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Hammond resists local use of permanent fund for hydro

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

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

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

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

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

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

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

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

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

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

Ballard said using income from the permanent fund to

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

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

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

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

Haugen also noted the advantages of seeking a

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

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

The cities are too large to qualify under current

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

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

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

ALASKA CLIPPING SERVICE

Anchorage Daily Times Anchorage, Ak.

DEC 10 1977

ALASKA STATE LEGISLATURE

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

ALASKA CLIPPING SERVICE

Wrangell, Alaska
Sentinel

DEC 7 1977

Top Forum issues: Permafund, state government

Permanent Fund:

What is it?

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

The amendment reads:

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

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

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

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

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

Understanding the difference between the principal and the earnings of the Permanent Fund is important. For example, if the state put \$250 million into a savings account, it might earn interest at seven per cent. That interest over a five-year period would amount to approximately \$87.5 million, plus what has been compounded. The state may spend the \$87.5 million, the earnings, but the \$250 million, the principal, must stay in the Permanent Fund for investments.

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

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

Current status of the fund

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

Beginning in January, the state legislature will consider laws on the Permanent Fund. In the last legislative session, two bills dealing with the structure and management of the Permanent Fund were introduced for the purpose of discussion. The State Investment Advisory Committee, which advises the Commissioner of Revenue on investment policies for the state, wrote House Bill 298. The bill was sponsored in the legislature by the Governor. A second bill, House Bill 306, based on HB 298 but incorporating some changes, also was introduced in the last session.

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

What to do with oil money?

One of the primary topics of discussion at the Alaska Public Forum held here last weekend was what Alaskans should do with the money that will be derived from Alaska's oil resources.

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

How should we use our incoming wealth? Most agree that is a question that deserves a good deal of thought. Alaskans didn't give that question much thought when our first windfall came rolling in. Consequently just four short years after we received \$900 million in bonus payments for North Slope oil leases we found nearly half that money had been used up.

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

Voters opted for the Permanent Fund because they didn't want the entire oil resource revenue spent on general government. That possibility looked very likely when one notes that state government expenditures rose nearly eight-fold between 1965 and 1976. The state spent \$79 million in 1965 and \$627 million in 1976.

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

The next question the legislature must decide is what to do with the proceeds from the Permanent Fund. If they do nothing those proceeds will automatically go into the general fund for expenditure like any other revenue. However, by law, the legislature can earmark Permanent Fund income for any purpose deemed desirable.

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

Such a plan would have two primary benefits for Alaskans. First, it would give each Alaskan individual control and a tangible share of their oil resource revenue. Secondly, it would be a real deterrent to indiscriminate government expansion by demanding citizen approval of government programs.

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

What should we do with the oil revenue? Give the question more thought. Communicate with the governor and the legislature and let them hear your views. Remember, it is your money they are playing with. Use your money wisely to help the state government move ahead.

ALASKA GROWTH POLICY COUNCIL
SERVICE

TOHORA TIMES

Fairbanks, Ak

NOV 20 1976

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DEC 8 1977

Libertarians may field candidate for governor

By **BILL WILSON**
Daily News Staff Writer

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

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

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

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

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

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

Randolph also said he might run as an independent.

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

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



Dick Randolph

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

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

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

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

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

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

way it wanted to train its children.

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

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

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

Small turnout discusses top issues at Forum

By ROLLO POOL
Daily News Staff Writer

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

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

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

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

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

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

PERMANENT FUND

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

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

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

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

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

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

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

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

Nearly three fourths of all

public forum participants wished the permanent fund would

provide income-producing investments. Over half wanted

more than 25 percent of revenues

Cont. on page 5



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

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

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continued...



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

Small turnout . . . Cont. from page 1

placed in the fund.

STATE LANDS

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

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

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

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

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

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

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

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

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

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

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

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

Leasing on an experimental basis was proposed.

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

SUBSISTENCE

The first part of the subsistence

discussion was devoted to defining the term "subsistence." final plan would be ready next July.

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

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

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

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

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

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

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

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

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Southeast Alaska
Empire
Juneau, Alaska

Revenue Share Changes Eyed

By G. MICHAEL HARMON
Associated Press Writer

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

increases in shared revenues.

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

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

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

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

As Hammond explained his concept:

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

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

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

ALASKA CLIPPING
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Ketchikan Daily
News
Ketchikan, Ak.

NOV 23 1977

Gruening questions permanent fund

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

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

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

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

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

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

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

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

ALASKA CLIPPING
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Fairbanks
News Miner
Fairbanks, Ak

NOV 22 1977

Gruening says Permanent Fund 'iffy'

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Kodiak Mirror
Kodiak, Alaska

NOV 22 1977

Fund questions remain

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NOV 22 1977

Permanent fund questions linger

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

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

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

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

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

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

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

result in a net loss in adjusted dollars.

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

PHILLIPS TELLS PLANS FOR QUESTIONNAIRE

Rep. Randy Phillips is circulating a draft of a voter registration questionnaire which he plans to distribute to 1000 constituents in District 8.

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

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

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

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

by Gov. Jay Hammond. Over 60 percent of the 100 persons taking part in the seminar favored the legislation.

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

He said that major issues facing the legislature in January will be the budget, the capital move construction costs, D-2 land settlements, and the state's permanent fund.

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

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

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Perspective

Putting Down Alaska's News Media

By Joe La Rocca

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

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

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

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

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

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

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

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

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

Although the AP ostensibly maintains a staff of four

—Continued on page 13

Perspective . . .

—Continued from page 4

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

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

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

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

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Fairbanks, Ak
NOV 26 1977

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ALASKA RESOURCES



Good Government And Football

By Thomas E. Kelly

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Cocaine to caramels, ferries to

By BOB SPEED

Daily News Staff Writer

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

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

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

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

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

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

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

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

terception and insurance rates for houses using woodburning fireplaces.

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

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

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

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

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

Highlights of the question-answer program were:

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

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

Cocaine to caramels . . . Cont. from page 1

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

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

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

bond issue in 1978.

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

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

fish on call-in

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

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

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

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

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

— The state is actively pressing

Cont. on page 2

ALASKA CLIPPING SERVICE

Ketchikan Daily News

Ketchikan, Ak.

NOV 17 1977

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Anchorage Daily
Times
Anchorage, Ak.

NOV 20 1977

Gruening Cites Fund's 'Ifs'

By The Associated Press

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

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

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

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

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

Gruening said the committee now is considering a proposal to establish a board of trustees to manage the fund. Such trustees would be ap-

pointed by the governor and approved by the legislature.

He said inflation is one of the committee's biggest worries, noting

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

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in "Packet A".
Vick.

"Packet A"

To Jim

SEP 15 1977



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

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

By **DERMOT COLE**
Staff Writer

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

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

the fund should be.

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

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

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LET . . .

(Continued on page 1)

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

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

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

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

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

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

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

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

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

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

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

Frontiersman
Palmer, Alaska

OCT 13 1977

Alaskans voice opinions in state forum

3,500 people speak

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

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

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

The youngest participant was 19 years old. The oldest was 94. Nearly two thirds of those responding to questionnaires had been residents of the state for 10 years or more. At least a third had lived in Alaska more than 20 years. Overwhelmingly, it was this segment of the population who chose to speak and desired to be heard by the men and women with some influence in the decision-making process who led the Forum discussions.

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

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

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

utilization of solar and tidal energy.

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

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

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

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

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

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

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

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

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

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

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

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

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

6. Royalty Oil and Gas. "What is the best use of Alaska's royalty oil and gas?"

Nearly half of the Public Forum participants felt that the state should provide in-

vening of the legislature in January.

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

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

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

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

and was the state's choice

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

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

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

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

Here's how to invest a billion

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

By DERMOT COLE
Staff Writer

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

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

And there's a flock of ideas bel-

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

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

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

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

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

Last of a series

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

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

What shape the Permanent Fund's management and investment

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

Both bills would require that:

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

Under both proposals there would

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

Under both bills the Permanent Fund would be fairly conservative.

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

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

(See COMMITTEES on page 2)

What are 'wise investments'?

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Permanent Fund could bring art to

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

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

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

The following is an excerpted version of her testimony:

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

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

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

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

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

addressed various publics on such matters as building the pipeline.

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

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

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

So, with that for background, here is my suggestions:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**THE HOUSE SPECIAL COMMITTEE ON THE
ALASKA PERMANENT FUND**

will hold

PUBLIC HEARINGS

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

beginning at 10:30 a.m.

February 3rd

in the Borough Assembly Chambers
520 Fifth Ave.

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

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

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NOV 7 1977

**Permanent Fund Group
Suggests Loan Agency**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Anchorage Daily
News
Anchorage, Ak

NOV 16 1977

Revenue sharing priority

Governor outlines '78 legislative goals

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

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

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

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

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

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

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

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

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

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

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

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

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

Governor Explores Revenue Sharing

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

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

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

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

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

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

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

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

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

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

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

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

Governor Explores Revenue Sharing

(Continued From Page 1)

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

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

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

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

As Hammond explained his concept:

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

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

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

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

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

ALASKA CLIPPING
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Fairbanks
News Miner
Fairbanks, Ak

NOV 15 1977

State revenue sharing gets Hammond's eye

By G. MICHAEL HARMON
Associated Press Writer

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

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

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

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

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

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

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

Public Airs Its Views At Forum

13-31-32-37-75
By PATTI EPLER
Times Staff Writer

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

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

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

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

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

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

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

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

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

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

NOV 5 1977

Senate permanent fund wants loan consolidation

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

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

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

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

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

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

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

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

— Eligibility standards for state loans would require borrowers to be at least 18 years old with five years' state residency. At least 50 per cent of the shareholders of corporate borrowers would have to have five years' residency;

— Maximum loan levels would range from \$75,000 for a single-family home loan to \$4,000 a year for undergraduate university study to \$800,000 for some business loans;

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

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

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

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

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

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

NOV 8 1977

Oil industry discounts state's figures

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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NOV 4 1977
Fairbanks, AK

Fund panel favors one loan agency

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

Alaska's Permanent Fund

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

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Ketchikan Daily
News
Ketchikan, Ak

NOV 5 1977

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

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

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

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

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

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

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

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

Loan plan for state's nest egg

By PAUL NUSSBAUM
Daily News Staff Writer

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

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

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

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

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

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

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

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

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

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

some business loans. The 1980 year for underplanned density study.

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

Even lower interest rates would be permissible if the program has been cost-effectively managed. Loans made up by the permanent fund will be the Renewal and Economic Development fund.

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

• Loan plan for nest egg

(Continued from Page 1)

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

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

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

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

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

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

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

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

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

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

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

Forum Plans Discussions Across State

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

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

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

The forum in Anchorage is set for Oct. 22.

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

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

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

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

have yet to be determined by the legislature.

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

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

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

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

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

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

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

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

Anchorage Daily
Times
Anchorage, Ak.
OCT 1 1977

Nov 7 1977

Road Show Fizzle

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

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

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

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

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

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

PERHAPS, BEFORE the last of the Alaska Public Forums is

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

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

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

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

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

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

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

NOV 3 1977

State Municipal League Meeting Begins Today

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

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

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

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

Fairbanks
News Miner
Fairbanks, Ak

NOV 5 1977

One-day Public Forum hears from the people

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

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

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

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

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

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

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

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



What Leaders Should Be Asking

By Joe Josephson

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ANCHORAGE BUREAU
NEWS
SEP 25 1977



Permanent Fund Management

By Joe Josephson

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

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

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

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

The trouble with the permanent fund is that if that popular assumption is true — that legislators will spend the money available — the permanent fund does little to curb the growth of state government. State general fund surpluses for the 1980s are projected to mount to billions of dollars, even after the permanent fund dedications are considered; thus, the temptation for more state spending will be present, permanent fund or no.

ONE ANSWER, of course, would be to earmark more and more state revenues to the permanent fund, in an effort to place more petroleum receipts out of the legislature's reach. At some point, though, the underlying notion of that approach becomes clear — to deny to the people of Alaska, through their elected leaders, the opportunity to work their will in a democratic way.

The premise of the suggestion that the permanent fund should be enlarged is that the people of Alaska can't be trusted, through their elected officials, to spend available money, or save state revenues, for wise purposes and in wise proportions.

Moreover, earmarking more and more money for the permanent fund would not change underlying conditions that create pressures for state spending. Those conditions — be they the need to develop a diversified economy, or to share revenues with local governments, or to educate children and adults in schools

and colleges, or to promote the quality of the environment, or to maintain an equitable schedule of public employees' pay — are not likely to be changed because a permanent fund exists. To meet pressures for state spending, many of which will be legitimate, a legislature confronted by a huge permanent fund beyond its reach will reach out for revenue through higher taxation.

ANOTHER DILEMMA for permanent fund policymakers is that some investment proposals imply government growth and new stimulus for population growth. The rate of Alaska's population growth is likely to be high in any case, bringing the blessing of new human resources to the state, new skills and new services, but bringing also new stress on the capacity of our towns and cities and labor markets and parks and streams to absorb increased population pressures.

One of the House committee's consultants noted that there is only one sure way to curtail Alaska's population growth — that is, by making Alaska a very undesirable place in which to live. But that would be an odd course of deliberate governmental action, even if governments everywhere from time to time have set such a course unwittingly.

The resulting irony is that if the permanent fund investment policy is to stress loans or loan guarantees for Alaska small businesses or to subsidize industry, the policy will imply support for more government activity in the marketplace and more stimulus for immigration. The result of that will be more general fund expenditures over time, not the dampening down of state spending which some advocates of the permanent fund hoped for. Moreover, it is not clear that permanent fund investment policy will ever be free of the very public pressures that were said to operate upon the legislature itself.

AS THE HOUSE committee's informative pamphlet notes, "trade-offs are inevitable." The permanent fund won support at polling places around Alaska from conservatives who saw virtue in keeping a "nest egg" for future generations, out of today's "non-renewable" resource receipts. In the same election, the permanent fund won support from liberals who saw the possibility of new funding aid for the fellow or woman unable to win financial leverage in the existing private sector.

Now that both sides have produced constitutional change, the state's lawmakers must deal with these opposing philosophies for permanent fund management — a tough intellectual and political task.

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

Billion-dollar enterprise

(The Alaska Public Forum will conduct a workshop at 9 a.m. Saturday at East High School on four state issues which the governor, members of the legislature, and the Alaska Growth Policy Council have identified as most important for public discussion this fall. These issues include land, the financing of state government, the permanent fund, and subsistence use of fish and wildlife.)

Prepared by the Alaska Public Forum

The Alaska state government is a billion dollar enterprise, responsible for providing a wide range of goods and services to the public. These goods and services must be paid for from the state treasury, where all public funds are kept.

When an individual purchases a product or service from a private business, the cost and the payment are direct and are reflected in the price of the item, determine whether or not it is worth the money, and act accordingly. Although just as real, payment for government products is less direct and the benefits are less easily measured.

Money in the Treasury. Government operations are funded through a combination of tax revenues, user fees (e.g., camping permits, fishing and hunting licenses), federal aid and grants, and the sale of state-owned resources such as oil and land. Some state revenues occur only once; for example, the \$900 million Prudhoe Bay lease sale. Others are yearly collections from a continuing tax base such as corporate and personal income.

Since statehood, our mineral sale revenues have financed an increasing proportion of ongoing state expenditures. There is growing concern over this situation. Today, approximately 55 per cent of all government activities are paid for with mineral sale revenues. Since oil, gas, and other mineral deposits are finite, this source of money is ultimately limited. Currently, the state is deliberating how to move from a dependence on this unreplenishable source of funding to sources based on continuing state economic activity without drastically reducing services, disrupting the growth of the Alaska economy, or saddling the populace with a large tax burden.

Although substantial oil revenue seems assured for at least 10 years, how will we pay for government when revenue from mineral sources ultimately declines?

Meeting Expenses. As the population increases and costs rise, it becomes more difficult to maintain the current levels of services without spending more money. Some people suggest that we should restrict



government spending only to those additional activities which can be financed by new taxes or service charges. Yet on the other side of the scale, there seems to be rising expectations of government and demands for new or more expanded services.

Perhaps, examples of projects now under consideration may help to clarify the dilemma.

Alcohol abuse is a serious problem in Alaska. Many people feel that the state should become more involved in rehabilitation, education, medical care, and law enforcement programs which deal with the devastating effects of alcohol. But if these programs are expanded, how should we pay for them? There are several possibilities: we could reduce spending in other areas; we could increase general taxes; we could increase taxes specific to alcohol (user fees), or we could use oil monies.

The potential opening of the North Slope Haul Road involves similar questions. If the road is opened, the state will have to pay substantial sums of money for annual maintenance and other related activities. Who should pay these costs — the people who will use the road or the state? Should we reduce the money for other programs to finance this one? Should we reduce the level of road maintenance elsewhere? Should we raise general taxes or tap oil money? These are the kinds of difficult trade-offs which must be considered.

Balancing the checkbook. Some people believe that we should continue to finance state government predominantly with revenues from mineral sales because we will continue to discover and develop these resources indefinitely. This position is difficult to support or disprove, since it assumes the existence of resources which have not yet been found. Some individuals maintain that scarcity of developable mineral resources is too far in the future for it to be of major concern to state government and the Alaska people today.

It is possible that the Alaska economy will expand at a greater rate than increases in government spending. This would probably mean attracting new industries to Alaska which would increase revenues more than they would increase the demand for expanded state services and facilities (e.g., new schools and roads).

The legislature and the governor, with public advice, will decide on the level of government expenditures. Finding the appropriate balance between state spending and the financing of that spending is the question of financial management. If you think spending should be held down, certain activities now undertaken by state government will need to be reduced.

A big question: permanent fund

(The Alaska Public Forum will conduct a workshop at 9 a.m. today at East High School on four state issues which the governor, members of the legislature, and the Alaska Growth Policy Council have identified as most important for public discussion this fall. These issues include land, the financing of state government, the permanent fund, and subsistence use of fish and wildlife.)

Prepared by the Alaska Public Forum

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

The amendment reads:

"At least 25 per cent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the State of Alaska shall be placed in a permanent fund, the principal of which shall be used only for those income producing investments specifically designated by law as eligible for permanent fund investments. All income from the permanent fund shall be deposited in the general fund unless otherwise provided for by law."

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

1. At least 25 per cent means that more than 25 per cent can be placed in the Permanent Fund.

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

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

4. Permanent Fund investments must be income-producing.

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

In brief, the voters agreed to use at least 25 per cent of the specified oil and other mineral revenues paid to the state for investment purposes. None of that money may be put into the General Fund, which finances the general operating expenses of government. All that may be spent in future years are the earnings from Permanent Fund investments.

Understanding the difference between the principal and the earnings of the Permanent Fund is important. For example, if the state put \$250 million into a savings account, it might earn interest at seven per cent. That interest over a five-year period would amount to approximately \$87.5 million, plus what has been compounded. The state may spend the \$87.5 million, the earnings, but the \$250 million, the principal, must stay in the Permanent Fund for investments.

The same idea applies to a loan. If the state loans a community \$100,000 to build a dock, it will expect to receive that \$100,000 back plus, perhaps, six per cent



interest. In this case the state will earn \$6,000 at the end of one year which it can spend on state activities, unless otherwise provided for by law. Again, the state returns the \$100,000 to the Permanent Fund for future investments.

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

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

Beginning in January, the state legislature will consider laws on the Permanent Fund. In the last legislative session, two bills dealing with the structure and management of the Permanent Fund were introduced for the purpose of discussion. The State Investment Advisory Committee, which advises the Commissioner of Revenue on investment policies for the state, wrote House Bill 298. This bill was sponsored in the legislature by the Governor. A second bill, House Bill 300, based on HB 298 but incorporating some changes, also was entered in the last session.

Research and analysis continues as policy makers prepare for the debate which will take place during the 1978 session. Special House and Senate committees have been working through the summer to answer questions about how to set up and manage the fund. To assist these committees and the Governor, who will have to decide whether to sign any Permanent Fund bill passed by the legislature, the Alaska Public Forum is asking you to consider your goals for this special fund.

Policy profiles

Permanent fund: can it be a settlement?



By JOHN HAVELOCK
(Second of two columns)

Before the Native Claims Settlement Act was enacted, some non-Natives asked, "Why not a settlement act for us?"

The complaint was not entirely idle disgruntlement. Hostility to distinctions based upon race go pretty deep, right to the U.S. Constitution.

BUT THE SAME constitution imposes on the federal government a special obligation to respect the identity and enhance the welfare of Alaska Natives as Indians. The 1971 Native claims settlement did that. The Alaska Native has a very special, constitutionally based, identity.

Among the rest of us, government must make distinctions which ignore race and distribute benefits according to classifications bearing a rational relationship to an objective of public policy, such as promoting fisheries.

In a way, the fishermen of Alaska got a settlement act through the Commercial Fisheries Entry law. This act created a property interest in the commercial fisheries of Alaska and divided it among those with an historic economic interest in the fisheries.

COMMERCIAL FISHERMEN as a group have a special identity, economically defined, which the state recognizes by distributing benefits. Veterans, farmers, the unemployed, the injured, dozens of classes of people are selected by the state as special beneficiaries enjoying direct benefits in cash or kind. Classes of persons also enjoy special benefits, to the degree of use, in the public works and recreational opportunities of the state.

As a result of its budget, tax and development policies, the state of Alaska will soon enjoy a large budget surplus. The income going into the permanent fund didn't have to be. Taxes could have been lower. Leases could have been sold on a different schedule of basis. Gas costs to consumers could have been less. So this surplus is really no different from any other government surplus. It is a consequence of policy.

Disbursements from the fund do not have a different federal constitutional basis than any other government disbursement. There must be a rational class and a public purpose.

HOW ABOUT a settlement act for "everyone"? We have no identity, merely as residents, upon which to base an inherent claim to disbursement of this surplus. What governmental purpose is served by a distribution to everyone? What need is met? We are not Natives to whom a special federal obligation is due. We all do not fit in a single economic grouping in whose welfare the state has

an interest. We are highly differentiated by position.

Possibly, assuming it is desirable, the state could reach us all through two roles which most of us fit. Taxpayers may be given tax relief. Those too poor to pay taxes may receive income assistance through a negative income tax or similar strategy.

A biased distribution of benefit based on longevity of residency, as has been suggested by some, won't work. You can't give tax credit based on how many years you have been here.

FOR INSTANCE, you couldn't give a superior fisheries entry permit based on the duration of residency. Despite local hard feeling, the fisheries entry law required constitutionally to respect the interest of non-residents in permits. The state can't give higher unemployment or welfare benefits to a person simply because he has been here longer. The U.S. Supreme Court has spoken on this issue.

The court is not without reason. What rational distinction can the state draw between me who has lived here eighteen years and thee who has lived here one?

If such distinctions could be sustained, the mathematics of majority rule should dictate that the "median man" calls the shots by lining up with everyone less senior or everyone more senior to divide up the pie among the chosen half.

Should the permanent fund be divided up among special class benefits? There is much legislation now benefiting one kind of special group or another.

MOST IN-STATE, investment and distribution plans for the permanent fund tend to encourage even greater separatism, one group from another in our society.

One such proposal might have a regional basis. Just as the settlement act recognizes and encourages differences among twelve regions, the permanent fund could be carved into regionally oriented, benefit pots.

Forum kicks off its second year

The Alaska Public Forum, a program to find out what Alaskans have on their minds, has been in business for about a year now.

The forum kicked off its second year Monday night with a meeting in Dillingham. It was the first of 16 meetings scheduled around the state between now and December. On Nov. 5 the forum will come to Fairbanks.

A recent report on the results of the first year's meetings shows that about 3,500 persons from 60 communities participated in the forum through a series of town meetings and by answering newspaper questionnaires.

Seven questions were posed at the meetings. The results seem to indicate that on most questions at least, there is no clear consensus as to what the state should do to make Alaska's future a brighter one.

Forum participants were asked to say how the Permanent Fund money should be invested; how the state should use its new oil and gas money; how public school construction should be financed in both organized and unorganized boroughs; how the state's land should be managed; what the state's policy on oil and gas lease sales should be; what social needs are the most pressing in the state; and how the state's royalty oil and gas should be used.

On the Permanent Fund question, 36 per cent of those who answered said it should be used for loans to develop renewable resource industries, while 26 per cent said it should be "saved."

When asked about the oil money that will be collecting in the state's coffers, 30 per cent of the participants said it should be used to provide tax cuts to Alaskans, 21 per cent said it should be loaned to develop renewable resource industries and the rest submitted various other answers.

On the question of what human needs are the most important in the state, 31 per cent said education, 23 per cent said

employment and 12 per cent said alcoholism.

Almost 35 per cent of those who attended said the present system of financing school construction should be continued, while 18 per cent said local property taxes should be used and supplemented with state money if necessary.

When asked about land and how it should be managed, 38 per cent said the state should act to meet people's needs and 25 per cent said it should be managed to promote renewable resource development.

A majority of those who participated said the sale of oil and gas lease sales should be timed to ensure a steady flow of income to the state over a long time.

Forty-five per cent of the participants said the state should provide for in-state residential use of Alaska's royalty oil and gas.

During forum sessions this year topics to be discussed include the Permanent Fund, subsistence, land policies and general state spending policies.

Perspective

Alaska's "Nest Egg" Is It an Empty Shell?

By Joe La Rocca

The trouble with the popular perception of Alaska's new State Permanent Fund as a "nest egg" is that the analogy is prophetically apt. Eggs not eaten soon rot; thus the Permanent Fund, now less than a year old and already showing signs of spoilage.

Conceived in the emotional aftermath of the public spending spree which quickly devoured the \$900 million in bonus proceeds from the state's 1969 oil and gas lease sale on the North Slope, the idea of a Permanent Fund palpably emerged from the 1976 legislature in the form of a proposed amendment to the state constitution aimed at removing its prohibition against dedicated or special state funds.

The proposed constitutional amendment was overwhelmingly ratified at last November's general election by Alaska's voters, whose political leaders had endowed the public with the fanciful notion that a vote for a Permanent Fund was a vote for fiscal responsibility. In fact, it was a facade erected behind which to conceal their prodigal extravagance with public monies.

The proposed amendment, for example, was heartily endorsed by the 1976 legislature and Governor Jay Hammond who together placed before the voters in 1976 by far the largest package of general obligation bond indebtedness ever proposed totalling a quarter of a billion dollars. Together they also launched a borrowing program against future oil revenues which has illegally plunged the

Perspective . . .

Continued from page 4

state into more than half a billion dollars of debt, thus amassing a state deficit unmatched by all the governors and legislatures since statehood.

Under those circumstances, the 1976 legislature — 50 of whose 60 members were up for re-election later that year — and Hammond, who faces re-election next year, sorely needed a symbol to overcome the political handicap of the spendthrift image they had cultivated. Enter the Permanent Fund, whose motherhood appeal in an emerging era of fiscal conservatism offered the ideal vehicle for politically exploiting that era's fetish.

Thus hoodwinked by their political leaders, Alaska's voters last year approved by a nine to one margin the creation of the Permanent Fund, which was soon enveloped in a swirl of political bickering over how it should be structured and managed, and by whom.

During its recent round of public hearings, the Special House Committee on the Permanent Fund announced that the fund has already accumulated nearly \$5 million and earned \$45,000 from interest on security investments. Unmentioned was the fact that more than half a million dollars have been committed by the administration and legislature to activities aimed at determining how to administer the Fund, an expenditure which is equal to 10 times the Fund's current earnings.

There is a widespread misconception that the Permanent Fund is designed, in part, to curb public spending by making substantial amounts of revenues from the sale of the state's non-renewable resources unavailable for appropriation by the legislature. That misconception was encouraged by the general impression that the new constitutional provision authorizing the creation of the Permanent Fund requires at least 25% of state oil and gas revenues to be deposited into the general fund, which may be used only for income-producing investments.

What is not generally known is that the minimum deposit requirement does not apply to oil and gas severance tax receipts, which are by far the single largest source of state revenues and will soon exceed all other revenue sources combined.

Thus, the Permanent Fund as presently instituted perpetuates the illusion of fiscal restraint. But as enormous volumes of North Slope oil and gas revenues pour into the state treasury, the legislature, the governor and the burgeoning bureaucracy they feed will have at their disposal exponentially increasing amounts of General Fund monies, the expenditure of which is not in any way proscribed.

As I wrote in this corner nearly a year ago, just prior to the general election at which the creation of the Permanent Fund was approved by the voters: "The simple truth is that the current legislature and governor have used the motherhood mystique of the Permanent Fund to lull the public into acceptance of the notion that they

are the practitioners of fiscal restraint, when, in fact, the opposite is the case. . . unfortunately, there's little doubt that the voters will blindly approve Proposition No. 2, for the concept of a permanent public fund has already been sanctified by the state's self-serving political establishment and Alaska's unthinking news media."

My earlier qualms, then speculative, are being rapidly confirmed by the political chaos in which the Permanent Fund is currently adrift.

Even the author of the constitutional amendment authorizing the creation of the Permanent Fund, Rep. Clark Gruening, D-Anchorage, acknowledged recently that there are serious problems with it. Gruening, chairman of the Special House Committee on the Permanent Fund, said: "I think the pit is bottomless." He was referring to the infinite multiplicity of proposals for using Permanent Fund monies.

According to reports, Gruening feels that many of the proposals can be accommodated through established state fiscal processes, such as budgetary appropriations or existing loan programs, of which there are about a dozen.

Therein lies the essential and seemingly incurable conflict: the clear absence of any consensus on what Permanent Fund monies should be used for. It's the same political dilemma which accompanies conventional options for public spending. Under existing fiscal policy, this conflict is resolved through the political process. There seems to me to be no value in artificially fragmenting that process simply to justify the existence of a redundant and politically-motivated public policy tool which not only serves no useful public purpose, but which is counter-productive to boot.

FOR LOCAL GOVERNMENTS:

Revenue Sharing Overhaul Studied

By G. MICHAEL HARMON
Associated Press Writer

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

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

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

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

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

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

—A special legislative committee chaired by Sen. Mike Colletta, R-Anchorage, has "subtly distorted the issue" by claiming that administration-proposed booze tax increases

will not solve the state's alcoholism problem.

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

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

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

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

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

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

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

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

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

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

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

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

As Hammond explained his concept:

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

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

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

On the issue of his alcoholism program, Hammond said he

never claimed that increased taxes would eliminate the problem, but maintained that a hike was necessary to pay for the \$10 million worth of court and police costs which alcoholism is costing the state each year.

Hammond also said he would not seek passage of his Alaska Inc. concept until the state budget was not so dependent on non-recurring oil income.

Money, Land Are Key Issues As 100 Attend Public Forum

(Continued From Page A-1)
in," Gruening said afterward. The public seemed quick to grasp the main concept of the fund though confused use of the general fund with the permanent fund, he said.

Tim Buckley, a forum staffer, led the session on land use. By 1985, state officials expect about 100 million of Alaska's 360 million acres to be state-owned with about one million of those acres in private hands, he said.

The balance will be controlled by the federal government, with 44 million acres owned by native corporations, he said.

The state is exploring ways of putting more land into private hands and is seeking input on how to do it.

Several land conveyance programs have been in effect in the past, including the Homestead Act and the open-to-entry program. The Homestead bill, passed during the last legislative session, will make about 5,000 acres available next spring and a cooperative program between the U.S. Forest Service and the state Department of Natural Resources is attempting to give communities surrounded by national forest land title to some of the surrounding land.

Most attending the discussion agreed land should be classified for its most suitable use — recreational, residential, commercial or industrial — and ways of insuring the intended use should be decided.

Land speculation was a major concern. Participants said land would be conveyed in a manner voiding people buying land and reselling it later for exorbitant prices.

Leasing land was preferable to its sale, if only to avoid speculation and to assure its intended use, they said.

Those involved in the discussion on government financing, called the billion-dollar enterprise" by forum officials, said they had a "fiscally conservative attitude" toward the government.

One group proposed a moratorium on new programs and said the government should "live within our means."

The government should not depend so much on oil revenue and stop overspending on the basis of income from oil production, they said.

Government should "not be opposed to giving money to those who deserve it" but should stop spending money unwisely, the public said.

The discussion group favored "user taxes" such as that on tax on alcohol.

Tempers flared at the subsistence discussion, which forum officials said was the hardest topic to narrow

to a level that could be discussed within a workable framework.

The state proposed reorganizing the Fish and Game Board, currently a statewide seven-member board, into five regional boards which would have more awareness of the needs of each region.

The 53 advisory committees now in existence — although one state official said many of those committees exist in name only and haven't held a meeting in years — would still work with the regional boards and offer input from their respective communities.

David B. Nanalook, a Bush resident, said problems arise, particularly in Bush areas, because the board tends to listen to the fish and game biologists and not to the people who need subsistence hunting and fishing.

"Hunting regulations imposed in rural areas are not in compliance with the rural lifestyle," he said.

Opposition to subsistence living came from Dale Bondurant who said subsistence is "blown out of proportion in Alaska as a motherhood issue.

"The state constitution says the

fish, the wildlife and the waters be reserved for all the people's common use," he said.

Bondurant said his interpretation of the Alaska Native Claims Settlement Act was that when the natives agreed to the act, they gave up all "aboriginal claims."

Rosita Worl, who said she has extensively studied subsistence in the rural areas, said most persons in urban areas are not really aware of what a subsistence lifestyle is in Alaska today. On one hand there is the cash system and on the other is subsistence, she said, and now that rural areas have accepted the cash system, subsistence encompasses both aspects.

Most attention to the subsistence issue is focused on the use of land and resources but two other aspects need to be considered, Ms. Worl said.

Subsistence is really a social system in which the entire community works together to share the benefits of the hunting, she said. Citing whaling as an example, Ms. Worl said the whaling captain divides the catch among those who hunted as well as the elderly or needy. "It feeds the entire community," she said.

Subsistence also has great cultural value to village people, Ms. Worl said. "It's difficult to define," she said, "but there is a strong relationship to the environment. It is reflected and symbolized in the art, music and dance."

The forum staff will study the responses from each group and draw up a final report. Similar public forums have been conducted in other areas, and several more are scheduled over the next few months.

Wide Margin Expected

PANAMA CITY, Panama (AP) — After six weeks of unusually free debate, Panamanians vote today in a national referendum whether to accept the Panama Canal treaties negotiated with the United States. Government officials privately predicted a 70 per cent "yes" vote.

OCT 6 1977

Resources, land priorities in public forums

By **BOB SPEED**

Sally News Staff Writer

After several months of public forums around the state and more months of digesting the information gathered, the Alaska Public Forum has issued its report on the first year's results.

The public forum, sponsored by The Alaska Growth Policy Council, has also announced its second round of forums to be held around the state, the first of which have already taken place. One is scheduled in Ketchikan on Dec. 3.

The forums, which are supposed to get state residents' opinions on statewide concerns, met for the first time in Ketchikan last winter, and according to a year-end report just released people expressed similar problems and ideas.

About 3,700 state residents were attracted to the meetings which were held in communities in each of the state's seven regions. The public forum, under the direction of Lt. Gov. Lowell Thomas Jr., asked opinions on several statewide issues, including state policy on oil and gas revenue and planning, land use and

social services.

The forum also spent some time gathering information on topics of regional concern.

Renewable resource development and land were the most important areas of concern held in common among the state's seven regions, followed by transportation and problems regarding the size and growth of state government.

Some 58 percent of the participants believed the state should sell oil and gas leases at a constant rate for a "steady flow of income," according to the year-end report. Nearly half—45 percent—of the participants believed that the best use of royalty oil and gas would be to make it available for residential use at low cost and to ease any future national shortages. Another 21 percent said it should be used to promote industrial development, although people weren't in favor of subsidizing that industry.

However, there was little support for using the state's lands to promote industrial development, with only eight percent opting for that idea. The largest number of people, some 38 percent, said

the state should provide for people's needs through homesites, subsistence and recreational development. Another 19 percent said preserving the natural environment is a top priority.

Education was the top social need seen by forum participants, followed by employment. However, the Alaska Growth Policy Council determined that if those two issues were taken as "philosophical" statements, the largest single problem expressed by residents was alcoholism, a concern of 12 percent of the participants.

General health care was the next largest concern to participants with nine percent expressing that need, and related to that were the next two highest priorities, taking care of children and the elderly, each with seven percent expressing those needs.

A total of 3,714 people participated in the forums, ranging in age from 13 to 94. One-third of them were professional people including lawyers, nurses, pilots, government workers and others, but two-thirds were non-professionals ranging from carpenters and roofers to

lumbermen and farmers.

Of the participants, 68 percent were male and the largest single age group, 30 percent, were between the ages of 25 and 35; 20 percent were between 45 and 55 and another 18 percent were older.

In the second forum series, the permanent fund will again be a major issue, as will land use, and questions will be more specific on people's preferences for using the money and land.

Subsistence, which Thomas describes as "currently one of the most sensitive and controversial issues facing the state in the area of fish and wildlife management," will be a topic for the forum and the fourth question, will deal with the problem of balancing the state budget and financing government activities.

Thomas said today that emphasis will be placed this year on meetings in rural communities, although forums will also be held in Anchorage and Fairbanks and conclude in Ketchikan Dec. 3. Gov. Jay Hammond said today he would be in Ketchikan for that final forum.

OCT 14 1977

At Southeast Conference:

Officials develop unified stand for SE

by JANE HANCHETT

Daily News Staff Writer

SITKA—Municipal officials at the Southeast Conference strongly urged support from legislators and state administration officials for a percentage of the Alaska permanent fund to be designated for development of energy sources.

The southeast conference met in Sitka Thursday and today to develop a unified stand for Southeastern projects.

But the officials' remarks were received by cautious state officials and representatives of the senate and house special permanent fund committees. Those

committees and the state investment advisory commission currently are holding public hearings to find out what the public wants done with the permanent fund.

State voters in 1976 established the fund by passing a constitutional amendment that allows a minimum of 25 percent of all mineral lease rentals, royalties, royalties sale proceeds, federal mineral revenue sharing payments and bonuses to accumulate in a special fund.

Don Bowey, Ketchikan Public Utilities assistant manager; Rocky Gutierrez, Sitka city and

borough administrator, and Dick Ballard, of the Thomas Bay power commission (for hydroelectric development of Petersburg and Wrangell), emphasized the need in their communities for long term, low interest rate, hydroelectric development loans.

The community officials asked that a certain percentage of the fund be used for energy development, because continuance of a former source of loans, the water resources revolving loan funds, passed by the legislature in 1975, is now in question.

State Revenue Commissioner

Sterling Gallagher said there was no more money available for loans in the fund. The revolving loan fund depends on legislative appropriations.

A bill was passed this year to provide \$3.6 million for power projects development. The money consisted of \$200,000 for the water loan fund, \$1.6 million for Sitka's Green Lake hydroelectric project now in the planning stage, and \$1.8 million for a power project revolving loan fund, according to R.W. Beck Association consultants for Ketchikan, Sitka, and Wrangell-Petersburg water projects.

Sitka plans projects at Green

Lake, Ketchikan at Swan Lake and Wrangell-Petersburg at Thomas Bay.

Gov. Jay Hammond cut an original appropriation enacted in 1976 for the water resources loan fund from \$3 million to \$2.5 million, and this year cut the \$200,000 that the legislature had earmarked from the fund.

He also cut the power project loan fund from \$1.8 million to \$540,000, according to Beck consultant James V. Williamson. Sitka has been the only community to take advantage of the water resources loan fund since its enactment. Williamson said that the other communities

were "reluctant to borrow money from the loan fund since the loan conditions stipulated by the administration were not especially attractive."

Despite other communities comparative slowness to Sitka in applying for the funds, their officials Thursday expressed great need for continuance of the fund.

Ketchikan's Bowey called for "replacement legislation" that must contain "funding for hydroelectric and portable water projects" from the state's mineral resource wealth.

The next project of the legislature regarding the per-

manent fund is to enact "enabling legislation" setting for its structure and specifics on what the money will be used for.

Proposed legislation now calls for "at least 40 percent to be invested in investment grade securities, not more than 30 percent to be invested in the private sector of Alaska's economy and not more than 30 percent to be invested in community development projects and private dwelling

Gallagher told the conference delegates. Southeastern municipal officials all urged support for of their hydro projects as community development projects.

OCT 3 1977

Education needs foremost in survey

By PAUL NUSSBAUM
Daily News Staff Writer

Education and employment are the most important needs facing Alaskans, according to surveys of state residents conducted by the Alaska Public Forum.

And more than twice as many residents favored using royalty oil and gas for in-state residential use as favored other uses for the state's one-eighth portion of oil and gas found in the state.

A GREAT MAJORITY of those responding to the Public Forum survey questionnaires on future oil and gas leasing

wanted leases sold at a constant pace to insure a steady flow of income.

To questions on the use of the Alaska Permanent Fund, the highest percentage of those responding favored use of the state's savings account to develop renewable resources industries. New oil and gas money that is not dedicated to the permanent fund should be used to cut taxes for Alaskans, 30 per cent of those responding said. Those who wanted either permanent fund money or new oil and gas money used for industrial development were in a distinct minority, the survey showed.

Operated out of Gov. Jay S. Hammond's office, the Public Forum last year distributed questionnaires about state policy through newspapers and pamphlets. More than 3,800 persons responded to at least one question, and more than a third of those had lived in the state for at least 20 years. The respondents ranged in age from 13 to 94.

THESE ARE the questions asked and the responses received:

—How should the permanent fund money be invested?
Loan it for renewable resource development, 36 per cent.

(Continued on Page 2)

(Continued from Page 1)

Save it, 26 per cent.

Loan it to communities, 14 per cent.

Loan it for industrial development, 10 per cent.

Loan it to individuals, 9 per cent.

—How should the state use its new oil and gas money? (All revenue except that invested in the permanent fund)

Use it for tax cuts, 30 per cent.

Loan it to develop renewable resource industries, 21 per cent.

Save it by increasing the permanent fund, 13 per cent.

Use it for more community revenue sharing and community grants, 12 per cent.

Use it for cash payments to Alaskans, 6 per cent.

Use it for more state services, 5 per cent.

Loan it to communities, 4 per cent.

Loan it for industrial development, 5 per cent.

Loan it to individuals, 3 per cent.

OCT 22 1977

'Savings' plan for oil wealth

By G. MICHAEL HARMON
Associated Press Writer

JUNEAU — A special House committee directed its staff Friday to prepare legislative language in line with a tentative decision to earmark the profits as well the principal of the Alaska Permanent Fund as a savings account for the future.

Under the concept being developed by the House Permanent Fund Committee, income from investing the fund's oil revenues would be plowed back into the fund.

"With the permanent fund, we are more interested in preserving it for the future rather than using it to achieve social goals," said Rep. Russ Meekins, D-Anchorage and a member of the committee.

To accomplish social goals such as diversifying the state's economy, the committee is considering legislation to create an Alaska Development bank which also would be financed by oil wealth.

"But leaving social goals to non-elected public officials like those that will be necessary to manage the permanent fund bothers me," said Rep. Clark Gruening,

D-Anchorage and chairman of the committee.

Under the concept now being considered by the committee for submission to the 1978 Legislature, no time limit would be placed on how long profits from the permanent fund would be reinvested.

"My feeling is that we would just save it until we get a better idea of what we want the fund to do," Gruening said. "Anyway the permanent fund isn't going to amount to much until the 1980s."

Despite apparent agreement on the committee, officials of the administration of Gov. Jay Hammond raised doubts the savings account concept.

"You've got to tell the managers of the fund who are they trying to benefit and in what time frame," said Revenue Commissioner Sterling Gallagher. "They've got to know that to decide what kinds of things to invest in."

"When I look at the savings account concept," added Deputy Revenue Commissioner Jim Edenso, "I wonder just who the hell we are saving it for. What your asking the people of Alaska to do is

defer benefits which could be realized now."

And committee members acknowledged difficulty in their efforts to balance the savings account concept with directions for management of the fund.

At issue was a conflict between the committee's desire to safeguard the money while at the same time allowing flexibility in investment decisions by a proposed board of trustees.

Gruening said he wanted the staff to come up with language which gave trustees a mandate to preserve the principal of the fund, protect it against inflation and still maximize profits.

"We don't want the trustees to gamble, but we want to give them enough flexibility that the fund doesn't lose money in real purchasing power," Meekins said.

The House panel also grappled

with the dilemma of how to strike a balance between the "accountability and independence" of the board of trustees being proposed to manage the fund.

The issue arose during the presentation of a report by a representative of the financial consulting firm of White, Weld & Co. on the management of similar funds in other states.

Robert E. Greeley, a vice president in the consulting firm, said the legislatures of Wisconsin and Minnesota also faced the issue of accountability versus independence in establishing centralized agencies to invest revenues from their permanent, trust, and retirement funds.

In those states, Greeley said, the lawmakers "removed themselves" from the day-to-day decisions on how the funds are invested.

Potential permanent fund conflicts give committee members dilemma

JUNEAU (AP) — Members of the House Permanent Fund Committee today grappled with the dilemma of how to strike a balance between "accountability and independence" in drafting legislation to manage the investment of Alaska's resource wealth.

"What we're trying to do is find ways to resolve potential conflicts between desires to use the fund to achieve social goals and pressures to achieve the highest return possible," said Rep. Clark Gruening, D-Anchorage and chairman of the committee.

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In those states, Greeley said, the lawmakers "removed themselves" from the day-to-day decisions on how the funds are invested while attempting to retain control through strict reporting requirements and their ultimate power of the purse over the administrative budgets of the agencies.

"If the managers do something they (legislators) don't like, they can eliminate the money for the staff," Greeley said.

Most of the committee members' questions to Greeley centered on the issue of control over investment decisions by fund managers.

"The important thing to me is the control of elected officials," said Rep. Russ Meekins, D-Anchorage. "I'm interested in keeping some kind of legislative

control.

"I don't think the Legislature should have control over specific investment decisions, but it should have control over the direction of the investments."

Rep. Bill Miles, D-Anchorage, said he also wanted to make sure legislation being prepared by the committee provided for resolution of conflicts "when the Legislature finds itself at loggerheads with the fund managers."

The Committee questioned Greeley prior to beginning a

review of its "rough, rough talking draft" of legislation which would keep profits from the Alaska Permanent Fund locked away in a savings account for the immediate future.

Under the tentative House committee draft, profits from investing the principal of the fund would be plowed right back into the fund for at least the immediate future.

"We just don't know what we want to do with the income from the fund yet," said Rep. Clark Gruening, D-Anchorage and chairman of the committee.

Permanent Fund Panel Works To Draft Management Proposal

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would keep profits from the Alaska Permanent Fund locked away in a savings account for the immediate future.

Under the tentative House committee draft, profits from investing the principal of the fund would be plowed right back into the fund for at least the immediate future.

"We just don't know what we want to do with the income from the fund yet," said Rep. Clark Gruening, D-Anchorage and chairman of the committee. "At least until the 1980s the fund isn't going to be that great anyway so we're talking about using it for the time being as a savings account."

However, the working draft does include a proposal for creation of an Alaska Development Bank to make more immediate use of income from the state's oil and gas wealth.

The development bank would have the same source of funding as the Permanent fund but in a different amount. It would be financed by not less than five per cent of state revenues from mineral lease bonuses and rentals and royalties until it has accumulated a balance of \$100 million. The Permanent Fund gets at least 25 per cent of such revenues with no upper limit.

Southeast Alaska
Empire
Juneau, Alaska

Fund Accountability Faced

By G. MICHAEL HARMON
Associated Press Writer

Members of the House Permanent Fund Committee today grappled with the dilemma of how to strike a balance between "accountability and independence" in drafting legislation to manage the investment of Alaska's resource wealth.

"What we're trying to do is find ways to resolve potential conflicts between desires to use the fund to achieve social goals and pressures to achieve the highest return possible," said Rep. Clark Gruening, D-Anchorage and chairman of the committee.

The issue arose during presentation of a report by a representative of the financial consulting firm of White, Weld & Co. on the management of similar funds in other states.

Robert E. Greeley, a vice president in the consulting firm, said the legislatures of Wisconsin and Minnesota also faced the issue of accountability versus independence in establishing centralized agencies to invest revenues from their permanent, trust and retirement funds.

In those states, Greeley said, the lawmakers removed themselves from the day-to-day decisions on how the funds are invested while attempting to retain control through strict reporting requirements and their ultimate power of the purse over the administrative budgets of the agencies.

If the managers do something they (legislators) don't like, they can eliminate the money for the staff, Greeley said.

The committee questioned Greeley prior to beginning a review of its "rough, rough talk-

ing draft" of legislation which would keep profits from the Alaska Permanent Fund locked away in a savings account for the immediate future.

Under the tentative House committee draft, profits from investing the principal of the fund would be plowed right back into the fund for at least the immediate future.

"We just don't know what we want to do with the income from the fund yet," said Rep. Clark Gruening, D-Anchorage and chairman of the committee. "At least until the 1980s the fund isn't going to be that great anyway so we're talking about using it for the time being as a savings account."

However, the working draft does include a proposal for creation of an Alaska Development Bank to make more immediate use of income from the state's oil and gas wealth.

The development bank would have the same source of funding as the Permanent fund but in a different amount. It would be financed by not less than five per cent of state revenues from mineral lease bonuses and rentals and royalties until it has accumulated a balance of \$100 million. The Permanent Fund gets at least 25 per cent of such revenues with no upper limit.

The draft copy includes detailed provisions for the operation of the bank. But Gruening said the proposals were only intended to give the committee a starting point for discussion, and would be changed drastically in the weeks to come.

The draft bill would create a State Investment Oversight Committee of legislators with

budget and audit review over the Permanent Fund, the Development Bank and the already-created Renewable Resources Development Fund.

Under the tentative House draft, the Permanent Fund would be supervised by a board of trustees and the Development Bank would be managed by both a board to set policy and a committee to make specific investment decisions. The legislature would have confirmation powers over both the trustees and the policy board.

The draft House proposal would continue the conservative standards for investment of

Permanent Fund income established by the 1977 legislature for monies flowing until the fund until a permanent management concept is approved.

The tentative proposal would restrict investments to U.S. securities, bonds issued by Canada, states and other public bodies and property improvement not under the National Housing Act.

It also provides that "income from investment of the permanent fund" with the exception of money needed to pay the administrative expenses of the board of trustees.

Locking permanent fund profits in savings debated

By G. MICHAEL HARMON
Associated Press Writer
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Under the tentative House committee draft, profits from investing the principal of the

fund would be plowed right back into the fund for at least the immediate future. "We just don't know what we want to do with the income from the fund yet," said Rep. Clark Gruening, D-Anchorage and chairman of the committee. "At least until the 1990s the fund isn't going to be that great anyway so we're talking about using it for the time

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"Do we want to provide the opportunity for lower interest rates, longer-term capital or social goals? We don't know yet."

Under the working draft prepared by legislative attorneys,

the bank could invest in just about anything it wanted to with little restriction.

Although the rough draft is destined for major changes before it's introduced in the 1978 legislature in January, Gruening and other committee members voiced no objections with provisions that would give the legislature a major role in overseeing management of the Permanent Fund and the Development Bank.

The draft bill would create a State Investment Oversight Committee of legislators with budget and audit review over the Permanent Fund, the Development Bank and the already-created Renewable Resources Development Fund.

Under the tentative House draft, the Permanent Fund would be supervised by a board of trustees and the Development Bank would be managed by both a board to set policy and a committee to make specific investment decisions. The legislature would have confirmation powers over both the trustees and the policy board.

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Ketchikan Daily
News
Ketchikan, Ak.

Fairbanks
News Miner
Fairbanks, Ak

How to balance accountability, independence

Fund panel in quandary

By G. MICHAEL HARMON
Associated Press Writer

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The issue arose during presentation of a report by a representative of the financial consulting firm of White, Weld & Co. on the management of similar funds in other states.

Robert E. Greeley, a vice president in the consulting firm, said the legislatures of Wisconsin and Minnesota also faced the issue of accountability versus independence in establishing centralized agencies to invest revenues from their permanent, trust and retirement funds.

In those states, Greeley said, the lawmakers "removed themselves" from the day-to-day decisions on how funds are invested while attempting to retain control through strict reporting requirements and their ultimate power of the purse over the administrative budgets of the agencies.

"If the managers do something they (legislators) don't like, they can

eliminate the money for the staff," Greeley said.

Most of the committee members' questions to Greeley centered on the issue of control over investment decisions by fund managers.

"The important thing to me is the control of elected officials," said Rep. Russ Meekins, D-Anchorage. "I'm

interested in keeping some kind of legislative control.

"I don't think the Legislature should have control over specific investment decisions, but it should have control over the direction of the investments."

Rep. Bill Miles, D-Anchorage, said he also wanted to make sure legislation being prepared by the committee

provided for resolution of conflicts "when the Legislature finds itself at loggerheads with the fund managers."

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(See FUND, page 5)

FUND . . .

(Continued from page 1)

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Legislation being drafted to earmark profits of Fund

JUNEAU (AP)—A special House committee has directed its staff to prepare legislative language in line with a tentative decision to earmark the profits as well the principal of the Alaska Permanent Fund as a savings account for the future.

Under the concept debated the House Permanent Fund Committee here Friday, income from investing the fund's oil revenues would be plowed back into the fund.

"With the permanent fund, we are more interested in preserving it for the future rather than using it to achieve social goals," said Rep. Russ Meekins, D-Anchorage and a member of the committee.

"But leaving social goals to non-

elected public officials like those that will be necessary to manage the permanent fund bothers me," said Rep. Clark Gruening, D-Anchorage, chairman of the committee.

Under the concept now being considered by the committee for submission to the 1978 Legislature, no time limit would be placed on how long profits from the permanent fund would be reinvested.

"My feeling is that we would just save it until we get a better idea of what we want the fund to do," Gruening said. "Anyway the permanent fund isn't going to amount to much until the 1980s."

Despite apparent agreement on the

committee, officials of the administration of Gov. Jay Hammond raised doubts the savings account concept.

"You've got to tell the managers of the fund who are they trying to benefit and in what time frame," said Revenue Commissioner Sterling Gallagher. "They've got to know that to decide what kinds of things to invest in."

"When I look at the savings account concept," added Deputy Revenue Commissioner Jim Edenso, "I wonder just who the h— we are saving it for. What your asking the people of Alaska to do is defer benefits which could be realized now."

Southeast Alaska
Empire
Juneau, Alaska

Permanent Fund Discussion Held

In a small turnout for hearings on the Permanent Fund, two Juneauites testified for special interest groups this morning.

Dale Henkin of the Alaska Miners Association asked the House committee on the Permanent Fund to use revenue from the fund to support mining research and exploration. Jane Stewart sought funding of cultural programs and facilities.

The morning session was the beginning of a day of public hearings on the Permanent Fund approved by voters last year. Members of the House committee are holding hearings to determine what residents want from the fund, committee chairman Rep. Clark Gruening, D-Anchorage, said.

The hearing here will continue through 5 p.m. today in the Fifth Floor Conference Room of the State Office Building.

"I think the state has a moral obligation to use a certain amount (of the fund) to enhance renewable industries so they can continue long curve industry," Henkins said. "Alaska will be forced to become the U.S. supplier. Restlessness will be offset by the fact there are still deposits that can be stumbled across here."

When asked by Gruening if private capital could fund mineral exploration, Henkins said the time lag between finding and working mineral prospects is too long for such investment.

In her testimony, Stewart requested fund revenue be used to expand cultural programs and facilities in the state.

In response to Stewart, Gruening said he believed the arts should be a high priority but he anticipated others would not agree.

OCT 22 1977

Committee Tells Plans On Fund Use

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"With the permanent fund, we are more interested in preserving it for the future rather than using it to achieve social goals," said Rep. Russ Meekins, D-Anchorage and a member of the committee.

To accomplish social goals such as diversifying the state's economy, the committee is considering legislation to create an Alaska development bank which also would be financed by oil wealth.

"But leaving social goals to non-elected public officials like those that will be necessary to manage the permanent fund bothers me," committee chairman Rep. Clark Gruening, D-Anchorage, said.

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And committee members acknowledged difficulty in their efforts to balance the savings account concept with directions for management of the fund.

OCT 24 1977

Committee Concludes Fund Hearings Here

A special House committee backed off from establishing the Alaska Permanent Fund as a savings account as they wrapped up two days of meetings here Friday.

Members of the House Permanent Fund Committee agreed to strike the savings account concept from a preliminary draft of legislation on the fund. Under the concept income from investing the fund's oil revenues would be plowed back into the fund.

The committee, however, did not drop the savings account approach from consideration and clung to a conservative attitude toward use of the fund.

"They agreed the fund should be saved and used only minimally, if at all, for present social and development purposes.

"With the permanent fund, we are more interested in preserving it for the future rather than using it to achieve social goals, Rep. Russ Meekins, D-Anchorage and a member of the committee, said. "There are better ways of achieving these goals. We're basically interested in saving the permanent fund."

"My feeling is that we would just save it until we get a better idea of what we want the fund to do," committee chairman Rep. Clark Gruening, D-Anchorage, said. "But I don't want to be so conservative we find the fund is worth less in real dollars in the future."

The committee's legislation draft also creates the Alaska Development Bank and the Alaska Renewable Resources Development Bank to be financed from oil wealth.

"I don't want the development bank getting into any major projects," Meekins said. "I don't see it being used to build a massive dam. I see it going out into the rural areas and being used for investment. I also see it used for resources."

The resource bank would be used to fund high-risk development of new industries, the committee agreed.

"Our investment strategy may shift from a conservative one to a more aggressive one," Gruening said. "Anyway the permanent fund isn't going to amount to much until the 1980s."

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Jim Edenso, "I wonder just who the hell we are saving it for. What you're asking the people of Alaska to do is defer benefits which could be realized now."

And committee members acknowledged difficulty in their efforts to balance the savings account concept with directions for management of the fund.

At issue was a conflict between the committee's desire to safeguard the money while at the same time allowing flexibility in investment decisions by a proposed board of trustees.

Gruening said he wanted the staff to come up with language which gave trustees a mandate to preserve the principal of the fund, protect it against inflation and still maximize profits.

"We don't want the trustees to gamble, but we want to give them enough flexibility that the fund doesn't lose money in real purchasing power," Meekins said.

Committee tries to make a savings account

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ALASKA CLIPPING
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Southeast Alaska
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Juneau, Alaska

OCT 28 1977

Permanent Fund

Sumner Wants Resource Push

Alaska Permanent Fund revenue should be used to decrease unemployment in the state, state Sen. Bill Sumner, D-Anchorage said here Thursday.

Speaking to the Greater Juneau Chamber of Commerce, Sumner said, as a member of the Senate permanent fund committee, he would work for use of the fund to finance development of renewable resources.

"Any money invested in savings today will not earn the inflation rate," Sumner said of preliminary House permanent fund committee plans to earmark the fund for savings. "We must cultivate our renewable resources."

"Let's obligate our permanent fund in ways to encourage our economic future," Sumner said. "We must ask ourselves: Are we just going to keep shipping money to the bush or are we going to support cottage businesses? Let's provide funding to areas where unemployment exists."

He equated the concept of savings with the inactivity of a person past the prime of his life.

"I don't think Alaska is at that middle age yet," he added. "Alaska has unique problems that need unique solutions."

Sumner is hesitant to have permanent fund money invested out of state, he said.

"That's how the \$900 million disappeared before," he said. "I want to see the maximum yield for Alaskans."

In addition to being a member of the permanent fund committee, Sumner is chairman of the Senate Employment Resources and Opportunities Committee.

"One of the most difficult things is that there is not a lack of initiative and incentive," Sumner said of development of business in the state. "But over the years government has shown it is punitive to business. Government usually has been in direct competition with business."

OCT 21 1977

Permanent Fund Committee's Initial Plan: Do Nothing

JUNEAU (AP) — The House Permanent Fund Committee yesterday unveiled the first draft of what it wants to do with income from the Alaska Permanent Fund — nothing. Under the tentative House proposal, profits from investing the principal of the fund would be plowed right back into the fund for at least the immediate future. "We just don't know what we want to do with the income from the fund yet," said Rep. Clark Gruening, D-Anchorage and chairman of the committee. "At least until the 1980s the fund isn't going to be that great anyway so we're talking about using

it for the time being as a savings account. However, the working draft does include a proposal for creation of an Alaska Development Bank to make more immediate use of income from the state's oil and gas wealth. The development bank would have the same source of funding as the permanent fund but in a different amount. It would be financed by not less than 5 percent of state revenues from mineral lease bonuses and rentals and royalties until it has accumulated a balance of \$100 million. The permanent fund gets at least 25 percent of such revenues with no

upper limit. The draft copy includes detailed provisions for the operation of the bank. But Gruening said the proposals were only intended to give the committee a starting point for discussion, and would be changed drastically in the weeks to come. "One problem with this draft is that we don't really know what we want the development bank to do," Gruening said. "We really haven't approached what philosophy we want to use to decide what the money will be loaned for."

"Do we want provide the opportunity for lower interest rates longer-term capital or social goals? We don't know yet."

Under the working draft prepared by legislative attorneys, the bank could invest in just about anything it wanted to with little restriction.

Although the rough draft is destined for major changes before it's introduced in the 1978 legislature. In January, Gruening and other committee members voiced no objections with provisions that would give the legislature a major role in overseeing management of the permanent fund and the development bank.

The draft bill would create a state investment oversight committee of legislators with budget and audit review over the permanent fund, the development bank and the already-created Renewable Resources Development Fund.

Under the tentative House draft, the permanent fund would be supervised by a board of trustees and the development bank would be managed by both a board to set policy and a committee to make specific

investment decisions. The legislature would have confirmation powers over both the trustees and the policy board.

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Chugiak-Eagle
River Star
Eagle River, Ak

NOV 10 1977

COTTEN DESCRIBES 31 ISSUES SOLONS FACE

The capital move, oil revenues, and land are three major issues which the state legislature must deal with in 1978, District 8 Representative Sam Cotten told residents Wednesday.

Cotten was the first of the district's six representatives to discuss contemporary political issues in Alaska at a seminar co-sponsored by Chugiak - Eagle River Community College and Community Schools.

Some 25 persons attended the seminar. Cotten outlined the three issues in considerable detail, giving background information on them, as well as on the legislature itself.

He described the capital move as "an emotional issue with a lot of propaganda on both sides." Cotten noted that 85 per cent of District 8 voters favored the capital move initiative, but warned that a new initiative relating to funding of the capital at Willow was originated in Juneau and is designed to hamper capital move plans.

Cotten told the audience that oil was "an issue which will be with the legislature for the next 20 or 30 years" and explained the four sources of oil revenue which the state receives.

He said legislators must face the "continuing question whether we are taxing oil companies fairly, giving them incentive to continue to do business here, but assuring that the state gets its fair share."

He added, however, that the state has a valid reason to increase taxes. Oil brings more people to the state, he explained, and as oil and gas activities increase, the state must provide services for the additional residents.

Cotten likened the recently-approved permanent fund to the renewable resources fund already in existence.

In discussing problems of land ownership, Cotten said that the time which the state had spent following statehood in making an inventory of lands before choosing their entitlement under the Statehood Act has hampered a final settlement.

The native claims program intervened before the state had completed its selection, limiting the land the state can now choose, Cotten explained. He also noted that boroughs are entitled to 10 per cent of the unreserved lands within their

boundaries, but that Anchorage has very little unselected land available. The Mat-Su Borough, on the other hand, has a large area to select from, and as a result, land auctions have transferred much of it to private ownership.

Among those attending the seminar were several high school students who can receive social studies credits for the series of meetings. At this week's session, Rep. Randy Phillips was scheduled to speak. The seminars, on Wednesday nights at 7:30 p.m. at Eagle River library are open to all persons interested. There is no charge unless residents desire credit for the class.

Others objected to a proposed revision or elimination of R0 zoning in residential areas.

ALASKA CLIPPING
SERVICE

Anchorage Daily
News
Anchorage, Ak

NOV 10 1977

Hammond has busy day

Gov. Jay S. Hammond is spending a long weekend in Anchorage and Dillingham, covering as many constituencies as if he were running for re-election. He began activities with a busy day in Anchorage Friday.

Hammond told the state Chamber of Commerce annual convention Friday that he was a "practical" developer, and listed several instances of misunderstanding and misinterpretation that have stemmed from his "no-growth" image.

He said he realized that each confrontation of environmental and development interests "costs me points politically. However, make no mistake, my prime objective is not seeking re-election."

After Hammond gave the keynote address to the state chamber, he held a press conference on the employment of handicapped persons. He also stopped in to encourage the Capital Site Planning Commission, before visiting the new Pioneers' Home for an official opening ceremony.

He met with Anchorage Rep. Clark Gruening, chairman of the House Permanent Fund Committee, on the next egg that is near to the governor's heart. Friday evening, he met with Walt Parker and Esther Wunnicke of the Federal-State Joint Land Use Planning Commission.

Saturday, he is to fly by helicopter to Denali State Park. On Monday, before leaving for Dillingham, he will officially open the Peters Creek-to-Eklutna interchange. In Dillingham, the governor will meet with school children and state employees, attend a Public Forum meeting and discuss alcohol abuse.

Permanent fund may be split in two

ANCHORAGE (AP) — The Alaska Permanent Fund may be divided to create a development fund satisfying demands for loans to aid in-state development and a trust fund that would allow the highest possible return.

The proposal is being considered by a special House committee. The trust fund would make high-return, safe investments in an effort to guarantee a high income for the state savings account.

The development fund would be used for investments in Alaska such as home loans or major local improvements.

Consultant Belden Daniels

and members of the House Committee on the permanent fund made the proposal after a public hearing on the fund in Anchorage on Thursday and testimony in Fairbanks on Wednesday. The proposal is likely to be the basis for legislation presented to state lawmakers next year.

The fund is expected to contain some \$2 billion from oil royalties and bonuses in 1966. Some legislators fear demands on the state nest egg could turn it into a pork barrel for pet projects if its management is not carefully outlined.

Testimony this week in-

dicated there is little agreement among state residents on use of the fund.

The legislators have indicated they want the two funds clearly separated so money from the proposed trust fund would not be siphoned into the development fund. The trust fund would be managed by three separate professional investment firms. After a predetermined period, perhaps five years, the investors' performance would be assessed and the house with the poorest record would be replaced.

Chairman Rep. Clark Grubbs said the committee hopes to have

the draft legislation proposed by Oct. 20, when the panel will hold its final public meeting in Juneau.

The fate of the interest accrued by the funds is still in question. There are at least three alternatives — returning it to the permanent fund, placing it in the state general fund, or distributing it among state residents.

Gov. Jay Hammond has advocated distribution among state residents through Alaska, Inc., with residents meeting certain qualifications, so far undetermined, eligible for annual payments.

foremost

Total state funding through an increase in the state income tax, 15 per cent.

Other, 20 per cent.

—What should be the primary objective for managing Alaska's land?

To provide land for people's needs, 38 per cent.

To promote renewable resource development, 25 per cent.

To preserve the natural environment, 19 per cent.

To promote industrial growth and development, 8 per cent.

To raise revenue for the state, 6 per cent.

Other, 4 per cent.

—What should be the state's policy on future oil and gas lease sales?

It should sell leases at a constant pace to assure a steady flow of income for a long period of time, 58 per cent.

It should do no further leasing and make the best use of present income, 18 per cent.

It should lease when the state needs large sums of money to meet public needs, 8 per cent.

It should sell leases as fast as possible to bring in a lot of money, 2 per cent.

Other, 14 per cent.

—What is the best use of Alaska's royalty oil and gas?

The state should provide in-state residential use of the royalty oil and gas, 45 per cent.

The state should use its royalty oil and gas primarily for the purpose of promoting industrial development in the state, 21 per cent.

The state should take its royalties in money or kind to sell for financial gain, 16 per cent.

Other, 18 per cent.

—What human needs do you think are most important?

Education, 31 per cent.

Employment, 23 per cent.

Alcoholism, 12 per cent.

Health care, 9 per cent.

Care of children, 7 per cent.

Programs for the elderly, 7 per cent.

Housing, 5 per cent.

Other, 6 per cent.

—How should public school construction be financed in both organized and unorganized boroughs?

Continue the present system which provides for property taxes plus supplemental state funding in organized areas, and 100 per cent state funding in unorganized areas, 34 per cent.

Local property taxes in all areas and supplemental funding where needed, 18 per cent.

Total state funding from a statewide sales tax, 13 per cent.

NOV 18 1977

Cabin fever

*It's Tuesday
so it must
be Shaktoolik*



Stephen Conn

All aboard folks. It's legislative hearing time in the bush. Fifteen villages in three days. Got everything? Your notebooks, tape recorders, your Dramamine? Then you're ready to go.

Keep it light. You've got lots of jumping in and jumping out to do.

Here comes a village now. We need to find out what the Fishnet folks want Alaska to do with its permanent fund. We need their input on the alcohol question, the juvenile question, the direction of the courts, the police, the social services operation. We want their real down to earth thinking on the matter. And we want it in three minutes while the plane refuels and

the pilot takes a leak.

Whoops! Times up, sorry. Just put your testimony in writing, typed testimony is preferred and send it down to Juneau.

Let her go Charlie, we've got two more villages before lunch.

Wait a minute! There's some malcontent hanging on the wing claiming he didn't get his say. Well that's what legislative aides are for—kick the guy off.

Here we go. Look at that tundra! And would you take a gander at this kya! I bought for ten bucks?

This is what I call bringing government to the people.

THE MATANUSKA COLONY project in 1935 was the big event that breathed life into the little town of Anchorage. It provided new jobs. It brought new traffic for the Alaska Railroad. There was more work for everybody. Newcomers came to Anchorage and the valley and found jobs.

Times were hectic, of course. There were no houses for the newcomers. The new demand inflated rents. Stores were overloaded with orders. The Matanuska Valley people bought all the carrots, radishes and eggs in the Anchorage stores. Local people faced shortages in supplies.

The easiest thing in that day would have been to shut down that colonization project. There had been no environmental impact statement filed. Had today's rules prevailed, the colony could have been delayed for at least five years. And those hungry farmers in the drought-stricken Midwest states could have been left there to starve.

THANK GOODNESS the project was not shut down. It was a glorious success. Those 200 new families were the greatest new resource for Alaska. They are the ones who made

IT WAS IN THAT SPIRIT that the people of Anchorage opened their arms in welcome to all newcomers and new ventures to help build their city better. It is that spirit that will continue the growth that has proven so beneficial for Alaskans generally.

Some day some politician will be smart enough to run for office on a platform of capital investment of surplus state funds in the basic things Alaskans need for the enjoyment of their land. Based on the attitudes of Alaskans in the past, he ought to win hands down over those who seek to salt the money away in permanent fund, dissipate it by giveaways or otherwise disposing of it while leaving Alaska to be a big, gorgeous wilderness chock full of goodies but, for lack of access and too many restraints, untouchable and unuseable to all but an elite few.

Robert B. Atwood is editor and publisher of the Anchorage Times and a 40-year reporter on the Alaskan scene.

Between Us

By Robert B. Atwood



THE PROSPECTS of having the petrochemical industry in Alaska ought to be as thrilling as the discovery of oil at Prudhoe Bay or the construction of the trans-Alaska oil pipeline.

Introduction of any new industry makes life better for everyone regardless of place of residence, social status, special talents or source of livelihood.

There was a day, and it wasn't long ago, when such facts were almost universally known in Anchorage. People were considered resources and anything that brought more people here was considered good.

The petrochemical industry would bring people to Alaska, maybe several hundred. By the standards of the olden days, such an event would be a major triumph for the entire community. It isn't that a new enterprise is an end in itself. What makes it important is that when it becomes a part of the Alaska scene, it brings new opportunities for individual improvement and cultural enrichment that often, seemingly, have no connection with it.

FORTY YEARS AGO life in Anchorage was simple. It was like living in a test tube because, when a new ingredient was added, its seepage through and mixing with the rest of the community could be fairly well traced.

Those were the days when the Alaska Railroad was the main economic support of Anchorage. It was the biggest employer, the biggest payroll and, naturally, the most important enterprise in our lives.

Anchorage was a community that was kept by a railroad. The merchants depended upon railroad employees for most of their business. The establishments that serviced the merchants were one step away from that dependency, but still dependent. Nobody got paid until the railroad paid its employees.

IN THOSE DAYS it was said that "the ghost walked" when the railroad had a payday because the spirits of the town went up noticeably. The railroaders paid off their monthly bills to the merchants. The merchants paid their employees and their service people such as suppliers, transfer people, bankers and even the newspaper for advertising. Too, the newspaper collected from its subscribers only after a railroad payday.

Life was simple in those days. There were no jobs for newcomers because all jobs were full. The "no vacancy" sign might well have hung high over Anchorage during those dull years when there was one steamer about a week arriving in Seattle, one train northbound to move the freight, mail and passengers, and one train southbound to take the mail and passengers to Seward to meet the next steamboat.

possible the great developments that have made the valley more than the hub of agriculture for Alaska. It is the playground for thousands of us and will soon be the locale of the fascinating new city that is to be the state capital.

Life in Anchorage was enriched by the addition of the new payrolls, the trade and commerce between the communities. The Alaska Railroad was bolstered by the new business along its right of way. There was more for everyone — more money, more opportunities, more choices and more goodies of every sort.

Another cycle of hectic confusion and healthy growth came when the military installations were built here. Local residents once more experienced dislocations and discomforts, but they and their community were lifted to a higher plateau of living. Standards were raised. Spiritual, cultural as well as economic life prospered.

THERE ARE THOSE who say that Anchorage is now big enough. Growth must stop. We don't want any more people here. New enterprises must be discouraged.

Such statements remind me of Colonel O.F. Ohlson, the dictatorial manager of the Alaska Railroad from 1928 until after World War II. He was the boss of the rail belt, feared and/or respected by everyone.

When he announced a raise of the Alaska Railroad freight rates about 1937 the Anchorage Times objected editorially and told him off rather sharply. He took exception, also rather sharply.

When the Times quoted a section of the congressional act that created the Alaska Railroad, in which it set forth the purpose as that of developing the rail belt, he responded, "Yes, Bob, but the rail belt is now developed."

WHO CAN SAY whether the one who today says Anchorage or Alaska is now fully developed will not prove to be as wrong as Colonel Ohlson was in 1937 in regard to the rail belt?

Every parent who is concerned for the future of his children and their children should want to assure them a good life here in their chosen land called Alaska.

That means they must have choices of employment, the more the better. There must be a sufficient volume of demand for goods and services so that opportunities for the use of every talent will know no limit.

Constraints on the use of resources with due regard to the protection of the natural beauty and the good things around us are essential. But it must never be forgotten that people are the best resources in the world to make a fine place to live.

Development, trust banks urged for Fund

ANCHORAGE (AP)—The state's Permanent Fund may be divided to create a development fund satisfying demands for loans to aid in-state development and a trust fund that would allow the highest possible return.

The proposal is being considered by a special House committee. The trust fund would make high-return, safe investments in an effort to guarantee a high income for the state savings account.

The development fund would be used for investments in Alaska such as home

loans or major local improvements.

Consultant Belden Daniels and members of the House Committee on the Permanent Fund made the proposal after a public hearing on the Fund in Anchorage Thursday and testimony in Fairbanks Wednesday. The proposal is likely to be the basis for legislation presented to state lawmakers next year.

The Fund is expected to contain some \$2 billion from oil royalties and bonuses in 1985. Some legislators fear demands on the state nest egg could turn it into a

(See, DEVELOPMENT, page 5)

DEVELOPMENT...

(Continued from page 1)

pork barrel for pet projects if its management is not carefully outlined.

Testimony this week indicated there is little agreement among state residents on use of the fund. Additional testimony will be gathered from Kotzebue on Friday.

"I think the pit is bottomless," said committee chairman Rep. Clark Gruening, D-Anchorage. Gruening has said many demands on the fund would be more properly met by the state's general fund and existing loan programs.

The committee decided a development bank to meet those demands could be set up with an initial grant from the trust fund. A portion of the Permanent Fund could be placed in that bank each year, until it contained \$100 million.

SEP 20 1977

Permanent fund meetings

SE hydro power on agenda

Hydroelectric power for Southeast Alaska will be the subject of a meeting Oct. 13-14 in Sitka of the special state house committee on the Alaska permanent fund.

The house committee, of which State Rep. Ernie Haugen (R-Petersburg) is a member, will hold a series of public meetings throughout the state September through December.

The only other sessions planned for Southeast are a public meeting on a discussion of permanent fund goals Oct. 21 in Juneau and a committee meeting Oct. 22 in Juneau.

The series of meetings is planned to gather public input into possible uses of the state's new permanent fund.

The fund was established by a referendum of Alaska voters in the November, 1976, general election. Revenues from the state's natural resources are

pooled in the fund for future uses and to preserve the income from Alaska's non-renewable resources, such as oil and gas.

The public meetings began with a symposium Sept. 10 in Anchorage. Other sessions are planned for Fairbanks and Kotzebue, in addition to the Southeast meetings.

Permanent fund committee chairman State Rep. Clark Gruening (D-Anchorage) said the meetings are "to discuss the various potential uses for the money and the implications of those uses."

One use for the fund suggested by many Southeast municipal officials and legislators is to finance construction of hydroelectric power sites for the area.

It has been suggested that the permanent fund be used for low-interest, long-term

loans to municipalities, or their designated power commissions, to help finance hydro sites that otherwise would be too expensive for smaller towns to afford.

Haugen has often stated his belief the permanent fund could be used to help finance a hydro power project for Wrangell-Petersburg.

The Thomas Bay Power Commission currently is studying such a facility for the two towns and is expected to discuss an engineers' report on a possible hydro site at Virginia Lake at its fall meeting, to be held sometime this month in one of the communities.

Dick Ballard, of Wrangell, is chairman of the power commission.

House Panel Considers Permanent Fund Division

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The committee decided that a development bank to meet those demands could be set up with an initial grant from the trust fund. A portion of the permanent fund could be placed in the bank each year, until it contained \$100 million.

The legislators have indicated they want the two funds clearly separated so money from the proposed trust fund would not be siphoned into the development fund.

ALASKA CLIPPING
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Anchorage Daily
News

Anchorage, Ak

SEP 21 1977

Permanent trust

Dear Editor:

An idea originating in the House Committee on the Permanent Fund to have a "trust fund" and a "development fund" makes good sense. The discussion of this idea among committee members last Thursday after hearing testimony in Fairbanks and Anchorage seems to me to be more significant than all the ideas proposed for use of permanent fund money—even though I testified, too, and thought what I said was pretty good.

The committee idea honors the core concept of the permanent fund: to handle funds available from transforming wealth in barrels of oil into dollars so as to produce the effect of a perpetual non-diminished renewable resource.

The wording of the constitutional provision that no less than a quarter of certain petroleum revenues shall be saved states only that "... the principal of which shall be used only for those income-producing investments specifically designated by law as eligible for permanent fund investments...." It is a question of interpretation as to how far we can go below handling the money to produce the highest possible return, and still be consistent with the basic economic intent of the permanent fund.

I have been engaged in vigorous debate over a public policy to foster individual independence. A key feature of

this seems to be to make low interest easy term loans to the "little people" such as homesteader-farmers, dad and mom sawmills, or one family seafood canneries, for example. Assuming a strong favorable public sentiment in this direction, should one per cent interest loans be available if this is what it would take to permit making "a decent living" in the face of the economic handicaps of smallness? Whatever might be said in support of the social purpose intended, I suggest it could reasonably be contended that such a program would violate the intent of the permanent fund.

If the foregoing view is not essentially sound, the Legislature could decide to lend communities one-tenth of one per cent interest money to build havens for battered wives. It can be said that this is a good social purpose. So is art.

The basis for the permanent fund is essentially economic, i.e., to help strengthen the viability of the society. In the absence of language in the law indicating that the productivity of the fund can be watered down at will to serve an endless variety of social purposes, we certainly shouldn't leave the doors wide open in this direction.

There are undoubtedly some investments to be made at less than maximum return that will be good risks to produce favorable economic results over the life of a loan. A hydro-electric power project may be an example. To illustrate: Assume the Prudhoe Bay oil at the current \$14.60 a barrel means that diesel fuel to generate electricity is 4 cents per KWH. If the price of oil goes up an average of 6 per cent a year, the price per barrel in 12 years is \$29.20 and the diesel fuel cost is 8 cents per KWH. If the hydro project needs a low interest rate on money to build now and compete with diesel generated power, the interest rate can be escalated 100 per cent in 12 years and the hydroelectric production can still be on a par with diesel power. This is an oversimplification but it indicates a basis of reasoning as to economic justification.

If an enterprise needs money value concessions permanently in order to stay in business, it would appear that the balance sheet with the state is in the red, that is, the enterprise can't pay its bill toward the cost of public services for the people that its operation accounts for. It is difficult to see any justification for investment of permanent fund money at a low interest rate, or for any other money value concession in such a situation. This is, of course, a generalization that won't fit every case as there are so many calculations involved in determining whether there is an overall economic balance.

We can be grateful to the Permanent Fund Committee members for their common sense efforts to insulate Permanent Fund monies committed to the basic economic purpose of producing the best return possible from a "development fund." There might be \$100 million set aside in the development fund out of about \$2 billion in the "trust fund" part of permanent fund money in 1985. This figure is being discussed by the committee.

I think the \$2 billion is far less than the overall permanent fund saving can and should total by 1985. There will be ample revenues beyond current normal needs to accomplish this. I suggest that the people with all sorts of proposals for permanent fund investments should make a concerted effort to persuade the Legislature to increase the amount set aside from certain petroleum revenues far above the 25 per cent required by law. This can be more productive in the long run than just advocating favorite purposes, which may be high risk and the returns very low.

The "development fund" idea will permit a manageable departure from strict adherence to economic purity in permanent fund policy. Operating within a cautiously established limit for the development fund we can, in four or five years, measure how well the overall public good is being served by various investments.

Harold E. Pomeroy

From other editors:

The Permanent Fund

Alaska's new Permanent Fund was created by a vote of the people last year, and is already collecting oil royalties while the state government works in various directions to decide its long-term organization. It has already collected \$4 million and earned about \$45,000 in interest from a savings account and U.S. Treasury notes.

If only the minimum payment of one-quarter of our oil lease royalties is put into the fund it will reach \$1.3 billion in the next seven years. If more money is earned through new oil lease sales or if the legislature puts more than the minimum proportion into the fund, it could grow to several times that in the same time.

But once all this cash is in the bank, what do we do with it? That's what two interim legislative committees are working on this summer, and they will be asking for guidance soon from the general public.

We could just take all that cash and invest it in some safe venture, if safe ventures exist any more with some of the banking practices we've heard about of late. That would keep the Permanent Fund intact and give us a sizable income, but it would not give us the maximum benefit from our oil earnings.

When the state received \$900 million from the 1969 North Slope oil lease sale, this path was taken. Much of the money went into municipal bonds on the West Coast while Alaskans were crying for loans to develop pipeline-related businesses. Finally the investments were liquidated over about five years to increase the size of our state government, and a \$6 million loss was realized on the investments.

We could loan the money out to Alaskans. That would give us a greater pay-off and could yield the same or better earnings if managed properly, but that's a big "if". Handled in that way, Alaska's Permanent Fund could become something like the Teamsters Union Central States and Western Pension Fund, with political crooks giving out loans at a loss to those with pull while meritorious projects are thrust aside.

Even if the fund is handled honestly we run into serious questions about this use. Should the state loan money out in competition with private banks? Should the Permanent Fund money be risked on ventures the private banks or bond buyers won't touch, simply because the ventures are Alaskan developments?

Most would answer "no" to these two questions, but there may be legitimate areas where the Permanent Fund can fill legitimate needs of Alaskans that banks do not. Many of us have faced problems getting certain types of construction or collateral common in the North, and we should certainly communicate these to the legislature when they ask for suggestions about the Permanent Fund.

After all, Alaskan Natives felt their needs are different enough that they had to create their own bank through a partnership of Native regional corporations, and Anchorage feminists just started their own credit union to handle what they feel are their own special problems. Why can't the Permanent Fund be the special banker for all Alaskans?

Legislation now under consideration would require half the royalties and other applicable revenues to be paid into the fund. This would be twice the minimum payment required by the constitution and would give at least \$2.5 billion to the fund by 1985.

It would break the fund's spending down to at least 40 per cent for high-grade securities, up to 30 per cent for developing private enterprise projects in Alaska and up to 30 per cent for community development projects.

This sounds like a good starting point. The payments into the fund should be as high as possible, to discourage more state government growth and leave the most money left over after the oil revenues dry up. A large block of it should be required to go into secure investments, but at least some should remain available for innovative Alaskan projects and special problems of our state.

We need to participate fully in these decisions and in the governor's appointment of the boards that will oversee the investments. The Permanent Fund can be a second \$900 million fiasco in greater proportions, or it can be the key to the stable economy of which all Alaskans dream. Only we can decide.

--Fairbanks News-Miner

NOV 8 1977

Policy profiles

What the state can be doing about inflation



By JOHN HAVELOCK

Alaska state policy makers of the early 1970s were well aware, despite some rosy, private sector predictions to the contrary, that the construction of the trans-Alaska pipeline would bring with it a number of economic consequences adverse to the interests of established residents.

Notable among these was regional inflation, though few likely anticipated how strong that inflationary surge would be. The pipeline construction boom boosted the already substantial cost of living differential between the average Alaska family and the average American by approximately another twenty per cent.

THE PAYOFF anticipated for this sacrifice by Alaskans not directly benefited by pipeline jobs was, of course, that the pipeline would generate state revenue from taxes and royalties which could be distributed through public improvements and programs which would be of benefit to all Alaskans but most particularly the disadvantaged.

Concern over failure of any tangible benefits to emerge or even to be in prospect together with concern that yet another round of regional inflation is in the offing should provide one of the warmer issues to be discussed in the 1978 Alaska gubernatorial campaign.

What should the state have done? Maybe nothing. The state's political leaders could have taken the option to beg off. It is highly debatable whether, in the last decade, there was much to do which could have influenced the inflationary impact of pipeline construction.

AMONG FACTORS contributing to the state government's policy immobility: little was known and little is still known about how the Alaska economy works. The basic data necessary to measure the internal interrelationships of economic transactions is not gathered. What economists now use for their predictions is incidental data originally gathered for some other purpose.

However, we have enough information to make some educated guesses concerning how step inflation arises. We are generally aware that the cost of transportation of goods and people in and out of Alaska has a surprisingly small influence on it. On the other hand, price rises for goods and services resulting from pipeline-induced shortages are certainly a very significant factor in the sharp upturn in Alaska inflation.

The early amortization of the rapid expansion in capital outlays for services such as hospital care and other services has had a contributing effect on the medical cost sector of Alaska's regional inflation according to economists at the Institute for Social and Economic

BUT THIS SITUATION will be changing as a result of accelerating state income. State government expenditure, a considerable factor in the state's economy from the beginning, is likely to take on an even larger role. State investment policy, including in particular Permanent Fund investment, will become the dominant force in the state's banking world should even half the anticipated accumulation be committed to in-state investment. General Fund deposits and investments weigh in no less than the Permanent Fund. With size comes responsibility.

For this reason, it has been previously suggested that the state look to a role analogous to the role of the Federal Reserve Bank in the federal system. The presence or absence of state funds and state-set interest rates will be prime factors determining the rate of growth (and inflation) in the economy, sector by sector.

Under such a program approach, considerable insulation must be given to the money managers to operate according to criteria of macro-economic management. The pressure for cheap, easy money does not acknowledge the relationship between the money supply and excess inflation, as testified to by the intense political pressure on the Federal Reserve Bank and its chairmen.

SHORT OF A systematic approach, the state can still influence inflation rates. In the current and several recent administrations, consideration has been given to the timing of state expenditures, particularly capital expenditures, in the light of activity in the private sector. Heavy state outlays during the construction of the trans-Alaska pipeline, for instance, would have been dollar foolish as well as inflationary.

That is all well and good to say, but the political demand for outlays does not decrease but increases when the private economy steams up. Real needs are involved.

(This is the second of two articles by Mr. Havelock on Alaska's special inflation and state responsibilities.)

Research. The natural desire for the quickest amortization of capital expenditures is tempered in capital outlays in the retail trade by the existence of competitive, alternative outside suppliers.

WE KNOW GENERALLY, the pipeline did it but we don't know the details. Without knowing how much each factor contributes to inflation and exactly how it happened; it is difficult if not impossible to design policies that meet the problem.

Fortunately, while the figures are not yet all in, there is considerable indication that the inflation rate is returning to general U.S. levels with the cessation of pipeline construction activity.

But now we have the prospect of a gas line boom. Doing "nothing" is not likely to be satisfactory again. One thing government could do in anticipating future economic fluctuations is make a more significant effort in finding out how the Alaska economy works. Indications are that the level of such efforts is at a standstill or backsliding. Outside of Anchorage, for example, it is impossible to find out what average family living costs are, outside of food. Recently, the U.S. Department of Agriculture, which gathered such information, defunded its programs. Efforts to encourage the state to gather the information failed.

Even with improved knowledge, state government, as yet, could assert nothing like the commanding role claimed for it by most political leaders in management of the Alaska economy. There is a very serious threshold question whether it should and how it should. We live, after all, in a free enterprise economy. Regional inflation may be a price we pay for economic freedom.

Dollars And Sense

THE MAILMAN has delivered to us a copy of the Third Quarter report for 1977 of the Alaska division of economic enterprise and we are happy to report that the statisticians are forecasting a rosy period through 1980 during which Alaskans will become richer and richer.

The report says the per capita income is going to increase 40 percent by the end of 1980 while inflation will boost consumer prices only 24 percent.

In that period the state's population will grow to 450,000 as the labor force is increased by 20,000 wage earners.

In the midst of all this prosperity, unemployment will still be a problem. There will be 20,900 Alaskans unemployed at the end of 1977 and a reduction of only 2,000 is expected by 1980.

Things will get worse before they get better because the number of unemployed will climb to the 22,000 mark during the winter of 1978-79.

However, the good news overshadows the bad news. The statisticians say Alaskans will be fat and happy as far as money is concerned.

Earnings will be around \$20 an hour in the construction industry, \$12 an hour in manufacturing and wholesale trades and almost \$10 an hour in the retail trade.

And that will be enough to make the per capita personal income for all Alaskans average \$13,291 a year, up 40 percent from this year's \$9,484 average.

THE STATISTICIANS called their report "bullish" when compared to the severe economic downturn that had been forecast to follow the pipeline construction years. Instead, almost everything is booming and the trend through 1980 is up.

Although they call it bullish, there is a basis to consider the report a conservative one because of the major assumptions upon which it is based.

The calculations make no provision for such major projects as construction of a refinery or petrochemical plant, a project that is hot on the drawing boards at present. They also exclude the possibility that the Beluga coal fields and accompanying industrial facilities might be developed.

Among other exclusions are provisions for the construction of processing plants for bottom fish, clams or other resources of the sea for which there is a world-wide demand, construction of more lumber mills and opening of the U.S. Borax molybdenum mine near Ketchikan.

They omitted consideration of the economic impact of building the new state capital at Willow, saying that they couldn't figure out what the "scope" of the

move might turn out to be.

The message from the state statisticians seems to be that all is well even without the pipeline construction payrolls or any of the numerous major projects that are still in the wings.

They were so optimistic that they assumed that the next legislature will have so much oil royalty money rolling into the treasury that it will double the portion to be set aside in the Permanent Fund so that it won't be spent. All calculations were based on the assumption that 50 percent of the mineral royalties will go into the fund.

IT'S GREAT MUSIC for the ears of any Alaskan who is concerned with the fiscal health of his state, but it is hard to evaluate in the light of contemporary debates that are taking place.

The mailman brought that fascinating report while we are still trying to understand how the Legislative Affairs Agency could be so far out of step with the state commissioner of revenue.

The agency says the state will have a \$207 million shortfall in royalty funds for fiscal year 1978 because oil production is lower than expected.

The chairman of the Permanent Fund committee has gone so far as to say that prospects are so tough that the legislature may have to revive the tax on oil reserves.

Meanwhile, the commissioner of revenue says the shortfall will be only \$120 million and he treats it as a minor matter that will require no drastic action.

And at the same time, the man in charge for Atlantic Richfield says revenue projections made by the state show that the current fiscal year will end with a surplus of \$300 million despite the shortfall.

As far as we are concerned, we need help in putting all those reports together so that they make sense. Somebody's calculator needs new batteries.

Maybe the statisticians excluded consideration of the shortfall in royalty payments for the same reason they excluded the effects of building a new state capital, because they couldn't figure out the scope of it.

As far as their report indicates, everything is rosy. There will be a steady growth in government employment after 1977, private commercial construction will continue at the rate of \$300 million a year, the tourist industry will continue to grow at the rate of 7 percent a year, etc., etc., etc.

Now is the time for all good leaders to come forth and tell us about these dollars and try to make sense.

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Fairbanks
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MAY 7 1970



Point . . . counterpoint

cont page 2

Gov. Jay Hammond, above, heard from the people Saturday at the close of the Alaska Public Forum meeting in Fairbanks Saturday. At right Arnold Hogue questions Hammond during a "people's press conference." The specific purpose for the Forum was to get the views of area residents on the Permanent Fund, subsistence hunting and fishing, financing state government and how to make state land available to the public. The first meeting of the Forum here, last spring, drew more than 225 persons. Only about 120 turned out for Saturday's session.

(Staff photos by Marc Olson)



NOV 6 1977

ALASKA RESOURCES



The Lower Cook Inlet Sale

By Thomas E. Kelly

IF YOU HAVE never attended a competitive oil and gas lease sale, you should someday. Admission is free and so is the coffee. Lease sales are a good tonic for the monotony of everyday business activity and serve to take your mind away from worrying about what government is going to do to you next.

Lease sales are a good place to see many of your old acquaintances, peers and colleagues with whom you have lost contact since the last sale.

It is also a lot of fun to see who's in bed with who. Bidding combines are more interesting these days since the big eight — the corporate giants in the energy field — can't bid together.

ANALYSIS OF NEW corporate bed buddies is a good topic at any post sale cocktail party. Fierce competitors often team up while long-time partners split and go their own way. A change in the corporate pecking order is healthy for both industry and the public.

When you first enter the room where a sale is being held you notice a lot of coy expressions and smirks like a "cat eatin' glue." After a sale begins the sound effects depict the reaction of those assembled. Oohs, when a high bonus or royalty bid is read; ahs, when the bid spread between two competitors is close; buzz and cackle when someone leaves a "bundle on the table" (the apparent winner's bid is far above the second high bid).

Facial expressions in the absence of phonics tell a lot also. There is the glance from one competitor to the next that almost says "you lost your cotton-picking mind" on that bid. Then, there is the look from the corporate chieftain to his staff member that says "you better pack your bags when we get home" after losing a multimillion dollar bid by a fraction of a percent.

LAST WEEK'S Lower Cook Inlet OCS sale was enjoyable as well as surprising. The second sale to be held in federal waters offshore Alaska attracted 31 participants.

A major experiment according to the Department of the Interior OCS office was the fixed bonus — royalty bid required for approximately one third of the 135 blocks offered. One small sale held previously and covering tracts in the Gulf of Mexico used the royalty bidding procedure, but the results were not conclusive.

One stated objective of royalty bidding is to increase competition and offer the "little guy" more of an opportunity to be successful.

This columnist doesn't believe the results of last week's sale were par-

ticularly conclusive, either from the standpoint of heightened competition or new faces.

TWENTY-SEVEN of the 31 companies submitted bonus bids; 24 of the same companies submitted royalty bids. Seven companies bid bonus only, four bid royalty only. Of those bidding royalty only, each company is fully capable of bidding high bonus consideration and has done so in the past. Three of the four royalty bidders appeared to show only token interest in the sale as a whole and may have wanted their shareholders to know they were still active in the oil business.

This writer tried to figure out the strategy and rationale used by the Department of the Interior in selecting which tracts would be selected for royalty bidding and why the amount of fixed bonus on a particular tract — and failed miserably.

I tried to analyze the royalty bid spread from a standpoint of acceptable rate of return and busted out there too. Some companies bid a consistent royalty on several tracts as if to say their potential was equivalent. That sent me back to the drawing board.

All said and done, the Lower Cook Inlet sale was a big success. It will insure a new exploration cycle in Cook Inlet at a time when it is sorely needed.

SINCE THE STATE administration has forgotten what a lease sale is and most unproductive leases in the Cook Inlet basin are about to expire, the timeliness of this sale cannot be over emphasized.

The Kenai Peninsula communities of Homer, Soldotna and Kenai should enjoy a solid near-term economic boost and, in the event of production, the existing refining and petrochemical facilities can look forward to many additional years of productivity.

Lower Cook Inlet may not be a Prudhoe Bay, but the growth and development of the great communities on the Kenai and the job opportunities for people residing in the South-central Alaska is every bit as important to the state as production from North America's largest oil field. And the legislature won't have to fuss around with what amount of Lower Cook Inlet revenues to put in the Permanent Fund.

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

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Nome Nugget
Nome, Alaska

ROAD SHOW A FIZZLE

(From The Anchorage Times) 31

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

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

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

Ideally, input from the public will influence the administration and the legislature in charting our course into the future.

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

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

Perhaps, before the last of the Alaska Forums is staged in Ketchikan on Dec. 3, some enthusiasm will have been breathed into the program. But don't bet on it.

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

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

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

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

If the tabloid can inspire 3,000 to 4,000 responses from Anchorage and a total 10,000 for the state, there might be room to argue that it is providing a needed input conduit for Alaskans. But if it can't reach that modest goal—representing a response from one out of every 43 Alaskans—the sponsors should consider the forum as an idea whose time hasn't come, an expensive road show that can't attract an audience.



Gov. Jay S. Hammond

Hammond offers vote plan

By PAUL NUSSBAUM
Daily News Staff Writer

Gov. Jay S. Hammond promised Thursday to protect rural interests against the encroachment of growing urban legislative influence, if he is re-elected next year.

In an address to the Alaska Federation of Natives annual convention, Hammond said required reapportionment of election districts could give Anchorage voting control in the state legislature if a different method of designing districts is not chosen.

HAMMOND said a plan that would require State Senate candidates to live in constitutionally established districts and to be elected at large would give rural voters adequate representation and still meet the

Supreme Court's one-man, one-vote criteria for election districts.

"It is my desire to try the plan on for size," Hammond said. "Without it, come the next apportionment, it seems apparent that Anchorage will completely dominate both the State House and the State Senate."

"The plan which I would look at would ensure that rural areas had persons serving in the legislature familiar with their needs. To those who are concerned that perhaps Anchorage would be electing all the senators, I would say that perhaps the rural areas would be electing all the senators. I would like to see a plan that would require people to live in the districts and to be elected at large. I would like to see someone who lived in the district serving in the senate, and I would like to see someone who lived in the district serving in the senate."

• Hammond offers vote plan

(Continued from Page 1)

no one from the district there at all."

ANCHORAGE has about half of Alaska's residents, and the Supreme Court's ruling requires that equal representation means legislatures must be devised proportionately with a state's populace. Before the high court's ruling, Alaska's state constitution established 16 Senatorial districts and required that Senators reside in each district.

Hammond's plan would be similar to the former constitutional provision, with the major exception that — to meet the one-man, one-vote mandate — voters all over the state would vote for all the Senators, regardless of where they lived.

"Let me assure you that if I am in the position to appoint the reapportionment board, the concerns of rural areas will be accommodated to the very best degree legally possible," Hammond told the AFN convention in Anchorage. "This organization will be called upon to help. A 10-year political structure is simply too important to be left in the hands of

party politicians."

IN HIS wide-ranging speech, Hammond sounded familiar notes on Alaska, Inc., alcohol taxes, subsistence hunting and fishing, and pay-as-you-go state financing.

He said his Alaska Inc. concept for sharing the state's oil wealth "may be the only means of equitably distributing" the petroleum money flowing from the North Slope. But Hammond emphasized that his plan for giving dividends to "stockholders" in Alaska Inc. no longer necessarily means a cash dividend directly. It could be as a tax credit, income insurance, a low-interest loan, social security supplement or as a direct cash payment, Hammond said.

A state budget built on dwindling oil resources, Hammond reiterated, will collapse when the petroleum is gone, and he renewed his pledge to limit spending oil money for day-to-day expenses.

"WE'RE NOT going to see any substantial increases in public programs for this year. After all, we are currently obligated to borrow

some \$200 million annually just to meet our day-by-day expenses... and are currently looking at roughly \$150 million less in the way of revenues this year than we thought we might have to work with."

Hammond said rural areas of the state which might be interested in forming local government structures are hampered by an inadequate tax base, and he proposed revamping the state revenue sharing plan to give more money to those rural areas.

Under such a plan, the state would calculate average property value per capita in the existing municipalities. An area which had, for example, one-half the average property values would get twice the average revenue sharing dollars, while a municipality with higher-than-average property values would be granted lower-than-average revenue sharing.

"Of course, to be fair, we should also permit all municipalities to tax properties at true and full value — something now denied the North Slope Borough," the governor said.

NOV 1 1971

Hammond Vows Bush Parity In Remap

By ANDY FALETTO
Times Staff Writer

Gov. Jay Hammond said yesterday he will take steps to make sure Anchorage does not dominate the House and Senate under a new reapportionment plan and that rural area concerns will be met.

Addressing an afternoon meeting of delegates to the 11th annual Alaska Federation of Natives convention, Hammond said, "If there is a common bond between us, that common bond is an umbilical connection to this great land. . . . As governor, my major obligation is to help bridge the gap between polarizing peoples."

Hammond said he wants to insure that rural areas have legislators familiar with rural needs and that Senate candidates would have to reside in the old constitutionally established districts but perhaps be elected at large.

"Let me assure you that if I am in the position to appoint the reapportionment board, the concerns of rural areas will be accommo-

dated to the very best degree legally possible

. . . . A 10-year political structure is simply too important to be left in the hands of party politicians," Hammond said.

The governor, in a 20-minute address, told convention delegates that he is increasingly convinced his concept of Alaska Inc. may be the only means to preclude rather than promote the advantages of the "haves" at the expense of the "have nots."

"After years of watching persons flood to Alaska only to rip off our resources and then run, I wondered how we could make them either pay the price of admission — leaving something in their wake — or assure that the little guy got a piece of the action."

By making Alaskans stockholders in the investments of resource wealth, Hammond said, dividends could be conveyed directly to state citizens.

Such a dividend could take many forms. "It could be a simple tax credit, income insurance, a low interest loan, social security supplement, a piece of land or even a direct divi-

dend payment."

Government growth this year will not substantially increase, Hammond said. "I would hope that public awareness of our financial circumstances will compel all in elective office to exercise constraint."

This year the legislature will deal with how the basic capital within the permanent fund is invested and how the interest earned from investments will be used.

There are three basic choices on how to use interest generated by the permanent fund, Hammond said.

"We could simply return the interest to the fund . . . deposit the monies into the general fund . . . or return the interest directly to Alaskans in the form of dividends perhaps through the Alaska Inc. concept," Hammond said.

Two social problems the government should deal with are alcohol abuse and subsistence, the governor said.

Hammond said the alcoholic beverage industry should urge alcohol abuse treatment

and volunteer financing assistance toward a comprehensive program.

A proposed higher tax on alcohol apparently is unacceptable to the alcoholic beverage industry, he said, but the people of the state should determine what the industry must accept.

The state currently pays a \$10 million subsidy to meet current costs of alcohol abuse, Hammond said.

He added answers to the subsistence problem are difficult to find. "Some people depend upon a particular resource for food. Some people are dependent upon a particular resource for the sustenance of their culture. Each is important."

Alaskans, among themselves, can reach reasonable solutions to subsistence problems, the governor said.

Hammond said he will present proposals which could establish regional fish and game councils comprised of local advisory boards which would review and make subsistence plans for their particular region.

Jobs Participants Propose Unemployment Suggestions

By CAROLYN RINEHART
Times Staff Writer

Several hundred jobs symposium participants closed their sessions yesterday afternoon by proposing hundreds of widely varying suggestions on how to tackle the state's unemployment problem.

Small group reports indicated support for reducing paperwork required of businesses, starting a major state effort to provide a technical assistance service for Alaska businesses and pushing hard for Alaska purchase and Alaska hire. More than one spokesman thought Alaska owned and based businesses should be awarded state and local government contracts if their bids fell within 10 to 15 percent of the low bid offered by an Outside contractor.

State Sen. Bill Sumner, R-Anchorage, chairman of the special legislative committee that organized the symposium, closed the meeting by pronouncing it a success. He said all suggestions would be reviewed and that each participant would be sent a copy of the summarized suggestions and copies of bills the committee will draft to combat unemployment.

He said the state paid about \$35,000 to put on the symposium. More than half the cost, he said, was for research and data collection to find out the extent and nature of unemployment and to decide whom to invite.

"We reviewed the Department of Labor unemployment figures and sought to find what sectors the unemployed were coming from and invite experts from those fields," he said. As an example, he said since many unemployed are Bush natives, he invited Alexander McNabb, a U.S. Department of Labor official who deals with Indian and native programs.

He said invitations to the symposium were issued from lists of business license holders, labor unions and professional associations as well as state employees. In closing he apologized to Commissioner Lee McAnerney of the Department of Community and Regional Affairs for not specially including her department. "I didn't know what they did. It's that simple," Sumner said.

Yesterday morning Dr. Glenn A. Olds, Alaska Methodist University president, countered skepticism about economic growth offered by several speakers the day before. Because of Alaska's immeasurable assets, he said, "gratitude and not fear is the proper climate for creativity."

He urged Alaska to open trade markets with China and Siberia, which he called "one of the largest markets in the world" at the state's doorstep.

A list of alternatives for action on several topics related to unemployment was distributed to participants before they split into groups. Some groups stuck to the list but others departed radically, and one group, headed by fisherman Hank Ostrosky, decided the questions it wanted to discuss fitted into none of the preconceived categories.

A few of the actions proposed, by topics:

SMALL BUSINESS

— Have an annual state report on state contracts showing bids from within the state and from Outside.

— Examine all regulations and forms with the intent of simplifying or eliminating them.

— Reduce state taxes to Alaska owned and based businesses.

— Require construction projects to do a minimum of 10 percent of their purchasing within the state.

PLANNING AND RESEARCH

— Present schools are not relevant to rural Alaskans. Vocational training programs are needed.

— Support the Bush lifestyle by finding out how many natives want employment 12 months a year. Examine alternatives.

— Examine what Canada is doing to train rural people in construction skills.

— Work on relieving the inflexibility of government and its lack of communication with the unemployed.

HEALTH AND HANDICAPPED

— Remove architectural barriers to the handicapped in buildings where people work.

— Work on removing insurance problems for handicapped employees.

— Offer more part-time work opportunities, perhaps by splitting the work day or work week. (This suggestion was made by three spokesmen.)

TRAINING AND MINORITIES

— Find out which training programs are most needed by employers and put them into action.

— Help "intellectual laborers" who cannot find jobs in the profession for which they are trained to find other suitable work.

— Use federal job training funds money for public works jobs to enable oil pipeline workers trained under federal employment programs to keep their hours up and remain in the union until the next big construction project comes along.

— Insist on preference for Alaskans in hiring for newly created jobs in the state.

— In the Bush, when a construction project is started have a pre-job conference to inform local people of the number of workers needed, skills needed and so on.

— Enforce the local hire law regarding federal-state contracts to make the most use of the resident labor force.

— Make permanent jobs for Alaskans a priority in deciding use of the state's natural resources.

STATE FUNDING OPTIONS

— Exclude the Alaska Permanent fund from the executive budget. Use some of the money for "risk venture capital" in the state. Have an oversight committee for the fund made up of "51 percent regular Alaska citizens" appointed by the governor and confirmed by the legislature.

— Offer more small business loans and venture capital from state funds. Consider the number and type of Alaskan jobs the business would

offer in deciding whether to make loans. Consider interest breaks for businesses who would hire Alaskans first.

— Increase state funding for vocational training, in order to have "more places like the Seward skill center."

— Relax qualifications for state jobs where possible.

— Expand the Youth Employment Services grant to answer the needs of young people aged 12 to 25.

JOB ALTERNATIVES

— Let local residents of an area set priorities for their own development.

— Enable employees to participate in long-term capital gains through employee stock ownership plans.

— Assure that subsistence hunters have first priority in the use of game, with decisions made at the local level.

— Transfer welfare money to training programs.

Sumner said anyone with suggestions on relieving the state's 16 percent unemployment rate could send them to him at 5301 Lakeshore Drive, Anchorage, 99503.

ALASKA CLIPPING
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Anchorage Daily
Times

Anchorage, Ak.

NOV - 1977

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Job suggestions under study

With a two-day jobs symposium now behind it, a special legislative committee on employment in Alaska will meet today to consider recommendations given it by participants in the conference.

The Interim Employment Resources and Opportunities Committee, chaired by Anchorage Republican state Sen. Bill Sumner, will review dozens of recommendations turned in at Wednesday's session of the

symposium, and try to condense some of the suggestions into proposed legislation.

Following an address by Alaska Methodist University president, Dr. Glenn A. Olds, the symposium participants split into small discussion groups to prepare suggestions for Sumner's committee to take to Juneau in January.

These are some of the recommendations:

—Use the new Alaska Permanent Fund to pay for investments to create more jobs.

—Use money now being spent on welfare payments to fund training programs for the unemployed.

—Reduce government interference with private enterprise by cutting back on paperwork requirements.

—Loan money from the permanent fund to persons who want to

(Continued on Page 2)

• Jobs

(Continued from Page 1)

start small businesses.

—Make more state money available for small business loans.

—Increase the number of roads to areas with economic development potential.

—Expand rail development in Alaska.

—Increase state revenue sharing with local governments, to lower taxes on the local taxpayers and to provide jobs in local communities.

—Create more training centers for Alaskans, similar to the Seward Skills Center.

—Establish a state employment and education commission to coordinate employment activities statewide.

—Expand loan programs for students in vocational and technical training.

—Provide funds for a youth employment service to ease transition from school to employment.

—Encourage legislature to select only those alternatives for development in the state which offer incentives for employment of the greatest number of Alaskans.

—Review whole educational system to increase opportunities for students to receive job training, and provide state funding to make training available for anyone who wants it.

Ketchikan officials head for municipal meet

By BOB SPEED

Daily News Staff Writer

Most of Ketchikan's elected officials and several administrators will be in Juneau the rest of the week attending the state municipal league conference.

Workshops on topics of statewide interest to municipal officials are on the agenda for the four-day meeting which starts today with a "crime watch" workshop given by law enforcement and legal officials from Washington State.

The full-day sessions begin Thursday with workshops for elected officials on the status of

the Permanent Fund, federal revenue-sharing programs, zero-based budgeting and auditing improvements. Concurrently, workshops will be given specifically for municipal clerks, planners, assessors and finance officers.

Saturday's sessions will be on land use, financial management, transportation and elections, among others. Amid the days' educational sessions, which will go for as long as 12 hours a day, will be events such as a reception at the governor's mansion and a banquet.

The session will end Saturday with what promises to be a grueling 12-hour policy-

setting session culminating in votes on statewide direction in each of various areas discussed during previous days' sessions.

Elected officials attending the meeting will be Ed Zastrow, Jim Simpson, Jack McBride, Jack Shay, Helen Finney, Mike Salazar, Bob Watt and Borough Mayor Carroll Fader. City Mayor Bill Moran may also attend.

Local administrative personnel who will attend include City Manager Pat Teague, Borough Manager Bill Verwolf, borough financial officer Alan Clayton, planning director Richard Johnson and borough clerk Judy Slajer.

ALASKA CLIPPING
SERVICE

Ketchikan Daily
News
Ketchikan, Ak.

NOV 4 1977

Jobs issue of the week in Anchorage

ANCHORAGE (AP) — A special legislative committee on unemployment in Alaska met Thursday to consider recommendations from participants in the two-day Jobs Symposium that ended here Wednesday.

The Interim Employment Resources and Opportunities Committee, chaired by Sen. Bill Summer, R-Anchorage, will try to boil down some of those suggestions into proposed legislation.

Dr. Glenn Oids, president of Alaska Methodist University, addressed the symposium Wednesday, during the development of trade markets with China and the Soviet Union.

Oids said while Alaska is a long way from the lower 48 states, it is "poised at the door of one of the largest markets in the world." He said Alaska's human and natural resources could be put to use by developing "these markets at its doorsteps."

The symposium then broke up into study groups to assess recommendations for solving Alaska's unemployment problems.

Those suggestions included:

- using the permanent fund to pay for investments that will create new jobs;

- using money now being spent for welfare payments to fund training programs for the unemployed;

- reducing government interference with private enter-

prise by cutting back on paper-work requirements;

- lending money from the permanent fund to persons who want to start small businesses;

- increasing the number of roads to areas with untapped development potential;

- expanding rural development in Alaska;

- increasing state revenue sharing with local governments, and expanding loan programs for students in vocational and technical training.

NOV 7 1977

State, Firm Will Discuss Pipeline Jobs

By CAROLYN RINEHART
Times Staff Writer

Local fire on the Alena gas pipeline will be the subject of a conference between state officials and Northwest Pipeline Corp. representatives early next month, Gov. Jay Hammond told more than 200 participants at an employment symposium at the Captain Cook Hotel yesterday.

"We need more than just jobs," Hammond said in his speech which opened the symposium. "We need jobs for Alaskans, jobs for people who are already here."

With the aim of lowering the state's unemployment rate, which has risen to 16 percent from a low of 8 percent during oil pipeline construction in 1976, the symposium was organized by the legislature's Special Employment Resources and Opportunities Committee, chaired by Sen. Bill Sumner, R-Anchorage.

Most speakers yesterday kept to philosophical discussions of the state's future.

Work groups from the symposium are expected to recommend legislative action on unemployment today, the last day of the meeting. Dr. Glenn A. Olds, Alaska Methodist University president, was scheduled to open today's session.

Outside speakers — economists, planners and leaders of labor and business — were featured yesterday morning and Alaskan speakers in the afternoon. The outside speakers expressed fear of economic growth and industrial development, while the Alaskans welcomed it.

Jefferson Barry, local teamster official, drew applause when he opened his remarks with, "I only thank God they're (the Outside speakers) not going to decide our future up here in us."

Carter Henderson, co-director of the Princeton Center for Alternative Futures and a former Wall Street Journal editor, countered Barry in a panel by saying Alaska cannot be an island unto itself. He said outsiders would decide Alaska's future at any rate — "be they Exxon, Mitsubishi or the Teamsters." But representatives in Washington have made on legislation that will affect the future of all 50 states," Henderson also drew applause.

Henderson made a case for the "more is not necessarily better" concept and said there is a growing concern that the United States is unable to manage its economic affairs. The process that began with the industrial Revolution in England in the last century, he said, is appreciably slowing down as more and more energy must be expended for dwindling resources.

Pollution and disease are the industrial society's by-products, he said, calling his own state, New Jersey, the cancer capital of the world. Society must deal with criminals, al-

(See Page 2, col. 1)

Speakers Discuss State's Joblessness

(Continued From Page 1)

coholics, drug addicts, welfare recipients and all those who cannot cope with the complexities of urban life, he said.

Henderson, calling for simpler, less consumptive lifestyles, said an estimated five million Americans had dropped out of the rat race for lifestyles of "voluntary simplicity." That figure by the year 2000 will reach 60 million, he predicted.

Wilson Clark, assistant for issues and planning to Gov. Jerry Brown of California, said if he were an Alaskan he would be "fearful of the Pandora's box under the surface of this state." Championing small business and developing renewable resources, he said there would always be growth, "but we must ask what kind?"

Alexander McNabb, director of the division of Indian and native programs in the Employment Standards Administration of the U.S. Department of Labor, said unwise employment changes in rural Alaska could alter forever the native culture.

Raymond W. MacDonald, AFL-CIO director of research, said his work in Asian and Philippine development could be useful in making decisions about employment for Alaska natives in the Bush.

"Is there a desire to revolutionize the countryside?" he asked, explaining that it would be a revolution to expose Bush natives suddenly to traditional work. An economic development process which "specifically fits the rural scene" with minimum disruption of Bush lifestyle could be encouraged, or a mixture might be possible, he said.

"But first we should discuss what work is and how it should be compensated," MacDonald said.

Dean Olson, business professor at the University of Alaska, said in the Bush "local means very local" and rather than Alaska hire away people in the vicinity of a large construction project want preference for people living near the project itself.

To reach the hard-core unemployed in the Bush, Olson suggested establishing small businesses. He said these businesses should use local resources, have an output with a high value-to-weight ratio, be labor intensive, be small in scale and be "counterseasonal" — not limited to the summer.

Roger Lang, former president of the Alaska Federation of Natives and now an official of Alaska Brick Co., said several years ago he "quit looking for justice in Anchorage and started looking for legislation."

A lifetime Alaskan, he said the state was "born in poverty" and at first everything the state did was aimed at "bringing the federal dollar into the state." He said this approach "was necessary, but we haven't changed these systems born of poverty."

Lang suggested using part of the Alaska Permanent Fund money to fight unemployment. He said he was involved with native hiring practices on the oil pipeline, where native villages in the way of the pipeline "add force employment change."

He said more than 2,000 natives were employed on the pipeline rather than relying on federal and state regulations, he said he stayed away

from government because it was not responsive enough.

"Scratch government," he said.

Regarding unemployment, Lang said he had no pat answer, but he wanted the unemployed to know "there are people who care."

Question sessions drew inquiries and comments from a broad cross-section of Alaskans — including a 47-year-old Tlingit Indian woman who said in a tear-choked voice that she was offered a job as maid at the Anchorage Westward Hilton after eight years of college. McNabb and others offered to help her.

Fairbanks
News Miner
Fairbanks, Ak

NOV 2 1977

103 million questions

EDITOR'S NOTE: The Alaska Public Forum will hold an all-day workshop on four key issues facing Alaskans at 9 a.m. Saturday at West Valley High School. The following is the second of a four-part series on those questions, written by the Alaska Public Forum staff.

Prepared by
The Alaska Public Forum

Land, it's our greatest natural resource, and one that touches us all in a personal way. Few issues affect us more deeply than how it is used.

Surrounded by millions of acres, many Alaskans lament the scarcity of land for their particular needs. For example, some Alaskans want land available for a home, a garden, and a measure of privacy; another group looks to land to maintain their subsistence lifestyle; and others want land made available for recreation and agriculture.

The majority of participants in last year's Public Forum said their most important objective for managing Alaska's land was "to provide land for people's needs." Yet "people's needs" varied from person to person and from region to region.

This year the Public Forum would like to know more detail about the individual needs Alaskans think the state should meet and how it ought to meet them. But first, some background.

To date, the state has selected 71 million acres of its 103 million acre entitlement. Full title has been conveyed on 20 million of those acres, and another 15 million have been tentatively approved for state ownership. The state is free to manage, sell, or lease only the 35 million acres which are patented or tentatively approved.

State lands are concentrated in south-central, southwest and interior Alaska, with scattered selections in southeastern and arctic Alaska. The State Division of Lands estimates that only about four per cent, or 15 million acres, of the total land area of Alaska is well suited for intensive use—for homes, commercial, and industrial development, etc. Much is too steep for development, while other areas are wet or susceptible to flooding. Permafrost, poor surface soil, geologic hazards, and fragile vegetation are other limitations that directly increase construction costs, cause erosion, or even endanger life.



Realistically, there is simply not enough suitable land to satisfy everyone. Compromises and trade-offs will have to be made, and it is important to understand the limitations of the state's capabilities in providing land for private use.

A homesite act went into effect in September of 1977, making parcels of up to five acres available for permanent homesites, providing applicants meet certain requirements. The act calls for the classification and survey of 25,000 acres of state land for homesite entry.

About 1,500 acres that have met the proper standards for such homesites have been located in the areas of Tok, Delta Junction, Rex, and Central. The first disposal of homesite tracts is tentatively scheduled for spring 1978.

One of the Public Forum questions on land this year asks Alaskans to rank the following private uses of land according to which they feel the state should stress the most:

1. Provide land for recreational homes and cabins;
2. Provide land for homes near existing communities;
3. Provide land for homes away from existing communities;
4. Provide land for farms;
5. Provide land for small businesses;
6. Keep land in trust for future Alaskans.

The state's open-to-entry program, which opened in 1968, was an earlier attempt to meet the desire of Alaskans for a personal piece of wilderness. More than 2.5 million acres were classified as open-to-entry in semiremote areas.

More than 3,600 parties staked and

leased tracts under this program. It was discontinued in 1973 after it proved increasingly difficult to administer and fell prey to various abuses. Further, it had failed to set aside areas for roads and trails and areas with high public recreation value.

The state had assumed that individuals were looking for isolated tracts, but people tended to cluster their filings near settlements and areas with water frontage. With no overall plan, entries sometimes overlapped or left pieces of unusable land between them.

State land near established communities where jobs, public services, and amenities already exist is deceptively scarce. Much of the best-located land within commuting distance of urban centers is already owned privately or by local governments. Most of the state land which remains near growing urban centers is held in trust to help support the state's mental health program, public school system, and the University of Alaska.

In 1976, the legislature passed a bill calling upon the Department of natural resources to classify 650,000 acres for sale for agricultural use only. Through this classification, the state protects this resource from uses that would render it unsuitable or unavailable for farming.

Land could also be made available for rural homesites away from established communities. However, such a program might encourage urban sprawl and unplanned development.

Many Alaskans dream of owning a small family business. The state could make some of its lands available for such uses as a country store, cottage industries, a roadside cafe, or a taxidermy shop. Some people feel this option represents state intrusion into private industry, while others point out that finding land for small businesses near existing communities would pose the same problem as finding land for urban homes.

State land could be preserved in its natural state as a bequest for future Alaskans. It could be managed for existing uses or to insure productivity of fish and wildlife and other resources for recreation and subsistence.

OCT 29 1977

Forum here to hear the top issues 31

Four major issues which will greatly affect how Alaska develops in the future will be the focus of next Saturday's Alaska Public Forum in Fairbanks.

Fairbanksans are invited to attend the one-day session to discuss land policies, subsistence, the Permanent Fund and state spending in general.

The meeting is from 9 a.m. to 4:30 p.m. Saturday at West Valley High School.

gathered at them to be compiled while the legislature is in session.

A 12-page newspaper supplement explaining the issues can be picked up at the governor's office in the new state office building and the supplement will

be published next Friday in the Daily News-Miner.

For more information about the forum, call regional coordinator Barbara Morse at the governor's office, 452-1545.

ALASKA CLIPPING SERVICE

Southeast Alaska
Empire
Juneau, Alaska

NOV 1 1977

Tunnel Vision?

Dear Editor:

31

Richard Myren's letter on d-2, and the relationship between wilderness and salmon is another example of the tunnel vision of this local preservationist.

Myren complains that the Sue Lewis quotation to which he objects does not reflect at all accurately the relationship of the Alaska Commercial Salmon Fisheries to the Alaska Wilderness. Well, neither do Myren's comments. While he does accurately present figures showing the decline in the Southeast Alaska salmon fishery in the last 35 or 40 years, he then makes this statement:

"The significance of the early production is that it was from a truly wilderness environment; future production can similarly occur provided such an environment still exists and is protected."

His conclusion is 100 percent wrong unless it is accompanied

by adequate regulation of the amount of fish taken before they reach the wilderness environment, which fact Myren conveniently overlooks in his anxiety to make his environmental point. If all the fish are taken there won't be any left to get back to the truly wilderness environment. There is much evidence that over-fishing, rather than environmental conditions have led to the decline in the salmon catch

As usual, Myren gives a one-sided, distorted view to support his thesis. Whether the statement that d-2 is "a scheme" to prevent man's use of the most basic natural resource, land, is true or not, the result of d-2 will be precisely that.

It should be pointed out, also, that the theory that a truly wilderness environment will result in a return of the huge salmon catches of 35 or 40 years ago is only that -- a theory.

Myren assumes that we did indeed have a "truly wilderness environment" in the late 1930s and early 1940s. Did we?

The greatest single chance since then has been the increase in logging activity. There also has been moderate population growth in most S.E. towns. But, in the overwhelming bulk of Southeast, little has changed. Some activities, principally mining, have virtually disappeared, as have commercial fish treatment plants for herring and

salmon; these were environmental pluses.

In those earlier years, there were no environmental controls, no clean air act, no planning or zoning, no sewage treatment plants to meet environmental standards; and there were fish traps.

Yet, in spite of all of this, the value of salmon caught then in Southeast Alaska was several times what it is now.

Sincerely,
Curtis S. Shattuck

The meeting in Fairbanks will be the ninth in a series scheduled in communities around the state. The average attendance at the meetings which have been held to date is about 100, Barry Quinn, executive director of the forum, said.

The forum is a program of public meetings conducted by the Alaska Growth Policy Council, a seven-member council created by Gov. Jay Hammond in 1975 to broaden citizen involvement in state government.

Last spring about 250 persons attended a meeting of the forum in Fairbanks. This year the meeting schedule has been shortened so that the 16 meetings will be completed by early December, in time for the information

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Fairbanks
News Miner
Fairbanks, Ak

Explosion, tariffs mean less in treasury

ANCHORAGE (AP) — A state agency predicts Alaska's treasury likely will contain about \$200 million less than anticipated this year, the Anchorage Daily News reports.

Two major factors have helped create the shortfall — the explosion at Pump Station No. 8 on the trans-Alaska pipeline that has reduced oil flow from Prudhoe bay, and a U.S. Supreme Court ruling allowing higher tariffs for oil moved through the line.

Those higher tariffs, sought by the oil industry and denied earlier this year by the Interstate Commerce Commission, will reduce the wellhead value of Alaska's royalty share of North Slope oil.

The newspaper cites an updated forecast by the Legisla-

tive Affairs Agency, expected to be released today. That prospectus indicates the high court decision will cost the state about \$39.3 million in the remaining eight months of fiscal year 1978.

Other factors contributing to the shortfall include higher tanker charges than anticipated for moving the oil south from Valdez, and lower prices in the oil market.

However, Commissioner of Revenue Sterling Gallagher challenges the figures cited in the report.

He acknowledges there will be a shortfall due to reduced oil flow and higher tariffs. But he says of the figures quoted in the article, "I see a swelter of numbers there, none of which I recognize. I just don't know

where they're coming from. They're certainly not our figures."

Gov. Jay Hammond has asked Gallagher to develop definite figures for the reduced revenues within two weeks. Then administration officials will meet to prepare a plan for trimming the budget and increasing revenues.

Hammond's legislative aide, Kent Dawson, said the governor probably will have a plan for handling the problem by the time the legislative session begins next year.

The News reports state officials are considering budget cuts and the possibility of reviving the oil and gas reserves tax in an effort to reduce effects of the projected \$207.1 million shortfall.

It quotes the agency report

as saying state expenses will be about \$853.8 million. Revenues are expected to be about \$775 million. Contributions to the permanent fund, payments to the Native Claims Fund and other costs are expected to put the state's general fund balance at about \$550 million.

The windfall from Prudhoe Bay oil production is simply not as great as was expected.

Rep. Clark Gruening, D-Anchorage, said Thursday, "The pot of gold at the end of the rainbow just keeps moving." Gruening is a member of the House Finance Committee and chairman of a special House committee on the Alaska Permanent Fund. That fund, made up of 25 per cent of Alaska's income from nonrenewable resources, was expected to contain \$90 million by next June. Recent estimates place the figure at about \$80 million.

Mallott warns Demos that Natives may vote for GOP

JUNEAU (AP) — Alaska Federation of Natives President Byron Mallott says he was "sending a message to our Democratic friends" in a recent article he wrote in praise of Republican Gov. Jay Hammond.

"I'm not endorsing Hammond for re-election, but I want the Democrats to know they can't take Native voters for granted in 1978," Mallott said in an interview here Wednesday.

In a recent article written for an Alaska Public Employees Association magazine, Democrat Mallott expressed admiration for Hammond's tenure in office during the last three years.

"There is no question that he

(Hammond) is a highly principled man with significantly more than the normal allocation of political courage," Mallott wrote.

Mallott singled out Hammond for leading the public, instead of following it, in the areas of environmental protection and fiscal restraint.

Mallott said Hammond has "cajoled and berated Alaskans to accept the premise in public policy that economic growth must be balanced with a sensitivity to the natural environment and a need to determine economic development effects on the overall lifestyle Alaskans seek."

"I think Gov. Hammond

struck a public policy blow here in Alaska with his environmental concerns that, regardless of the Anchorage Times and the wailing of the chambers of commerce, will make him a formidable political figure in or out of office," Mallott wrote.

He also said Hammond has "grabbed us by the scruff of the neck and pointed out in not uncertain terms that we must awaken to the fact that recurring revenues provide but a fraction of the dollars spent each year on the state's budget."

Mallott, however, was critical of Hammond's Alaska Inc. concept for sharing the state permanent fund directly with citi-

zens, contending "it could make personal greed the arbiter of public fiscal policy."

But he said "there is no question that Jay Hammond has caused Alaska to take a look at issues that politicians have traditionally shied away from."

And regardless of whether you support him or not, Mallott said Hammond "with his up front personal integrity and his adherence to principle has given us as a governor to be proud of."

Mallott was the commissioner of Community and Regional Affairs under the administration of Hammond's predecessor, Democratic Gov. Bill Egan.

Oil Firm Disagrees On State's Finances

Atlantic Richfield Co. says the Legislative Affairs Agency is in error and is misleading the public with predictions that the state faces a financial crisis next year because of lower-than-expected oil revenues.

Arco, in a prepared statement, said today the legislative agency is seeking to "provide a basis for higher taxation of the oil industry," when the truth is the state will complete fiscal 1978 "with a healthy surplus."

Rep. Clark Gruening, D-Anchorage, has said it might be necessary to extend the reserves tax, and Sen. Pat Rodey, D-Anchorage, says it appears that such an extension is inevitable.

But Arco said that would be "neither necessary nor desirable; any more than higher taxes of any form at this stage are necessary or desirable."

"Our analysis of revenue projections and expenditures prepared by the state Department of Revenue indicates that the state will complete fiscal year 1978 with a healthy surplus," said Howard A. Slack, Arco's vice president and resident manager.

"If there were a need, that would be another matter," he said. "We wouldn't like it, but we could understand the legislature looking to us once again for the needed

revenues."

During the two years prior to the startup of the trans-Alaska oil pipeline, the tax on Prudhoe Bay oil and gas reserves kept the state solvent. The tax actually was an interest-free loan, to be credited against future production taxes.

The Legislative Affairs Agency estimates that oil revenue in fiscal 1978 will be approximately \$207 million less than previously estimated.

(See Page 2, Col. 5)

Oil Firm Disagrees On Finances Of State

(Continued From Page 1)

Revenue Commissioner Sterling Gallagher said in Anchorage Wednesday his preliminary estimate is that revenue will be \$120 million less than anticipated. He said he is not overly concerned and does not see the necessity for reviving the reserves tax.

Gallagher indicated he would rather use his political clout to raise the severance tax floor than to impose the reserves tax.

Arco said state Revenue Department figures show the state started the current fiscal year with a surplus of \$660 million, of which \$460 million was available for current operating expenses. The other \$200 million was restricted, primarily for investments in veterans loans.

The Legislative Affairs Agency has estimated the revenues will be \$775 million in fiscal 1978, Arco said, and adding last year's leftover funds means the total available funds will be more than \$1.2 billion.

The state budget for fiscal 1978 is \$854 million, including the annual payment to the native claims fund. Subtracting the \$80 million which must be paid into the permanent fund (25 percent of royalties), that leaves a surplus at the end of the fiscal year of approximately \$300 million.

"Under the circumstances," Slack said, "we are unable to understand the reasoning of the Legislative Affairs Agency and Rep. Gruening. There is no crisis. Of course, a crisis could develop if, for example, the state embarks upon a spending spree next year. However, this is not anticipated."

The decrease in revenues is due to lower wellhead values than the state had anticipated for Prudhoe Bay oil, as well as a reduced amount of oil flowing through the trans-Alaska pipeline — the result of an explosion which destroyed Pump Station 8 in early July.

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Tom Fink Gives Views On Use Of Oil Revenues By State

Spend now for what Alaska needs — and pay as you go was the philosophy concerning the state surplus funds which former House Speaker Tom Fink brought to Eagle River Kiwanis Club members Wednesday.

Addressing the weekly Kiwanis meeting Fink decried what he termed a "pessimistic attitude toward state income."

"The state may well be spending too much money — but it's not because it's going to run out in the next 20, 30, or 40 years," Fink said. "It does not bode well for the state to have a huge surplus. A state should have no more money than it takes to exist."

Fink, who says that he will announce his candidacy for governor on Jan. 2, proposes spending surplus funds in excess of those allocated for the permanent fund for retiring the state's existing three quarters of a billion dollar debt, financing needed capital improvements, and retiring local government debts.

Fink said he would not add operational programs to "taxate people, to pay them to do too work. I would rather that the state finance projects and put people to work."

He said that he was not advocating squandering the surplus oil moneys as they have become available, but emphasized that he did not feel the state should "hoard the money, and worry about what to do when it runs out."

rediculous when we have the money on hand to do it."

He also pointed to the need throughout Alaska for roads, docks, harbors and airports. "I don't want the state to have money in the bank. It's much better to use it where it is

employed in construction jobs, most of the projects would be contracted out. "There would be a lesser state government payroll if the funds were spent on capital improvements contracted out than if they were put into 'giveaway' programs."

wanted to charge, rather than for the state to arbitrarily set a lower allowable levy.

Questioned by Bob Johnson on his stand on a proposed bill which would open up Alaska lands for homesteading, Fink said he was "supportive. It may not be the best bill, but it is a good alternative." He said he did not think the state "should hoard all its natural resources."

Fink discussed briefly the use of permanent fund moneys. "Obviously the money should be invested within the State of Alaska whenever possible."

He said that there was every reason to suspect that in future years, Alaskans could buy home mortgages at rates less than the going commercial rate.

"Bankers are scared to death", Fink said, for fear bank money may not be used for housing in the future because state money would be cheaper.

Fink's talk was the first of several by gubernatorial candidates which the Kiwanis club hopes to sponsor in the next few months. Invitations have also been extended to Wally Hickey, Bill Sheffield, Chaney Croft and Gov. Jay Hammond.



Tom Fink, second from right, was first of gubernatorial candidates to speak before local Kiwanis Club. Former speaker of Alaska House of Representatives chatted after the meeting with fellow Republicans, left to right: Bill Helford, Kiwanis Club president Bill Moffatt, and Rep. Tim Kelly.

Fink said that he would like to see the state pay for major improvements with cash rather than bonding, including relocation of the capital.

The idea of bonding for the new state capital construction

needed," he said. Fink noted that the state expects to budget \$175 million next year for road building projects "but the greater Anchorage area alone needs that much. There are all kinds of roads that the state could build and we could build them with cash."

He said part of the funds could also be used "to substantially reduce the debt of local governments."

Rep. Tim Kelly expressed concern that projects such as Fink proposed "would have to have state people managing them. I'm concerned about getting higher bureaucracy."

Fink said he shared Kelly's concerns, but felt that although a lot of people would be

Fink replied. He added that he would never advocate complete elimination of taxes ("people ought to be paying something for something") but would rather see money spent on improvements than drawing interest.

"I'd rather have my kids have a four lane highway to Alsea now than money in the bank for the future."

Rick Hatford asked Fink whether he felt that the maximum mill levy allowable by law should be reduced if more state revenue sharing moneys were allocated to municipalities. Fink said that he believed local governments should be able to make their own choice on what they

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Permanent Fund Management

By Joe Josephson

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

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

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

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

The trouble with the permanent fund is that if that popular assumption is true — that legislators will spend the money available — the permanent fund does little to curb the growth of state government. State general fund surpluses for the 1980s are projected to mount to billions of dollars, even after the permanent fund dedications are considered: thus, the temptation for more state spending will be present, permanent fund or no.

ONE ANSWER, of course, would be to earmark more and more state revenues to the permanent fund, in an effort to place more petroleum receipts out of the legislature's reach. At some point, though, the underlying notion of that approach becomes clear — to deny to the people of Alaska, through their elected leaders, the opportunity to work their will in a democratic way.

The premise of the suggestion that the permanent fund should be enlarged is that the people of Alaska can't be trusted, through their elected officials, to spend available money, or save state revenues, for wise purposes and in wise proportions.

Moreover, earmarking more and more money for the permanent fund would not change underlying conditions that create pressures for state spending. Those conditions — be they the need to develop a diversified economy, or to share revenues with local governments, or to educate children and adults in schools

and colleges, or to promote the quality of the environment, or to maintain an equitable schedule of public employees' pay — are not likely to be changed because a permanent fund exists. To meet pressures for state spending, many of which will be legitimate, a legislature confronted by a huge permanent fund beyond its reach will reach out for revenue through higher taxation.

ANOTHER DILEMMA for permanent fund policymakers is that some investment proposals imply government growth and new stimulus for population growth. The rate of Alaska's population growth is likely to be high in any case, bringing the blessing of new human resources to the state, new skills and new services, but bringing also new stress on the capacity of our towns and cities and labor markets and parks and streams to absorb increased population pressures.

One of the House committee's consultants noted that there is only one sure way to curtail Alaska's population growth — that is, by making Alaska a very undesirable place in which to live. But that would be an odd course of deliberate governmental action, even if governments everywhere from time to time have set such a course unwittingly.

The resulting irony is that if the permanent fund investment policy is to stress loans or loan guarantees for Alaska small businesses or to subsidize industry, the policy will imply support for more government activity in the marketplace and more stimulus for immigration. The result of that will be more general fund expenditures over time, not the dampening down of state spending which some advocates of the permanent fund hoped for. Moreover, it is not clear that permanent fund investment policy will ever be free of the very public pressures that were said to operate upon the legislature itself.

AS THE HOUSE committee's informative pamphlet notes, "trade-offs are inevitable." The permanent fund won support at polling places around Alaska from conservatives who saw virtue in keeping a "nest egg" for future generations, out of today's "non-renewable" resource receipts. In the same election, the permanent fund won support from liberals who saw the possibility of new funding aid for the fellow or woman unable to win financial leverage in the existing private sector.

Now that both sides have produced constitutional change, the state's lawmakers must deal with these opposing philosophies for permanent fund management — a tough intellectual and political task.

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

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OCT 12 1977

Meeting draws SE leaders to Sitka:

Ferry system, coastal management, hy

By ROLLO POOL

Daily News Staff Writer

An influential political lobby meets in Sitka Thursday and Friday for conferences and presentations from state commissioners and directors and municipal and corporate representatives.

The lobby, known as the Southeastern Conference is composed of leaders of southeastern Alaskan cities and the purpose of the meeting is to "develop a unified stand" on issues important to southeastern, said Charles Pool, a

director of this year's conference. The stand is presented to the municipal league in November and is made known to legislators in January.

Borough manager Bill Verwolf said subjects to be discussed are germane to residents of boroughs as well as those of cities. Subjects include transportation, hydroelectric project loans, coastal management, state land selection and tourism.

He stressed the need for local control of coastal management and coastal control laws that "are not so strict to

affect" local needs.

Whether or not to push the legislature to fund an audit of the ferry system will not be discussed by conference members until the final afternoon of the conference, when members meet to form a policy statement, he said.

This audit, or investigation, would be performed, he added, to show if the ferry system "was being run the way it was set up to run in 1961," he said, meaning whether or not "we are getting a highway system or something that is supposed to make money."

More Ketchikan representatives will be at this conference than at last year's conference held in Haines, said Verwolf, who will be one of a dozen area delegates. Other delegates are city manager Pat Teague, assistant KFU manager Dan Bowey, Monte Guymon and Ted Ferry of the KFU advisory board, Helen Finney, Mike Kouni and Mike Salazar of the city council and borough assembly, Charles Pool, Mike Cunningham, representing the chamber of commerce, and Dan Finney, of Louisiana-Pacific, Ketchikan.

dro among topics

Two Ketchikan residents will speak before the assembly. Finney, in charge of government affairs for the Ward Cove pulp mill, will speak on the subject southeast coastal management, and Bowey, of KFU will talk on the role of the Alaska Permanent fund, a fund set aside from oil royalties.

Also speaking at the conference will be Don Harris, commissioner of the department of transportation; John Umlaref, director of state transportation planning; Jim Edonso,

senior commissioner of the department of revenue; Gary Demerick, of the state land selection team of the department of natural resources, and Mark Stevens of the state Department of community and regional affairs.

Other state legislators and city, state and municipal administrators and corporation representatives will speak. Dean Lemon, environmental affairs manager of U.S. Borax Corp., will discuss the Southeast coastal management program.

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Daily Sentinel
Sitka, Alaska

OCT 14 1977

Southeastern Conference To State Policies

By THAD POULSON
Sentinel Managing Editor

Southeastern Conference delegates were drawing up policy statements and electing new officers today in preparation for the conclusion of the annual session of the Alaska Panhandle lobbying organization.

Earlier today the delegates were told the clock is running for Alaska communities to draw up coastal management plans under the Coastal Zone Management Act passed by the legislature this year.

The brand new Coastal Management Act set a 30-month deadline after enactment of the legislation for district (local) plans to be submitted to the state-wide Alaska Coastal Policy Council.

The regulations and guidelines for the local districts, which may be organized under their own Coastal Resource Management

Boards, have not yet been drafted, Mark Stevens, a planner from the state Department of Regional and Community Affairs told the gathering at the Centennial Building. In a series of community meetings now taking place across Alaska, local sentiment of coastal management is being sought.

The Southeastern Conference is the coalition of business interests, chambers of commerce and municipal governments that formulates legislative programs on issues of regional importance to all of Southeast Alaska.

Dean Lemon, a representative of the U.S. Borax Corp., which has mining interests near Ketchikan, and Don Finney, an executive of Ketchikan Pulp Co., spoke of the need for coastal management plans to proceed from intelligent choices among the varied alternatives.

But as a subject of concern

among the conference delegates, the nebulous coastal management issue didn't rank with the subjects hydro-electric development and land availability. Southeastern transportation, always a pet subject of the conference, which claims credit for organizing the legislative push that in 1964 established the state ferry system as we know it today, was thoroughly reviewed also.

Sterling Gallagher, State Commissioner of Revenue and a key figure in management of the Alaska permanent fund, addressed the group Thursday on the role of the fund in financing municipal utility improvements, and the topic was also discussed by a panel of legislators, utility managers and experts and state officials.

Sitka, Ketchikan, Wrangell and Petersburg, the latter two in a single joint project, have

engineering studies under way on development of costly hydro-electric power projects.

Use of the permanent fund for financing municipal power and water utilities — whose capital needs within the next 20 years have been estimated at well over \$1 billion — has been extensively debated and discussed within the legislature and the Hammond Administration.

The permanent fund, under the law that created it, must be managed to earn a return on its investment, Gallagher emphasized. The administration task force that has studied municipal utility needs has recommended a variety of ways that the fund could be used to aid in power projects, including direct loans, loan guarantees and leveraged financing, but has concluded that the permanent fund "should not be in a subsidy

position," he said. He told the Sentinel that the Sitka Green Lake hydro looks like a solid investment, and a good candidate for assistance by the fund. He said there is more of a question about the other two, particularly the Wrangell-Petersburg Thomas Basin project.

A strong policy statement demanding a systematic "unlocking" of the million acres of "mental health" lands in Alaska appeared to be in prospect for this session of the conference. These state lands, held in trust and managed under a system that critics say has failed to respond to community and individual needs, must be made available before the broad issues of D-2, state and Native selections can be solved, said one delegate on the policy committee.

The policy statement will be reported in Monday's Sentinel.

ALASKA CLIPPING
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Anchorage Daily
Times

Anchorage, Ak.

OCT 20 1977

Citizens May Air Views At Alaska Public Forum Saturday

Alaska Public Forum will begin an all-day workshop on the permanent fund, subsistence hunting and fishing, financing state government and state land for private use at 9 a.m. Saturday at East High School.

The workshop will end with a people's news conference with Gov. Jay Hammond at 3:30 p.m. Questions addressed to the governor at the news conference need not be related to the previously discussed issues.

Coffee and doughnuts will be provided and lunch will be available for a small charge. Nancy Blunck can provide information about the workshop at 276-5262.

Persons who would like to partici-

pate in the Public Forum but are unable to attend the workshop may obtain mail-in questionnaires at the Alaska Public Forum office, 29 D Street, Suite 310, Anchorage, Alaska 99501.

ALASKA CLIPPING
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Daily Sentinel
Sitka, Alaska

OCT 1 2 1977

Sitka Host for Southeast Conference

By JIM DAVIS

Probably Southeastern Alaska's strongest advocate in state affairs is the Southeastern Conference. A coalition of Municipalities and Chambers of Commerce, it has been in the forefront of almost every major battle for the needs of this part of Alaska since its beginning. To its credit is the success it has

achieved in getting the Marine Highway started and the origination of the Revolving Loan Fund.

Sitka will be the host to this assemblage of V.I.P.'s on October 13 and 14 in the Centennial Building. Registration will begin at 8:30 a.m. on Thursday with an opening address and welcome by

Mayor Ben Grussendorf to follow at 9:30 a.m.

Southeast Transportation will again be reviewed in depth at 10:30 a.m. with such personalities as Don Harris, Commissioner of the Department of Transportation, John Umlaref, Director, Division of Transportation Planning, Morton Cook, Southeast Regional Planning Engineer and Andrew Highes, Project Manager, S.E. Transportation Study. Such projects as ferries, hydrofoils, air service and terminals should prove to be extremely challenging.

One of the big topics on the agenda this year is the Role of Alaska Permanent Fund. A panel made up of John Halliwell, chairman, Jim Edenso, Deputy Commissioner, Dept. Of Revenue, Rocky Gutierrez and several State Senators and representatives will discuss the various possible uses for the fund. It is known that Rocky strongly favors making money available to local municipalities on a loan basis.

Of very immediate interest are two topics that seem sure to stir heated discussions. They are the problems arising from State Land selection and the Southeast Coastal Zone Management Program. The concerns expressed in the most recent meeting on these subjects by the people of Sitka indicated that there are some real fears about what government might do to us.

These problems will receive close examination during the Southeastern Conference sessions, and goals and priorities zeroed in. All in all, this coming year promises to be a memorable one for the Southeastern Conference. Your wholehearted support is needed and the public is welcome to attend these discussions.

ALASKA CLIPPING
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Anchorage Daily
News
Anchorage, Ak

OCT 2 2 1977

Public Forum at East High School

A second Anchorage session of the Alaska Public Forum is scheduled Saturday at East High School. The all-day session will concentrate on four issues — Alaska lands, the permanent fund, balanced state funding and subsistence hunting and fishing. Gov. Jay S. Hammond will drop in at 3:30 p.m. for an hour of questions from those attending.

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OCT 1 8 1977

BLACK CAUCUS

Leonard Lane of the Alaska Public Forum will speak on permanent funds, subsistence hunting and fishing, state lands for private use and issues presented by Alaska Public Forum at statewide workshops at a noon luncheon of Alaska Black Caucus at noon tomorrow in the Windsor Room at Holiday Inn, 230 W. Fourth Ave. Mildred Townsend has information at 276-5128.

OCT 6 1977

Hammond, Thomas to seek re-election

By BOB SPEED

Daily News Staff Writer

Gov. Jay Hammond has filed for re-election to a second term.

In a telephone conversation today from Anchorage, Hammond and Lt. Gov. Lowell Thomas, Jr., told the Daily News that they would announce their candidacy today as running mates for another four-year term. Their announcement came in a statewide radio broadcast this morning.

Hammond was in Anchorage on his way to Fairbanks this afternoon, and will depart from Fairbanks Friday on a trade mission to Denmark.

Hammond became the second announced candidate for governor, with the gubernatorial election still more than a year away. He joined Chancy Croft, a Democrat who announced his candidacy last week.

Hammond and Thomas were elected as Republicans, but some supporters have urged them to consider running for re-election as independents in 1978. Some speculation resulted today because Hammond did not declare himself a Republican when he filed with the lieutenant governor's office, which handles filings for state office. One observer said the declaration was "conspicuously absent."

However, Hammond's special assistant in Anchorage, Larry Holmstrom, maintained Hammond would run as a Republican. "It is certain," Holmstrom said.

Some Hammond political advisors are worried about the likely candidacy of former Republican Gov. Walter Hickel and the support he could receive from traditional GOP forces who have criticized Hammond as

anti-development.

Hammond admitted today that he has "managed to alienate virtually every special interest group in Alaska." However, he said his policies are criticized on grounds of political expediency by those who hope to gain points.

"The major issue the next four years is getting away from constant expansion of state government" using non-renewable money, he said. "We've got to hold government growth to what people are willing to pay for through taxes," he said, "rather than selling an oil lease every time we need money."

He said that up to now, no other potential runner "seems aware" of the need to conserve oil revenues, rather than using it to provide one-time government services.

His said his accomplishments

the past four years include establishment of the Permanent Fund, which sets aside at least 25 percent of oil and gas revenues as a permanent investment fund to collect interest.

Hammond said he will continue this year to press for his Alaska, Inc. proposal, which would disperse some earnings of the Permafund and other revenues to the electorate. Hammond said this could be done through low-interest loans, tax relief or actual payments of dividends to taxpayers.

"I'm certain it (Alaska, Inc.) will prevail in one form or another," Hammond said.

Hammond also advocates a constitutional amendment which would provide for a single six-year term for governor which

could not be repeated. He said this would provide a governor time to develop a program with no pressure placed on him because of pressures of re-election. Presently, the state constitution sets the governor's tenure at four-year terms, and limits governors to two terms.

Thomas emphasized the Alaska Public-Forum's contributions to state policy, saying that several of the key recommendations brought out through the forum have already been legislated.

"My hope is that future legislation will reflect the input turned out through the public forum," Thomas said. He added that he believes the lieutenant governor's responsibilities should include "more time on the road" to communities within the state and outside.

Hammond will visit Ketchikan during the Alaska Public Forum's last meeting for 1978, which will take place Dec. 3. Thomas, who is in charge of the forum process, will also be here then. Hammond said he didn't know whether his schedule included any trips to Ketchikan before then.

Hammond leaves Fairbanks Friday for an eight-day trip to Denmark, where he has been invited by the Danish government to discuss the potential for joint fishing ventures. Hammond said Denmark is looking for joint ventures now because of international limitations due to the 200-mile limit and fishing treaty restrictions.

He said the trade mission will also include several Alaska businessmen and at least two legislators including Ketchikan representative Terry Gardiner.

Our views:

Participate at the forum

The governor's Alaska Growth Policy Council conducted a series of workshops around the state last year called the Alaska Public Forum. The idea was a basic one: state officials asked the people what they thought about major issues facing Alaska before policy decisions were to be made.

The successes of the town meetings were substantial. In Anchorage, for instance, some 500 persons attended the forum sessions, listening as leaders explained the complexities of key issues and then sounding off with their own ideas and comments. Over all, 2,200 persons in 49 communities voiced opinions in the statewide public opinion survey.

The forums were hailed as an admirable idea, an exciting experiment in participatory government.

Last year's experiment now can become this year's proof that Alaskans are interested in staking out their state's future. To build on the public forum concept, the governor's growth council will conduct another round of meetings here on Saturday at 9 a.m. at East High School. At the session, it's hoped that more specifics on general issues of interest and concern will be gained.

Tomorrow's meetings will deal with questions that are both complicated and emotional, but vital if a stable, enduring pattern of growth is to emerge in Alaska.

The questions are big ones: How should state lands be managed and used? How can the subsistence use of fish and wildlife be protected? How should the permanent fund monies be used? And what should be the objectives of state spending policy?

To help introduce the issues, The Daily News printed an introduction to the lands question on this page Thursday. A discussion of other topics, prepared by the Alaska Public Forum staff, will appear today and Saturday, as well. It's a chance to bone up on the discussion topics before the forums begin.

To some extent, each of the four topics — lands, subsistence, the permanent fund and state spending — are intertwined with the others. All bear heavily on how Alaska will meet the challenge that energy production and wilderness opportunities both hold. And now, you will have the chance to participate in meeting the challenge — by attending Saturday's Alaska Public Forum.

Wrangell
Sentinel
Wrangell, Ak

Southeastern Conference

Convention keys on hydro, trust land

Support for hydroelectric development and reclassification of certain restricted lands now surrounding Southeast cities were two of the major topics considered at the 21st annual convention of the Southeastern Conference, held Oct. 13 and 14 in Sitka.

The convention, which brings together municipal officials and business leaders from throughout the region, and guest state officials, this year was chaired by Wrangell City Mgr. Jim Eide, conference president.

At the convention, Wrangell Mayor Sam Privett was elected to the board of directors for 1977-78.

Eide explained the conference traditionally has keyed on mutual problems affecting development and economics within the region, including transportation, industry, land management, resources and facilities construction.

The conference this year developed one relatively concise policy statement on key issues facing Southeast, rather than formulating numerous and separate resolutions "which tend to get lost" in Juneau, Eide noted.

Eide also reported the conference will seek a part-time lobbyist to boost its policy suggestions during the legislative session.

The policy statement, including sections on 10 regulations and 10 commissioners, as well as conference participants.

Besides Eide and Privett, Wrangell was represented at the convention by chamber of commerce executive board member Bill Schirmer, and Thomas Bay Power Authority commissioners Dick Ballard, Dick Olson and Harry Sundberg.

Conference policy was outlined in statement sections:

•Asking that "adequate" portion of the

Alaska permanent fund be set aside for hydroelectric development via the state water resources revolving loan fund.

The convention also urged that potential sites, corridors and access routes for hydro projects be eliminated from state and federal land selections processes, including D-2 selections.

•Seeking reclassification of lands now restricted for support of state mental health programs "to a classification allowing municipal selection."

In the statement, conferees noted most Southeast communities are immediately surrounded by mental health trust lands which cannot now be selected under the state land selection process, "making logical and orderly land selections... impossible."

•Supporting efforts by the state to "provide efficiencies in the operation of the Alaska Marine Highway System" providing these efficiencies do not result in a cutback in ferry service.

The conference also asked support for development of emergency facilities, including emergency air strips, and stated its support for a continuing program, such as the Southeastern Alaska Transportation Study, to

identify transportation needs and provide an ongoing improvement effort.

Eide noted the conference, after considerable debate, rejected a proposal calling for a complete investigation of the state division of transportation, opting instead to "take a more positive approach" to ferry system problems.

•A statement of opposition to "any state appropriation or investment from the permanent fund to build a new capital city until the critical needs of existing communities have been satisfied."

The statement also supports "the right of the people to know the full cost and impact of building a new capital city and their right to vote on an initiative regarding bonding for the full amount."

•Supporting salmon enhancement and rehabilitation projects, and demonstration projects on development of bottom and ground fisheries.

•Supporting maximum local control in developing coastal zone management policies, with communities also given considerable input into coastal zone management planning for surrounding areas within their economic sphere.

•Supporting the "programs and efforts" of Citizens for Management of

Alaska Lands.

•Asking the state to provide support for tourism development, and assistance to communities "in developing projects which enhance off-season travel, such as convention centers."

•Supporting the state's port and harbor trust programs and urging "further expansion of those programs. Major port facility plans should be prepared and developed."

Also, convention participants passed a resolution recognizing the civic contributions to Southeast of the late Dave Murday, of Wrangell, his contributions to the Alaska chamber of commerce and his interest in economic development for the state.

Mr. Murday died Oct. 12 while on a business trip in Tokyo.

In other action at the conference, John Halliwell of Haines, was elected president of the Southeastern Conference, Harry Aase, of Juneau, first vice president, and Chuck Pool, of Ketchikan, second vice president.

As outgoing president, Eide will serve on the 11-member board of directors for the 1977-78 conference year.

Petersburg was chosen as the site of the 1978 convention.

05 27 1977

Committee Tells Plans On Fund Use

JUNEAU (AP) — A special House committee has directed its staff to prepare legislative language in line with a tentative decision to earmark the profits as well the principal of the Alaska Permanent Fund as a savings account for the future.

Under the concept debated by the House Permanent Fund Committee here yesterday, income from investing the fund's oil revenues would be plowed back into the fund.

"With the permanent fund, we are more interested in preserving it for the future rather than using it to achieve social goals," said Rep. Russ Meekins, D-Anchorage and a member of the committee.

To accomplish social goals such as diversifying the state's economy, the committee is considering legislation to create an Alaska development bank which also would be financed by oil wealth.

"But leaving social goals to non-elected public officials like those that will be necessary to manage the permanent fund bothers me," committee chairman Rep. Clark Gruening, D-Anchorage, said.

Under the concept now being considered by the committee for submission to the 1978 legislature, no time limit would be placed on how long profits from the permanent fund would be reinvested.

"My feeling is that we would just save it until we get a better idea of what we want the fund to do," Gruening said. "Anyway the permanent fund isn't going to amount to much until the 1980s."

Despite apparent agreement on the committee, officials of the administration of Gov. Jay Hammond raised doubts about the savings account concept.

"You've got to tell the managers of the fund who are they trying to benefit and in what time frame," said Revenue Commissioner Sterling Gallagher. "They've got to know that to decide what kinds of things to invest in."

"When I look at the savings account concept," added Deputy Revenue Commissioner Jim Edenso, "I wonder just who the hell we are saving it for. What your asking the people of Alaska to do is defer benefits which could be realized now."

And committee members acknowledged difficulty in their efforts to balance the savings account concept with directions for management of the fund.

Native Leader Praises Governor

JUNEAU (AP) — Alaska Federation of Natives President Byron Mallott says he was "sending a message to our Democratic friends" in a recent article he wrote in praise of Republican Gov. Jay Hammond.

"I'm not endorsing Hammond for re-election, but I want the Democrats to know they can't take native voters for granted in 1978," Mallott said in an interview here yesterday.

In a recent article written for an Alaska Public Employees Association magazine, Democrat Mallott expressed admiration for Hammond's tenure in office during the last three years.

"There is no question that he (Hammond) is a highly principled man with significantly more than the normal allocation of political courage," Mallott wrote.

Mallott singled out Hammond for leading the public, instead of following it, in the areas of environmental protection and fiscal restraint.

Mallott said Hammond has "cajoled and berated Alaskans to accept the premise in public policy that economic growth must be balanced with a sensitivity to the natural environment and a heed to determine economic development effects on the overall lifestyle Alaskans seek."

"I think Gov. Hammond struck a public policy nerve here in Alaska with his environmental concerns that, regardless of the Anchorage Times and the wailing of the chambers of commerce, will make him a formidable political figure in or out of office," Mallott wrote.

He also said Hammond has "grabbed us by the scruff of the neck and pointed out in not uncertain terms that we must awaken to the fact that recurring revenues provide but a fraction of the dollars spent each year on the state's budget."

Mallott, however, was critical of Hammond's Alaska Inc. concept for sharing the state permanent fund directly with citizens, contending "it could make personal greed the arbiter of public fiscal policy."

But he said "there is no question that Jay Hammond has caused Alaska to take a look at issues that politicians have traditionally shied away from."

And regardless of whether you support him or not, Mallott said Hammond "with his up front personal integrity and his adherence to principle has given us a governor to be proud of."

Mallott was the commissioner of community and regional affairs under the administration of Hammond's predecessor, Democratic Gov. William A. Egan.

10-22-77
JAMES

ALASKA CLIPPING
SERVICE
Anchorage Daily
Times
Anchorage, Ak.
DC 2 11

Road Plan Costs High

Road Development Cost Estimated

(Continued From Page 1)

a freeway extension of Minnesota Drive from International Airport Road to O'Malley Road. The existing portion of the Minnesota corridor would remain in the major arterial category.

The long-range element also sets aside the Alaska Railroad line in Anchorage as a corridor for light rail transit and calls for a high level of transit ridership — an increase from the current ridership figure of less than one percent of all trips to more than 14 percent.

The three-man policy committee is chaired by H.D. Scougal, deputy commissioner of design and construction for the state Department of Highways, and includes Mayor George Sullivan and Assemblyman Tony Knowles.

The analysis included an outline of possible funding sources for the plan. Of more than a score of possibilities, the policy committee directed further exploration of three:

— That a portion of the state's

permanent fund be set aside for highway development in municipalities around the state. Local officials are expected to bring the matter up early next month at the statewide municipal league meeting in Juneau.

— A local gasoline sales tax. Any such tax would have to be approved by Anchorage voters.

— An increase in the state's allocation of federal funds for Anchorage transportation improvements. Currently, the analysis says, Anchorage gets about \$20 million a year in road development funds.

The committee also instructed staff members to compute long-range costs at the projected cost levels for future years.

Highway development in Anchorage will cost nearly \$38 million a year from 1982 through 1997, a staff analysis of the area's long-range transportation plan indicates.

And that \$38 million is in 1977 dollars. The anticipated effects of inflation and other cost variables are not included in the projection.

The projection exceeds the current level of highway funding — state, local and federal dollars — by about \$14 million a year, the staff report says.

The mass transit segment of the long-range element is projected to run about \$20 million a year by 1990, again in 1977 dollars.

The financial analysis — required as part of the long-range element of the Anchorage area transportation plan — was approved earlier this week by the policy committee of the Anchorage Metropolitan Area Transportation Study (AMATS).

The long range element itself was approved earlier this month. It includes major upgrading of Seward Highway, a new freeway skirting the north side of the downtown area and

(See Page 2, Col. 4)

OCT 2 1977

Hickel Tells Retailers A Lot Still To Be Done

In a speech last night his personal secretary said was not a declaration for governor — and was only coincidentally "his first formal speech in Alaska since the Spirit of Alaska drive began" — former Gov. Walter J. Hickel sounded a lot like a man intent on becoming the next tenant of the governor's mansion in Juneau.

Yvonne Lindblom, Hickel's long-time personal secretary, said Hickel's address, to the Alaska Retail Association meeting at Hickel's own Captain Cook Hotel, was the former governor's first formal speech since the Spirit of Alaska Committee began its drive to draft Hickel and Fairbanks banker Frank Murkowski as 1978 Republican candidates for governor and lieutenant governor.

Hickel told the retailers he did not buy "this 'good old days' stuff," and "... there are a lot of things we still need to get done in this state."

The former governor called the land issue "the most important issue facing this generation of Alaskans," and said that "unrestricted withdrawal of millions of acres of Alaska could literally rob us of the land we were guaranteed when we became a state."

Hickel noted that Alaska's agreement with the federal government gave the state the right to select 103 million acres of vacant, unappropriated and unreserved lands within Alaska's boundaries.

But now, he said, "through the mechanism of D2," the state may be shut out forever.

Hickel asserted, "We've been hamstrung, frustrated (and) postponed for 18 years since statehood."

Citing measures he thinks are needed to put Alaska on track, Hickel said: "We should electrify the railbelt and extend it from Homer through Fairbanks to the North Slope and west to the Bering Strait."

He called for construction of the Susitna Dam and termed it "a great example of how a dam can improve the environment, not destroy it." He also contended the dam could pro-

duce power to electrify Anchorage and Fairbanks.

Turning to state finances, Hickel said, "There is a debate . . . on the best use of the permanent fund, (but) it's not complicated."

"If you put that money into building a bridge, a building, or fixing up roads, it can generate jobs and revenues for a lifetime."

Hickel did not mention incumbent Gov. Jay Hammond or any of his other potential opponents should he decide to seek the governorship again, but he scored "those who don't want Alaska to use and develop her own resources."

He added, "They preach that we should live off the royalties of Prudhoe Bay, (but) that comes from a mentality of those who don't understand economics. It's wrong to live off royalties. You should make those royalties work for you."

Hickel termed Alaska's "most critical question of the hour . . . whether we have sense enough to establish a petro-chemical industry within Alaska."

"It seems so obvious," he said.

ALASKA CLIPPING
SERVICE

Cordova Times
Cordova, Alaska

OCT 2 1977

More Public Forum discussions coming up

Gov. Hammond will initiate the second round of Alaska Public Forum discussions Oct. 3 in Dillingham. At that time, he plans to respond formally to the concerns of Alaskans voiced last year during Public Forum meetings.

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

The forum will conduct workshops around the state from October to December in order to have results of these meetings ready for the convening of the legislature in January. A forum will be held in Cordova Nov. 29.

The Alaska Public Forum is directed by the Alaska Growth Policy Council. This 11-member council was created by Gov. Hammond in 1975 to broaden

citizen involvement in matters of statewide importance.

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

Briefly, the Public Forum is the people of Alaska gathering to discuss critical issues facing the state and making recommendations on those issues to the governor and state legislators. Ultimately, the end result of the forum process is that policy makers will weave the directives of the people into decisions which will shape the future of Alaska.

ALASKA CLIPPING
SERVICE

Daily Sentinel
Sitka, Alaska

OCT 25 1977

Forum to Meet In Anchorage

ANCHORAGE (AP) — A second Anchorage session of the Alaska Public Forum is scheduled Saturday at East High School. The all-day session will concentrate on four issues — Alaska lands, the permanent fund, balanced state funding and subsistence hunting and fishing. Gov. Jay Hammond will drop in at 3:30 p.m. for an hour of questions from those attending.

ALASKA CLIPPING
SERVICE

Anchorage Daily
News
Anchorage, Ak

OCT 2 1977

Weekend meetings encourage involvement

Saturday was a day for public participation in Anchorage, with the Alaska Public Forum conducting a day-long workshop at East High School and Anchorage senior citizens conducting a Town Hall Meeting across town at Central Junior High School.

Although the meetings were unrelated, both were designed to encourage citizen involvement in government decisions that affect their lives.

ABOUT 100 persons, including Gov. Jay S. Hammond, turned out for the Public Forum workshop. Discussions were divided into four topics: land use, the permanent fund, subsistence living and government finance.

Turnout at the municipally sponsored Senior Citizens Town Hall Meeting was considerably higher, with more than 250 persons attending. Several of those were health and social service workers, seeking to better meet the needs of senior citizens in Anchorage. Mayor

George Sullivan also attended.

Discussions at the town hall meeting were broken into categories such as home services, housing services, health services, leisure time, mental health and legal services. Recommendations made at the meeting will be compiled by the human support services section to try and determine how to better meet the needs of senior citizens with the resources of both the private and public sectors.

THE RESULTS gleaned from Saturday's Public Forum meeting will also be instituted in a final report, the product of forum meetings around the state.

Some of the concerns expressed at Saturday's meeting included the government's financial dependence on oil revenues; concern about land speculation as state land falls into private ownership; the proper classification of state lands; and the proposed reorganization of the state Board of Fisheries and Board of

Game as it would affect subsistence rights.

Several individuals said current state guidelines regarding subsistence hunting are not realistic in the bush.

ALASKA CLIPPING
SERVICE

Anchorage Daily
News
Anchorage, Ak

OCT 2 5 1977

Look inside

Something billed as an "important questionnaire inside" has been stuffed inside this morning's Daily News. And it is important.

It's the annual Alaska Public Forum questionnaire, asking Alaskans what they think about four vital issues of policy which the legislature will deal with next session. The topics are land, subsistence, the permanent fund and state spending.

The comments during Saturday's public forum in Anchorage and the 15 other town meetings being held this fall around the state will be tabulated along with the poll results. That report then will be presented to the governor and his commissioners, and the legislature. It should offer valuable insight into what the public thinks about the four key issues. It should offer a basis for legislative action.

Last year, because of a late report, much of the effectiveness of the forum was lost in the legislature. But the governor did order his commissioners to reflect public concerns voiced in the report. This year, the forum has scheduled a whirlwind schedule of meetings throughout Alaska which end Dec. 3 in Ketchikan. Its report should be ready by Feb. 1 so the legislature can plug public opinion into the government process.

We urge readers to take the time to exercise their opinions. Fill out the questionnaire and ship it to the Alaska Growth Policy Council. The address and stamp is already on the enclosed reply card.

ALASKA CLIPPING
SERVICE

Chukchi-Port
River Star
Chukchi River, Ak

SEP 15 1977

Hearings Today Air Fund Views

Local residents who want to say in goals of the state's Permanent Fund can take part in a day-long public hearing today (Thursday) in Room 402 of the State Court Building.

The hearing, which continues until 5 p.m., is designed to let as many persons as possible tell legislators what they want done with the fund. Clark Gruening, chairman of the special legislative committee, is chairman of the hearing.

Petersburg
Pilot
Petersburg, Ak

Marifern appointed to head Thomas Bay board

Lon Marifern was appointed chairman of the Thomas Bay Power Authority at a special meeting in the Petersburg Council Chambers on October 10th. Marifern will chair the Thomas Bay board for two years, and then another chairman from Wrangell will be appointed to the position.

The Authority will also be approaching their respective city councils concerning the possibility of hiring a part-time power administrator who would provide the laymen on the board with professional advice. The board members were told by Utility Manager Bill Mearig, Petersburg, that a retired utility manager from Washington or Oregon would be their best bet. Mearig estimated the professional's salary to be in the \$20,000 range providing he advised only on a part-time basis.

Ernie Haugen expressed extreme dissatisfaction with professional consulting companies. Haugen said he would gladly pay a professional manager for advice before he would spend another \$100,000 to a consulting firm.

During the hour and a half meeting the board summarized their previous meeting and later they sought comments from the floor. The board was interested in seeking comments from people representing Petersburg's interests.

Ernie Haugen, Petersburg, advocated the use of the Permanent Fund for the development of hydro power projects in Southeast Alaska. Haugen advocated proceeding with the Virginia Lake lake project and leaving Thomas Bay for the future. Haugen added, "Forget about a Snettisham tie-in."

The board is presently in limbo over projects which will provide too much power for Wrangell, Petersburg and Kake, and projects that are too small, since their total power potential would be reached by the communities in too short a time.

Haugen said that at present, Thomas Bay is too large a project to consider at present. He explained that the Snettisham Power Project in Juneau was only 50 percent utilized by Juneau consumers. "The taxpayer ended up paying for the extra power," Haugen said.

Harry Sundberg added that the Corps of Engineers won't consider construction of Thomas Bay for at least another 10 years. Dick Olson explained that the present federal administration is not at all interested in developing hydro power. "They're not going to help on this," Olson stated.

Chairman Dick Ballard, Wrangell, summed up the need for the use of hydro by explaining that he had just been down to city hall in Wrangell to complain about the amount of his utility bill. With diesel, it will keep going up, he said. Based on estimates from engineers, Ballard explained that power provided by a hydro project could at least stabilize the price of

power, instead of allowing it to constantly rise, according to the cost of fuel and replacement diesels.

Ballard, in answer to a question, explained that if the board did agree today, to go ahead with Thomas Bay construction, it would be 5 to 7 years before the first shovel full of dirt could be moved. This he said was due to the time that would be needed to get the necessary funding, design and pre-bid work done. It was also pointed out that D-2 land withdrawals could also hold things up. At present there are no transmission line corridors in any forest service plans.

Petersburg Utility Manager Bill Mearig took the floor next and explained that he favored developing Virginia Lake and then later let the Corps do the larger Thomas Bay project. Mearig explained that given time, communities will develop more of an interest in hydro power, and a closer cooperation would develop between utilities in southeast.

Mearig explained that the Corps is concerned with cost/benefit ratios with any project they consider. Thus he said, there would have to be interest shown by many communities in Southeast, if the Corps was expected to do any work.

Mearig explained that at present Ketchikan, Sitka and Petersburg/Wrangell all have their pet projects and they are working on them now. Later on, when more of a need develops, the communities could expect more help from the Corps in developing a large hydro project or two, with transmission lines connecting communities who would share power and make use of back-up power for each other.

To back up why he favored Virginia Lake development, Mearig said that Virginia Lake could be financed on the open market, and then refinanced when money from the Permanent Fund is allocated to this type of project. Utilities would naturally have to pay higher interest rates at the outset, Mearig explained.

Mearig expressed some concern over the advice consultants offered him, in some cases. "It's unfortunate that inexperienced people have to tell the experienced people how to do things," Mearig stated. When and if you want to get a job completed it is best to tell the engineers what their guidelines are and then get the job completed within those limitations. Mearig added that in this case, the contractee has to assume some of the liability for the job if it fails.

The utility manager stated that with Virginia Lake completed the communities (Wrangell and Petersburg) could evaluate the total 10 year picture, and then go with the best alternative involving transmission line tie-ins or development of a larger project.

Mearig stated that as energy needs become critically short down south, industries will look to Southeast Alaska if we have readily available, reasonably priced power. This would help the communities to fully utilize even the larger power projects output.

The Thomas Bay board showed interest in Mearig's ideas, and complimented him for his work and comments. The board unanimously agreed that Mearig's ideas were plausible, and that it was another good alternative for them to consider.

Also mentioned, was the possibility of having a transmission line laid between Wrangell and Petersburg. The line would eventually be used to tie-in a hydro project to both towns, but in the meantime it would serve as an effective means to get people with money to invest, that the two towns were committed to each other on the need for hydro power.

A \$300,000 price tag has been placed on the second phase of work at Virginia Lake. A temporary FPC permit would be required and further core samples would have to be drilled. Both city councils have to consider this item during their regular meetings.

OCT 18 1977

Public Hearing on the Goals of the Permanent Fund

Thurs., Oct. 20th Fifth Floor Conference Room Alaska Office Building 9 a.m. - 5 p.m.

Committee Meeting, 9 a.m. - 4 p.m., Oct. 21 Room 123, Capital Building

Sponsored by the House Permanent Fund Committee

Publsh Oct. 18 & 19, 1977

ALASKA CLIPPING SERVICE

Fairbanks News Miner Fairbanks, Ak

SEP 2 1977

ALASKA CLIPPING SERVICE

Chugiak-Eagle River Star Eagle River, Ak

Fairbanks site of Fund session

The House Special Committee on the Permanent Fund will have a day-long public hearing here Wednesday to find out what Fairbanks area residents think the goals of the fund should be.

The hearing is scheduled for 10:30 a.m. in the Borough Offices on Fifth Avenue. It will continue until 5 p.m.

The House committee is one of two groups created by the legislature to study the Permanent Fund and to develop recommendations by next year on what should be done with it.

Created by the state's voters in 1976, the fund eventually will contain billions of dollars in money from oil and other resources. At least 25 per cent of cer-

(See, FAIRBANKS, page 5)

PUBLIC FORUM SETS SATURDAY WORKSHOP

The Alaska Public Forum will hold a workshop meeting Saturday at East High School from 9 a.m. to 4 p.m.

During the last half hour of the day, people's press conference with Gov. Jay Hammond is scheduled.

Goals for the investment of Permanent Fund money, and subsistence use of fish and

wildlife will be among the issues of which residents are invited to comment.

The first meetings were held in Early October in Dillingham, Tokiak and Wainwright, with more than 250 persons participating.

Gov. Hammond will open the Anchorage meeting with introductory remarks. Residents who are unable to attend the Saturday forum meeting will have an opportunity to make their views known through a questionnaire which will be distributed with daily newspapers next week.

This is the second year that Alaskans have had an opportunity to have a direct say in state affairs. Last year's forum asked for public opinion on how the permanent fund money should be invested, how the state should use new oil and gas revenues, how Alaska's land should be managed and schools financed, and what human needs residents viewed as most important.

ALASKA CLIPPING
SERVICE

Kodiak Mirror
Kodiak, Alaska

SEP 12 1977

Public discussion get underway on state fund

31

ANCHORAGE (AP) — In the first of a series of public discussions about the future of the permanent fund, two economists and a five-person citizens panel agreed the fund should be administered to help all Alaskans.

Dr. Barbara Bergman of the University of Maryland, one of two consultants asked by the House Permanent Fund Committee to evaluate possible uses of the fund, said there are three courses of action.

She said the courses include the "spend it as fast as you get it" approach and then searching for other sources of revenue as oil income runs out. The "gilt edge" approach would call for investment of the fund in markets in the lower 48 and then using revenue from these investments for projects in Alaska.

A third approach would be to use the fund for development, which would broaden the state's tax base. She urged caution in attempting this kind of use of the fund.

"The idea of the permanent fund is to preserve resources for future generations. You have to make sure the grandchildren are taken care of." She said it's a lot like managing a family. "The real guts of the thing is the benefits and costs to groups of individuals ... They all have different values."

Dr. Donald Gordon of Simon Fraser University, the second consulting economist, said he was intrigued by Gov. Hammond's "Alaska Inc." proposal "to pass out the income to the people."

He added, "If you don't find a way to benefit Alaska, you might

as well write a check to Jimmy Carter because that's where it's going."

Gordon noted, "I was struck by the awesome responsibility of those who are to decide what is going to happen with the permanent fund and the oil revenues. I think it's a very tricky problem and largely a legal one."

The permanent fund committee has scheduled a second hearing Thursday in Anchorage with hearings to follow in Juneau, Fairbanks and Kotzebue.

ALASKA CLIPPING
SERVICE

Fairbanks
News Miner
Fairbanks, Ak

OCT 21 1977

ANCHORAGE (AP)—A second Anchorage session of the Alaska Public Forum is scheduled Saturday at East High School. The all-day session will concentrate on four issues—Alaska lands, the permanent fund, balanced state budgeting and subsistence hunting and fishing. Gov. Jay Hammond will drop in at 3:30 p.m. for an hour of questions from those attending.

ALASKA CLIPPING
SERVICE

Bering Straights
Nome, Alaska

31 21
PUB FORUM II

ALASKA PUBLIC FORUM - ROUND TWO

The second round of Alaska Public Forum discussions began last week in Dillingham and Togiak which are in the southwest region of the state, and Wainwright, a small whaling community near the Arctic Ocean. More than 250 people participated in the workshops which focused primarily on subsistence use of fish and wildlife -- the problems in fish and game management as they affect subsistence users and possible solutions in managing resources to better provide for subsistence use. In addition, people discussed their goals for the investment of permanent fund money.

ALASKA CLIPPING
SERVICE

Southeast Alaska
Empire
Juneau, Alaska

OCT 3 1977

Hammond Reelection Announcement Soon

ANCHORAGE (AP) — Gov. Jay Hammond made his firmest reference so far to a reelection bid shortly after an address to the Alaska State Chamber of Commerce annual convention Friday.

The Republican governor was asked at a news conference if he planned to formally announce he would be in the running next year. State Sen. Chancy Croft, D-Anchorage, announced Monday he was seeking the Democratic nomination.

"That's the query I never respond to publicly," he said. "But if I did, I would say that I possibly would do so in the near future."

Hammond told the chamber delegates he was a "practical" developer, and listed several instances of misunderstanding and misinterpretation that have stemmed from his "no-growth" image.

He said he realized that each confrontation of environmental and development interests "costs me points politically. However, make no mistake, my prime objective is not seeking reelection."

"I have far less compulsion to be governor than I have to assure

that we do not leave a legacy to our children of crushing debt, exhausted resources and a profaned environment."

He said no one thoroughly assessing the available data has questioned his conclusion that there was a need to "change past practices of pumping lease and bonus monies into government growth."

"What to do about these conclusions should be the major issue in the next campaign," Hammond told the Chamber of Commerce audience. "I suggest that the feet of every candidate be held to the fire — first, to determine if they even recognize the problem, and second, just what they propose as remedies."

The governor said Alaska is on the verge of a "growth explosion," adding his administration is trying to insure that boom would be beneficial to the state.

He said the surge should have "even the 'super growers' crying 'enough already.'"

Other chamber activities Friday included a panel discussion on possible use of the state's permanent fund, an address by

Alaska Pipeline Service Co. president William D'Arch and a workshop on time titled "Do You Manage Your Time — or Does It Manage You?"

Fairbanks
News Miner
Fairbanks, Ak.

SEP 2 1977

Second of a series.

The oil money flows in, but not forever

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

By DERMOT COLE
Staff Writer

In a few years the state of Alaska expects to be collecting more money than it knows what to do with.

The state faces a \$100 million deficit this year, but it won't be long before oil money from the North Slope will be adding \$1 billion a year and more to the state treasury.

One of the major questions facing Alaska's 400,000 residents right now is: "What are we going to do with all that money?"

Another major question many people think deserves an answer at the same time is: "What are we going to do when the last barrel of oil is pumped out of the ground?"

The second question may be tougher to answer than the first, but the state's voters took a crack at it last November when they approved a constitutional amendment creating the so-called Permanent Fund.

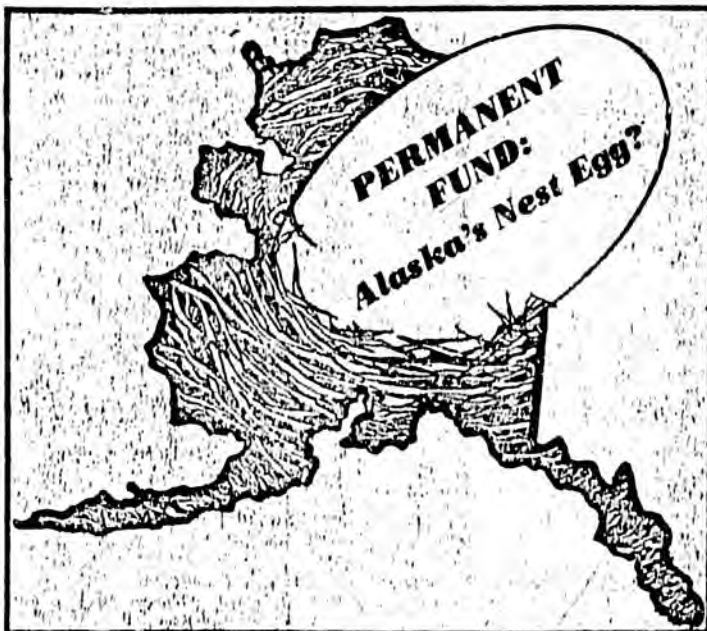
At least 25 per cent of oil royalties and some other revenues are to be placed in the fund and used only for income-producing investments instead of for day-to-day governmental expenses.

Interim committees created by the state House and Senate are now studying bills proposing different management structures and investment policies for the fund. The committees are to make recommendations to the legislature in January on how the fund should be run.

The fund has been in existence since February and by mid-July, before the state started collecting royalties from the trans-Alaska pipeline, it had accumulated some \$4 million.

Under an interim management bill approved this past spring, the money is being invested in a savings account in the Bank of America and in U.S. Treasury notes. The fund earned about \$45,000 in interest during its first five months.

With the pipeline in operation, Commissioner of Revenue Sterling Gallagher estimates that by next July, the Permanent Fund will contain \$60 million to \$65 million,



Estimates this summer put the size of the fund at \$1.3 billion by 1985, if no more than the constitutionally-required 25 per cent of royalties and other applicable revenues are placed into it.

There's widespread support for the fund and although several objectives for its management have been discussed, the most commonly agreed upon concept is that it will be Alaska's "savings account" for the future.

As residents of a state that always has depended heavily on the federal government, Alaskans have embraced the idea of the Permanent Fund as a way to preserve some of the windfall from the North Slope so the state won't be left penniless when its non-renewable resources are gone. Many also see it as a way to hold down state spending and to break the traditional pattern of expenditures rising as quickly as revenues or more quickly.

These points are brought home to a lot of people because of what happened to the \$906 million the state received in bonuses from the 1969 North Slope lease sale.

When Alaska became a state in 1959 there were hopes and dreams for the future, but few immediate prospects for making the state an economic success.

It wasn't until oil was discovered on a large scale in 1968 that the

situation changed substantially.

In September, 1969, the world's giant oil companies bid more than \$900 million for the right to look for oil beneath 450,000 acres of tundra on the North Slope. The hour-long sale in Anchorage brought in more money than the state had ever seen. The \$900 million was almost five times the state's total budget for 1969 and it was \$100 million more than Alaska had spent in its first 10 years in the union.

As expected, there were plenty of suggestions on how to spend the money. They ranged from distributing it to Alaskans on a pro rata basis to setting it aside in a Permanent Fund and spending only the interest.

But the Permanent Fund idea approved by the voters in 1976 didn't carry much political weight in the early 1970s. Instead, there were strong demands for additional and improved state services. Because of its large size and sparse population, Alaska had never been able to provide the same level of services as other states. But after the \$900 million came in, the state went on a spending spree to try to make up the difference.

Large amounts of money were used to beef up educational programs, public works facilities and health and social service

(See THE OIL, page 2)

The oil money flows in. . .

(Continued from page 1)

programs. About \$100 million went into various loan programs; \$18 million was invested in the stock market—a move that eventually produced a \$6 million loss. All state programs jumped in size and cost with the expansion fueled by the one-time \$900 million windfall.

Most people thought the trans-Alaska oil pipeline would be completed by 1973 and then royalties and taxes would start to come in to help the state meet its payroll. But when court battles cancelled all hopes of an early completion of the pipeline, the state was forced to look elsewhere for money to continue paying for the programs and increased services that got their start from the \$900 million.

The state outspent income by \$200 million a year, using the 1969 windfall to make up the difference instead of raising taxes.

By 1975, with most of the \$900 million gone and the rest in long-term investments, the state instituted a reserves tax on oil that hadn't been pumped out of the ground yet to tide itself over until the pipeline was finished. In effect, the reserves tax amounted to a prepayment of more than \$200 million a year by the oil companies on future severance taxes.

Concern over how the next major surge of North Slope revenue might be spent led the legislature to establish the Alaska Renewable Resources Fund in 1974. That legislation, which takes effect in July of next year, requires that at least five per cent of the money the

state collects from non-renewable resources be set aside to promote the development of renewable resource industries.

A more far-reaching proposal was approved by the legislature in 1975. Introduced by Rep. Hugh Malone, D-Kenai, the bill would have created a Permanent Fund by statute, but it was vetoed by the governor.

The reasoning behind the bill, Malone recalls, was that "If you waited until after the money had arrived to come up with a plan on what to do with it, the additional revenues would be pretty well eaten up by another round of budget expansion."

Malone's proposal called for stashing 50 per cent of future bonus money in a Permanent Fund.

"We felt that an alternative ought to be available," he said. "An alternative that would keep the money out of the regular budget and through that mechanism, at least to some extent, slow the general growth of the bureaucracy."

"And the idea was and is that the investments the fund makes provide that value."

But Atty. Gen. Avrum Gross took the position that the fund would violate the provision in the state constitution prohibiting most such "dedicated funds," where revenues are earmarked for a specific purpose.

When the framers of Alaska's constitution wrote the article on government finance and taxation, one of the more "innovative" features of the document was a clause prohibiting most dedicated

funds. Victor Fischer wrote in "Alaska's Constitutional Convention."

The provision against dedicated funds was based on a fear that so much money could become tied up in them that the legislature wouldn't be given a free hand to control the finances of the state.

But after the state's experience with the \$900 million, the tide of political opinion shifted to the point where people believed constraints had better be placed on the legislature's power to spend windfall profits.

Although he said he agreed with the concept of the bill, Gov. Jay Hammond vetoed the measure and suggested that the issue of the Permanent Fund be placed before the voters as a constitutional amendment.

In 1976 the legislature tackled the subject again and finally settled on a constitutional amendment requiring that at least 25 per cent of oil royalties and some other revenues be placed in the Permanent Fund.

When it was placed before the voters last November, they favored it by a 2-1 margin.

In assessing the significance of that move, Hammond said recently, "It's the first step, I think, away from the brink to which we're inevitably progressing and I'm very, very much heartened by it. I think it's the most significant step this state has taken since statehood."

Some critics of the fund believe that instead of tying up Alaska's money in a fund that can only be used for investments, the state should act aggressively to increase the standard of living in Alaska's rural areas.

Hammond responds, "We've got some crucial needs, but you're never going to fill those vacuums. There's always going to be holes in which you can pour billions of dollars in the state of Alaska. If you were desirous of doing so, if somebody said for example, 'Now we have to provide at least a two-lane paved road to every community of more than 100 people.' Right there you'd sop up 10-fold the amounts of revenue you'll ever see from Prudhoe Bay. That could be argued as a crucial obligation of the state, just as the provision of sewer and water in communities of 10 or more people could be," he said.

The approval of the Permanent Fund will put the reins on state government and if it means anything to the average man, Hammond said, it's the "likelihood that his kids will not be faced with crushing burdens to sustain whatever government is imposed upon them at the stage in which we're depleting those sources of non-renewable dollars."

For Saturday: How would you invest a billion dollars?

Committees consider Permanent Fund

(Continued from page 1)

no matter what legislation and investments are approved.

Gruening, chairman of the House Special Committee on the Permanent Fund said. "There will be a certain amount of pressure to make easy credit available for various uses and I think in some instances it will be warranted. But I don't think necessarily the Permanent Fund should be that institution."

Some legislators think the dozen or so loan programs now operated by the state should be expanded if necessary out of general fund revenues to meet the demand, instead of drawing on the Permanent Fund.

According to a "medium income-medium expenditure" model of revenue projections made this summer, if state spending is held to an average 7.5 per cent annual increase, there will be a \$5 billion surplus in the state treasury by 1985 and \$1.3 billion in the Permanent Fund if the legislature stashes away the minimum amount of money in the fund.

But that 7.5 per cent rate of annual

growth in the state budget is about one-third the rate the state has averaged since statehood, according to Gov. Jay Hammond.

The size of the state's general fund may be one factor to consider in determining goals for the Permanent Fund and those will have to be set before the legislature decides what types of investments should be made, according to Gruening.

Beginning this month, hearings and meetings will take place around the state to see what Alaskans think the role of the fund ought to be. A day-long public meeting to hear the opinions of Fairbanksans has been set by the House committee for Sept. 14 in the borough offices.

Alaskans will have to decide "How much of an activist fund they want," Gruening said. "Do they want this thing really to be very passive and emphasize the savings aspect or do they want it to be an active part of the economy—to be in there with all four feet" doing whatever can be done to promote economic development?

There are many alternatives for

investing money from the Permanent Fund and each has its own benefits and drawbacks besides just meeting the goal of producing income for the state.

One of the objectives mentioned during the early stages of the Permanent Fund's development was that it could go a long way toward diversifying the state's economy and stabilizing employment and income in Alaska.

At meetings of the Alaska Public Forum earlier this year and in late 1976, loans to develop renewable resource industries ranked as the highest priority for Permanent Fund investments among those who attended.

But the proposition that Permanent Fund investments will speed development of non-oil-related industries is questioned by some economists.

Arlon Tussing, of the University of Alaska's Institute of Social and Economic Research, who was under contract to the House committee to address some of the fund's economic implications, is one of them.

In a report to the committee,

Tussing wrote that it appears financing can be found for most "creditworthy" projects in the state from private banks. And since

legislators have reached a "near-consensus" that Permanent Fund investments should be confined to "creditworthy" projects and at private market rates, investments from the fund would not diversify the economy, he said.

"Unless it provides capital subsidies, Permanent Fund activity will not accelerate growth of non-oil industry and thereby diversify the state's economy," he said.

Tussing indicated that the major part of the fund should be invested outside the state, at least for the present, unless subsidies are deemed necessary.

Another consultant hired by the committee, Belden Daniels, a Harvard economist, has advised the committee that if subsidies are necessary to promote economic development, the subsidy should come from the state's general fund, not from the Permanent Fund. He also told the committee that both the general fund and the Permanent Fund should be part of a continuing process for planning the state's economic development.

"Because the Prudhoe Bay oil reserves are finite, and will not always be the principal revenue producer for Alaska that they are today, it is essential that the state's general fund as well as its Permanent Fund be invested in ways which will create real economic activity and a strong permanent tax base."

The Permanent Fund won't create economic activity not already in existence, Daniels wrote. If there is no market or if costs are too high, "artificial" investment from the fund will not help, he said.

Daniels said the fund could provide needed commercial credit and financing of small and medium-scale businesses and projects in Alaska.

Gov. Jay Hammond says he would go along with the Permanent Fund's subsidizing some activities, but only if they provide a "collective benefit," such as reduced fuel costs to Alaskans.

"One thing I would not like to see done with those monies is have them used in some direct or indirect manner to massively subsidize programs or individual activities unless they translate into some direct collective benefit to all Alaskans rather than a relative few."

Sen. George Hohman, D-Bethel, chairman of the senate interim committee on the Permanent Fund, said private institutions may not be able to finance all worthy projects in the state.

"It's our feeling that the capital needs of Alaskans, whether they're interested in building residential homes or entering business for themselves, have not been met and we're investigating to test that hypothesis" he said.

"We're going to be generating a great deal of money, billions of dollars, and the Permanent Fund would seem to me to be an appropriate way to either facilitate private lending institutions to meet those needs in a better way or to expand existing programs that we have under the state."

Philosophical Rift Takes Shape Between Permanent Fund Panels

By G. MICHAEL HARMON
Associated Press Writer

ANCHORAGE (AP) — Sharp differences in philosophy surfaced here Monday between the House and Senate permanent fund committees over how to comply with identical mandates to draft legislation for managing the fund.

In progress reports presented to the Legislative Council, the House committee announced it will conduct a series of fall public hearings as a prerequisite to drafting proposed legislation while the Senate panel outlined plans that call for limited public participation.

The interim reports reflected differences which have been building ever since the two panels were created by the 1977 Legislature with the House committee opting for high public visibility and the Senate panel maintaining a low profile.

The House committee chaired by Rep. Clark Gruening, D-Anchorage, has announced all its meetings well in advance, but the Senate committee chaired by Sen. George Hohman, D-Bethel, has conducted its business without any public notice.

The philosophical differences were graphically illustrated during the Legislative Council meeting as Hohman and other Senate committee members slipped out of the room for an unannounced meeting.

A committee employee described the gathering as a "closed, informal meeting" and said she had no idea where it was being held.

The House committee plans called for a symposium of economists in Anchorage Sept. 10 and public hearings in Fairbanks, Sept. 14, Anchorage Sept.

15 and Kotzebue Sept. 16. A formal committee meeting was scheduled for Sept. 17 in Anchorage.

Mike Doogan, staff director of the House panel, said other public hearings would be scheduled in October and the committee planned to begin drafting its recommendation to the Legislature in November.

In its symposium, liberal economist Barbara Bergman of the University of Maryland and conservative Donald Gordon of Simon Fraser University in British Columbia will present opposing views on management of the fund which is projected to total \$2 billion by 1985.

The House committee also told the council, which manages legislative affairs between sessions, that it has mailed out about 1,500 questionnaires to political and community leaders around the state.

The House panel said it has hired two consultants, Dr. Arlon Tussing of the University of Alaska and Dr. Beldon Daniels of Harvard University for about \$30,000.

In contrast, the Senate Committee said it was relying heavily on contracts, including one single pact with a Juneau consultant which totals \$115,000.

In its progress report, the Senate committee said it would draft recommendations after studying loan programs in Alaska and other states and mail questionnaires to financial institutions, rural and Native organizations, chamber of commerce members and mortgage bankers.

The Senate panel also said it would inventory capital improvement needs of Alaska communities and project permanent fund revenues through 1985.

Some have urged that income from the permanent fund, which is composed of 25 per

cent of state petroleum royalties, be invested in high-yield, low-risk securities in traditional money markets outside Alaska.

Others, however, have recommended that the permanent fund should be loaned to Alaskans for business ventures or to municipalities in the state.

In another report, Robert Merritt, a consultant to the legislature's telecommunications committee, complained about the reliability of earth stations provided by California Microwave Inc. for the state's satellite demonstration project.

Merritt reported that the earth stations are failing after about 1,200 hours.

"This is totally unacceptable and I have suggested that we may have to consider legal action if dramatic improvement is not immediately forthcoming," Merritt said in his report. "At the present rate of failure every piece will be recycled in six months."

Merritt said the Governor's Office of Telecommunications wants to place instruments at several bush earth stations to provide a continuing measure of performance, but has run into problems with RCA Alacom.

"At this time RCA management has not agreed to support the testing program," Merritt said. "In fact, they have not replied to letters requesting a reply to letters asking for their position concerning the program."

In council votes, lawmakers boosted the budget of the interim Resources Committee by \$7,000 for increased travel requirements and appropriated \$10,000 for an emergency study of the tourist impact on Skagway from completion of the Carcross-Skagway highway.

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

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

By DERMOT COLE
Staff Writer

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

During a day-long hearing in Fairbanks, the committee heard from about 10 local residents on what the goals of

the fund should be.

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

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

(See, LET, page 5)

LET . . . (Continued on page 1)

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

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

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

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

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

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

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

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

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

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

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

Development, trust banks urged for Fund

ANCHORAGE (AP)—The state's Permanent Fund may be divided to create a development fund satisfying demands for loans to aid in-state development and a trust fund that would allow the highest possible return.

The proposal is being considered by a special House committee. The trust fund would make high-return, safe investments in an effort to guarantee a high income for the state savings account.

The development fund would be used for investments in Alaska such as home

loans or major local improvements.

Consultant Belden Daniels and members of the House Committee on the Permanent Fund made the proposal after a public hearing on the Fund in Anchorage Thursday and testimony in Fairbanks Wednesday. The proposal is likely to be the basis for legislation presented to state lawmakers next year.

The Fund is expected to contain some \$2 billion from oil royalties and bonuses in 1985. Some legislators fear demands on the state nest egg could turn it into a

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Southeast Alaska Empire
Ketchikan Daily News
Fairbanks News Miner

DEVELOPMENT...

(Continued from page 1)

pork barrel for pet projects if its management is not carefully outlined.

Testimony this week indicated there is little agreement among state residents on use of the fund. Additional testimony will be gathered from Kotzebue on Friday.

"I think the pit is bottomless," said committee chairman Rep. Clark Gruening, D-Anchorage. Gruening has said many demands on the fund would be more properly met by the state's general fund and existing loan programs.

The committee decided a development bank to meet those demands could be set up with an initial grant from the trust fund. A portion of the Permanent Fund could be placed in that bank each year, until it contained \$100 million.

Wrangell
Sentinel
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Permanent fund meetings

SE hydro power on agenda

Hydroelectric power for Southeast Alaska will be the subject of a meeting Oct. 13-14 in Sitka of the special state house committee on the Alaska permanent fund.

The house committee, of which State Rep. Ernie Haugen (R-Petersburg) is a member, will hold a series of public meetings throughout the state September through December.

The only other sessions planned for Southeast are a public meeting on a discussion of permanent fund goals Oct. 21 in Juneau and a committee meeting Oct. 22 in Juneau.

The series of meetings is planned to gather public input into possible uses of the state's new permanent fund.

The fund was established by a referendum of Alaska voters in the November, 1976, general election.

pooled in the fund for future uses and to preserve the income from Alaska's non-renewable resources, such as oil and gas.

The public meetings began with a symposium Sept. 10 in Anchorage. Other sessions are planned for Fairbanks and Kotzebue, in addition to the Southeast meetings.

Permanent fund committee chairman State Rep. Clark Gruening (D-Anchorage) said the meetings are "to discuss the various potential uses for the money and the implications of those uses."

One use for the fund suggested by many Southeast municipal officials and legislators is to finance construction of hydroelectric power sites for the area.

It has been suggested that

loans to municipalities, or their designated power commissions, to help finance hydro sites that otherwise would be too expensive for smaller towns to afford.

Haugen has often stated his belief the permanent fund could be used to help finance a hydro power project for Wrangell-Petersburg.

The Thomas Bay Power Commission currently is studying such a facility for the two towns and is expected to discuss an engineers' report on a possible hydro site at Virginia Lake at its fall meeting, to be held sometime this month in one of the communities.

Dick Ballard, of Wrangell, is chairman of the power commission.

Alaska's "Nest Egg;" Is It an Empty Shell?

By Joe La Rocca

The trouble with the popular perception of Alaska's new State Permanent Fund as a "nest egg" is that the analogy is prophetically apt. Eggs not eaten soon rot; thus the Permanent Fund, now less than a year old and already showing signs of spoilage.

Conceived in the emotional aftermath of the public spending spree which quickly devoured the \$900 million in bonus proceeds from the state's 1969 oil and gas lease sale on the North Slope, the idea of a Permanent Fund palpably emerged from the 1976 legislature in the form of a proposed amendment to the state constitution aimed at removing its prohibition against dedicated or special state funds.

The proposed constitutional amendment was overwhelmingly ratified at last November's general election by Alaska's voters, whose political leaders had endowed the public with the fanciful notion that a vote for a Permanent Fund was a vote for fiscal responsibility. In fact, it was a facade erected behind which to conceal their prodigal extravagance with public monies.

The proposed amendment, for example, was heartily endorsed by the 1976 legislature and Governor Jay Hammond who together placed before the voters in 1976 by far the largest package of general obligation bond indebtedness ever proposed totalling a quarter of a billion dollars. Together they also launched a borrowing program against future oil revenues which has illegally plunged the

Continued on page 9

that year — and Hammond, who faces re-election next year, sorely needed a symbol to overcome the political handicap of the spendthrift image they had cultivated. Enter the Permanent Fund, whose motherhood appeal in an emerging era of fiscal conservatism offered the ideal vehicle for politically exploiting that era's fetish.

Thus hoodwinked by their political leaders, Alaska's voters last year approved by a nine to one margin the creation of the Permanent Fund, which was soon enveloped in a swirl of political bickering over how it should be structured and managed, and by whom.

During its recent round of public hearings, the Special House Committee on the Permanent Fund announced that the fund has already accumulated nearly \$5 million and earned \$45,000 from interest on security investments. Unmentioned was the fact that more than half a million dollars have been committed by the administration and legislature to activities aimed at determining how to administer the Fund, an expenditure which is equal to 10 times the Fund's current earnings.

There is a widespread misconception that the Permanent Fund is designed, in part, to curb public spending by making substantial amounts of revenues from the sale of the state's non-renewable resources unavailable for appropriation by the legislature. That misconception was encouraged by the general impression that the new constitutional provision authorizing the creation of the Permanent Fund requires at least 25% of state oil and gas revenues to be deposited into the general fund, which may be used only for income-producing investments.

What is not generally known is that the minimum deposit requirement does not apply to oil and gas severance tax receipts, which are by far the single largest source of state revenues and will soon exceed all other revenue sources combined.

Thus, the Permanent Fund as presently instituted perpetuates the illusion of fiscal restraint. But as enormous volumes of North Slope oil and gas revenues pour into the state treasury, the legislature, the governor and the burgeoning bureaucracy they feed will have at their disposal exponentially increasing amounts of General Fund monies, the expenditure of which is not in any way proscribed.

As I wrote in this corner nearly a year ago, just prior to the general election at which the creation of the Permanent Fund was approved by the voters: "The simple truth is that the current legislature and governor have used the motherhood mystique of the Permanent Fund to lull the public into acceptance of the notion that they

are the practitioners of fiscal restraint, when, in fact, the opposite is the case. . . unfortunately, there's little doubt that the voters will blindly approve Proposition No. 2, for the concept of a permanent public fund has already been sanctified by the state's self-serving political establishment and Alaska's unthinking news media."

My earlier qualms, then speculative, are being rapidly confirmed by the political chaos in which the Permanent Fund is currently adrift.

Even the author of the constitutional amendment authorizing the creation of the Permanent Fund, Rep. Clark Gruening, D-Anchorage, acknowledged recently that there are serious problems with it. Gruening, chairman of the Special House Committee on the Permanent Fund, said: "I think the pit is bottomless." He was referring to the infinite multiplicity of proposals for using Permanent Fund monies.

According to reports, Gruening feels that many of the proposals can be accommodated through established state fiscal processes, such as budgetary appropriations or existing loan programs, of which there are about a dozen.

Therein lies the essential and seemingly incurable conflict: the clear absence of any consensus on what Permanent Fund monies should be used for. It's the same political dilemma which accompanies conventional options for public spending. Under existing fiscal policy, this conflict is resolved through the political process. There seems to me to be no value in artificially fragmenting that process simply to justify the existence of a redundant and politically-inspired public policy tool which not only serves no useful public purpose.

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

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

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

The following is an excerpted version of her testimony:

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

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

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

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

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

addressed various publics on such matters as building the pipeline.

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

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

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

So, with that for background, here is my suggestions:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

And we DO care how they do it. Outside because that's where we learn, both what to do and what not to do.

Alaska

Permanent Fund could bring art to

Permanent Fund could bring art to

Alaska

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

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

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

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

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

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

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

addressed various publics on such matters as building the pipeline.

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

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

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

So, with that for background, here is my suggestions:

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

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

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

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

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

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

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

The following is an excerpted version of her testimony:

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

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

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

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

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

At a recent hearing of the State House Permanent Fund Committee, Rep. Clat Chatterton asked whether there was any analogy between the state's interest in distributing benefits from the permanent fund and the federal interest in enacting the Native Claims Settlement Act. The question was a rhetorical invitation, but no one wanted to enter the thicket.

There are piecemeal analogies but no overall parallel between the two legislative issues. The settlement act was in part a settlement of a real property claim and in part the enactment of social policy carrying out federal responsibility for Indian affairs.

The permanent fund was established primarily to serve a narrow policy objective: to check state spending by removing "surplus" funds from legislative control. But the question "saving for what?" was never adequately addressed and no consensus answer exists.

A SAVINGS OR more accurately a public "investment policy may include elements of a spending policy, but more properly it does not. When you start mixing the two, accountability suffers.

The obligation of the manager of investment funds is to invest in prudent investment for maximum rate of return. When you direct him to take on special risks, as in development investment, or to allow for lower rates of interest in order to stimulate housing or whatever, you have mixed spending policy with investment policy. A partly concealed subsidy is involved.

The threshold decision for the Permanent Fund Committee is whether to hold the fund to pure investment policy or to open the gate to an expected flood of special social policy objectives. Holding the line would not mean that these policies would be ignored, but rather that they would be met through loan programs, etc., funded through the state general fund.

There is an intimate linkage between standards for investment and the size of the bite which the permanent fund should take from state oil revenue above the now constitutional minimum of 25 per cent. If social policy investment is to be met from general funds revenues, any raise in the 25 per cent minimum could adversely affect legislative efforts to manage social policy through subsidized investment.

THE SETTLEMENT ACT was not enacted because of extra cash lying around the treasury in need of investment. The claims of social policy (an economic foundation for the Alaska land use policy and of legal policy (the settlement of a claim) were measured against tight-fisted state and national fiscal requirements.

are faced with the same tension between investment policy and spending policy as is the Permanent Fund Committee and have responded variably. But the authority to manage funds to effect broad social policy purposes of the Alaska Native people should not be in doubt. The act originated in social policy. The cash payments, under the "land deal" approach, are a substitute for a heritage in land which had met comprehensive social purposes.

Because the settlement is also a private land deal, the authors of the act avoided any explicit requirement that the social policy objectives of the government be measured or that the consequences of the settlement act be accounted for to other than the shareholders in settlement act corporations. It is probable that Native organizations would take a "none of your business" attitude to most efforts to assay the consequences of the settlement act in social policy terms through detailed public examination of corporate policies.

On the other hand, if the permanent fund does get into subsidized investment and related social policies, there are some very significant lessons to be learned by the state from the settlement act experience.

THESE ARE NOT just lessons in business prudence. As was clearly to be expected, the distribution of benefits under the settlement act is not egalitarian in effect. As with any general investment enterprise, lots of projects haven't worked out. But even for those which have, there are winners and losers among the people involved. These will be conspicuous winners and losers too if the permanent fund gets into social policy oriented investment.

To the extent that comprehensive knowledge of the effects of investment under the settlement act is available, it would certainly enlighten the state's consideration of permanent fund management, but don't hold your breath.

This is the first of two articles comparing the settlement act and the permanent fund.)

Frontiersman
Palmer, Alaska

SEP 29 1977

TV series spotlights

Alaskan topics 31

Mt. McKinley—or Denali—has been a magnet to many persons over the years.

In an attempt to determine just what North America's highest peak means to its visitors, Alaska Review went with a group of six Colorado climbers—the Bassai Denali Expedition—to the mountain and followed tourists into the park. In addition, the Alaska Review team talked with national park officials and mountain guides about present park policies and what the future may hold.

The Denali story will be one topic of Alaska Review's first show of its television series for the 1977-78 season.

Alaska Review is a non-profit television series dealing with matters of interest to all Alaskans. Shown statewide, the hour-long program is pro-

duced monthly and is offered to all television stations and through the schools without cost.

Other topics viewed in this first program are:

The Treasures of Klukwan: Who owns the artifacts claimed by this Southeastern Alaska community, should they be sold and what are the arguments for and against selling them?

Air Strike: What do the striking Wien pilots want, how is the strike affecting the state and what are its implications to the air transport industry nationwide?

The Permanent Fund—Is Alaska Well Oiled?: Is this the best way to assure future generations a share in Alaska's oil wealth, how should the money be used and how can it be protected against misuse?

Policy profiles

Permanent fund: can it be a settlement?

By JOHN HAVELOCK

(Second of two columns)

Before the Native Claims Settlement Act was enacted, some non-Natives asked, "Why not a settlement act for us?"

The complaint was not entirely idle disgruntlement. Hostility to distinctions based upon race go pretty deep, right to the U.S. Constitution.

BUT THE SAME constitution imposes on the federal government a special obligation to respect the identity and enhance the welfare of Alaska Natives as Indians. The 1971 Native claims settlement did that. The Alaska Native has a very special, constitutionally based, identity.

Among the rest of us, government must make distinctions which ignore race and distribute benefits according to classifications bearing a rational relationship to an objective of public policy, such as promoting fisheries.

In a way, the fishermen of Alaska got a settlement act through the Commercial Fisheries Entry law. This act created a property interest in the commercial fisheries of Alaska and divided it among those with an historic economic interest in the fisheries.

COMMERCIAL FISHERMEN as a group have a special identity, economically defined, which the state recognizes by distributing benefits. Veterans, farmers, the unemployed, the injured, dozens of classes of people are selected by the state as special beneficiaries enjoying direct benefits in cash or kind. Classes of persons also enjoy special benefits, to the degree of use, in the public works and recreational opportunities of the state.

As a result of its budget, tax and development policies, the state of Alaska will soon enjoy a large budget surplus. The income going into the permanent fund didn't have to be. Taxes could have been lower. Leases could have been sold on a different schedule of basis. Gas costs to consumers could have been less. So this surplus is really no different from any other government surplus. It is a consequence of policy.

Disbursements from the fund do not have a different federal constitutional basis than any other government disbursement. There must be a rational class and a public purpose.

HOW ABOUT a settlement act for "everyone"? We have no identity, merely as residents, upon which to base an inherent claim to disbursement of this surplus. What governmental purpose is served by a distribution to everyone? What need is met? We are not Natives to whom a special federal obligation is due. We all do not fit in a single economic grouping in whose welfare the state has



an interest. We are highly differentiated by position.

Possibly, assuming it is desirable, the state could reach us all through two roles which most of us fit. Taxpayers may be given tax relief. Those too poor to pay taxes may receive income assistance through a negative income tax or similar strategy.

A biased distribution of benefit based on longevity of residency, as has been suggested by some, won't work. You can't give tax credit based on how many years you have been here.

FOR INSTANCE, you couldn't give a superior fisheries entry permit based on the duration of residency. Despite local hard feeling, the fisheries entry law required constitutionally to respect the interest of non-residents in permits. The state can't give higher unemployment or welfare benefits to a person simply because he has been here longer. The U.S. Supreme Court has spoken on this issue.

The court is not without reason. What rational distinction can the state draw between me who has lived here eighteen years and thee who has lived here one?

If such distinctions could be sustained, the mathematics of majority rule should dictate that the "median man" calls the shots by lining up with everyone less senior or everyone more senior to divide up the pie among the chosen half.

Should the permanent fund be divided up among special class benefits? There is much legislation now benefiting one kind of special group or another.

MOST IN-STATE, investment and distribution plans for the permanent fund tend to encourage even greater separatism, one group from another in our society.

One such proposal might have a regional basis. Just as the settlement act recognizes and encourages differences among twelve regions, the permanent fund could be carved into regionally oriented, benefit pots.

NOV 8 1977

Oil industry discounts state's figures

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Governor Explores Revenue Sharing

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

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

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

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

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

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

Hammond outlined his ideas in a wide-ranging interview in which he also said:

— He will not push for passage during the upcoming legislative session of his Alaska Inc. concept for

sharing income from the state permanent fund directly with the people.

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

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

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

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

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

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

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

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

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

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

"Accordingly, I am considering

(See Page 3, Col. 1)

ARTICLE APPEARED IN:
Fairbanks News Miner
Daily Sentinel, Sitka
Ketchikan Daily News
Anchorage Daily News
Anchorage Daily Times

Governor Explores Revenue Sharing

(Continued From Page 1)

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

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

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

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

As Hammond explained his concept:

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

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

"Say, borough 'A' wished to build a \$1 million school and the normal 5 percent or \$500,000 debt service obligation could be paid off with a three mill levy if they had average property values per capita. However, because of low property values, a three-mill levy in borough 'A' would raise only \$250,000 or 25 percent of the state then would come in with \$250,000 or 75 percent instead of the normal 50 percent.

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

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

NOV 5 1977

Senate permanent fund wants loan consolidation

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

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

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

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

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

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

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

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

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

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

— The rate of interest would be "sufficient to cover anticipated cost of money to the fund and may not exceed 1 per cent" over that cost, plus the amount required for loan insurance. Lower interest rates would be permissible if the difference between the cost and the interest rate were made up by the general fund of the Renewable Resource Development Fund.

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

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

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

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

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

ALSO APPEARED IN:
Southeast Alaska
Empire
Fairbanks News Miner

Ketchikan Daily
News

Ketchikan, Ak

NOV 5 1977

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

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

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

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

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

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

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

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

Loan plan for state's nest egg

By PAUL NUSSBAUM
Daily News Staff Writer

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

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

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

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

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

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

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

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

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

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

some business loans to \$1,500 a year for undergraduate university study.

THE RATE of interest charged borrowers would be sufficient to cover anticipated cost of money to the fund and may not exceed one per cent over that cost plus the amount necessary for loan insurance.

Even lower interest rates would be permissible if the difference between cost and the interest rate was made up by the general fund or the Renewable Resource Development Fund.

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

Loan plan for nest egg

(Continued from Page 1)

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

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

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

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

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

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

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

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

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

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

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

A big question: permanent fund

Anchorage Daily
News
Anchorage, Ak

OCT 22 1977

(The Alaska Public Forum will conduct a workshop at 9 a.m. today at East High School on four state issues which the governor, members of the legislature, and the Alaska Growth Policy Council have identified as most important for public discussion this fall. These issues include land, the financing of state government, the permanent fund, and subsistence use of fish and wildlife.)

Prepared by the
Alaska Public Forum

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

The amendment reads:

"At least 25 per cent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the State of Alaska shall be placed in a permanent fund, the principal of which shall be used only for those income producing investments specifically designated by law as eligible for permanent fund investments. All income from the permanent fund shall be deposited in the general fund unless otherwise provided for by law."

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

1. At least 25 per cent means that more than 25 per cent can be placed in the Permanent Fund.

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

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

4. Permanent Fund investments must be income-producing.

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

In brief, the voters agreed to use at least 25 per cent of the specified oil and other mineral revenues paid to the state for investment purposes. None of that money may be put into the General Fund, which finances the general operating expenses of government. All that may be spent in future years are the earnings from Permanent Fund investments.

Understanding the difference between the principal and the earnings of the Permanent Fund is important. For example, if the state put \$250 million into a savings account, it might earn interest at seven per cent. That interest over a five-year period would amount to approximately \$87.5 million, plus what has been compounded. The state may spend the \$87.5 million, the earnings, but the \$250 million, the principal, must stay in the Permanent Fund for investments.

The same idea applies to a loan. If the state loans a community \$100,000 to build a dock, it will expect to receive that \$100,000 back plus, perhaps, six per cent



interest. In this case the state will earn \$6,000 at the end of one year which it can spend on state activities, unless otherwise provided for by law. Again, the state returns the \$100,000 to the Permanent Fund for future investments.

The fund is a big responsibility, and it is critical that it is understood and managed properly. The estimated revenues which will be produced by the development of our oil and gas resources give an idea of the potential magnitude of the fund. Total state petroleum revenues produced between 1977-1995 are estimated to be \$11 billion from all sources (taxes, royalties, leases, and bonuses). The portion of that petroleum revenue required by the constitutional amendment creating the Permanent Fund is expected to be at least \$1.3 billion by 1995.

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

Beginning in January, the state legislature will consider laws on the Permanent Fund. In the least legislative session, two bills dealing with the structure and management of the Permanent Fund were introduced for the purpose of discussion. The State Investment Advisory Committee, which advises the Commissioner of Revenue on investment policies for the state, wrote House Bill 298. This bill was sponsored in the legislature by the Governor. A second bill, House Bill 300, based on HB 298 but incorporating some changes, also was entered in the last session.

Research and analysis continues as policy makers prepare for the debate which will take place during the 1978 session. Special House and Senate committees have been working through the summer to answer questions about how to set up and manage the fund. To assist these committees and the Governor, who will have to decide whether to sign any Permanent Fund bill passed by the legislature, the Alaska Public Forum is asking you to consider your goals for this special fund.

NOV 5 1977

One-day Public Forum hears from the people

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

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

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

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

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

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

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

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

Anchorage Daily
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Anchorage, Ak.

NOV 5 1977

Road Show Fizzle

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

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

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

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

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

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

PERHAPS, BEFORE the last of the Alaska Public Forums is

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

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

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

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

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

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

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

Southeast Alaska
Empire
Juneau, Alaska

NOV 3 1977

State Municipal League Meeting Begins Today

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

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

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

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

Public Airs Its Views At Forum

By PATTI EPLER
Times Staff Writer

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

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

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

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

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

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

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

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

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

Anchorage resident Duane Oliphant wanted to know what enterprises besides oil development the state is considering. Oliphant was particularly interested in mining as a potential revenue source. Hammond noted an accelerated fishing and agriculture program as two enterprises the state is emphasizing. He said there is no mining economy now because prices of metals combined with cost of transportation are prohibitive.

sion and government financing and subsistence in the afternoon. Participants picked one subject each session but most who attended land use in the morning went back to subsistence in the afternoon and those interested in financial problems stuck with that idea throughout the workshop.

Hammond gave an introductory speech at the outset of the forum, outlined the program and explained that the forum hoped to bring input from the public to state officials.

Discussions on land use and the permanent fund divided the participants just about in half. Rep. Clark Gruening, who chairs the permanent fund committee in the House, was on hand at the permanent fund session to answer questions about the program.

"I was impressed with what went

Money, Land Are Key Issues As 100 Attend Public Forum

(Continued From Page A-1)

"Gruening said afterward. The public seemed quick to grasp the main concept of the fund though confused use of the general fund with the permanent fund, he said.

Tim Buckley, a forum staffer, led the session on land use. By 1985, state officials expect about 100 million of Alaska's 360 million acres to be state-owned with about one million of those acres in private hands, he said.

The balance will be controlled by the federal government, with 44 million acres owned by native corporations, he said.

The state is exploring ways of putting more land into private hands and is seeking input on how to do it.

Several land conveyance programs have been in effect in the past, including the Homestead Act and the open-to-entry program. The homesite bill, passed during the last legislative session, will make about 5,000 acres available next spring and a cooperative program between the U.S. Forest Service and the state Department of Natural Resources is attempting to give communities surrounded by national forest land title to some of the surrounding land.

Most attending the discussion agreed land should be classified for its most suitable use — recreational, residential, commercial or industrial — and ways of insuring the intended use should be decided.

Land speculation was a major concern. Participants said land would be conveyed in a manner voiding people buying land and reselling it later for exorbitant prices.

Leasing land was preferable to its sale, if only to avoid speculation and to assure its intended use, they said.

Those involved in the discussion on government financing, called the billion-dollar enterprise by forum officials, said they had a fiscally conservative attitude toward the government.

One group proposed a moratorium on new programs and said the government should live within our means.

The government should not depend so much on oil revenue and stop overspending on the basis of income from oil production, they said.

Government should not be opposed to giving money to those who deserve it, but should stop spending money unwisely, the public said.

The discussion group favored "user taxes" such as that on tax on alcohol.

Tempers flared at the subsistence discussion, which forum officials said was the hardest topic to narrow

to a level that could be discussed within a workable framework.

The state proposed reorganizing the Fish and Game Board, currently a statewide seven-member board, into five regional boards which would have more awareness of the needs of each region.

The 53 advisory committees now in existence — although one state official said many of those committees exist in name only and haven't held a meeting in years — would still work with the regional boards and offer input from their respective communities.

David B. Nanalook, a Bush resident, said problems arise, particularly in Bush areas, because the board tends to listen to the fish and game biologists and not to the people who need subsistence hunting and fishing.

"Hunting regulations imposed in rural areas are not in compliance with the rural lifestyle," he said.

Opposition to subsistence living came from Dale Bondurant who said subsistence is "blown out of proportion in Alaska as a motherhood issue.

"The state constitution says the

Anchorage Daily
Times

Anchorage, Ak.

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fish, the wildlife and the waters reserved for all the people's common use," he said.

Bondurant said his interpretation of the Alaska Native Claims Settlement Act was that when the natives agreed to the act, they gave up "aboriginal claims."

Rosita Worl, who said she has extensively studied subsistence in rural areas, said most persons in urban areas are not really aware what a subsistence lifestyle is in Alaska today. On one hand there is the cash system and on the other subsistence, she said, and now the rural areas have accepted the cash system, subsistence encompasses both aspects.

Most attention to the subsistence issue is focused on the use of land and resources but two other aspects need to be considered, Ms. Worl said.

Subsistence is really a social system in which the entire community works together to share the benefits of the hunting, she said. Citing whaling as an example, Ms. Worl said that whaling captain divides the catch among those who hunted as well as the elderly or needy. "It feeds the entire community," she said.

Subsistence also has great cultural value to village people, Ms. Worl said. "It's difficult to define," she said, "but there is a strong relationship to the environment. It is reflected and symbolized in the art, music and dance."

The forum staff will study the responses from each group and draw up a final report. Similar public forums have been conducted in other areas, and several more are scheduled over the next few months.

Wide Margin Expected

PANAMA CITY, Panama (AP) — After six weeks of unusually free debate, Panamanians vote today in a national referendum whether to accept the Panama Canal treaties negotiated with the United States. Government officials privately predicted a 70 per cent "yes" vote.

Enterprise

(The Alaska Public Forum will conduct a workshop at 9 a.m. Saturday at East High School on four state issues which the governor, members of the legislature, and the Alaska Growth Policy Council have identified as most important for public discussion this fall. These issues include land, the financing of state government, the permanent fund, and subsistence use of fish and wildlife.)



Prepared by the Alaska Public Forum

The Alaska state government is a billion dollar enterprise, responsible for providing a wide range of goods and services to the public. These goods and services must be paid for from the state treasury, where all public funds are kept.

When an individual purchases a product or service from a private business, the cost and the payment are direct and are reflected in the price of the item, determine whether or not it is worth the money, and act accordingly. Although just as real, payment for government products is less direct and the benefits are less easily measured.

Money in the Treasury. Government operations are funded through a combination of tax revenues, user fees (e.g., camping permits, fishing and hunting licenses), federal aid and grants, and the sale of state-owned resources such as oil and land. Some state revenues occur only once; for example, the \$900 million Prudhoe Bay lease sale. Others are yearly collections from a continuing tax base such as corporate and personal income.

Since statehood, our mineral sale revenues have financed an increasing proportion of ongoing state expenditures. There is growing concern over this situation. Today, approximately 55 percent of all government activities are paid for with mineral sale revenues. Since oil, gas, and other mineral deposits are finite, this source of money is ultimately limited. Currently, the state is deliberating how to move from a dependence on this unreplenishable source of funding to sources based on continuing state economic activity without drastically reducing services, disrupting the growth of the Alaska economy, or saddling the populace with a large tax burden.

Although substantial oil revenue seems assured for at least 10 years, how will we pay for government when revenue from mineral sources ultimately declines?

Meeting Expenses. As the population increases and costs rise, it becomes more difficult to maintain the current levels of services without spending more money. Some people suggest that we should restrict

government spending only to those additional activities which can be financed by new taxes or service charges. Yet on the other side of the scale, there seems to be rising expectations of government and demands for new or more expanded services.

Perhaps, examples of projects now under consideration may help to clarify the dilemma.

Alcohol abuse is a serious problem in Alaska. Many people feel that the state should become more involved in rehabilitation, education, medical care, and law enforcement programs which deal with the devastating effects of alcohol. But if these programs are expanded, how should we pay for them? There are several possibilities: we could reduce spending in other areas; we could increase general taxes; we could increase taxes specific to alcohol (user fees), or we could use oil monies.

The potential opening of the North Slope Haul Road involves similar questions. If the road is opened, the state will have to pay substantial sums of money for annual maintenance and other related activities. Who should pay these costs — the people who will use the road or the state? Should we reduce the money for other programs to finance this one? Should we reduce the level of road maintenance elsewhere? Should we raise general taxes or tap oil money? These are the kinds of difficult trade-offs which must be considered.

Balancing the checkbook. Some people believe that we should continue to finance state government predominantly with revenues from mineral sales because we will continue to discover and develop these resources indefinitely. This position is difficult to support or disprove, since it assumes the existence of resources which have not yet been found. Some individuals maintain that scarcity of developable mineral resources is too far in the future for it to be of major concern to state government and the Alaska people today.

It is possible that the Alaska economy will expand at a greater rate than increases in government spending. This would probably mean attracting new industries to Alaska which would increase revenues more than they would increase the demand for expanded state services and facilities (e.g., new schools and roads).

The legislature and the governor, with public advice, will decide on the level of government expenditures. Finding the appropriate balance between state spending and the financing of that spending is the question of financial management. If you think spending should be held down, certain activities now undertaken by state government will need to be reduced.

The questions on financial management which will be asked at the Public Forum workshop seek to determine your preferences regarding state expenditures and how they are financed.

OCT 24 1977

Committee Concludes Fund Hearings Here

A special House committee backed off from establishing the Alaska Permanent Fund as a savings account as they wrapped up two days of meetings here Friday.

Members of the House Permanent Fund Committee agreed to strike the savings account concept from a preliminary draft of legislation on the fund. Under the concept income from investing the fund's oil revenues would be plowed back into the fund.

The committee, however, did not drop the savings account approach from consideration and clung to a conservative attitude toward use of the fund.

They agreed the fund should be saved and used only minimally, if at all, for present social and development purposes.

"With the permanent fund, we are more interested in preserving it for the future rather than using it to achieve social goals, Rep. Russ Meekins, D-Anchorage and a member of the committee, said. "There are better ways of achieving these goals. We're basically interested in saving the permanent fund."

"My feeling is that we would just save it until we get a better idea of what we want the fund to do," committee chairman Rep. Clark Gruening, D-Anchorage, said. "But I don't want to be so conservative we find the fund is worth less in real dollars in the future."

The committee's legislation draft also creates the Alaska Development Bank and the Alaska Renewable Resources Development Bank to be financed from oil wealth.

"I don't want the development bank getting into any major projects," Meekins said. "I don't see it being used to build a massive dam. I see it going out into the rural areas and being used for investment. I also see it used for resources."

The resource bank would be used to fund high-risk development of new industries, the committee agreed.

"Our investment strategy may shift from a conservative one to a more aggressive one," Gruening said. "Anyway the permanent fund isn't going to amount to much until the 1990's."

Despite apparent agreement on the committee, officials of the administration of Gov. Jay Hammond raised doubts about the savings account concept.

"You've got to tell the managers of the fund who are they trying to benefit and in what time frame," said Revenue Commissioner Sterling Gallagher. "They've got to know that to decide what kinds of things to invest in."

"When I look at the savings account concept," added Deputy Revenue Commissioner

Jim Edenso. "I wonder just who the hell we are saving it for. What you're asking the people of Alaska to do is defer benefits which could be realized now."

And committee members acknowledged difficulty in their efforts to balance the savings account concept with directions for management of the fund.

At issue was a conflict between the committee's desire to safeguard the money while at the same time allowing flexibility in investment decisions by a proposed board of trustees.

Gruening said he wanted the staff to come up with language which gave trustees a mandate to preserve the principal of the fund, protect it against inflation and still maximize profits.

"We don't want the trustees to gamble, but we want to give them enough flexibility that the fund doesn't lose money in real purchasing power," Meekins said.

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Juneau, Alaska

OCT 28 1977

Permanent Fund

Sumner Wants Resource Push

Alaska Permanent Fund revenue should be used to decrease unemployment in the state, state Sen. Bill Sumner, D-Anchorage said here Thursday.

Speaking to the Greater Juneau Chamber of Commerce, Sumner said, as a member of the Senate permanent fund committee, he would work for use of the fund to finance development of renewable resources.

"Any money invested in savings today will not earn the inflation rate," Sumner said of preliminary House permanent fund committee plans to earmark the fund for savings. "We must cultivate our renewable resources."

"Let's obligate our permanent fund in ways to encourage our economic future," Sumner said. "We must ask ourselves: Are we just going to keep shipping money to the bush or are we going to support cottage businesses? Let's provide funding to areas where unemployment exists."

He equated the concept of savings with the inactivity of a person past the prime of his life.

"I don't think Alaska is at that middle age yet," he added. "Alaska has unique problems that need unique solutions."

Sumner is hesitant to have permanent fund money invested out of state, he said.

"That's how the \$900 million disappeared before," he said. "I want to see the maximum yield for Alaskans."

In addition to being a member of the permanent fund committee, Sumner is chairman of the Senate Employment Resources and Opportunities Committee.

"One of the most difficult things is that there is not a lack of initiative and incentive," Sumner said of development of business in the state. "But over the years government has shown it is punitive to business. Government usually has been in direct competition with business."

OCT 21 1977

Permanent Fund Committee's Initial Plan: Do Nothing

JUNEAU (AP) — The House Permanent Fund Committee yesterday unveiled the first draft of what it wants to do with income from the Alaska Permanent Fund — nothing.

Under the tentative House proposal, profits from investing the principal of the fund would be plowed right back into the fund for at least the immediate future.

"We just don't know what we want to do with the income from the fund yet," said Rep. Clark Gruening, D-Anchorage and chairman of the committee. "At least until the 1980s the fund isn't going to be that great anyway so we're talking about using

it for the time being as a savings account."

However, the working draft does include a proposal for creation of an Alaska Development Bank to make more immediate use of income from the state's oil and gas wealth.

The development bank would have the same source of funding as the permanent fund but in a different amount. It would be financed by not less than 5 percent of state revenues from mineral lease bonuses and rentals and royalties until it has accumulated a balance of \$100 million. The permanent fund gets at least 25 percent of such revenues with no

upper limit.

The draft copy includes detailed provisions for the operation of the bank. But Gruening said the proposals were only intended to give the committee a starting point for discussion, and would be changed drastically in the weeks to come.

"One problem with this draft is that we don't really know what we want the development bank to do," Gruening said. "We really haven't approached what philosophy we want to use to decide what the money will be loaned for."

"Do we want provide the opportunity for lower interest rates longer-term capital or social goals? We don't know yet."

Under the working draft prepared by legislative attorneys, the bank could invest in just about anything it wanted to with little restriction.

Although the rough draft is destined for major changes before it's introduced in the 1978 legislature in January, Gruening and other committee members voiced no objections with provisions that would give the legislature a major role in overseeing management of the permanent fund and the development bank.

The draft bill would create a state investment oversight committee of legislators with budget and audit review over the permanent fund, the development bank and the already-created Renewable Resources Development Fund.

Under the tentative House draft, the permanent fund would be supervised by a board of trustees and the development bank would be managed by both a board to set policy and a committee to make specific in-

vestment decisions. The legislature would have confirmation powers over both the trustees and the policy board.

The draft House proposal would continue the conservative standards for investment of permanent fund income established by the 1977 legisla-

ture for money flowing until the fund until a permanent management concept is approved.

The tentative proposal would restrict investments to U.S. securities, bonds issued by Canada, states and other public bodies and property improvement notes under the National

Housing Act.

It also provides that "income from investment of the permanent fund becomes a part of the permanent fund" with the exception of money needed to pay the administrative expenses of the board of trustees.

OCT 2 1977

Fund Accountability Faced

By G. MICHAEL HARMON
Associated Press Writer

Members of the House Permanent Fund Committee today grappled with the dilemma of how to strike a balance between "accountability and independence" in drafting legislation to manage the investment of Alaska's resource wealth.

"What we're trying to do is find ways to resolve potential conflicts between desires to use the fund to achieve social goals and pressures to achieve the highest return possible," said Rep. Clark Gruening, D-Anchorage and chairman of the committee.

The issue arose during presentation of a report by a representative of the financial consulting firm of White, Weld & Co. on the management of similar funds in other states.

Robert E. Greeley, a vice president in the consulting firm, said the legislatures of Wisconsin and Minnesota also faced the issue of accountability versus independence in establishing centralized agencies to invest revenues from their permanent, trust and retirement funds.

In those states, Greeley said, the lawmakers "removed themselves" from the day-to-day decisions on how the funds are invested while attempting to retain control through strict reporting requirements and their ultimate power of the purse over the administrative budgets of the agencies.

"If the managers do something they (legislators) don't like, they can eliminate the money for the staff," Greeley said.

The committee questioned Greeley prior to beginning a review of its "rough, rough talk-

ing draft" of legislation which would keep profits from the Alaska Permanent Fund locked away in a savings account for the immediate future.

Under the tentative House committee draft, profits from investing the principal of the fund would be plowed right back into the fund for at least the immediate future.

"We just don't know what we want to do with the income from the fund yet," said Rep. Clark Gruening, D-Anchorage and chairman of the committee. "At least until the 1980s the fund isn't going to be that great anyway so we're talking about using it for the time being as a savings account."

However, the working draft does include a proposal for creation of an Alaska Development Bank to make more immediate use of income from the state's oil and gas wealth.

The development bank would have the same source of funding as the Permanent fund but in a different amount. It would be financed by not less than five per cent of state revenues from mineral lease bonuses and rentals and royalties until it has accumulated a balance of \$100 million. The Permanent Fund gets at least 25 per cent of such revenues with no upper limit.

The draft copy includes detailed provisions for the operation of the bank. But Gruening said the proposals were only intended to give the committee a starting point for discussion, and would be changed drastically in the weeks to come.

The draft bill would create a State Investment Oversight Committee of legislators with

budget and audit review over the Permanent Fund, the Development Bank and the already-created Renewable Resources Development Fund.

Under the tentative House draft, the Permanent Fund would be supervised by a board of trustees and the Development Bank would be managed by both a board to set policy and a committee to make specific investment decisions. The legislature would have confirmation powers over both the trustees and the policy board.

The draft House proposal would continue the conservative standards for investment of

Permanent Fund income established by the 1977 legislature for monies flowing until the fund until a permanent management concept is approved.

The tentative proposal would restrict investments to U.S. securities, bonds issued by Canada, states and other public bodies and property improvement not under the National Housing Act.

It also provides that "income from investment of the permanent fund" with the exception of money needed to pay the administrative expenses of the board of trustees.

ARTICLE APPEARED IN:
DAILY SENTINEL, SITKA
FAIRBANKS NEWS MINER
KODIAK MIRROR
KETCHIKAN DAILY NEWS
SOUTHEAST ALASKA EMPIRE

OCT 22 1977

'Savings' plan for oil wealth

By G. MICHAEL HARMON
Associated Press Writer

JUNEAU — A special House committee directed its staff Friday to prepare legislative language in line with a tentative decision to earmark the profits as well the principal of the Alaska Permanent Fund as a savings account for the future.

Under the concept being developed by the House Permanent Fund Committee, income from investing the fund's oil revenues would be plowed back into the fund.

"With the permanent fund, we are more interested in preserving it for the future rather than using it to achieve social goals," said Rep. Russ Meekins, D-Anchorage and a member of the committee.

To accomplish social goals such as diversifying the state's economy, the committee is considering legislation to create an Alaska Development bank which also would be financed by oil wealth.

"But leaving social goals to non-elected public officials like those that will be necessary to manage the permanent fund bothers me," said Rep. Clark Gruening,

D-Anchorage and chairman of the committee.

Under the concept now being considered by the committee for submission to the 1978 Legislature, no time limit would be placed on how long profits from the permanent fund would be reinvested.

"My feeling is that we would just save it until we get a better idea of what we want the fund to do," Gruening said. "Anyway the permanent fund isn't going to amount to much until the 1980s."

Despite apparent agreement on the committee, officials of the administration of Gov. Jay Hammond raised doubts the savings account concept.

"You've got to tell the managers of the fund who are they trying to benefit and in what time frame," said Revenue Commissioner Sterling Gallagher. "They've got to know that to decide what kinds of things to invest in."

"When I look at the savings account concept," added Deputy Revenue Commissioner Jim Edenso, "I wonder just who the hell we are saving it for. What your asking the people of Alaska to do is

defer benefits which could be realized now."

And committee members acknowledged difficulty in their efforts to balance the savings account concept with directions for management of the fund.

At issue was a conflict between the committee's desire to safeguard the money while at the same time allowing flexibility in investment decisions by a proposed board of trustees.

Gruening said he wanted the staff to come up with language which gave trustees a mandate to preserve the principal of the fund, protect it against inflation and still maximize profits.

"We don't want the trustees to gamble, but we want to give them enough flexibility that the fund doesn't lose money in real purchasing power," Meekins said.

The House panel also grappled

with the dilemma of how to strike a balance between the "accountability and independence" of the board of trustees being proposed to manage the fund.

The issue arose during the presentation of a report by a representative of the financial consulting firm of White, Weld & Co. on the management of similar funds in other states.

Robert E. Greeley, a vice president in the consulting firm, said the legislatures of Wisconsin and Minnesota also faced the issue of accountability versus independence in establishing centralized agencies to invest revenues from their permanent, trust, and retirement funds.

In those states, Greeley said, the lawmakers "removed themselves" from the day-to-day decisions on how the funds are invested.

ARTICLE APPEARED IN:
ANCHORAGE DAILY NEWS
GREATLANDER, ANCHORAGE
ANCHORAGE DAILY TIMES
KETCHIKAN DAILY NEWS



Permanent Fund Management

By Joe Josephson

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

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

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

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

The trouble with the permanent fund is that if that popular assumption is true — that legislators will spend the money available — the permanent fund does little to curb the growth of state government. State general fund surpluses for the 80s are projected to mount to billions of dollars, even after the permanent fund dedications are considered: thus, the temptation for more state spending will be present, permanent fund or no.

ONE ANSWER, of course, would be to earmark more and more state revenues to the permanent fund, in an effort to place more petroleum receipts out of the legislature's reach. At some point, though, the underlying notion of that approach becomes clear — to deny to the people of Alaska, through their elected leaders, the opportunity to work their will in a democratic way.

The premise of the suggestion that the permanent fund should be enlarged is that the people of Alaska can't be trusted, through their elected officials, to spend available money, or save state revenues, for wise purposes and in wise proportions.

Moreover, earmarking more and more money for the permanent fund would not change underlying conditions that create pressures for state spending. Those conditions — beyond the need to develop a diversified economy, or to share revenues with local governments, or to educate children and adults in schools

and colleges, or to promote the quality of the environment, or to maintain an equitable schedule of public employees' pay — are not likely to be changed because a permanent fund exists. To meet pressures for state spending, many of which will be legitimate, a legislature confronted by a huge permanent fund beyond its reach will reach out for revenue through higher taxation.

ANOTHER DILEMMA for permanent fund policymakers is that some investment proposals imply government growth and new stimulus for population growth. The rate of Alaska's population growth is likely to be high in any case, bringing the blessing of new human resources to the state, new skills and new services, but bringing also new stress on the capacity of our towns and cities and labor markets and parks and streams to absorb increased population pressures.

One of the House committee's consultants noted that there is only one sure way to curtail Alaska's population growth — that is, by making Alaska a very undesirable place in which to live. But that would be an odd course of deliberate governmental action, even if governments everywhere from time to time have set such a course unwittingly.

The resulting irony is that if the permanent fund investment policy is to stress loans or loan guarantees for Alaska small businesses or to subsidize industry, the policy will imply support for more government activity in the marketplace and more stimulus for immigration. The result of that will be more general fund expenditures over time, not the dampening down of state spending which some advocates of the permanent fund hoped for. Moreover, it is not clear that permanent fund investment policy will ever be free of the very public pressures that were said to operate upon the legislature itself.

AS THE HOUSE committee's informative pamphlet notes, "trade-offs are inevitable." The permanent fund won support at polling places around Alaska from conservatives who saw virtue in keeping a "nest egg" for future generations, out of today's "non-renewable" resource receipts. In the same election, the permanent fund won support from liberals who saw the possibility of new funding aid for the fellow or woman unable to win financial leverage in the existing private sector.

Now that both sides have produced constitutional change, the state's lawmakers must deal with these opposing philosophies for permanent fund management — a tough intellectual and political task.

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



What Leaders Should Be Asking

By Joe Josephson 31

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

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

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

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

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

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

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

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

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

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

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

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

A COMMUNITY is more than the sum of individual interests. The right questions to be asked would deal with the kind of Alaska we want for the year 1980, or 2000, or beyond. About that, the chance for consensus is greater. And given an idea about Alaskans' aspirations for the Great Land, investment experts can develop investment strategies to realize those aspirations.

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

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

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

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

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

Forum Plans Discussions Across State

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

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

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

The forum in Anchorage is set for Oct. 22.

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

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

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

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

have yet to be determined by the legislature.

Another question last year asked Alaskans how the state should use new oil and gas money which would not be invested in the permanent fund. Thirty percent said they wanted it used for tax cuts for Alaskans; 21 percent favored loaning it to develop renewable resource industries. Others wanted to save it by increasing the permanent fund or using it for more community revenue sharing and community grants. In response to the question of what should be the primary objective in managing Alaska's land, 33 percent said "to provide land for people's needs."

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

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

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

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

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

The Alaska Growth Policy Council, which directs the forum, is a member council created by Governor Hammond in 1975 to broaden citizen involvement in matters of state importance.

Fairbanks
News Miner
Fairbanks, Ak
OCT 4 1977

Forum kicks off its second year

The Alaska Public Forum, a program to find out what Alaskans have on their minds, has been in business for about a year now.

The forum kicked off its second year Monday night with a meeting in Dillingham. It was the first of 16 meetings scheduled around the state between now and December. On Nov. 5 the forum will come to Fairbanks.

A recent report on the results of the first year's meetings shows that about 3,500 persons from 60 communities participated in the forum through a series of town meetings and by answering newspaper questionnaires.

Seven questions were posed at the meetings. The results seem to indicate that on most questions at least, there is no clear consensus as to what the state should do to make Alaska's future a brighter one.

Forum participants were asked to say how the Permanent Fund money should be invested; how the state should use its new oil and gas money; how public school construction should be financed in both organized and unorganized boroughs; how the state's land should be managed; what the state's policy on oil and gas lease sales should be; what social needs are the most pressing in the state; and how the state's royalty oil and gas should be used.

On the Permanent Fund question, 36 per cent of those who answered said it should be used for loans to develop renewable resource industries, while 26 per cent said it should be "saved."

When asked about the oil money that will be collecting in the state's coffers, 30 per cent of the participants said it should be used to provide tax cuts to Alaskans, 21 per cent said it should be loaned to develop renewable resource industries and the rest submitted various other answers.

On the question of what human needs are the most important in the state, 31

employment and 12 per cent said alcoholism.

Almost 35 per cent of those who attended said the present system of financing school construction should be continued, while 18 per cent said local property taxes should be used and supplemented with state money if necessary.

When asked about land and how it should be managed, 38 per cent said the state should act to meet people's needs and 25 per cent said it should be managed to promote renewable resource development.

A majority of those who participated said the sale of oil and gas lease sales should be timed to ensure a steady flow of income to the state over a long time.

Forty-five per cent of the participants said the state should provide for in-state residential use of Alaska's royalty oil and gas.

During forum sessions this year topics to be discussed include the Permanent Fund, subsistence, land policies and general state spending policies.

OCT 3 1977

Education needs foremost in survey

By PAUL NUSSBAUM
Daily News Staff Writer

Education and employment are the most important needs facing Alaskans, according to surveys of state residents conducted by the Alaska Public Forum.

And more than twice as many residents favored using royalty oil and gas for in-state residential use as favored other uses for the state's one-eighth portion of oil and gas found in the state.

A GREAT MAJORITY of those responding to the Public Forum survey questionnaires on future oil and gas leasing

wanted leases sold at a constant pace to insure a steady flow of income.

To questions on the use of the Alaska Permanent Fund, the highest percentage of those responding favored use of the state's savings account to develop renewable resources industries. New oil and gas money that is not dedicated to the permanent fund should be used to cut taxes for Alaskans, 30 per cent of those responding said. Those who wanted either permanent fund money or new oil and gas money used for industrial development were in a distinct minority, the survey showed.

Operated out of Gov. Jay S. Hammond's office, the Public Forum last year distributed questionnaires about state policy through newspapers and pamphlets. More than 3,800 persons responded to at least one question, and more than a third of those had lived in the state for at least 20 years. The respondents ranged in age from 13 to 94.

THESE ARE the questions asked and the responses received:

—How should the permanent fund money be invested?
Loan it for renewable resource development, 36 per cent.

(Continued on Page 2)

Ketchikan Daily
News
Ketchikan, Ak

OCT 6 1977

Resources, land priorities in public forums

By BOB SPEED

Sally News Staff Writer

After several months of public forums around the state and more months of digesting the information gathered, the Alaska Public Forum has issued its report on the first year's results.

The public forum, sponsored by The Alaska Growth Policy Council, has also announced its second round of forums to be held around the state, the first of which have already taken place. One is scheduled in Ketchikan on Dec. 3.

The forums, which are supposed to elicit state residents' opinions on statewide concerns, met for the first time in Ketchikan last winter, and according to a year-end report just released people expressed similar problems and ideas.

About 3,700 state residents were attracted to the meetings which were held in communities in each of the state's seven regions. The public forum, under the direction of Lt. Gov. Lowell Thomas, asked opinions on several statewide issues, including state policy on oil and revenue and planning, land use and

social services.

The forum also spent some time gathering information on topics of regional concern.

Renewable resource development and land were the most important areas of concern held in common among the state's seven regions, followed by transportation and problems regarding the size and growth of state government.

Some 58 percent of the participants believed the state should sell oil and gas leases at a constant rate for a "steady flow of income," according to the year-end report. Nearly half—45 percent—of the participants believed that the best use of royalty oil and gas would be to make it available for residential use at low cost and to ease any future national shortages. Another 21 percent said it should be used to promote industrial development, although people weren't in favor of subsidizing that industry.

However, there was little support for using the state's lands to promote industrial development, with only eight percent opting for that idea. The largest number of people, some 38 percent, said

the state should provide for people's needs through homesites, subsistence and recreational development. Another 19 percent said preserving the natural environment is a top priority.

Education was the top social need seen by forum participants, followed by employment. However, the Alaska Growth Policy Council determined that if those two issues were taken as "philosophical" statements, the largest single problem expressed by residents was alcoholism, a concern of 12 percent of the participants.

General health care was the next largest concern to participants with nine percent expressing that need, and related to that were the next two highest priorities, taking care of children and the elderly, each with seven percent expressing those needs.

A total of 3,714 people participated in the forums, ranging in age from 13 to

94. One-third of them were professional people including lawyers, nurses, pilots, government workers and others, but two-thirds were non-professionals ranging from carpenters and roofers to

lumbermen and farmers.

Of the participants, 68 percent were male and the largest single age group, 30 percent, were between the ages of 25 and 35; 20 percent were between 45 and 55 and another 18 percent were older.

In the second forum series, the permanent fund will again be a major issue, as will land use, and questions will be more specific on people's preferences for using the money and land.

Subsistence, which Thomas describes as "currently one of the most sensitive and controversial issues facing the state in the area of fish and wildlife management," will be a topic for the forum and the fourth question, will deal with the problem of balancing the state budget and financing government activities.

Thomas said today that emphasis will be placed this year on meetings in rural communities, although forums will also be held in Anchorage and Fairbanks and conclude in Ketchikan Dec. 3. Gov. Jay Hammond said today he would be in Ketchikan for that final forum.

(Continued from Page 1)

Save it, 26 per cent.

Loan it to communities, 14 per cent.

Loan it for industrial development, 10 per cent.

Loan it to individuals, 9 per cent.

—How should the state use its new oil and gas money? (All revenue except that invested in the permanent fund)

Use it for tax cuts, 30 per cent.

Loan it to develop renewable resource industries, 21 per cent.

Save it by increasing the permanent fund, 13 per cent.

Use it for more community revenue sharing and community grants, 12 per cent.

Use it for cash payments to Alaskans, 6 per cent.

Use it for more state services, 5 per cent.

Loan it to communities, 4 per cent.

Loan it for industrial development, 3 per cent.

Loan it to individuals, 3 per cent.

OCT 14 1977

At Southeast Conference:

Officials develop unified stand for SE

projects

by JANE HANCHETT
Daily News Staff Writer
SITKA—Municipal officials at the Southeast Conference strongly urged support from legislators and state administration officials for a percentage of the Alaska permanent fund to be designated for development of energy sources. The southeast conference met in Sitka Thursday and today to develop a unified stand for southeastern projects.

But the officials' remarks were received by cautious state officials and representatives of the senate and house special permanent fund committees. Those

committees and the state investment advisory commission currently are holding public hearings to find out what the public wants done with the permanent fund.

State voters in 1976 established the fund by passing a constitutional amendment that allows a minimum of 25 percent of all mineral lease rentals, royalties, royalties sale proceeds, federal mineral revenue sharing payments and bonuses to accumulate in a special fund.

Don Bowey, Ketchikan Public Utilities assistant manager; Rocky Gutierrez, Sitka city and

borough administrator, and Dick Ballard, of the Thomas Bay power commission (for hydroelectric development of Petersburg and Wrangell), emphasized the need in their communities for long term, low interest rate, hydroelectric development loans.

The community officials asked that a certain percentage of the fund be used for energy development, because continuance of a former source of loans, the water resources revolving loan funds, passed by the legislature in 1975, is now in question.

State Revenue Commissioner

Sterling Gallagher said there was no more money available for loans in the fund. The revolving loan fund depends on legislative appropriations.

A bill was passed this year to provide \$3.6 million for power projects development. The money consisted of \$200,000 for the water loan fund, \$1.6 million for Sitka's Green Lake hydroelectric project now in the planning stage, and \$1.8 million for a power project revolving loan fund, according to R.W. Beck Association consultants for Ketchikan, Sitka, and Wrangell-Petersburg water projects.

Sitka plans projects at Green

Lake, Ketchikan at Swan Lake and Wrangell-Petersburg at Thomas Bay.

Gov. Jay Hammond cut an original appropriation enacted in 1976 for the water resources loan fund from \$3 million to \$2.5 million, and this year cut the \$200,000 that the legislature had earmarked from the fund.

He also cut the power project loan fund from \$1.8 million to \$540,000, according to Beck consultant James V. Williamson. Sitka has been the only community to take advantage of the water resources loan fund since its enactment. Williamson said that the other communities

were "reluctant to borrow money from the loan fund since the loan conditions stipulated by the administration were not especially attractive."

Despite other communities comparative slowness to Sitka in applying for the funds, their officials Thursday expressed great need for continuance of the fund.

Ketchikan's Bowey called for "replacement legislation" that must contain "funding for hydroelectric and portable water projects" from the state's mineral resource wealth.

The next project of the legislature regarding the per-

manent fund is to enact "enabling legislation" setting for its structure and specifics on what the money will be used for. Proposed legislation now calls for "at least 40 percent to be invested in investment grade securities, not more than 30 percent to be invested in the private sector of Alaska's economy and not more than 30 percent to be invested in community development projects and private dwelling Gallagher told the conference delegates.

Southeastern municipal officials all urged support for their hydro projects as community development projects.

But Bowey suggested that the latter 30 per cent "is up for grabs" for any community development project of municipalities public corporate entities, and private housing.

Therefore, he suggested a change in the percentage distribution of the fund by the proposed legislation. He called for investment grade securities investments to be at least 30 percent, private sector investments 20 percent, community development investments 20 percent and a fourth category for long term, low interest loan funding for hydroelectric and

Cont. on page 3

Cont. from page 1

potable water projects to get 30 percent.

"What good has been accomplished for the citizens of Alaska if the permanent fund has been invested out outside Alaska, earning six to nine percent interest and diesel oil for generation purposes is escalating at a rate of 20 percent in the last four years in Alaska?" Gutierrez said.

"I ask, who is subsidizing who under these circumstances?"

But Gallagher told the Daily News during a break in the Thursday session that the Southeast municipal officials "need to come back with better cost estimates of what they're thinking about" without "going leaping off into the sunset."

Some of the municipal officials indicated that their projects would be feasible with long term loans at a three- to five percent interest rate. If those loans were available, but difficult or impossible to build at higher rates.

Gallagher responded that if six and half percent were the long term rate of inflation then government should get at least six percent interest rate from loans; otherwise, loans with "an interest rate below the rate of inflation is actually subsidization whatever the investment is."

Sen. Pat Rodey, D-Anchorage, a member of the senate special committee on the permanent fund, said he felt the fund could provide some sort of subsidization system that would be acceptable to Alaskans if the funds were labeled as subsidies, instead of hiding it in a loan fund.

He and Rep. Russ Meekins, D-Anchorage, suggested that, in terms of political likelihood, the Southeast communities would be more successful seeking revenues from energy development from the state's general fund.

They both referred to the logevity in the legislature and political clout of Southeast legislators. Meekins a member of the house special committee on the permanent fund, pointed out that in his committee's travels, he's seen people regard the permanent fund as a way to get "automatic yearly appropriations for their pet projects."

He said the use of the principle of the fund is for "income producing investments." Hydro projects would pay for themselves in the long term in lower power costs, compared to diesel generation costs. But would take large investments of money for their construction.

He said a basic question is "should funding many of these projects be through the general fund or the permanent fund." Interest from the permanent fund is now stipulated would go into the state general fund.

Today conference delegates were to hear a presentation on state land selection by Chip Dennerlien, set a presentation about the southeast coastal management program by Mark Stevens, a state planner; Dean Lemon, of U.S. Borax and Chemical Corp and Don Finney of Louisiana-Pacific, Ketchikan.

This afternoon delegates were to conclude the conference with action on a unified policy statement and election of a board of directors and site selection for the 1978 conference.

Locking permanent fund profits in savings debated

By G. MICHAEL HARMON
Associated Press Writer
JUNEAU (AP) — The House Permanent Fund Committee meets here today to debate a "rough, rough talking draft" of legislation which would keep profits from the fund locked away in a savings account.

Under the tentative House committee draft, profits from investing the principal of the

fund would be plowed right back into the fund for at least the immediate future. "We just don't know what we want to do with the income from the fund yet," said Rep. Clark Gruening, D-Anchorage and chairman of the committee. "At least until the 1980s the fund isn't going to be that great anyway so we're talking about using it for the time

being as a savings account. However, the working draft does include a proposal for creation of an Alaska Development Bank to make more immediate use of income from the state's oil and gas wealth. The development bank would have the same source of funding as the Permanent fund but in a different amount. It would be financed by not less than five per cent of state revenues from mineral lease bonuses and rentals and royalties until it has accumulated a balance of \$100 million. The Permanent Fund gets at least 25 per cent of such revenues with no upper limit.

The draft copy includes de-

tailed provisions for the operation of the bank. But Gruening said the proposals were only intended to give the committee a starting point for discussion, and would be changed drastically in the weeks to come.

"One problem with this draft is that we don't really know what we want the development bank to do," Gruening said. "We really haven't approached what philosophy we want to use to decide what the money will be loaned for."

"Do we want to provide the opportunity for lower interest rates, longer term capital or social goals? We don't know yet."

Under the working draft prepared by legislative attorneys,

the bank could invest in just about anything it wanted to with little restriction.

Although the rough draft is destined for major changes before it's introduced in the 1978 legislature in January, Gruening and other committee members voiced no objections with provisions that would give the legislature a major role in overseeing management of the Permanent Fund and the Development Bank.

The draft bill would create a State Investment Oversight Committee of legislators with budget and audit review over the Permanent Fund, the Development Bank and the already-created Renewable Resources Development Fund.

Under the tentative House draft, the Permanent Fund would be supervised by a board of trustees and the Development Bank would be managed by both a board to set policy and a committee to make specific investment decisions. The legislature would have confirmation powers over both the trustees and the policy board.

The draft House proposal would continue the conservative standards for investment of Permanent Fund income established by the 1977 legislature for monies flowing until the fund until a permanent management concept is approved.

The tentative proposal would restrict investments to U.S. securities, bonds issued by Canada, states and other public bodies and property improvement not under the National Housing Act.

It also provides that "income from investment of the permanent fund becomes a part of the permanent fund" with the exception of money needed to pay the administrative expenses of the board of trustees.

Southeast Alaska
Empire
Juneau, Alaska

Permanent Fund Discussion Held

In a small turnout for hearings on the Permanent Fund, two Juneauites testified for special interest groups this morning.

Dale Henkins of the Alaska Miners Association asked the House committee on the Permanent Fund to use revenue from the fund to support mining research and exploration; Jane Stewart sought funding of cultural programs and facilities.

The morning session was the beginning of a day of public hearings on the Permanent Fund approved by voters last year. Members of the House committee are holding hearings to learn what residents want from the fund, committee chairman Rep. Clark Gruening, D-Anchorage, said.

The hearing here will continue through 5 p.m. today in the Fifth Floor Conference Room of the State Office Building.

"I think the state has a moral obligation to use a certain amount (of the fund) to enhance renewable industries so they can continue long curve industry," Henkins said. "Alaska will be forced to become the U.S. supplier. Remoteness will be offset by the fact there are still deposits that can be stumbled across here."

When asked by Gruening if private capital could fund mineral exploration, Henkins said the time lag between finding and working mineral prospects is too long for such investment.

In her testimony, Stewart requested fund revenue be used to expand cultural programs and facilities in the state.

In response to Stewart, Gruening said he believed the arts should be a high priority but he anticipated others would not agree.

What are 'wise investments' for Permanent

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

By DERMOT COLE
Staff Writer

There'd been scraps and pieces of news all that winter and spring about discovering oil on Alaska's North Slope, but on July 18, 1968, came the big news.

Atlantic Richfield and Humble Oil and Refining, which had been jointly exploring Prudhoe Bay, revealed that the oil and gas fields there made up "one of the largest petroleum accumulations known to the world today."

That was a fancy way of saying there was a lot of oil up there. It was 9,500 feet deep and there was no way yet to carry it to market, but you could almost hear the money rolling in.

Nine years later, with oil from Alaska's North Slope now filling American gas tanks, the long-term effects of that 1968 discovery are just beginning to be felt here.

Prudhoe Bay eventually may provide 10 per cent of the nation's oil needs, but more important for the state, taxes and royalties on North Slope oil are expected to be the major source of money to run the state's government for the next two decades.

In the next eight years the state may earn \$9 billion from the North Slope, according to a "medium income" projection prepared in July by the Legislative Affairs Agency. In three years, annual revenues from Prudhoe alone are expected to top the \$1 billion mark.

And according to that projection, total annual state revenues by 1985 will be about \$2.6 billion—more than two and a half times the size of the total state operating budget for this fiscal year.

The long-term effects of oil development on Alaska's economy

will be determined mainly by how the state government uses the windfall it collects from the North Slope.

Prudhoe Bay may be the biggest shot in the arm Alaska is ever going to receive, but it won't be producing oil—or money—forever. Many

First of a series

scientists believe Alaska may have vast undiscovered oil reserves, but until there's proof that those reserves exist, the state will have "all its eggs in one basket with Prudhoe Bay," one state official says.

Alaska will face crucial decisions in the coming years over how its oil riches can best be used to meet the needs of the state.

Alaska's voters took the first step last November when they approved creation of the so-called Permanent Fund, believed by many to be the state's "savings account" for the future.

The belief that at least some of the state's oil money should be saved for the benefit of future Alaskans, instead of being used to pay for the growth of government programs, led voters to approve the fund by a 2-1 margin.

The state constitutional amendment approved by the voters says that at least 25 per cent of certain revenues from oil and other non-renewable resources are to be set aside and not spent in a traditional governmental fashion. That money is to be used instead for "income-producing investments."

According to supporters of the fund, wise investments will extend the impact of Prudhoe Bay revenue long beyond the expected 20-year life of the oil field. But what are "wise investments?"

Alaska's royalty oil, the 12.5 per cent share of Prudhoe Bay's output collected by the state as a form of "rent" for allowing the oil companies to extract oil on state-owned land, will be the major source of money for the Permanent Fund.

Along with the oil money, at least one-quarter of mineral lease rentals, federal mineral revenue-sharing payments, bonuses, other royalties and royalty sale proceeds are to go into the fund.

The eventual size of the Permanent Fund will depend on how much the state actually does collect in oil money and how much more than the constitutionally required 25 per cent is placed into it.

If only the 25 per cent of applicable revenues are deposited in the fund, it will grow to \$1.3 billion by 1985, according to the Legislative Affairs Agency projection. By increasing the amount to 100 per cent, the fund could contain \$5 billion by 1985.

Oil production taxes, which may account for more than half of the state's oil income, are not included as a source of Permanent Fund revenue. But some legislators support the idea of coming up with a formula that would limit how much the state budget could increase each year and would require that the

(See WHAT, page 2)

Fairbanks
News Miner
Fairbanks, Alaska

SEP 2 1977

A crucial question: who'll control the Permanent Fund?

A strong system of checks and balances will be needed to keep the Permanent Fund from operating like a separate branch of state government, many elected officials say.

But at the same time, "If you don't have some sort of half-step removal from the political arena, you could have monumental pressure exerted on the group that manages the fund," Gov. Jay Hammond said recently.

Under legislation introduced this year, the fund would be run through a two-tiered management system. A board appointed by the governor would decide general policy within the investment guidelines set by the legislature, and a committee under that board would approve individual investments. The president of the Permanent Fund corporation would be given strong executive authority under those proposals. Permanent Fund managers could be removed only for cause.

House Bill 298, which was developed by the State Investment Advisory Committee, is a good place to start, according to Rep. Clark Gruening, D-Anchorage, chairman of the House Special Committee on the Permanent Fund, but Gruening believes tighter controls over the money will have to be built into the bill.

"Let's say that bill had been in

effect today," he said recently. "Perhaps Sterling Gallagher's plan to finance the gas pipeline could have been done strictly through that entity without any executive, the governor, or the legislature having anything to say about it."

"It may be the greatest investment in the world, but an investment of that magnitude has environmental and social implications. It also has the effect of tying up the fund from doing anything else. So something of that magnitude, I think, should require greater public input, and either that's done through your elected officials or it's done by some kind of popular mandate. I don't see any provisions for that in House Bill 298."

Hammond said the proposal for a centralized and rather independent Permanent Fund would provide a balance against legislative or administrative abuse.

"You've really created almost a three-way check and balance with everybody looking over everybody's shoulder, which I would suspect would substantially reduce the potential for abuse."

An alternative to the centralized type of management that's been discussed for the fund is a proposal to have the legislature pass a bill each year apportioning available money to eligible investments.

Senate, House Panels Split On Tactics For Fund Plan

By The Associated Press

Sharp differences in philosophy surfaced here yesterday between the House and Senate permanent fund committees over how to comply with identical mandates to draft legislation for managing the fund.

In progress reports presented to the Legislative Council, the House committee said it will conduct a series of fall public hearings as a prerequisite to drafting proposed legislation, while the Senate panel outlined plans that call for limited public participation.

The interim reports reflected differences which have been building since the two panels were created by the 1977 legislature with the House committee opting for high public visibility and the Senate panel maintaining a low profile.

The House committee chaired by Rep. Clark Gruening, D-Anchorage,

has announced all its meetings well in advance, but the Senate committee chaired by Sen. George Hohman, D-Bethel, has conducted its business without any public notice.

The philosophical differences were graphically illustrated during the Legislative Council meeting here yesterday as Hohman and other Senate committee members slipped out of the room for an unannounced meeting.

A committee employee described the gathering as a "closed, informal meeting" and said she had no idea where it was being held.

The House committee plans called for a symposium of economists in Anchorage Sept. 10 and public hearings in Fairbanks, Sept. 14, Anchorage Sept. 15 and Kotzebue Sept. 16. A formal committee meeting was scheduled for Sept. 17 in Anchorage.

Mike Doogan, staff director of the House panel, said other public hearings would be scheduled in October and the committee planned to begin drafting its recommendation to the legislature in November.

In its symposium, liberal economist Barbara Bergman of the University of Maryland and conservative Donald Gordon of Simon Fraser University in British Columbia will present opposing views on management of the fund, which is projected to total \$2 billion by 1985.

The House committee also told the council, which manages legislative affairs between sessions, that it has mailed out about 1,500 questionnaires to political and community leaders around the state.

The House panel said it has hired two consultants, Dr. Arlon Tussing of the University of Alaska and Dr. Beldon Daniels of Harvard University, for about \$30,000.

In contrast, the Senate Committee said it was relying heavily on contracts, including one single pact with a Juneau consultant which totals \$115,000.

In its progress report, the Senate committee said it would draft recommendations after studying loan programs in Alaska and other states and mail questionnaires to financial institutions, rural and native organizations, chamber of commerce members and mortgage bankers.

The Senate panel also said it would inventory capital improvement needs of Alaska communities and project permanent fund revenues through 1985.

Some have urged that income from the permanent fund, which is composed of 25 per cent of state petroleum royalties, be invested in high-yield, low-risk securities in traditional money markets outside Alaska.

Others, however, have recommended that the permanent fund should be loaned to Alaskans for business ventures or to municipalities in the state.

House approves cautious fund plan

By PAUL NUSSBAUM
Our Juneau Bureau Chief

JUNEAU — The state House Thursday gave overwhelming approval to a cautious Alaska Permanent Fund proposal designed to put about \$2 billion into a state savings account by 1985.

Another \$100 million would go to a state development corporation that is intended to make loans to private enterprises and community development projects.

THE PERMANENT FUND bill, the product of almost a year of studies and hearings by a special House committee, passed the House, 34-6, with objections from Republicans who said the development portion of the plan was too risky.

The permanent fund is a state nest egg mandated by Alaska voters in 1976, when they approved a requirement that at least 25 per cent of the money from petroleum royalty payments and bonuses be set aside for the future.

The plan approved by the House Thursday increased the ante to 30 per cent, with 25 per cent going into investments such as government bonds and corporate stocks and the other 5 per cent going to development corporation. After the development fund deposits reach \$100 million — probably by about 1982 — all 30 per cent would be placed in the "savings account."

ANOTHER 5 per cent of state petroleum revenues would be earmarked for a special fund to develop renewable resources, such as fishing and timber, under the terms of a

separate bill expected to reach the House floor next week.

The interest earned from permanent fund investments is to be spent for power projects in the state, such as hydroelectric dam construction.

The House plan for the fund differs markedly from a plan developed by a special Senate committee. The Senate proposal is likely to come to the floor of that body for a vote next Wednesday. It would reorganize the state's loan programs to use earnings from the investment of the fund for individual and business loans within Alaska.

THE TWO PLANS will undoubtedly be sent to a House-Senate free conference committee to work out a compromise proposal. Sen. George Hohman, D-Bethel, the chairman of the Senate Permanent Fund Committee, said no efforts had been made yet to plan for a compromise bill, but he said "it would behoove us to start talking with them (House leaders) about that."

In the hour-long debate over the House bill Thursday, several Republicans attempted to remove the development portion of the plan. A GOP effort to increase the amount of oil money placed in the fund from 30 to 50 per cent was also defeated.

"The public told us they wanted to set up a savings account — they wanted it saved for future generations," Rep. Ed Dankworth, R-Anchorage, said. "They told us to keep our grubby hands off it, and this violates that intent."

But Rep. Clark Gruening, D-Anchorage, who chaired the House

committee, said the savings account and the development fund "are entirely consistent with what the public told us."

Rep. Mike Miller, D-Juneau, said he was voting for the permanent fund bill "with more enthusiasm than any bill I've had a chance to vote on in seven and a half years. It is the single best piece of legislation that has been considered by the legislature in a decade."

Broadcast deadline

WASHINGTON (AP) — Mission has granted Midr extension to April 1 to r group in January.

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Hammond considers major changes in revenue sharing

By G. MICHAEL HARMON
Associated Press Writer

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

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

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

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

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

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

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

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

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

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

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

Under the current system where the state picks up 100 per cent of the cost of services in unorganized boroughs, Hammond said there is no incentive

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

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

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

The governor also said he was exploring the possibility of a similar adjustment to school

construction aid, keeping in mind that the ultimate goal of his administration is 100 per cent state funding of schools.

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

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

As Hammond explained his concept:

"We would first determine the average property values per capita found throughout all municipalities. Should a municipality then wish to construct a school, their debt service obli-

gation would be the amount which could be raised in their municipality were they to impose a mill levy equal to that which would be required if they had average property values per capita.

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

Hammond also said he would not seek passage of his Alaska Inc. concept until the state budget was not so dependent on non-recurring oil income.

ALASKA CLIPPING
SERVICE

Ketchikan Daily
News

Ketchikan, Ak.
NOV 15 1977

NOV 29 1977

State Chamber Sets Legislative Goals

The Alaska State Chamber of Commerce has issued a 14-point legislative program following a pre-legislative conference held in Juneau last week.

Chairman Cliff Taro of Ketchikan said the statewide organization set goals in economic, labor and general legislation. More than 55 chamber members representing a wide geographic and economic distribution

attended the conference.

In proposed economic development legislation, the state chamber strongly opposed additional tax increases on the oil industry.

The group says there is no demonstrated need and additional taxes would discourage further exploration and reduce opportunity for employment and future state revenues.

Oversight of the proposed coastal management guidelines was urged to insure there are no adverse impact on future employment and economic opportunities. The chamber restated its support for strong local control of regional coastal zone management plans.

In other action, the chamber:

— Reiterated its position in support of a balanced D2 program embracing multiple land use concepts.

— Urged job development legislation that encourages a favorable investment and economic climate that will permit and encourage the private sector to create jobs in Alaska.

— Urged immediate planning efforts by the state administration for ultimate use of the North Slope haul road with proper safety and security precautions protecting the integrity of energy development.

— Restated support for prompt opening of the U.S. Borax resource road in Southeast Alaska and urged Gov. Jay Hammond to reiterate his backing of the U.S. Forest Service environmental statement as expressed to the Department of Agriculture.

— Asked for physical and financial support of Citizens for Management of Alaska Lands and urged the governor to reaffirm his earlier support for excluding Southeast Alaska from D2 legislation and support of the Forest Service planning process.

— Reaffirmed the state chamber's position that calls for energy evaluation of in-state use royalty oil and gas to develop an adequate economic base for Alaska.

to just banning non-returnable containers.

The state chamber also will seek support for private coverage for workmans compensation insurance and oppose the creation of a state fund in pending reports on legislation.

The chamber group approved four specific legislative proposals.

— Support of an anti-litter program that opposes legislation limited

to just banning non-returnable containers.

— Repeal of the gross business license tax and support of a revenue sharing program from the state's general fund to the municipalities.

— Continued support for a two-house legislative system.

— A proposal that the permanent fund be used to develop economic enterprise both private and municipal.

ALASKA CLIPPING
SERVICE

Fairbanks
News Miner
Fairbanks, Ak

NOV 30 1977

Shortfall \$56.5 million

JUNEAU (AP)—The state's projected revenue shortfall for fiscal 1978 has been revised downward from about \$100 million to \$56.5 million, Revenue Commissioner Sterling Gallagher said Tuesday.

"The forecast for fiscal year 1978 indicates total unrestricted general fund revenue will be \$756.5 million after the permanent fund and Native land claims payments are made," Gallagher said.

"Matched against a general fund budget of \$813 million, a shortfall of \$56.5 million is projected," Gallagher said in a statement released by his office.

ALASKA CLIPPING
SERVICE

Anchorage Daily
Times
Anchorage, Ak.

Iffy Proposition

THERE ARE more ifs concerning Alaska's permanent fund and its future than there are in Rudyard Kipling's famous poem.

Rep. Clark Gruening confirmed this recently when he told the Anchorage Bar Association that unanswered questions about the fund involve whether to take Alaska's royalty oil in cash or kind, what the management goals should be, how much of the fund's principal should be saved and who should manage it.

THE CHAIRMAN of the permanent fund committee esti-

mates that it will amount to between \$750 million and \$1.5 billion by 1985.

"We should be aware that this can slip through our fingers very easily," said Mr. Gruening.

To guard against such erosion, he added that the committee is taking a conservative approach and is determined "to protect the fund at all costs."

We hope all the other groups involved in deciding the fund's future will include the concept of protecting it in their deliberations.

Cordova Times
Cordova, Alaska

Public Forum workshop slated for Sunday

Management and use of the Permanent Fund, the future of subsistence use of fish and wildlife in Alaska, and the transfer of state land to private ownership will be topics of Sunday's Alaska Public Forum workshop slated for 1 p.m. in the high school library. Gov. Jay Hammond will make introductory comments and spend the afternoon listening to the ideas and recommendations of

participants on these major state issues.

The Alaska Public Forum is a program of the Alaska Growth Policy Council. It is encouraging Alaskans in a state-wide effort, to get involved and speak out on state issues.

Last year, in the first year of public forum activities, the Alaska Public Forum held workshops in more than 50 communities from Ketchikan in the

Southeast to Barrow in northern Alaska. Over 4,000 people became involved. Numerous laws and state policies emerging from Juneau already reflect the remarkable impact that citizens can have in state decision-making and on the future of Alaska.

At the conclusion of the forum workshop, Gov. Hammond will hold a people's news

(See Public, page 3)

Public forum...

(Continued from page 1)

conference during which he will field audience questions. They need not be related to previously discussed public forum issues.

For those who cannot attend Sunday's workshop but would like to participate in the public forum, return questionnaires are available in this newspaper.

ALASKA CLIPPING
SERVICE

Anchorage Daily
Times

Anchorage, Alc
NOV 27 1977

On The Back Burner

THE ANNOUNCEMENT by Gov. Jay Hammond that he will not push for enactment of his Alaska Inc. proposal at the next legislative session demonstrates political maturity.

His decision not to make "must" legislation of his plan for giving each qualified Alaskan a piece of the profit pie from the permanent fund defuses a potential bomb.

The governor hasn't junked his idea, but has opted to put it on the back burner for the hot campaign ahead. He indicates awareness that there is no point in creating a hassle over sharing the profits from the permanent fund before the mechanics of how the fund will operate and who will manage it are shaped by the legislature next year.

GOV. HAMMOND IS also realist enough to know that Alaskans haven't demonstrated overwhelming enthusiasm for his Alaska Inc. proposal, so he has cooled it as a major campaign issue.

As originally proposed, Alaska Inc. was designed to funnel permanent fund profits directly into the pockets of established Alaska residents. This simplistic solution to the problem of sharing the wealth from our non-renewable

resources has undergone some revision in the months it has been kicking around.

In a recent speech to the Alaska Federation of Native convention in Anchorage, he said Alaska Inc.'s sharing formula could take various forms.

"It could be a simple tax credit, income insurance, a low interest loan, social security supplement, a piece of land or even a direct dividend."

Thus, while the legislature works on a way to establish and manage the fund, the governor is considering revisions which he hopes will make Alaska Inc. more appealing to Alaskans.

HIS COMMON SENSE decision not to make Alaska Inc. a top priority legislative issue doesn't mean abandonment of one of the more innovative proposals of his administration. It's still his idea and he is proud of it.

He knows, however, there really won't be much to share next year, so a year's delay will mean no great loss in prestige or dividends.

He also knows that the best endorsement of Alaska Inc. would be his re-election. If that happens, you can be sure it will be "must" legislation for the 1979 legislature.

ALASKA CLIPPING
SERVICE

Southeast Alaska
Empire
Juneau, Alaska

NOV 22 1977

Permanent Fund 'ifs' Remain, Warns Solon

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

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

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

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

Channing said the committee is taking "a pretty good position" that is pretty "unorthodox" to protect the fund at all costs, until the day of operating and maintaining it are clear.

Channing said the committee now is on "a 2-2" proposal to establish a board of trustees to manage the fund. Such trustees would be appointed by the governor and approved by the legislature.

Channing said one of the committee's proposals is to set a 10 percent annual interest rate of about 10 percent. Paid to citizens, changing a 5 percent return would mean a net loss or a gain of \$100 million.

Fund Should Help All Alaskans, Panel Says

By PATTI EPPLER
Times Staff Writer

Kicking off a series of statewide public discussions on the uses of Alaska's permanent fund, two Outside economists and a five-man citizen's panel yesterday debated the many ways the fund should be used but agreed that the benefit of all Alaskans should be the main goal.

Dr. Barbara Bergman of the University of Maryland and Dr. Donald Gordon of Simon Fraser University in British Columbia were asked by the House Permanent Fund Committee to evaluate the issues involved with the fund and present their views on management of the fund.

Members of the citizens' panel were John Havelock, former state attorney general; Dr. George Rogers, former economist from the Institute of Social and Economic Research; Jamie Love, director of the Alaska Public Interest Research Group; Tim Bradner, an oil industry consultant, and Dr. John Lindauer, chancellor of the University of Alaska, Anchorage.

Ms. Bergman, considered to be a liberal in the field of economics, outlined three courses of action fund managers could take. The first she termed the "spend it as fast as you get it" approach, involving spending the money as soon as it came in and seeking new sources of revenue when oil-related revenues ran out.

The "gilt edge" approach would call for investment of the capital in markets in the Lower 48 and use the income gleaned from those investments in Alaska.

A third approach would be to use the fund as a development fund which would broaden the tax base in Alaska, she said, adding that the income from this approach would not be as big as from the "gilt edge" approach. "I would argue caution for the development fund approach," she said.

"The idea of the permanent fund is to preserve resources for future generations. You have to make sure the grandchildren are taken care of," Ms. Bergman said, likening the situation to that of managing the funds for a

family. "The real guts of the thing is the benefits and costs to groups of individuals . . . They all have different values."

Gordon said he was "intrigued by the suggestion of the governor to pass out the income to the people." He discussed advantages and disadvantages of a development bank, using money from the fund to stabilize the economy and use of the money so it benefits Alaskans.

"If you don't find a way to benefit Alaska, you might as well write a check to Jimmy Carter because that's where it's going," he said.

"I was struck by the awesome responsibility of those who are to decide what is going to happen with the permanent fund and the oil revenues," he said. "I think it's a very tricky problem and largely a legal one."

Members of the citizens' panel expressed opinions on uses of the fund from the point of view of what is needed in Alaska. Love said he thought proper management of the fund might be a problem and advocated public inter-

vention in the program when necessary.

Making sure the programs are doing what was intended should be a major concern of fund managers as well as the "fiscal integrity" of the fund, Love said. Distribution of the money should not be based on politics, he said.

Lindauer said he was concerned about distribution of the fund's income but was equally concerned about investment of the money by the state. He suggested loaning it to private lending institutions including banks and credit unions at a low interest rate so those institutions could in turn re-lend it to the public at comparably low interest rates.

"The goal . . . is to directly benefit today's Alaskans to have a better quality of life and standard of living," he said.

The permanent fund committee is scheduled to conduct a second public meetings on uses of the fund Thursday in Anchorage. Other meetings are planned for Juneau, Fairbanks and Kotzebue.

3-16-78 *Empire*

Permanent Fund

Facing the legislature this year is a problem that makes the other 49 states green with envy: what to do with the billions of dollars that will be channeled into the permanent fund.

When voters overwhelmingly approved a constitutional amendment in 1976 which would establish the fund, the thought uppermost in everybody's minds was to put the anticipated resource revenue money aside for the future. Alaskans had seen \$900 million generated through the sale of Prudhoe Bay oil leases dwindle away and wanted to invest future revenues and keep the resource income out of the state's general fund.

As legislators and executive branch officials considered what to do with the fund, three different philosophies developed. A House committee set up to study the fund has recommended a relatively small loan fund of \$100 million be established for development in the state. The Senate version recommends that almost all of the fund's income be used for loans and the executive branch's proposal is about halfway in between.

It is not too much of a simplification of the three proposals to say that the House plan embodies the principle of building a nest egg; the Senate plan is typical of the 'easy money' philosophy and the administration plan is a little of both.

Of the three plans only the House version seems to be modest enough to meet the expectations of the 1976 voters. The permanent fund was approved partly in response to the vaporization of \$900 million Prudhoe lease money and partly because voters believe that state revenue should be treated just like personal income—cautiously.

As lawmakers begin the process of hammering out a permanent fund proposal we can only hope that they don't forget the premise Alaskans voted upon when they approved the fund concept. The very name 'permanent fund' implies that the resource money channeled into the kitty be used as a foundation for the future. The only way to ensure that is to put a lot of money in and make it hard for bureaucrats to take a lot of money out.

That's the direction the House is moving and we hope the Senate will go along.

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Important Questionnaire Inside



The Alaska Public Forum

A program of the Alaska Growth Policy Council

The Alaska Public Forum: Alaska's Travelling Road Show

The Preview

The Public Forum may never make it to Broadway. And it may never be the Critics' Choice. But its billing is far from modest.

**"Alaskans Deciding Alaska's Future.
Come to the Public Forum,
It's not just another boring meeting."**

The suspense lies in that the script is only partially written. It will take years for the drama to unfold. You are the director, the audience, and the critics. The lights are dimming, the curtain is about to go up. Don't miss the sneak preview.

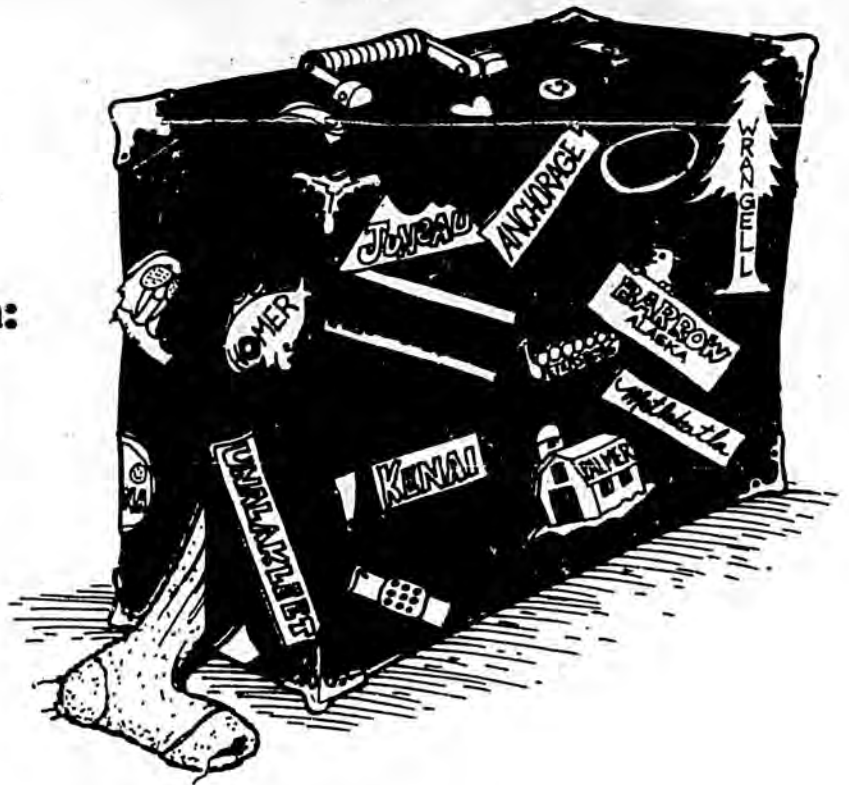
The first act begins with the Alaska Public Forum on tour around the state. A brief glimpse of the setting reveals the nature of this travelling road show. From Angoon in Southeastern to Wainwright on the Arctic Ocean, the Public Forum is, quite simply, the people of Alaska—you, your neighbors, your friends down river or up the road—sitting down to discuss important state issues and then making recommendations on those issues to the Governor and state legislators. The Forum is state leaders listening to the ideas of Alaskans. Ultimately, the end result of the Forum is that policy makers weave the directives of the people into decisions which will shape the future of Alaska.

The Public Forum sets the stage for Alaskans to voice their opinions on a series of state issues and promises that those responses will not be lost. You are asked to read, think about, discuss, and recommend action on such topics as land, subsistence, the Permanent Fund, and the balancing of the state checkbook.

The Alaska Public Forum is directed by the Alaska Growth Policy Council. This eleven-member council was created by the Governor in 1975 for the purpose of broadening citizen involvement in matters of statewide importance.

The Alaska Growth Policy Council members are:

Lowell Thomas, Jr., Chairman	
Mark Boesser	Leonard Lane
Tim Bradner	Harold Pomeroy
Frank Homan	Lidia Selkregg
Jimmy Huntington	Herb Smelcer
David R. Klein	Diana Tillion



In April 1977, the Public Forum concluded its first year of activities. More than 3,500 Alaskans in 60 urban and rural communities throughout Alaska participated. That enthusiastic response signaled a promising beginning. The past year has shown that citizens want to be included in making policies which will directly affect their lives and, also, that it is possible to inform people and get meaningful responses on complicated issues.

The Performers

We encourage you to be "on stage" and to speak out.

The Alaska Public Forum meetings are not only free, they are open to everyone, and you are invited to attend. In addition, several individuals throughout the state will be selected at random and asked to participate in local meetings.

If you cannot attend a workshop, please fill out the questionnaire at the end of this paper and send it to the Growth Policy Council. Your thoughts on these issues are extremely important. They will be made available to both the Governor and the legislature for use in the upcoming legislative session and in the preparation of the state budget.

There are decision makers who want to know what you think. That is what makes the Public Forum unique. If you want to play a role in determining the future of Alaska for yourself and your children, join the Travelling Road Show when it comes to your town.

The Program

The Alaska Public Forum will tour the state from October to December. The schedule of meetings include the following communities.

Dillingham	Oct.
Togiak	Oct.
Wainwright	Oct.
Kotzebue	Oct.
Noorvik	Oct.
Anchorage	Oct.
Nunapituk	Oct.
Emmonak	Oct.
Fairbanks	Nov.
Chalkyitsik	Nov.
Kenai	Nov.
Galena	Nov.
Copper Center	Nov.
Cordova	Nov.
Hoonah	Nov.
Ketchikan	Dec.

In addition to these meetings, the Public Forum will conduct a workshop on November 11 during the Alaska Federation of Natives Convention scheduled to be held in Anchorage.

For those people who cannot attend one of the community meetings, this newspaper you are reading contains a questionnaire on the last page. This may be filled out and mailed in without attending any previous meetings. The information contained in this paper is the same material which will be the basis for discussions during the workshops.

Your Invitation

This newspaper is your invitation to participate in the Alaska Public Forum, whether you choose to do so at home or at a workshop. At public meetings, this publication will be used as the agenda. You will be asked to read and discuss the background information provided on these pages. Afterwards, you will be able to answer a series of questions which will serve as your recommendations to state leaders. If you choose to participate in the Public Forum

at home, we urge you to read the following pages, fill in the questionnaire on the last page, tear that page off, fold as directed, and mail it back to us. No postage is necessary.

There is an abundance of information contained within these pages. It has been collected from knowledgeable people throughout the state and then condensed to provide you with the basic information you need to answer the questions. We have tried to

keep from overloading the pages with technical material, and yet some background is helpful to better understand the implications of each question and answer.

We welcome any comments you may have about the Public Forum process. Please feel free to jot them down at the bottom of the questionnaire. We urge you to participate and look forward to receiving your answers.

**PLEASE FILL OUT THE QUESTIONNAIRE ON THE BACK PAGE
AND RETURN IT TO US — Alaska Growth Policy Council, 429 D Street, Anchorage, Alaska 99501**



Introducing: The Cast of Characters

Taking a quick bow on stage are this year's cast of characters whose script you will help to write. These are the issues as they are today. What they will look like tomorrow depends on how we collectively plot their destiny.

Two have returned this year by popular demand—Alaska's Land and the Permanent Fund. Two more will make their debut in October when the Public Forum goes on tour—Subsistence and The Billion Dollar Enterprise.

Land

Last year during Public Forum meetings, the management of state land was an intense emotional issue promoting lively discussions. The question was "What should be the objectives for managing Alaska's land?" The most popular choice was "to provide land for people's needs." But those needs were defined differently from individual to individual and from region to region.

Surrounded by waterways and national forests, Southeasterners called for land for homesites and cautioned the state to keep lands out of the hands of speculators.

In the North, the home of the Inupiat Eskimo, residents wanted their needs met through better management of renewable resources.

Land for homes was a major concern in the populous southcentral region. Again, participants urged that state lands be kept out of the speculative market and also voiced support for preservation of the environment.

In the Copper River region, land for homesites, farms, and renewable resources were viewed as most important, with special interest that agricultural areas be protected.

Communities along the Gulf of Alaska, from Kodiak to Yakutat, wanted land for homes.

And in the Interior, land for homesites, recreation, and preservation of wilderness and wildlife were given priority.

This year we hope you will answer more detailed questions about those individual needs for land you feel the state should address. In addition, we would like to know if you think the state should sell this land or use long-term leases to make this land available for private use and whether state land should be made available for private use at or below market value.

Subsistence

While subsistence was not among the prepared questions of the Public Forum last year, the need for the protection of the subsistence lifestyle surfaced continually as a vital concern. Public Forum discussions, particularly in northern and southwest Alaska, were permeated by the feeling of a people caught in transition and desperate to protect some portion of their traditional way of life.

In the area of fish and wildlife management, subsistence use of the resources has become a very controversial issue. The animals and fish necessary to sustain a subsistence lifestyle are not limitless. With the growing population of the state, these resources are subject to increased pressures from hunting, fishing, and development of the land.

State policy recognizes subsistence use of fish and wildlife as the highest priority among consumptive uses of the resources. And yet there are many people who feel that the state has not lived up to that policy.

We hope that Public Forum discussions will generate a better understanding of the complexities of the subsistence issue and also provide suggestions for an equitable solution. In a departure from the usual Public Forum style, the questions on subsistence are open-ended. We felt this was the best way to allow for all interpretations rather than constrain answers to a specific list of options. However, before answering the questions, we urge you to read carefully the background information on subsistence.

The Permanent Fund

The tubby little character you see flexing his muscles under the spotlight is called the Permanent Fund. For those of you who participated in the Public Forum last year, he may look familiar, although he's grown a little fatter during the past 10 months.

The Alaska Permanent Fund was created in November 1976, when Alaska voters approved a constitutional amendment which stated that at least 25 percent of certain specified oil and other mineral revenues coming into the state would be used for investment purposes. None of that money can be put into the General Fund for state programs. It can only be invested. The money invested must ultimately return to the Permanent Fund. The portion which

may be spent in future years is the interest from those investments.

Last year the Public Forum asked "How should the Permanent Fund money be invested?" An overwhelming number of participants statewide voted to invest the Permanent Fund money in renewable resource industries such as fisheries, farming, and ranching. The second choice, those with guaranteed earnings and high returns. There was also considerable support for increasing the size of the Permanent Fund.

In January, the legislature will consider laws governing the management and structure of the Permanent Fund. If revenue projections for the future prove to be true, by 1985 the Permanent Fund will have accumulated \$1.3 billion (assuming the 25 percent minimum contribution). Deciding the destiny of the Permanent Fund is an enormous responsibility. Your advice on what goals should be achieved through investment of Permanent Fund money will be valuable to legislators and the Governor.

The Billion \$\$ Enterprise

Life would be considerably easier if we all had a wealthy aunt to support us in the style to which we would like to become accustomed. However, most of us must contend with juggling our finances to make sure that the money earned covers the amount spent. Imagine that experience on a grand scale.

Balancing the state checkbook involves close to a billion dollars. The Alaska state government is responsible for providing a wide variety of goods and services to the public. It must pay for these activities from the State Treasury.

Since statehood, revenues from the sale of our mineral resources have financed an increasing proportion of state operations. Today, approximately 55 percent of all government activities are paid for with mineral sale revenues. The Governor is particularly concerned over this growing economic dependence on mineral resources, since our mineral deposits are ultimately finite.

Substantial oil revenue seems assured for at least 10 years. However, the question is how will we pay for government when revenue from mineral sources ultimately declines?

Since state legislators and the Governor must determine the level for state expenditures, they are interested to know how you feel about using non-recurring oil revenues to finance state government.



Land

Land. It is our greatest natural resource, and one that touches us all in a personal way. Few issues affect us more deeply than how it is used.

Surrounded by millions of acres, many Alaskans lament the scarcity of land for their particular needs. For example, some Alaskans want land available for a home, garden, and a measure of privacy; another group looks to land to maintain their subsistence lifestyle; and others want land made available for recreation and agriculture.

The majority of participants in last year's Public Forum told us their most important objective for managing Alaska's land was "to provide land for people's needs." Yet "people's needs" varied from person to person and from region to region.

This year we would like to know more detail about the personal needs you think the state should meet and how it ought to meet them. But first, some background.

Land Ownership in Alaska

There are 365 million acres of land in Alaska. The federal government owns the largest chunk—215 million acres. Under the Statehood Act, Alaska is entitled to more than 103 million acres, an area a little larger than the state of California. Private landowners, including individuals and the native corporations, hold or will soon receive title to 45 million acres. Boroughs and municipalities own or have selected about 1.2 million acres; 900,000 of these acres were originally part of the state entitlement.

State Lands

To date, the state has selected 71 million acres of its 103 million-acre entitlement. Full title has been conveyed on 20 million of those acres, and another 15 million have been tentatively approved for state ownership. The state is free to manage, sell, or lease only the 35 million acres which are patented or tentatively approved.

State lands are concentrated in southcentral, southwest, and interior Alaska, with scattered selections in southeastern and arctic Alaska. The State Division of Lands estimates that only about four percent, or 15 million acres, of the total land area of Alaska is well suited for intensive use—for homes, commercial, and industrial development, etc. Much is too steep for development, while other areas are wet or susceptible to flooding. Permafrost, poor surface soil, geologic hazards, and fragile vegetation are other limitations that directly increase construction costs, cause erosion, or even endanger life.

Realistically, there is simply not enough suitable land to satisfy everyone. Compromises and trade-offs will have to be made, and it is important to understand the limitations of the state's capabilities in providing land for private use.

State Land Available for Private Use

A homesite act went into effect in September 1977, making parcels of up to five acres available for permanent homesites. The act calls for classification and survey of 25,000 acres of state land for homesite entry.

Residents of Alaska for the past six years or a total of 20 years may apply for a tract for a \$10 filing fee. To obtain patent, the applicant must live on the land a total of 21 months within the first three years (only five months for 20-year residents) and build a permanent home within that time. They must also reimburse the state for survey costs.

Land is excluded if it lacks adequate drainage or water supply, has agricultural or mineral potential, is located where homesites would threaten fish regeneration or where existing services provided by the state and municipalities would be inaccessible, or is unsuitable for community or onsite sewage disposal.

About 1,500 acres that meet the proper standards have been located in the areas of Tok, Delta Junction, Rex, and Central. The first disposal of homesite

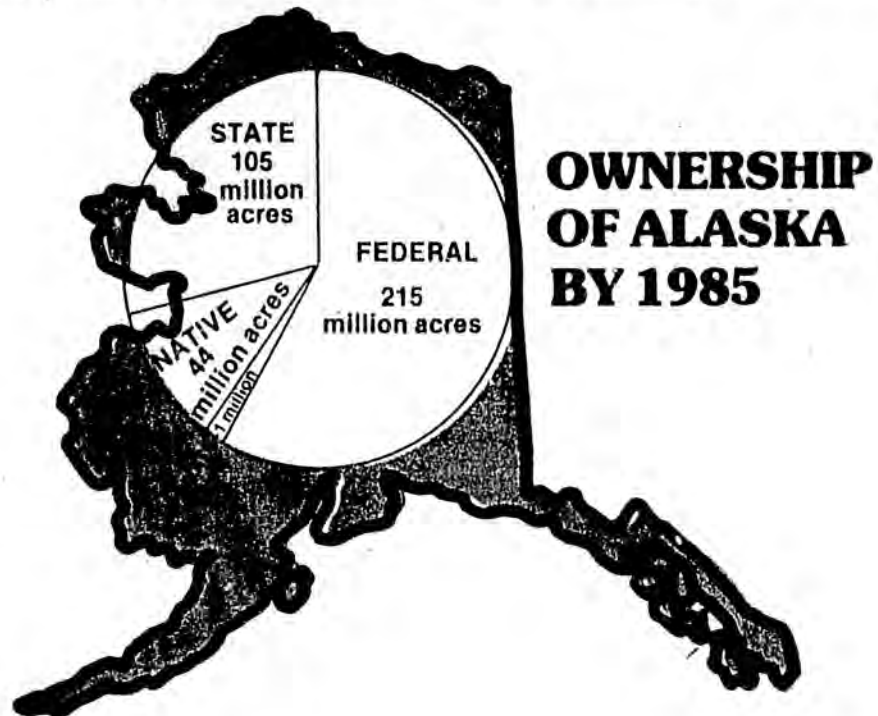
tracts is tentatively scheduled for spring 1978.

The program will be difficult to implement in the state's organized boroughs where most of the best homesite land lies. These boroughs would have to provide many of the services for homesite families.

Some boroughs are refusing to permit any further classification of land within their boundaries until they receive title to the lands they have selected. Municipalities are entitled to select 10 percent of the vacant, unappropriated, unreserved state land within their boundaries under the Mandatory Borough Act of 1963. A bill that would have settled the municipal land entitlement failed to pass the last legislative session.

Other boroughs are refusing to waive their subdivision regulations requiring the subdivider to construct roads. Under the homesite bill the state itself is acting as subdivider. Since the legislature did not appropriate money for road construction, it is impossible for the state to comply with that portion of local laws.

If the state goes beyond borough borders for homesites, the land still must be near an existing road network which does not overlap selections by natives or the federal government under the Alaska Native Claims Settlement Act.



Land for Recreational Homes and Cabins

The state's open-to-entry program, which opened in 1968, was an earlier attempt to meet the desire of Alaskans for a personal piece of wilderness. More than 2.5 million acres were classified as open-to-entry in semiremote areas near Fairbanks, in the Susitna Valley, on the Kenai Peninsula, in the areas of Kachemak and Resurrection Bays, around Tok, and on Kodiak Island.

Residents could stake up to five acres and apply for a five-year renewable lease. They could buy the land for fair market value at the time of staking, provided they paid for their own land survey.

More than 3,600 parties staked and leased tracts under this program. It was discontinued in 1973 after it proved increasingly difficult to administer and fell prey to various abuses. Further, it had failed to set aside areas for roads and trails and areas with high public recreation value.

The state had assumed that individuals were looking for isolated tracts, but people tended to cluster their fillings near settlements and areas with water frontage. With no overall plan, entries sometimes overlapped or left pieces of unusable land between them.

Any new program for providing recreation lands should be designed to avoid the pitfalls of this earlier one and to carefully address Alaskans' practical desires and needs for recreation land.

Land for Urban Homes

State land near established communities where jobs, public services, and amenities already exist is deceptively scarce. In the years before statehood, much of the land in and around the population centers of Anchorage and Fairbanks was acquired by private owners under the federal Homestead Act. After statehood, the state selected most of the remaining lowland area. Municipalities have since selected or received approval or patent to about 900,000 acres of state lands. More than 168,000 acres originally owned by state and local governments are now in private hands through borough and state land disposals.

As a result, much of the best-located land within commuting distance of urban centers is already owned privately or by local government. Much of the state land which remains near growing urban centers is held in trust to help support the state's mental health program, public school system, and the University of Alaska.

Other state land near cities has been selected by local governments under the Mandatory Borough Act or pressed into a public service-related use. In the Anchorage Bowl, for example, the state owns 8,200 of the 64,000 acres. All but 300 of those acres are mental health, school, and university land or pre-

used for airports or leased to the municipality. The remaining 300 acres are scattered throughout the bowl, and much of it is used by some public agency or is under selection by the municipality.

Land for Farms and Rural Homes

In 1976, the legislature passed a bill calling upon the Department of Natural Resources to classify 650,000 acres for sale for agricultural use only. Through this classification, the state protects this resource from uses that would render it unsuitable or unavailable for farming. These tracts will probably have to be conveyed in much larger tracts than the 160-acre federal homestead parcels since these proved too small to support Alaska agriculture in almost all cases.

Land could also be made available for rural homesites away from established communities. However, such a program might encourage urban sprawl and unplanned development. Many of these homeowners would have to commute long distances to urban jobs, aggravating traffic problems. Additionally, extending public services to these areas might be expensive and unpopular with local governments.

Land for Small Businesses

Many Alaskans dream of owning a small family business. The state could make some of its lands available for such uses as a country store, cottage industries, a roadside cafe, or a taxidermy shop. Some people feel this option represents state intrusion into private industry, while others point out that finding land for small businesses near existing communities would pose the same problems as finding land for urban homes.

Land Held in Trust

State land could be preserved in its natural state as a bequest for future Alaskans. It could be managed for existing uses or to insure productivity of fish and wildlife and other resources for recreation and subsistence.

Land Conveyance

Currently, state land can be transferred to private use either through fee simple sale or by lease. All or partial rights can be conveyed at either full or below market price. Each of these options has advantages and disadvantages.

Sale

Some people believe that the sale of state land would relieve scarcity and consequently lower prices. However, since the state owns very little land in areas where there is a shortage of building sites, this course would have little effect. In many rural areas the high cost of land is due not to a shortage of building sites but to competition among speculators which has boosted prices. Among the

more than one million acres privately owned in Alaska (not including native lands), about 10 percent is used for homes, farms, industry, recreation, and commercial development; 90 percent is used only slightly or not at all.

Lease

When the state leases land it retains title but authorizes other people or agencies to use it. The state's school, mental health, and university lands are examples of leased lands which are held to earn revenue for specific purposes. Some lands, such as state tidelands and lands classified for resource management, may only be leased and not sold. Leases generally run for 55 years with an option to renew for another 55 years. Subleasing is permitted on improved properties.

Greater use of leasing has been suggested as a way to reduce land speculation, retain a measure of land use control within the state, and allow the state to share in the revenue to be gained through rising land values.

Selling or Leasing Land at or below Market Value

Selling or leasing land at market value maximizes income to the state. At the same time, there is evidence that this practice inflates surrounding land values and actually casts the state in the role of developer.

State lands are generally sold or leased at public auction for no less than current appraised value. However, the auction method produces intense competition, and properties sometimes sell for two to four times the appraised value. Parcels without successful bidders can be offered over-the-counter for no less than appraised value.

Total proceeds to the state have not been great. The Division of Lands estimates that state coffers have been enriched by \$33 million through land sales since statehood. That averages less than \$2 million per year, or less than one percent of the annual state budget.

If the state opts to sell land at below market value, it must decide that meeting individual needs is more important than earning maximum profits. The home-site bill and open-to-entry program, previously discussed, are examples of land disposal below market value.

If land is leased or sold below market value, the state must decide who is to benefit. Certain land uses could be encouraged by giving preference to those applicants who would use the land in a designated way, such as for agriculture. On the other hand, certain categories of people might first qualify for a price break. These might be people with low incomes, those who own no other property, senior citizens, or long-time state residents. Some people have suggested a lottery system.

I. Land Questions:

A. Please rank the following private uses of land according to which you think the state should stress the most. (1-most important, 6-least important)

- 1. Provide land for recreational homes and cabins
- 2. Provide land for homes near existing communities
- 3. Provide land for homes away from existing communities
- 4. Provide land for farms
- 5. Provide land for small businesses
- 6. Keep land in trust for future Alaskans

B. Should the state sell this land or use long-term leases to make this land available for private use?

- 1. Sell the land
- 2. Use long-term leases
- 3. Don't know

C. Which of these users, if any, do you think should not have to pay the full price of the land that they use?

- 1. Farmers
- 2. People with low incomes
- 3. Loggers
- 4. People who have lived in Alaska a long time
- 5. People who do not own other land
- 6. People who are chosen by lottery
- 7. Other _____
- 8. No one should pay less than the full price

PLEASE FILL OUT QUESTIONNAIRE ON BACK PAGE.



The Subsistence Lifestyle

Introduction

One of the most sensitive and controversial issues facing the state in the area of fish and wildlife management is subsistence use of the resources.

At the heart of the problem lie these questions: What does the term "subsistence" mean? What is a fair method to determine who should use these resources for subsistence purposes? And what management system would best assure the well-being of animal and marine life, and also provide for subsistence uses?

There are no easy answers.

As Alaska's population grows, pressures increase on fish and wildlife and conflicts intensify over who should be allowed to hunt and fish. While no one likes the idea of restrictions on his activities, today's level of dependence on the land cannot be sustained for an ever-increasing number of people. Eventually, demand will exceed supply.

In any discussion of hunting and fishing, we must keep one critical element clearly in focus—the protection of healthy populations of fish and wildlife. If we pursue them to extinction through overuse of

the resources or abuse of the land, any further discussion will be purely academic.

The Alaska Constitution says that these resources belong to all Alaska citizens. The state has the responsibility for managing resident populations of fish and wildlife, with the exception of some species of marine mammals, migratory birds, and endangered species. As manager, the state has already assigned some priorities for use. In 1973, the Alaska Department of Fish and Game and the Alaska Board of Fish and Game recognized subsistence use of fish and wildlife as the highest priority among other consumptive uses, i.e., recreational and commercial. Governor Hammond recently stated, "To preserve the potential for the subsistence way of life is an extremely high priority of my administration."

Few people, we imagine, would argue against the state establishing preferential treatment for the person who relies solely on the land and sea to provide for his or her existence.

But the issue is far more complicated than that.

There are few examples today in Alaska of "pure" subsistence, that is, total reliance on the land for food, clothing, and shelter. In most cases, modern

conveniences and technology have become part of the subsistence lifestyle, and as a result there are varying degrees of dependence on some cash income. In addition, use of fish and wildlife resources for recreational, cultural, and commercial pursuits overlap or are intimately interwoven with subsistence living. While it may be possible to determine how many pounds of meat and fish are necessary to keep a person alive, we cannot measure the emotional or spiritual benefits of following such a lifestyle.

Even though the state government has assigned highest priority to subsistence, many people feel that the state has not lived up to that policy. However, the difficulty lies not in a recognition of the problem, but rather in the complexity of determining who the subsistence users are and what program might best provide for that use.

Through the Public Forum process, we hope that many people will share their views on subsistence. Perhaps then, with a better understanding of the problem statewide, the question of subsistence use can be dealt with fairly and the continued well-being of the fish and wildlife resources will be assured.

What is subsistence?

Although there is a state law defining it and several federal and state policies recognizing it, there is no universally accepted definition for subsistence.

The Alaska Statutes define subsistence fishing as "the taking, fishing for, or possession of fish, shellfish or other fishery resources for personal use and not for sale or barter." The statutes define subsistence hunting as "the taking of game animals by a state resident for food or clothing for personal or immediate family use."

In 1973, the Federal-State Land Use Planning Commission sponsored an informal conference on "Subsistence Uses of Fish and Game in Alaska." The participants concluded that an acceptable definition should include "(1) to sustain life, (2) for economic benefit, (3) for relaxation and recreation, and (4) to maintain a lifestyle or culture." The majority felt that "to sustain life" should be the highest priority and "to sustain a lifestyle" the second priority.

Some may define subsistence activities as the direct use of fish and wildlife for food, clothing, and shelter. Others may include some commercial uses such as the sale of ivory, furs, fish, fish eggs, handicrafts, and clothing. Still others feel that the taking

of fish and wildlife resources is a vital part of their cultural and historical heritage and involves traditional foods, art, and religion.

For the purposes of discussion, consider the following questions involving current "subsistence" uses.

1. Is the taking of walrus so that saleable handicrafts can be made from the ivory a subsistence activity?
2. Is guiding others on hunting and fishing trips a subsistence activity?
3. Is taking moose, caribou, or fish to supplement a person's diet a subsistence activity? Even if the person depends mostly on a job for pay?
4. Is the harvesting of fish to provide food for sled dogs used exclusively for racing a subsistence activity?
5. Is commercial fishing a subsistence activity if a person relies totally on that activity for his or her livelihood?

Who should use the resources for subsistence purposes?

In the next decade we may have to face a very difficult and sad question: If there are not enough fish and wildlife for all subsistence purposes, who should be allowed to fish and hunt?

Some people have suggested that priorities should be based on the user's (1) degree of dependence, (2) past cultural or historical use, (3) local residency, and (4) traditional versus modern methods and means of harvest.

Degree of dependence

Most native people, as well as other Alaskans living in rural areas, spend much of their time hunting, fishing, trapping, and berry picking. These food sources supply a major portion of their diet. Although commercialization of fish, ivory, and fur long ago introduced a cash economy in rural Alaska, many villages and outposts of the state still lack cash employment opportunities. This forces most rural Alaskans to depend on the natural environment to provide a significant part of their livelihood.

Cultural or historical use

Activities which sustain life often have roots which go much deeper than that of purely satisfying a physical need. For centuries the Alaska native people depended completely on the land and sea to survive. This was the foundation on which societies were structured and the life which gave a people dignity and pride. Obvious examples today are the arctic communities where activities and social status depend on the catching of the bowhead whale.

For native people subsistence is an intimate part of their life and a celebration of culture. During the Public Forum workshop in Bethel last year, the protection of the subsistence lifestyle was raised as a vital concern. One young man explained, "The young people who went out to school, like myself, when we couldn't have subsistence foods, sometimes we get up from the table with tears. I mean, you couldn't help that. It is not only to fill yourself, your hunger, stomach, but also to fill your being ... to have a good feeling, to have mental health and employment. If subsistence is threatened, then you take away all these things."

But subsistence is not entirely an ethnic pursuit. In the past, many Alaskans, regardless of their origins, lived predominantly off the land. While their reasons for wanting to continue such a lifestyle may not be what are traditionally thought of as cultural, they too have strong emotional and historical ties to the land.

Some people believe that only Alaska natives should be allowed to continue subsistence activities. They maintain it is the only possible solution for protecting their heritage and unique cultures. Others feel that qualifying a subsistence user by race or ethnic origin would be contrary to the Alaska State Constitution, which recognizes all citizens as equal under the law. Furthermore, a "natives only" policy does not address the matter of need, which varies between individuals, communities, and geographical areas.

Local Residency

Many people feel that those who harvest subsistence resources from areas around where they live should be given first preference to continue to hunt and fish there. That would mean that priority for the use of resources would be determined by local residency. This policy would require a definition of residency. Would it be based on a certain number of years? Would it allow new residents to subsistence hunt and fish? As communities expand, pressures on local fish and wildlife would undoubtedly increase.

Traditional versus modern methods and means of harvest

Modern technology has changed the pattern of subsistence living. Modern tools, firearms, and transportation methods are becoming increasingly available to the subsistence hunter and fisherman. With this technology available, the subsistence user has the capability of ranging further and taking more animals than his needs may dictate. Thus, his impact upon the fish and wildlife can be much greater now than was possible in the past.

Only a few years ago, it was customary for residents of Fairbanks and Anchorage to drive out of the city in the fall to shoot a moose or caribou for the winter. Now, however, game animals have been so heavily hunted near these growing urban areas, particularly along the road system, that this is seldom possible. As a result, many city dwellers seek more remote wildlife by using aircraft, off-road vehicles, or riverboats. Since those methods of travel also allow rural Alaskans to range further and take

more game than in the past, competition between sport and subsistence users is increasing for often diminishing wildlife resources.

Some people feel that those who use older, more traditional methods of harvest, such as travelling by foot, dogsled or skinboat, should be given preference in subsistence pursuits. This would undoubtedly limit the take of resources. However, others argue that this option is unrealistic and comparable to asking the urban dweller to give up his automobile and return to the horse and buggy. Perhaps we can distinguish between people who subsistence hunt on snow machines and those who still use dogsleds. But it is less clear in establishing priorities when the choice is between two modern modes of transportation such as the snow machine and airplane.

Another suggestion has been to allow all traditional and current methods of taking fish and wildlife, but prohibit the use of any new technological developments in weaponry or transportation for future subsistence activities.

Management of Fish and Wildlife

The State of Alaska is responsible for the management of all resident populations of fish and wildlife except when excluded by federal regulations or international treaty. Two citizen boards, which are appointed by the Governor (the Alaska Board of Fisheries and the Alaska Board of Game), make regulations affecting fish and wildlife. Management of fish and wildlife is done by the Department of Fish and Game, while enforcement of the regulations is primarily the responsibility of the Department of Public Safety.

In addition, citizens are encouraged to take part in fish and game management decisions through the existing 53 fish and game advisory committees in the state. These advisory committees have increased local involvement, but lack of funding, formal organization, and other frustrations have caused many people to conclude that the present advisory committee system no longer adequately addresses such things as subsistence needs, resource allocation, or stock depletion.

Thus, it seems evident that more significant participation at the local level is required. It has been suggested that the state modify the present statewide board-local advisory committee system by establishing regional fish and game boards. There are many possible variations under this basic concept, ranging from primary regional responsibility to a three-tier system of local, regional, and master

boards. The main differences of opinion here revolve around the degree of responsibility each board should have. Should the boards have merely an advisory role or actual authority to set regulations affecting fish and wildlife and subsistence users on a local, regional, or statewide level?

Another major option which some people favor is that of federal fish and game management on federal and native-owned lands. Without cooperative agreements, management of fish and wildlife would be fragmented between state and federal governments, each setting its own regulations on the lands within its jurisdiction.

Another possibility is for Congress to set legislation concerning subsistence, leaving fish and game management with the state but under some form of federal oversight committee. Or, perhaps, the state legislature could pass specific laws governing the subsistence question. Many people fear both of these solutions because they "institutionalize" subsistence and, therefore, lacks the flexibility to truly meet the lifestyle and cultural needs of most Alaskans. What is subsistence to one person or place differs from the meaning or emphasis of another person or place.

Subsistence is an evolving, changing way of life. Whatever management structures we adopt should reflect the times as well as the changing patterns of the animal and marine world.

2. Subsistence Questions:

A. What do you mean when you use the term "subsistence"?

B. State policy recognizes that subsistence use of fish and wildlife has priority over commercial and recreational uses of these resources. Do you agree with this policy? If not, why?

Yes No

C. In implementing this policy, it is often difficult to separate subsistence from commercial and recreational uses of fish and wildlife. If subsistence has priority, how do we distinguish between these uses to determine who the subsistence users are?

D. How should we manage our fish and wildlife to provide for subsistence uses?

PLEASE FILL OUT QUESTIONNAIRE ON BACK PAGE.



The Permanent Fund

What is it?

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

The amendment reads:

"At least twenty-five 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 for by law."

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

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

In brief, the voters agreed to use at least 25 percent of the specified oil and other mineral revenues paid to the state for investment purposes. None of that money may be put into the General Fund, which finances the general operating expenses of government. All that may be spent in future years are the earnings from Permanent Fund investments.

Understanding the difference between the prin-

cipal and the earnings of the Permanent Fund is important. For example, if the state put \$250 million into a savings account, it might earn interest at seven 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, perhaps, 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 for by law. Again, the state returns the \$100,000 to the Permanent Fund for future investments.

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

Current Status of the Fund

The fund began accumulating money in January of this year. In February, the legislature adopted an interim management policy which will govern the investment of the fund until the legislature decides on and establishes the agency and procedure for managing the fund. Under the interim statute, the Department of Revenue is required to invest the fund in low-risk, short-term, and guaranteed-return securities.

Beginning in January, the state legislature will

consider laws on the Permanent Fund. In the last legislative session, two bills dealing with the structure and management of the Permanent Fund were introduced for the purpose of discussion. The State Investment Advisory Committee, which advises the Commissioner of Revenue on investment policies for the state, wrote House Bill 298. This bill was sponsored in the legislature by the Governor. A second bill, House Bill 300, based on HB 298 but incorporating some changes, also was entered in the last session.

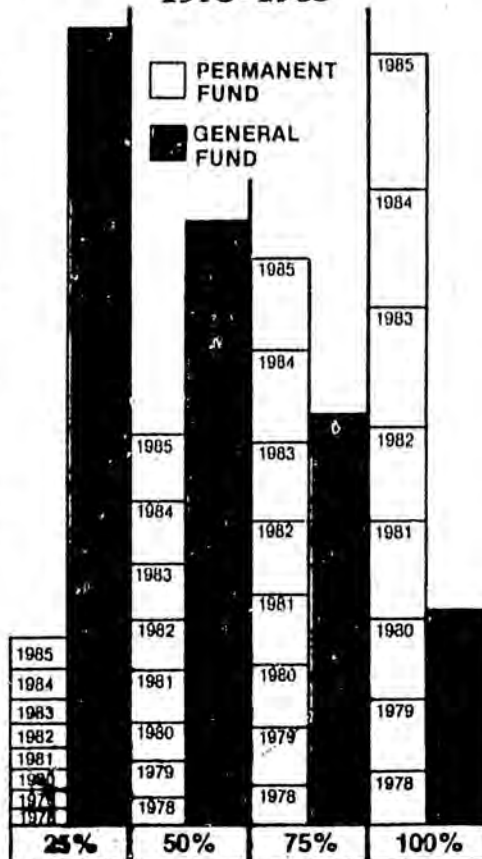
Research and analysis continues as policy makers prepare for the debate which will take place during the 1978 session. Special House and Senate committees have been working through the summer to answer questions about how to set up and manage the fund. To assist these committees and the Governor, who will have to decide whether to sign any Permanent Fund bill passed by the legislature, the Alaska Public Forum is asking you to consider your goals for this special fund. Although other methods of gathering Alaskans' opinions are currently underway, your responses to the Public Forum questions will be a valuable aid for 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 B, for example, you should know that money placed in the Permanent Fund (the principal) will not be available for financing government program through the General 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.

ACCUMULATED PERMANENT FUND BALANCE AND GENERAL FUND SURPLUS 1978 - 1985



*Surplus decreases in 1979.

**Surplus decreases between 1978 and 1982.

Source — The Legislative Affairs Agency



The Billion Dollar Enterprise

The Alaska state government is a billion dollar enterprise, responsible for providing a wide range of goods and services to the public. These goods and services must be paid for from the State Treasury, where all public funds are kept.

When an individual purchases a product or service from a private business, the cost and the payment are direct and are reflected in the price of the purchase. The individual can look at the price of the item, determine whether or not it is worth the money, and act accordingly. Although just as real, payment for government products is less direct and the benefits are less easily measured.

Money in the Treasury

Government operations are funded through a combination of tax revenues, user fees (e.g., camping permits, fishing and hunting licenses), federal aid and grants, and the sale of state-owned resources such as oil and land. Some state revenues occur only once, for example, the \$900 million Prudhoe Bay lease sale. Others are yearly collections from a continuing tax base such as corporate and personal income.

Since statehood, our mineral sale revenues have financed an increasing proportion of ongoing state expenditures. There is growing concern over this situation. Today, approximately 55 percent of all government activities are paid for with mineral sale revenues. Since oil, gas, and other mineral deposits are finite, this source of money is ultimately limited. Currently, the state is deliberating how to move from a dependence on this unreplenishable source of funding to sources based on continuing state economic activity without drastically reducing services, disrupting the growth of the Alaska economy, or saddling the populace with a large tax burden.

Although substantial oil revenue seems assured for at least 10 years, how will we pay for government when revenue from mineral sources ultimately declines?

(Refer to charts on page 7.)

Meeting Expenses

As the population increases and costs rise, it becomes more difficult to maintain the current levels

of services without spending more money. Some people suggest that we should restrict government spending only to those additional activities which can be financed by new taxes or service charges. Yet on the other side of the scale, there seems to be rising expectations of government and demands for new or more expanded services.

Perhaps, examples of projects now under consideration may help to clarify the dilemma.

Alcohol abuse is a serious problem in Alaska. Many people feel that the state should become more involved in rehabilitation, education, medical care, and law enforcement programs which deal with the devastating effects of alcohol. But if these programs are expanded, how should we pay for them? There are several possibilities: we could reduce spending in other areas; we could increase general taxes; we could increase taxes specific to alcohol (user fees); or we could use oil monies.

The potential opening of the North Slope Haul Road involves similar questions. If the road is opened, the state will have to pay substantial sums of money for annual maintenance and other related activities. Who should pay these costs — the people who will use the road or the state? Should we reduce the money for other programs to finance this one? Should we reduce the level of road maintenance elsewhere? Should we raise general taxes or tap oil money? These are the kinds of difficult trade-offs which must be considered.

Balancing the checkbook

Some people believe that we should continue to finance state government predominantly with revenues from mineral sales because we will continue to discover and develop these resources indefinitely. This position is difficult to support or disprove, since it assumes the existence of resources which have not yet been found. Some individuals maintain that scarcity of developable mineral resources is too far in the future for it to be of major concern to state government and the Alaska people today.

It is possible that the Alaska economy will expand at a greater rate than increases in government spending. This would probably mean attracting new industries to Alaska which would increase revenues more than they would increase the demand for expanded state services and facilities (e.g. new schools and roads).

The legislature and the Governor, with public advice, will decide on the level of government expenditures. Finding the appropriate balance between state spending and the financing of that spending is the question of financial management. If you think spending should be held down, certain activities now undertaken by state government will need to be reduced. The questions below seek to determine your preferences regarding state expenditures and how they are financed.

4. Billion Dollar Enterprise Questions:

A. What should be our state spending policy?

- 1. Keep spending at what it is now and reduce services.
- 2. Increase spending only enough to keep up with state population growth.
- 3. Increase spending only enough to keep up with inflation.
- 4. Increase spending only enough to keep up with population growth and inflation.
- 5. Increase spending enough to meet the need for critical new services.
- 6. Increase spending only as additional recurring revenues become available.

B. How do you feel about using non-recurring oil revenues to pay for state expenses?

- 1. We should use as much as we need of the non-recurring oil revenues for state expenses while we have them.
- 2. We should use the non-recurring oil revenues only for about the same proportion of state expenses as we do now.
- 3. We should reduce the proportion of state expenses that are paid from non-recurring oil revenues.
- 4. We should not use non-recurring oil revenues to pay for state expenses.
- 5. Other _____

C. As the non-recurring oil revenues decrease, how should we pay for state expenses?

- 1. Raise general taxes.
- 2. Raise fees and taxes for licenses, gasoline, alcohol, and other goods and services.
- 3. Use the money earned from investments that are made with oil money.
- 4. Encourage only those industries to locate in the state which will increase the amount the state gets in taxes more than they increase state expenses.
- 5. There will be other sources of money in the future to pay for state expenses.
- 6. Cut services to a level that requires no tax increase.
- 7. Other _____

PLEASE FILL OUT QUESTIONNAIRE ON BACK PAGE.

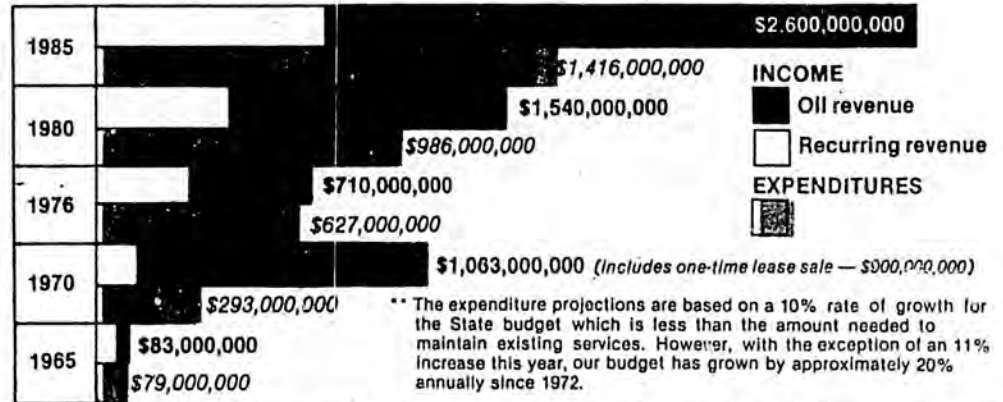
FINANCIAL CHARTS FOR QUESTION 4

However, as far as the principal is concerned, 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 percent should go into the Permanent Fund. This decision may depend on the need for state expenditures, the amount of oil revenues coming in relative to that need, and the uses to which the Permanent Fund will be put.

Your Goals for the Permanent Fund

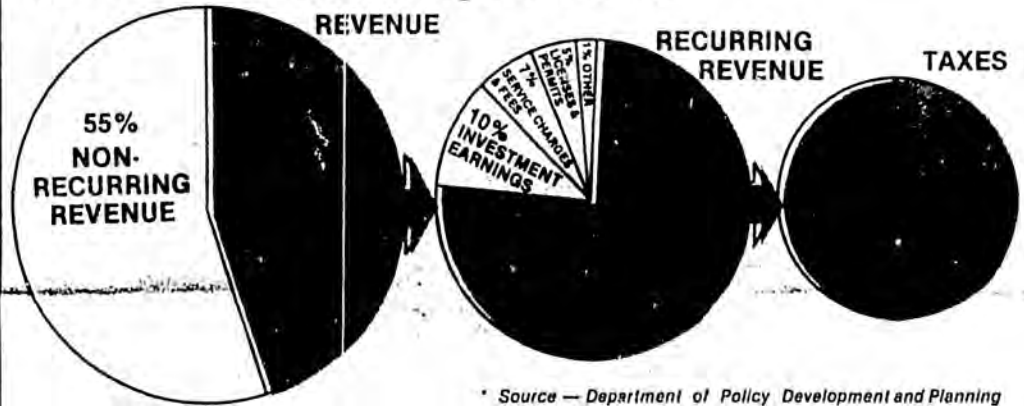
In answering question C, it is equally important to keep trade-offs in mind. If, for example, you choose the goal of creating more jobs, you should realize that it involves a trade-off against the goal of not encouraging more people to come to Alaska. Historically, many people have come to Alaska to 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 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 compromises 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 also ask some additional questions on how to achieve your objectives.

PAST STATE INCOME AND EXPENDITURES AND PROJECTIONS FOR THE FUTURE (WITH OIL REVENUE BROKEN OUT)



* Source — Department of Policy Development and Planning and the Legislative Affairs Agency.

WHERE THE MONEY CAME FROM IN 1976:



3. Permanent Fund Questions:

A. Which use of the Permanent Fund do you feel is most important?

- 1. To save money for the future
- 2. To avoid using the money for state programs
- 3. To provide money for income producing investments

B. Would you like to see more than 25 percent of the specified mineral revenues placed in the Permanent Fund?

- Yes No

C. Please rank the following possible goals for Permanent Fund investments according to which goals you think are most important. (1-most important, 9-least important)

- 1. Create more jobs in Alaska
- 2. Not encourage more people to come to Alaska
- 3. Maintain environmental quality
- 4. Make the maximum amount of money
- 5. Make more money available for investing in the state
- 6. Make the safest possible investments
- 7. Make more Alaska products available
- 8. Assist in stabilizing the Alaska economy
- 9. Other _____

D. In last year's Public Forum, the participants indicated that the highest priority for using the Permanent Fund was to promote renewable resource industries, such as fisheries, timber, and farming. Do you agree with this?

- Yes No

E. Do you feel that the goals you have identified as most important can be met by investing in renewable resource industries?

- Yes No

F. If you said "yes" in question "D", would you still vote to invest in renewable resource industries even if the money earned was less than the money that could be earned from other investments?

- Yes No

PLEASE FILL OUT QUESTIONNAIRE ON BACK PAGE.

QUESTIONNAIRE:

Please fill out this questionnaire. There are decision makers who want to know what you think. Right now, your opinion can make a difference in the future of Alaska. Answer the questions, tear off the back page, and mail your opinions to us. Thank you.

1. Land Questions:

- A.** Please rank the following private uses of land according to which you think the state should stress the most. (1-most important, 6-least important)
- 1. Provide land for recreational homes and cabins
 - 2. Provide land for homes near existing communities
 - 3. Provide land for homes away from existing communities
 - 4. Provide land for farms
 - 5. Provide land for small businesses
 - 6. Keep land in trust for future Alaskans

- B.** Should the state sell this land or use long-term leases to make this land available for private use?
- 1. Sell the land
 - 2. Use long-term leases
 - 3. Don't know

- C.** Which of these users, if any, do you think should not have to pay the full price of the land that they use?
- 1. Farmers
 - 2. People with low incomes
 - 3. Loggers
 - 4. People who have lived in Alaska a long time
 - 5. People who do not own other land
 - 6. People who are chosen by lottery
 - 7. Other _____
 - 8. No one should pay less than the full price

4. Billion Dollar Enterprise Questions:

- A.** What should be our state spending policy?
- 1. Keep spending at what it is now and reduce services.
 - 2. Increase spending only enough to keep up with state population growth.
 - 3. Increase spending only enough to keep up with inflation.
 - 4. Increase spending only enough to keep up with population growth and inflation.
 - 5. Increase spending enough to meet the need for critical new services.
 - 6. Increase spending only as additional recurring revenues become available.

- B.** How do you feel about using non-recurring oil revenues to pay for state expenses?
- 1. We should use as much as we need of the non-recurring oil revenues for state expenses while we have them.
 - 2. We should use the non-recurring oil revenues only for about the same proportion of state expenses as we do now.
 - 3. We should reduce the proportion of state expenses that are paid from non-recurring oil revenues.
 - 4. We should not use non-recurring oil revenues to pay for state expenses.
 - 5. Other _____

- C.** As the non-recurring oil revenues decrease, how should we pay for state expenses?
- 1. Raise general taxes.
 - 2. Raise fees and taxes for licenses, gasoline, alcohol, and other goods and services.
 - 3. Use the money earned from investments that are made with oil money.
 - 4. Encourage only those industries to locate in the state which will increase the amount the state gets in taxes more than they increase state expenses.
 - 5. There will be other sources of money in the future to pay for state expenses.
 - 6. Cut services to a level that requires no tax increase.
 - 7. Other _____

Please tell us:

Did you receive this newspaper from
 community workshop local newspaper other
 Your community _____
 Your age _____ Male Female
 What kind of work do you do? _____
 How long have you been in Alaska? _____

2. Subsistence Questions:

- A.** What do you mean when you use the term "subsistence"?
- _____
- _____
- _____
- _____
- _____
- _____
- _____
- _____
- _____
- _____

- B.** State policy recognizes that subsistence use of fish and wildlife has priority over commercial and recreational uses of these resources. Do you agree with this policy? If not, why?
- Yes No
- _____
- _____
- _____

- C.** In implementing this policy, it is often difficult to separate subsistence from commercial and recreational uses of fish and wildlife. If subsistence has priority, how do we distinguish between these uses to determine who the subsistence users are?
- _____
- _____
- _____
- _____
- _____
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- _____
- _____
- _____

- D.** How should we manage our fish and wildlife to provide for subsistence uses?
- _____
- _____
- _____
- _____
- _____
- _____
- _____
- _____
- _____

Please use top of back page or attach an extra sheet for additional comments.

3. Permanent Fund Questions:

- A.** Which use of the Permanent Fund do you feel is most important?
- 1. To save money for the future
 - 2. To avoid using the money for state programs
 - 3. To provide money for income producing investments

- B.** Would you like to see more than 25 percent of the specified mineral revenues placed in the Permanent Fund?
- Yes No

- C.** Please rank the following possible goals for Permanent Fund investments according to which goals you think are most important. (1-most important, 9-least important)
- 1. Create more jobs in Alaska
 - 2. Not encourage more people to come to Alaska
 - 3. Maintain environmental quality
 - 4. Make the maximum amount of money
 - 5. Make more money available for investing in the state
 - 6. Make the safest possible investments
 - 7. Make more Alaska products available
 - 8. Assist in stabilizing the Alaska economy
 - 9. Other _____

- D.** In last year's Public Forum, the participants indicated that the highest priority for using the Permanent Fund was to promote renewable resource industries, such as fisheries, timber, and farming. Do you agree with this?
- Yes No

- E.** Do you feel that the goals you have identified as most important can be met by investing in renewable resource industries?
- Yes No

- F.** If you said "yes" in question "D", would you still vote to invest in renewable resource industries even if the money earned was less than the money that could be earned from other investments?
- Yes No

Bulk Rate
#960 766

**THIS MAY BE A
SUPPLEMENT TO:**

- | | | | | |
|----------------------------|----------------------|--------------------------|-------------------|---------------------------|
| Anchorage Daily Times | Ketchikan Daily News | Valdez Copper Basin News | Peninsula Clarion | Pioneer All Alaska Weekly |
| Anchorage Daily News | Sitka Sentinel | Petersburg Pilot | Nome Nugget | Palmer Frontiersman |
| Fairbanks Daily News-Miner | Kodiak Mirror | Wrangell Sentinel | Cordova Times | Tundra Drums |
| Southeast Alaska Empire | Homer News | Seward Phoenix Log | Tundra Times | The North Wind |
| | | | | The Chilkat Valley News |

A.

Fold Here

To Mail This Questionnaire

- 1.** Tear off this page.
- 2.** Fold Flap "C" over Flap "A" with address on the outside and staple or tape where indicated.
- 3.** Mail the folded page — No postage is necessary.



B.

Fold Here

Alaska Public Forum
Workshop

Business Reply
Permit
#148

BUSINESS REPLY MAIL

No Postage Stamp Necessary If Mailed in United States

Postage will be paid by

Alaska Growth Policy Council
429 D Street, Suite 310
Anchorage, Alaska 99501



C.

Fold this flap last



Tape or staple here

****PLEASE NOTE****

THE ORIGINAL FILE CONTAINS AN OVERSIZED DOCUMENT THAT
IS UNSUITABLE FOR FILMING. PLEASE REFER TO THE ALASKA
STATE ARCHIVES TO VIEW THE ORIGINAL.

Description: Newspaper Article
Anchorage Daily News, Saturday, June 18, 1977
Page 9
"After the Boom What is Next?"

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Description: Newspaper Article
The Anchorage Times, Sunday June 19, 1977
Section E, page 1
"141 Days In Juneau: What Happened" or "60 Legislators
And Three Big Bills"

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IS UNSUITABLE FOR FILMING. PLEASE REFER TO THE ALASKA
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Description: Newspaper Article
The Anchorage Times, Saturday, July 30, 1977
Front page.

"Official Nurtures El Pasco Hope"

"Tanker Arrives in Valdez"

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Description: Newspaper Article
The Anchorage Times, Sunday , July 3, 1977
Section C, page 1
"Natural Resources: Alaska's Stronghold"

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IS UNSUITABLE FOR FILMING. PLEASE REFER TO THE ALASKA
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Description: Newspaper Article
The Washington Post, Sunday, December 19, 1976
page B-2
"Alaska's Plight - Too Much Money"

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Description: Newspaper Article
The Anchorage Times, Wednesday, July 20, 1977
page 14
"Alaskan's Educate Californians On All-Alaska Gas Pipeline"

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Description: Newspaper Article
The Anchorage Times, Volume 63, No. 137
"Oil Sale Approved"

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IS UNSUITABLE FOR FILMING. PLEASE REFER TO THE ALASKA
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Description: Newspaper Article
The Anchorage Times, July 21, 1977
page 67

"Work to Begin on Gas Pipeline to Soldotna"

"Gas Company 'Tamed' Turnagain Arm"

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IS UNSUITABLE FOR FILMING. PLEASE REFER TO THE ALASKA
STATE ARCHIVES TO VIEW THE ORIGINAL.

DESCRIPTION: NEWSPAPER ARTICLE

THE ANCHORAGE TIMES, NOVEMBER 21, 1976

SECTION B, PAGE 1

"ALASKA CONFRONTS THE DILEMMA OF BEING RICH"

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IS UNSUITABLE FOR FILMING. PLEASE REFER TO THE ALASKA
STATE ARCHIVES TO VIEW THE ORIGINAL.

DESCRIPTION: NEWSPAPER ARTICLE
ANCHORAGE TIMES, SUNDAY JULY 25, 1976
SECTION D, PAGE 1
"THE PERMANENT FUND DEBATE: OIL = \$ = ?"