTHER STATE FUNDS

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

The form of the wealth is changing, yet the State still stands in the role of trustee, holding this resource wealth in trust for the benefit of the people of Alaska. Any objectives established for the Permanent Fund must be consistent with the same legislative obligations required for resource management. The Legislature must decide into what income-producing assets Permanent Fund money should be placed. It is important to clearly define the obligations of the State before setting fund objectives.

The income earned from fund investments provides another source of wealth. As discussed above, a significant portion of State expenditures presently relies upon oil wealth. The Legislature has

already stated that one objective of the Fund is to diversify the State economy. As oil wealth declines, the Permanent Fund may bear the responsibility of supplementing the General Fund through income from Fund investment, creation of an expanded tax base, or some combination of the two.

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

The objectives of some of these activities may be similar to certain proposed uses of the Permanent Fund. For example, the State currently maintains loan programs to meet a variety of public needs, ranging from businesses to senior citizens housing and home loans. (See Appendix 1.) Careful coordination with existing loan activities will help avoid duplication and conflict of programs.

The State also possesses extensive bonding powers and can pursue major projects by issuing general obligations or revenue bonds. Special purpose agencies, such as the Alaska Power Authority, can (with legislative approval) provide for the financing of specific facilities.

The State additionally has mechanisms, such as the Municipal Bond Bank, to assist local governments borrowing money to achieve their objectives.

These various tools should be considered as we ponder alternative Fund uses so that we can best match tools with objectives. Provisions for coordinating the Permanent Fund and other government activities will be a crucial element in developing the enabling legislation.

#### V. OBJECTIVES FOR PERMANENT FUND INVESTMENT

The people of Alaska should establish the overall objectives for their Permanent Fund. State Government can only achieve this through public meetings like the Public Forum and other public participation, information and participation programs. We need to know your priorities to write Permanent Fund enabling legislation.

The response to last year's Public Forum tells us that Alaskan's most desire an expansion of the State's renewable resource industries. This year we seek to clarify both what people meant by renewable resource industries and to uncover what objectives, or visions for Alaska, lie behind this desire. Renewable resource industries mean many things to many people, and each industry can imply different goals to different people. If you can not tell us what it is about resource industries that you find attractive and important, we will

try to design the enabling legislation to reflect your wishes.

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

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

Subsidies may only make sense if the loan or guarantee launches an in-state enterprise that not only repays the loan, but also creates new individual tax sources to cover the original subsidy as well as the cost of additional State and local government services and environmental and social costs generated. If no such in-state opportunities exist, the Permanent Fund cannot create them. In-state investments must be thoroughly evaluated to separate the winners from the losers.

Another point to ponder is that objectives often conflict. Although different strategies may pursue the same objectives, each lends itself to the achievement of some more than others and even some to the exclusion of others. For example, a strategy which seeks to distribute Fund benefits directly to individuals, such as consumer loans, will fail to provide public facilities, such as through loans

to municipalities. Likewise, strategies which seek to guide the State's economy through economic diversification, for example, may not maximize the income from Fund investment.

Some other possible "tradeoffs" are:

employment vs. immigration  
economic diversification vs. environmental degradation  
size of state government vs. quantity and quality of  
public services

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

## VI. OBJECTIVES FOR THE CONTROL AND MANAGEMENT OF THE PERMANENT FUND

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

Alaska, and Alaska Housing Finance Corporation are examples of some of the exceptions.)

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

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

If the Legislature simply directs the managing agency to diversify the Alaskan economy by making sound investments in Alaska's renewable and non-renewable resources (one of the investment guidelines in HB 298), a great deal of discretion is left to the managing agency as to what is a sound investment, what resources to invest in, and which individuals or corporations will receive financing. For example, Fund managers may decide to invest in a multimillion dollar hydroelectric project, or they could use the same money for home loans to individual Alaskans.

Permanent Fund managers must be accountable to elected officials and the public, but at the same time, they should not be vulnerable to

political and special interest pressures. If the loan-making process is to be shielded from political influences by insulating Fund managers from policy directives of elected officials, a large degree of both responsiveness and accountability to the public will be lost.

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

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

An alternative to the highly centralized management structure proposed in HB 298 would be for the Legislature to provide for the administration of the Permanent Fund under the existing constitutional power of appropriation: The Legislature, with approval of the Governor, would designate eligible investments by law. The

Legislature annually would pass an investment bill for the Permanent Fund, much like the budget bill for the General Fund. The Permanent Fund investment bill would apportion available Permanent Fund money among the eligible investments.

Funds deposited in the Permanent Fund would temporarily be invested in liquid and secure money-market instruments pending each year's investment bill, as is now being done with Permanent Fund receipts.

The Legislature might choose to create new types of financial intermediaries and designate them as eligible for loans or loan guarantees in order to meet Alaska's changing capital needs. For example, the development bank corporation proposed in HB 298 could be one of the new financial intermediaries designated as an appropriate recipient of Fund money. The organization of the Fund may profoundly affect how the Fund performs, but the organization should reflect - not determine - the goals of the Fund. Goals established today may not be those held by tomorrow's Alaskans. There must be built into any Permanent Fund structure both the ability to protect the principal of the Fund and responsiveness to meet changing goals.

## APPENDIX 1

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

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

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

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

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

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

PERMANENT FUND QUESTIONS

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

A. Inside the State:

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

B. Invest Outside:

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

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

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

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

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

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

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

#### IV. Accountability and Control.

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

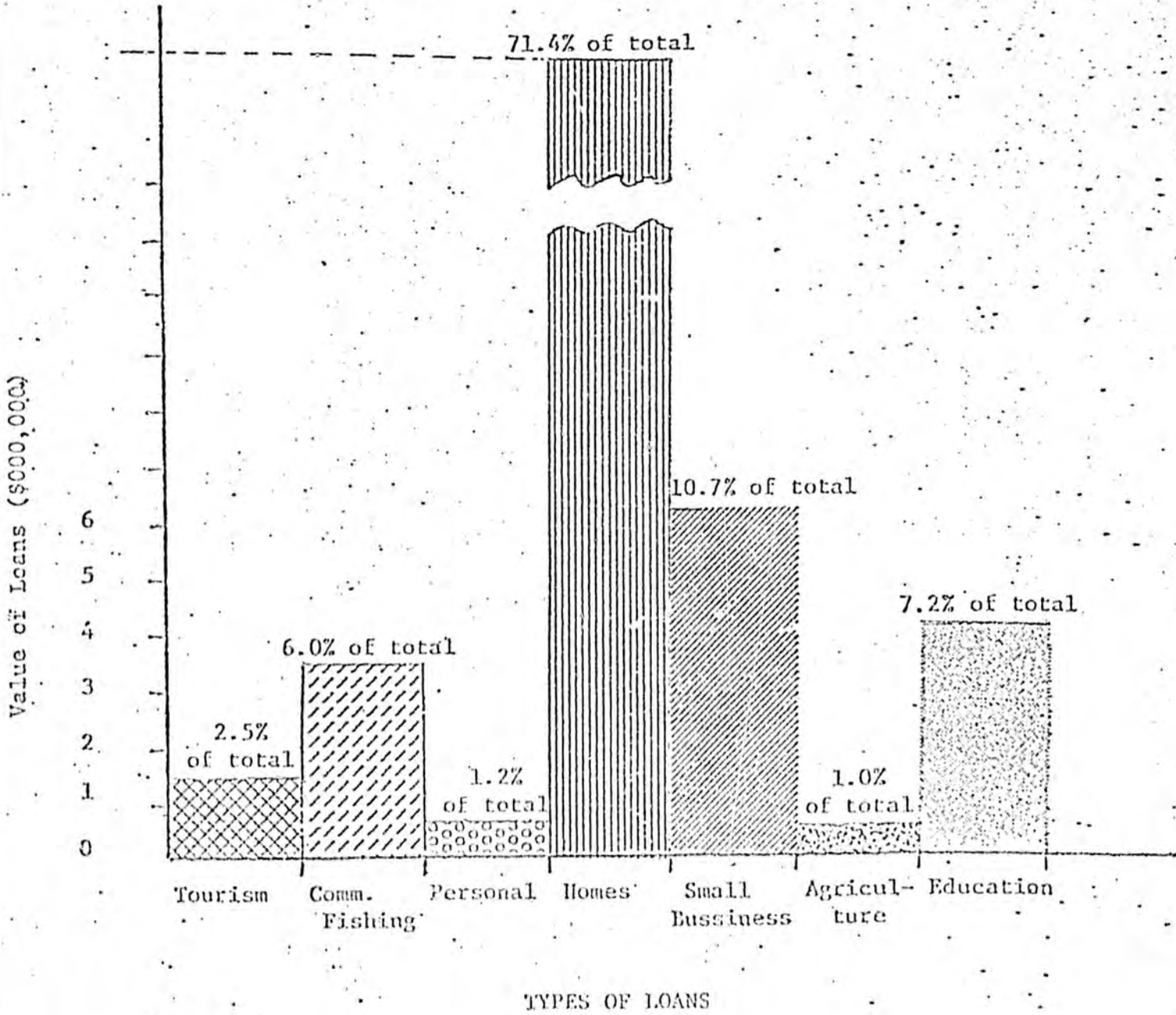
- A. A State agency accountable through the Governor and the Legislature by means of statutes, the budget process, etc;
- B. A board appointed by the Governor and serving at his pleasure;
- C. A board appointed by the Governor for a specified length of service;
- D. A board appointed by the Governor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

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

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

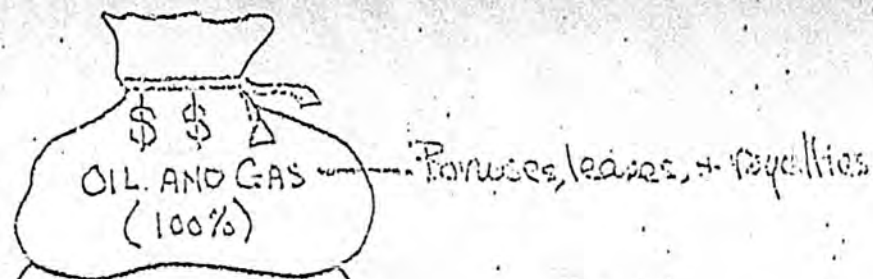
- A. I trust the Governor to choose wisely;
- B. I trust the Legislature to choose wisely;
- C. I trust the Governor and the Legislature working together to choose wisely;
- D. I want broad representation;
- E. I think direct representation of political interests is good;
- F. I want maximum opportunity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

LOAN FUND ACTIVITY IN FY 76



# OIL AND GAS REVENUES

(Statewide percentages)



Question 1A →

PERMANENT  
Fund (25%)

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

← Question 1B.

EXCESS WEALTH  
(75%)

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

① RENEWABLE RESOURCES

Coastal (51%)

Southcentral (39%)

Interior (36%)

Copper River (35%)

Southwest (30%)

② SAVE IT

Southwest (31%)  
Copper River (31%)

Interior (28%)  
Southcentral (27%)

Coastal (18%)

PERMANENT FUND

Southcentral (14%)  
Interior (12%)

Coastal (18%)  
Copper River (17%)

Coastal (7%)

Interior (10%)  
Southcentral (10%)

Copper River (8%)

Coastal (8%)  
Southwest (8%)

Southwest (11%)  
Copper River (11%)

Interior (11%)  
Southcentral (13%)

③ Loans to Communities

Southwest (27%)

⑤ Loans to Individuals

④ Loans to Industry

TABLE #1

ALLOCATION OF PERMANENT FUND  
REGIONAL PREFERENCES  
(Percent Distributions)

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

- hold Permanent Fund contributions to a minimum to provide a maximum amount of money for governmental services
- increase Permanent Fund contributions as much as possible to reduce nonrenewable revenues available for governmental growth
- put money into Permanent Fund at as high a level as possible in order to maximize income from it
- put as much money into the Fund as possible in order to maximize money available for investment
- put as much money into the Fund as possible for the security of future Alaskans
- other \_\_\_\_\_

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

What were your reasons?

- to create more permanent jobs for Alaskans
- to provide an opportunity for increased income for Alaskans
- to not encourage more people to come to Alaska  
(alternate wording: to avoid excessive growth in Alaska)
- to minimize the impact on environmental quality
- to reduce our dependence on non-renewable resources
- to provide for a stable economic base in the future
- to promote diversity in the Alaskan economy
- to protect a way of life
- to make more Alaskan products available in the state
- to promote more Alaskan ownership of business
- other \_\_\_\_\_

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

\_\_\_\_\_yes                      \_\_\_\_\_no

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

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

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

yes

no

I don't agree with last year's priority

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

more permanent jobs for Alaskans might be created

opportunities might be provided for increased income for Alaskans

the impact on environmental quality might be minimized

our dependence on non-renewable resources might be reduced

there might be a more stable economic base in the future

a way of life related to renewable resources might be protected

other \_\_\_\_\_

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

\* \* \* \* \*

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

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

What do you want the Permanent Fund to accomplish?

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

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

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

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

other \_\_\_\_\_

Reference what the leg. will be doing this yr.; reference at least 25% + rest into general fund

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

Indicate your priorities below for management of the Permanent Fund.

What do you want the PF to accomplish?

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

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

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

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

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

leave on, rec. drop

other

these are separate, give first.

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

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

What were your reasons?

to create more permanent jobs for Alaskans

to provide an opportunity for increased income for Alaskans

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

to maintain environmental quality

to reduce dependence on non-renewable resources

to provide for stable economic base in the future

to promote diversity in the Alaskan economy (rec drop)

to protect a way of life related to renewable resources industries

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

to promote more Alaskan ownership of business (rec drop)

other

*if permanent subsidies and for*

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

           yes                                 no                                 *I need more information before I decide*

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

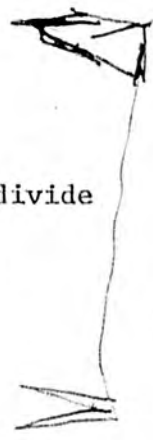
4. Would you prefer to invest outside of Alaska if you assume that the rate of return is higher, the impact on the Alaskan economy would be minimized?

           yes                                 no                      *what kind of impact?*

Discussion that didn't get resolved:

Fran is saying: give people a blank pie and ask people how they want to divide it up among:  
community development (more than 51% public investment)  
economic development (more than 51% private investment)  
savings *(highest return on \$)*

Mike is saying no.





THE PERMANENT FUNDWhat is it?

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

The amendment reads:

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

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

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

provided for by law, can be spent.

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

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

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

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

## Current Status of the Fund

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

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

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

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

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

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

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

How much money should go into the Fund?

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

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

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

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

#### Your Goals for the Permanent Fund.

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

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

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

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

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

REVISED PERMANENT FUND QUESTIONS

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

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

What is your reasoning for this choice? .

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

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

yes \_\_\_\_\_  
no \_\_\_\_\_

If yes why?

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

8/25/77

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

\_\_\_\_\_ yes

\_\_\_\_\_ no

permanent fund background

in november 1976 Alaska voters approved ~~and passed~~ a constitutional amendment creating the Alaska Permanent Fund. The amendment reads:

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

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

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

fund background 2-2-2-2

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

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

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

-more-

fund background 3-3-3-3

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

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

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

-more-



FINAL PERMANENT FUND QUESTION

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

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

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

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

Yes \_\_\_\_\_

No \_\_\_\_\_

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

*Please rank in order of importance.*

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

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

Yes \_\_\_\_\_ No \_\_\_\_\_

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

Yes \_\_\_\_\_ No \_\_\_\_\_

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

Yes \_\_\_\_\_ No \_\_\_\_\_

10 minutes what say about PF

ALASKA PERMANENT FUND

in Nov. 1976

Constit

use amend language

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

This January

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

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

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

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

Understanding the difference between permanent fund principal and the income the investment of principal earns is important. The principal represents Alaska's mineral wealth transformed into dollars through the sale of natural resources to private developers. The only restriction on the use of the principal of the fund is that it must be for "income-producing investments" and, therefore, not for the general operating costs of government.

The major task of the state administration and legislature is to determine to what specific uses (i.e., investments) these dollars should be put and how to best <sup>administer</sup> administrate the fund. Last year's Public Forum response was to <sup>o</sup> use the fund for renewable resources. This year we seek to clarify this response and ask some additional questions on how to achieve your objectives.

\*  
Move  
to  
p. 3

If the fund is invested wisely, <sup>(interest)</sup> the income <sup>is</sup> produced by the investment will yield a fairly certain recurring return on fund investment.

Unlike the principal, the interest is not restricted to "income-producing" use. The income from these investments will be deposited in the State's General Fund <sup>Unless otherwise provided for by law's interest</sup> unless otherwise provided for by law.

^

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

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

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

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

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

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

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

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

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

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

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

In 1977 the legislature passed on interim Permanent Fund manage-

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

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

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

The form of the wealth is changing, yet the State still stands in the role of trustee, holding this resource wealth in trust for the benefit of the people of Alaska. Any objectives established for the Permanent Fund must be consistent with the same legislative obligations required for resource management. The legislature must decide into what income-producing assets Permanent Fund money should be placed. It is important to clearly define the obligations of the State before setting fund objectives.

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

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

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

#### OBJECTIVES FOR PERMANENT FUND INVESTMENT

The people of Alaska should establish the overall objectives for

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

REDF

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

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

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

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

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

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

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

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

OBJECTIVES FOR THE CONTROL AND MANAGEMENT  
OF THE PERMANENT FUND

A common concern of many Alaskans after realizing the potential dollar magnitude of their Permanent Fund is who will control this wealth. The only other fund of similar or larger size in state government is the General Fund. As discussed earlier, the constitution requires that all appropriations from the General Fund be made by the Legislature and be subject to gubernatorial veto. After appropriation by the Legislature, 90% or more of the executive branch usually administers General Fund money. (The court system, University of Alaska, and the Alaska Housing Finance Corporation are examples of some of the exceptions.)

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

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

If the legislature simply directs the managing agency to diversify the Alaskan economy by making sound investments in Alaska's renewable and nonrenewable resources (one of the investment guidelines in HF 298), a great deal of discretion is left to the managing agency as to what is a sound investment, what resources to invest in, and which individuals or corporations will receive financing. For example, fund managers may decide to invest in a multimillion dollar hydroelectric project, or they could use the same money for home loans to individual Alaskans.

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

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

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

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

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

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

PERMANENT FUND INVESTMENT QUESTION --- Number 1

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

- inside the state
- outside the state

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

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

PERMANENT FUND INVESTMENT QUESTION --- Number 2

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

- inside the state
- outside the state

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

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

PERMANENT FUND INVESTMENT QUESTION --- Number 3

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

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

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

- inside the state
- outside the state

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

- yes*
- no*

Under what circumstances would you favor  
~~to~~ emphasizing PF <sup>invest</sup> ~~Money~~ outside the state.

- not people
- not emotion
- highest return

## Tentative Permanent Fund Questions

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

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

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

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

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

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

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

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

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

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

- . inside Alaska
- . outside Alaska

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

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

~~. to avoid~~

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

- inside Alaska
- outside Alaska

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

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

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

- inside Alaska
- outside Alaska

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

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

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

- inside Alaska
- outside Alaska

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

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

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

- inside Alaska
- outside Alaska

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

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

goals of the permanent fund

1. under constitutional amendment:

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

2. under HB 298

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

3. other

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

PERMANENT FUND CONTROL QUESTION --- DRAFT TWO

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

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

5. political player  
to act rep.

Question 2 -

PERMANENT FUND CONTROL QUESTION --- DRAFT

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

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

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

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

middle of next week

- PRESENT AS OPPORTUNITY, NOT IMPROBABLE, FUTURE CRISIS?

30

## 1. WEALTH MANAGEMENT

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

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

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

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

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

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

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

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

2. THE PERMANENT FUND

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

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

Hydroelectric power development and related industry \_\_\_\_\_

Mineral Extraction \_\_\_\_\_

? → Primary Processing (mineral) ~~or renewable resource~~ \_\_\_\_\_

Timber \_\_\_\_\_

Fishing \_\_\_\_\_

Recreation/Tourism \_\_\_\_\_

Agriculture \_\_\_\_\_

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

Provides employment *create more jobs*

Increases personal income *my income*

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

- Promotes varied lifestyles *- out*

- Stimulates overall economic development *- out*

\* ~~Increases Alaskan ownership and control~~

Preserves environmental quality

Minimizes immigration *into Alaska*

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

*increase avail of A resources in state use.*

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

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

*control  
in house*

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

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

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

Categories  
geographic balance

governor picks?

Senate district? - Rice Waterhouse

some appoint by govt, some by leg

2 conc  
5 gen public  
House & Senate members

run & May

put members on  
4 total

11

---

build in secure  
minority voice.

PERMANENT FUND QUESTION

*emphases*

1. In order to refine last year's Public Forum results regarding the use of Permanent Fund monies, please indicate the one area you ~~most strongly~~ *would like to see*

*emphasized* ~~prudent~~ support for investment of part of the Permanent Fund.  
*1. inside the state:*

- A. Fisheries
- B. Alternative energy development
  - \_\_\_\_\_ large scale (industrial)
  - \_\_\_\_\_ small scale (residential)

C. Agriculture

D. Mineral Extraction

*G. Timber*

E. ~~Recreation/Tourism~~

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

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

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

- A. It would create more jobs.
- B. It would give me an opportunity to make more money.
- C. It would give the state the best return to be used *help* to pay for the operation of our government.
- D. It would not encourage more people to come to Alaska.
- E. It would not harm the environment.
- F. It would increase the availability of Alaskan resources for in-state use.
- G. It would promote more Alaskan ownership and control of business.

*H.* Other \_\_\_\_\_  
\_\_\_\_\_

*H. helps gov out of biz.*

## PERMANENT FUND GOALS QUESTION

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

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

2. Outside the state

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

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

## PERMANENT FUND CONTROL QUESTION

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

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

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

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