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Alaska's Growth and Future Choices

This section provides an overview of growth in Alaska, emerging growth policy issues, and the general role of the Growth Policy Council's Alaska Public Forum Program as a vehicle for strengthening citizen participation in the State's policy-making process.

The Setting for Growth

There was a serious question in the 1960's whether the new State of Alaska might survive economically. Its economy, which was dependent on

Federal Government expenditures and a few unstable resource extradition industries, was capital poor, high cost, underdeveloped, and generally stagnant. In the 1970's, in contrast, the question has become one of whether the State is capable of managing the massive surge in wealth and growth that petroleum development is bringing to Alaska. The surge of growth began with the discovery of oil at Prudhoe Bay in 1968. This was followed in quick succession by the State of Alaska's \$900 million sale of Prudhoe Bay oil leases, passage of the Alaska Native Claims Settlement Act by Congress, the start of construction of the \$8 billion trans-Alaska oil pipeline, planning for a Prudhoe Bay gasline, and the Federal Government's announcement of an accelerated OCS oil and gas leasing program weighted heavily toward Alaska offshore regions. Thus, the Prudhoe Bay discovery was but the first of a series of developments now changing the face of Alaska.

Pressures for development of Alaska's oil and gas resources multiplied rapidly after the the Prudhoe Bay discovery, due largely to the Settlement Act and the national and world-wide energy crisis. The Settlement Act awarded over 40 million acres of land and \$1 billion to Alaska's Native Eskimos, Indians, and Aleuts in compensation for their aboriginal claims to most of the land of Alaska. Organized into profit-making corporations under the Act, Native leaders now have obligations and strong incentives to develop the resources on their lands, and to enter into other forms of profit-making enterprise. Further, the Settlement Act removed a major legal block to construction of the pipeline from Prudhoe Bay and made it possible for the State to resume selection of its own 103 million acre entitlement under the Statehood Act.

Then came the energy crisis--the sudden increase in oil prices and the withholding of oil exports by the Arab nations and other members of the Organization of Petroleum Exporting Countries. Since the United States was heavily dependent on these exports, these events led to a series of emergency measures by the Federal Government, including the accelerated OCS leasing program. Nine of the twenty-four lease sales under the program are scheduled for Alaska offshore areas within a three-year period. In addition, exploration was renewed in U.S. Naval Petroleum Reserve No. 4 (now National Petroleum Reserve, Alaska) west of Prudhoe Bay on the North Slope, an area that may itself contain as much oil as or more than Prudhoe Bay's 10 billion barrels.

Petroleum development, like the larger growth cycle it has set in motion, is also self-reinforcing. Prudhoe Bay and the pipeline have "opened up" the North Slope, the adjacent seas, and lands along the pipeline corridor to new Federal, State, and Native Corporation leasing and exploration activity. NPR-Alaska activities are similarly likely to encourage further developments on northwestern and western Alaska lands and seas, since it is generally easier and cheaper to extend development from existing areas, and to share or expand transportation facilities than to open new and isolated areas. And the geologically promising oil lands of Alaska are widespread.

For fiscal reasons, Alaska's State Government added its own push to the growth momentum. The State operating and capital budgets expanded rapidly after the \$900 million sale of Prudhoe Bay leases in 1969. The budget doubled a year later and then kept climbing, requiring the State

to draw down on the "investment" fund established with the Prudhoe Bay money. While the fund was emptying, higher plateaus of State expenditures were being created. The result was that a fiscal gap was opened for the two-year period before the Prudhoe Bay oil, and the revenues from it, would begin to flow in late 1977. In response, State officials had to examine additional sources of revenue, including a tax on oil reserves and the leasing of additional areas for oil exploration.

But even if State officials had been more determined to make the \$900 million last a while longer, pressures for ever increasing expenditures could not have been easily resisted. Prudhoe Bay, the Settlement Act, the trans-Alaska pipeline, and the national energy crisis set off boom conditions in Alaska--a rapid increase in employment opportunities, the prospect of higher incomes, expansion of trade and service enterprises, and heavy migration into Alaska. As a result, demands on public services and facilities grew, while the costs of government and everything else in the over-heated economy continued upward. Furthermore, this was on top of a long contained backlog of public facility and service needs in the new and still underdeveloped State.

Emerging Policy Issues

The central issues for public policy in Alaska is not whether the State should grow or should remain as it is. It is inevitable that Alaska will grow, Events already underway, most notably the developments at Prudhoe Bay, are sufficient to guarantee a high rate of growth for at least the next ten to twenty years. The crucial policy issue is how and

to what extent should Alaska's growth be moderated and directed to be most closely aligned with social objectives.

Alaska is undoubtedly going to be called upon to contribute a large share of the energy resources required to meet national policy goals. But Alaskans (as well as other U.S. citizens) also place high values on wilderness, open lands, subsistence life-styles, and protection of wildlife. Programs of land and transportation planning, resource conservation, and environmental protection will be required in the face of pressures for a rapid rate of resource exploitation and increasing demands on air, water, and land resources. The need for adequate fish and wildlife and other environmental protection is particularly critical because of the limited biological carrying capacity of Alaska's arctic and sub-arctic climes.

Rapid exhaustion of the State's petroleum resources and wealth is possible within the period of a single generation. To what extent can or should State policy makers attempt to slow the rate of non-renewable resource exploitation? How much of the public revenue generated by that exploitation should be invested to promote the development of renewable resource industries, such as fisheries, forestry, and agriculture? How much revenue should be saved and invested for use by future generations?

The needs and interests of both current and new inhabitants of the State have to be accommodated. As employment opportunities and incomes increase, larger numbers of migrants are attracted to the State. The result is that economic benefits are spread thinner, the average individual realizes

a smaller gain, and some people experience many of the costs of growth and few of the benefits. Long-time (before pipeline) Alaskans may resent the newcomers' intrusion and fear the passing of the familiar community and life-styles.

Demands for public goods and services grow with the population, causing State and local government expenditures to increase. As governments and their budgets expand, so do the revenues available to spend. And government expenditures add their own push to Alaska's growth as they enter the economy. They create new jobs, attract additional migrants, and result in further demands for public services and facilities. How, then, can the increasing size and complexity of government be checked?

Oil Wealth

The State's oil wealth provides both the major source of growth in Alaska and the means for effective State Government responses to growth problems. The people of Alaska are the owners of the oil and gas and, through their State Government, they authorize private industry to locate and produce it. The industry's reward for finding and producing the oil and gas is their right to keep and sell most of it at a profit in the marketplace. However, the State holds on to a portion of the oil and gas produced (royalty oil and gas) and has the choice of keeping and using or otherwise selling it, or immediately selling it to the producing companies and taking payments for it (royalty payments). In addition, oil companies pay severance, property, income and other taxes and fees to the State for the opportunity they have to produce, process, and sell the oil and gas for profit.

Thus, the people, through the State Government, can either make use of their royalty oil and gas within the State, or sell it and take payments for it. Such royalty payments, together with the tax revenues and other income from oil and gas development, will represent enormous sums of money that can, in turn, be used for a variety of beneficial purposes.

The general question is: How can these resources and wealth be used in the best short- and long-run interests of the people of Alaska? A number of more specific policy questions dealing with two major sets of oil wealth issues: the establishment and uses of a "permanent fund" to which some portion of oil and gas revenues would be committed as savings and investments, and the possible uses of royalty oil and gas within the State to foster petroleum-related industrial development.

- * Should permanent fund money be used primarily for investments in Alaska (to build up fishing and timber industries, small business, housing, etc.) even though the financial returns to the State on these investments may be limited, or should the money be used primarily for financial investments outside the State that would yield the highest rates of return?

- * Should permanent fund investments within Alaska give priority to building up renewable resource industries (fishing, timber, agriculture)? public works? small business? industrial development? housing? human development (e.g., expanded educational loans)?

- * Should earnings of the permanent fund be reinvested in the fund to build up more earnings, or should they be transferred to the general fund for current spending? used to lower personal taxes? distributed in cash payments to Alaska residents? distributed to local governments?

- * Should increasing amounts of non-renewable resource revenues (mainly oil and gas income) be put in the permanent fund in order to keep State current expenditures down and to save larger amounts for use by future generations?
- * Should permanent fund investments be limited to conservative investments which minimize risks and returns, or should investments be unrestricted in allowable risks, i.e., should high risk "gambles" for potentially high returns be allowed?
- * Should the State attempt to keep its budgets and spending down by restricting the sale (or leasing) of its oil and gas resources?
- * Should leaving the oil and gas in the ground be considered one alternative to selling the oil and gas and investing revenues received from the sales?
- * Should the State use its oil and other wealth to build the Devil Canyon-Susitna hydroelectric dam project in order to provide electric power to the railbelt and nearby areas?
- * Should the State encourage the use of oil and gas for industrial development--for petrochemical plants, refineries, power generation, etc.--in order to create new jobs and income?
- * Should the State sell its royalty oil and gas below market value to encourage the establishment of a processing or industrial facility in the State based on oil and gas resources?

AK Growth Policy Council

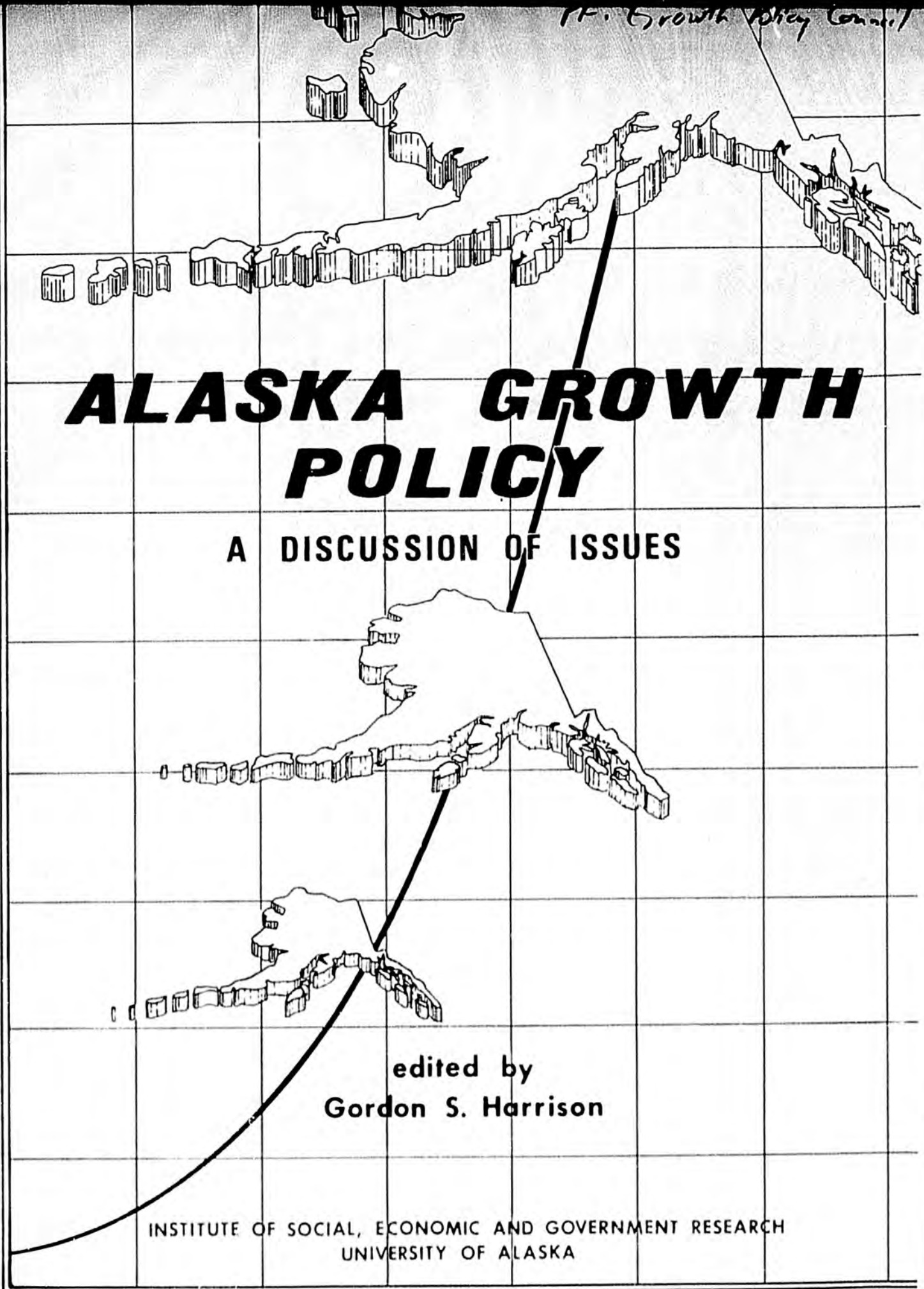
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ALASKA GROWTH POLICY

A DISCUSSION OF ISSUES

edited by
Gordon S. Harrison

INSTITUTE OF SOCIAL, ECONOMIC AND GOVERNMENT RESEARCH
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PREFACE

A three-day symposium on the subject of a growth policy for Alaska was held at the University of Alaska, Fairbanks, December 3-5, 1974. Sponsored by the University's Institute of Social, Economic and Government Research with support from the Alaska Humanities Forum, this symposium reflected the continuing but recently heightened concern of Alaskans about the future of their state. Traditionally, the concern in Alaska about growth has been that there wasn't enough of it. Since the discovery of oil on the North Slope in 1968, however, this concern has begun to focus on the possibility that Alaska will get too much growth, too fast, in the wrong places.

Some participants doubtless arrived at the symposium wondering if the signs of a frantic oil boom all around them didn't signify that the opportunity to control growth, if it ever existed, was surely lost now. Even those most optimistic about the ability of the state to intercede effectively in the growth process could not deny that very powerful forces of social and economic change in Alaska were already off the leash, and that the pace of events was quickening daily.

In my letter to symposium participants, I wrote:

The Symposium is designed to help achieve a clear formulation of growth policy issues and growth management methods available to Alaska. Toward this end, the symposium will synthesize historical perceptions of Alaska's development and trends, growth projections and policy alternatives, growth policy experiences of other states, and public values emerging with respect to Alaska's future. Attention will be given to the full gamut of public policy issues related to Alaska's future, including economic growth, land and resource use, revenue generation and investment, distribution of benefits and costs, immigration and settlement, community growth, environmental quality and other factors. Underlying these issues are the basic questions related to Alaska life styles, the future character of the state's communities and regions, and the need to develop

processes through which an Alaskan approach to challenges of growth can emerge.

Discussion at the symposium was as broad as this statement invited it to be. As anticipated, a consensus on the scope and design of a growth policy did not emerge from the conference, and because the participants came from around the state and represented various points of view, I think it is safe to assume that the basis of a consensus on this subject does not now exist in Alaska. However, the symposium did move a measurable distance toward identifying and clarifying many of the issues that are raised by the subject of a growth policy.

To provide a point of departure for future discussions of Alaska growth policy, I asked Gordon Harrison, one of the symposium participants, to prepare a brief publication that attempts to capture the main issues and unanswered (unanswerable?) questions of a growth policy for Alaska. Included is an essay by Gordon prepared after the conference; a paper presented at the conference by Ken Rainey, a Fellow of the Academy for Contemporary Problems; excerpts from two other papers presented at the conference; and a sampling of extemporaneous comments and observations by symposium participants.

Victor Fischer, Director
Institute of Social, Economic
and Government Research
June, 1975

GROWTH IN ALASKA

By Gordon S. Harrison

Alaskans face the prospect of major growth in their state over the next several years. As Alaska's senior economist George Rogers remarked to the symposium participants, Alaska's growth has never been smooth and gradual but rather marked by periodic "quantum jumps" of development. Alaska is currently in the midst of one such quantum jump. There are now some 350,000 residents of Alaska. A recent population projection shows 510,000 residents in 1980 and almost 550,000 in 1983.¹ David T. Kresge, a University economist who has developed a computer model of Alaska's economic reaction to various levels of petroleum development, projects that the state's population will exceed 600,000 by the year 1990, even if no major oil development occurs in addition to that of Prudhoe Bay. These estimates of population growth may well be low, for development in addition to that associated with Prudhoe Bay now seems likely.

Oil and gas development is the prime mover of current growth in Alaska. The trans-Alaska oil pipeline now under construction will permit commercial production of Prudhoe Bay fields some time in 1977. This project may be just the beginning of a sustained oil boom in Alaska. Within a few years of completion of the oil pipeline, a pipeline for North Slope natural gas must also be built, either across the northeast corner of Alaska to Canada or to a tidewater port in southcentral Alaska. Congress has authorized further exploration of Naval Petroleum Reserve No. 4, and there is serious talk of allowing commercial development of this federal reserve. Also, the federal government is preparing to lease oil tracts on the outer continental shelf (OCS) in the Beaufort Sea, Bering Sea, and Gulf of Alaska, and the state government is considering additional leases of state land in lower Cook Inlet, Beaufort Sea, and Prudhoe Bay. Meanwhile, Native corporations created by the

¹Human Resources Planning Institute, *A Forecast of Industrial and Occupational Employment in Alaska* (Fairbanks: Institute of Social, Economic and Government Research, 1974), p. 58. See also, Alaska Department of Labor, Research and Analysis Section, *Annual Population and Employment Projection 1961-1980*, March 1974.

Alaska Native Claims Settlement Act of 1971 are selecting lands with oil potential, and six corporations have already signed exploration agreements with major oil companies.

From the beginning of exploration to the beginning of commercial production of oil and gas, the petroleum industry creates a great deal of employment and makes many purchases of goods and services within the state. Most of this employment and business activity results from the construction of transportation and processing facilities: pipelines, oil and gas separation plants, marine terminals, refineries, liquefaction plants, and even petrochemical plants. During the 1960's, for example, there was a major oil boom on the Kenai Peninsula when offshore exploration was underway along with construction of two refineries, an ammonia-urea plant, a gas liquefaction plant, and three docks.

After all required processing and transportation facilities are in place and commercial production of oil and gas begins, the petroleum industry ceases to create much employment or make many local purchases. During the operational periods, however, the industry provides an indirect stimulus to the economy through payments to the state government — royalties (if the wells are located on state land), severance taxes, property taxes, state corporation taxes, and personal income taxes.² The state government in turn spends this money on salaries of public employees, capital improvements, and various state programs.

Additional spending in Alaska, whether by the oil industry or by the state and federal governments, causes population growth by creating more jobs, and these jobs attract more immigrants to Alaska. During the post-World War II defense spending boom in Alaska (1946-1953), for example, total population increased from an estimated 99,000 to 212,000. Net in-migration accounted for about 83 per cent of this increase.

Spending that increases statewide income and employment is not the only cause of population growth. Population growth also occurs from natural causes — i.e., excess of births over deaths. During the fourteen-year period between 1953 and 1967, for example, the total net out-migration was 20,000, the growth of total population from 212,000 to 278,000 being accounted for by the offsetting natural increase of 86,000. Since 1967 there has been a progressive increase in net in-migration, and the current surge of petroleum-related construction and economic expansion promises to swell the state's population in the next decade much more dramatically than natural increase.

It has been suggested that new settlers will be attracted to Alaska even if there is no further economic development. According to this argument, ever greater numbers of people will seek refuge from the pace and style of life in the other states, and Alaska's relatively undeveloped condition will draw them north like a magnet. Any effort to limit development in Alaska as a means of limiting growth would therefore be counterproductive

I saw a study of transients who migrated to Valdez looking for work last summer. It said that 50 per cent of those who arrived between May and September said that they had been told in the states where they originated that there was no work in Alaska, but they came anyway. One of the impacts of a possible worldwide depression may be that people will decide that things couldn't be any worse in Alaska than in their own state and that they may as well migrate
Chuck Konigsberg

²In addition, 90 per cent of the federal revenue from onshore wells on federal land in Alaska now goes to the State of Alaska.

and doomed to failure.

There is a good deal of anecdotal evidence from states such as Vermont and Oregon to suggest that large numbers of people are indeed trying to "get away from it all" by moving to less urbanized areas. However, the prospect of significant immigration to Alaska in an inverse relationship to economic development here seems very slight. The cost of living is very high in Alaska, and subsistence living is not a practical lifestyle for many people. Nothing in Alaska's development history suggests that the ebb and flow of civilian migration is caused by anything but the fluctuation of real and perceived economic opportunity.

Attitudes Toward Growth and Growth Policy

Participants at the symposium expressed different attitudes toward growth in Alaska. Some thought that growth represented social progress and was unambiguously good for Alaska; others viewed growth as a mixed blessing but considered moderate growth in Alaska to be acceptable; and still others regarded all growth in Alaska to be undesirable.

Different attitudes toward growth naturally led to different opinions about the main objective of a state growth policy. Those who welcomed all growth thought that state policy should promote growth and smooth its path. Those who welcomed only moderate growth thought that state policy should attempt to enforce standards and guidelines for growth which selectively permit and prohibit certain types, patterns, levels, and location of growth. Those opposed to further growth in Alaska thought that the objective of state policy should be to minimize to the greatest possible extent future population increase and economic development.

The critically important distinction between these opinions is the degree to which state policy should restrict, or limit, growth. However, differences of opinion about the limitation of growth in Alaska were in large measure obscured by repeated use of the phrase "controlling growth" and the word "planning." Everyone acknowledged that growth should be controlled, and that planning is necessary to cope with future growth, but these terms had very different meanings to different people. To maximum growth advocates, the planning process is one that encourages, assists, and accommodates growth. In this frame of reference, controlling growth means shaping and guiding it to maximize its social and economic benefits and minimize its social and economic costs.

To moderate growth advocates, the planning process should also smooth the path of growth (for example, by assuring that necessary land, utilities, and public services will be available for a growing urban population), but it should also identify especially costly types and patterns of growth and devise methods of preventing this undesirable expansion. In this frame of reference, controlling growth means enforcing social, economic, and environmental standards that limit growth to some extent by selectively restricting certain types of development.

In spite of public concern, in spite of good intentions, in spite of this symposium and others that take place, my thinking is that we are headed down the same road to destruction of land and resources as the rest of the states are. . . . The point is that in spite of planning, it boils down to the rough and tumble of politics and survival and numbers.

Emil Notti

To minimize growth advocates, the planning process serves essentially the same process it does for moderate growth advocates, but standards are much more severe and more growth is stymied. In this frame of reference, controlling growth means restricting the aggregate magnitude of growth as much as possible.

Behind the rhetoric of controlling growth and planning are fundamentally dissimilar opinions about the degree to which state growth policy should *limit* growth. The range of opinion can be expressed as a continuum from no limitation and maximum growth to maximum limitation and minimum growth.

Thus, the principal controversy in Alaska about growth policy is not controversy about the need for planning and growth management efforts by government *per se*, rather it is about the extent to which they should limit the magnitude of growth. There seems to be no consensus about either the desirability or the possibility of limiting growth. Indeed, these seem to be the two central questions of the growth policy issue: *should* public policy attempt to curb aggregate growth in Alaska, and if so, *can* it effectively do so?

Growth Limitation: Is It Desirable?

One reason why I think that controlling growth may be a germane part of a human development policy comes perhaps from my background as a biologist and deals with what I perceive as some of the realities of living in Alaska. The sun doesn't shine very effectively for very long during the year in Alaska. As a result, the land doesn't produce very much in the way of vegetation or animals. Agriculture in the North is a losing battle in the traditional economic sense of the word, and subsistence lifestyle can support only a limited number of people. . . . If we ask how many people who enjoy hunting can survive in Alaska at a given quality of hunting experience, then the limitation of sunlight has a great deal to do with the carrying capacity of the environment for these sorts of human activities.

Bob Weeden

Support for growth limitation, at least among non-Natives, stems mainly from the pervasive sentiment that up to now, Alaska has offered a very high quality of life for its citizens which is attributable to a small population and non-industrial economy. The essence of this "quality of life" case for growth limitation is that Alaska should not and need not develop in a pattern similar to that of the other states; that there should be one state that is not dominated by the style and pace of industrial and urban America; that the wilderness and unspoiled land of Alaska should not be encroached upon any further, for this land is the last of its kind in the world. Behind this attitude is an impulse to stave off the advance of industry, highways, and tract houses. However difficult it may be to precisely define "quality of life" in Alaska, the term generally implies close ties to nature and community, ties that are inevitably loosened as the size and complexity of society increases.

It is argued further that North Slope oil revenues assure Alaskans that their state government will survive and their basic public service needs will be met. Moreover, passage of the Alaska Native Claims Settlement Act of 1971 assures the Native population of the state a major role in the political and economic development of Alaska. Thus, the argument is that Alaska does not need growth beyond that which is immediately foreseeable, and that public policy should attempt to curb all unnecessary and avoidable growth.

Growth limitation is also thought by some to be a necessary defense of Alaska's wilderness and wildlife. Recreational pressure on Alaska's big game and freshwater sport fish is intense, and the quality of hunting and sport fishing is in decline everywhere in Alaska. Contrary to popular belief, Alaska's land and fresh water

are not highly productive, especially in the interior and northern regions of the state where the winters are long and cold. Native villagers are alarmed by the threat to their subsistence resources from well-equipped, highly mobile recreational hunters.

Although discussion of growth limitation often implies that it would be a blanket policy applied statewide, advocates of the idea recognize that antigrowth policies may be selective, especially as to region. An obvious candidate for a regional policy of growth limitation is the Anchorage area in southcentral Alaska, which has been expanding and prospering for years. While efforts to limit growth and development may be appropriate there,³ they may not be appropriate for some other regions of the state. For example, development would seem appropriate in Southeast Alaska where the fishing industry is in decline, the timber industry is in a prolonged recession, and the state government and public administration industry may be withdrawn; it would also seem appropriate in the predominantly Native regions of southwest and northwest Alaska, which are the poorest in the state.

Growth limitation in Anchorage has a special appeal to some people as a means of redressing the present imbalance of political and economic power in the state. If current growth trends continue unchecked, Anchorage will soon elect a majority of the state legislature, and its emerging economic hegemony will become permanently fixed and unassailable.

Opponents of any type of growth limitation in Alaska are wont to argue in the first instance that Alaska is so large and the population so small that growth can continue for decades before urban expansion and natural resource development make serious inroads into the natural beauty of the state. Furthermore, opponents of growth limitation argue that population concentration can be managed so that it does not mean congestion, social anomie, and crime. Urban growth can result in more and better health care, diversified school curricula and expanded educational opportunities, symphony orchestras, fine restaurants, and other amenities of urban life.

Actually, the longest-standing argument for accelerated growth in Alaska has been economic rather than social. Statistically, the state of Alaska has high unemployment and low per capita real income, for which economic development has been touted as the remedy. This conventional rationale for growth has been undermined by evidence that high unemployment rates in Alaska are basically due to the highly seasonal nature of much basic industry and are not relieved by economic expansion. Furthermore, economic expansion lures more workers to the state in search of jobs than there are jobs available, and increases in gross income generated by this economic expansion are spread among a greater number of people, resulting in less than proportionate rises in per capita income. There is increasing, if reluctant, acceptance of the argument that, in the aggregate, development does not ameliorate unemployment or greatly raise

One thing that seems to be clear about optimum size is that it is virtually impossible for any community to control its own growth — certainly impossible for Anchorage, the key metropolitan area in Alaska. I project some 55 per cent of the people of Alaska being in Anchorage in 1990. If you include the Kenai Peninsula and the Palmer areas, you bring the total population of the Anchorage region up to two-thirds of the total population of the state. . . . And the growth of Anchorage is not going to be dependent on Anchorage decisions, it is going to be dependent on statewide policy affecting total growth. . . . The factor of growth is larger for Anchorage in terms of percentage than for the state as a whole. The more the state grows, the faster yet Anchorage will grow. . . . The effect will be on the quality of life and livability of Anchorage itself.

Vic Fischer

³A contrary opinion is that Anchorage has already been spoiled by excessive, unmanaged development, and that future growth should be channeled there to prevent it from affecting the relatively undisturbed areas of Alaska.

Every time you create a job, a new person moves in. When you keep adding jobs in order to cure the unemployment problem, people come in as fast as you add these jobs. I'm always taken a little aback when people say that we need to employ Alaskans. Well, who exactly is an Alaskan? It seems to me that the U.S. Constitution makes it very clear that it is anyone who crosses the border.

David Kresge

personal incomes.

However, development does benefit many Alaskans in a real and direct manner. Too, a deceleration of economic growth might cause direct and real harm to many Alaskans (most of whom would presumably be unskilled, low income, and Native). Furthermore, real per capita income is not a full measure of the social benefits of economic development. For example, if more public roads, buildings, and other facilities are built, and if more public services are provided, society has gained even if the average real per capita income of residents has not increased in the process.

Growth Limitation: Is It Possible?

If one decides that some measure of growth limitation is a desirable objective of public policy, he must also determine if such limitation is practical and realistic. For political, constitutional, and other reasons, it is not clear that policymakers could effectively limit growth in contemporary Alaska if they wanted to.

Is any measure of growth limitation in Alaska politically feasible? Some say "yes." Symposium participants frequently commented that Alaskans' attitudes toward growth are changing; they are increasingly skeptical of the need for, and benefits of, more economic development and population growth. Cited among other manifestations of this attitudinal trend was the 1974 gubernatorial election, in which Jay Hammond campaigned on a "go slow" growth platform. Most symposium participants acknowledged that popular attitudes toward development have changed in recent years and that a primary reason for this change

The following is an excerpt from "Alaska's Growth to 1990: Policies and Projections," a paper presented by David T. Kresge, Professor of Economics, Institute of Social, Economic and Government Research, University of Alaska, Fairbanks, Alaska.

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Over the foreseeable future, state expenditures from petroleum revenues will be the primary driving force in the Alaska economy. Policy decisions governing the pace of oil development and state fiscal policies will have major impacts on Alaska's rate of expansion. Growth will be substantial under almost any conceivable set of policy actions and world oil prices. However, the future growth rates are not likely to be outside the range of recent experience and in many cases may be somewhat lower.

With regard to the broad policy actions considered here, the range of policy impact is much wider in the upward direction than in the downward. The state has the ability to accelerate development substantially, but given the ongoing developments on the North Slope, there are no realistic policy options that can significantly curtail Alaska's growth. If the state chooses to increase its growth rate, policies to promote rapid development of Alaska's petroleum resources and/or expansionary fiscal policies will sharply accelerate growth in output, employment, and

population.

Alaska's growth will be heavily concentrated in those sectors which are either directly influenced by oil revenue, such as state and local government, or indirectly influenced through the induced growth in personal income. The support sector industries, and particularly the trade and service industries, vary strongly with changes in personal income and can be expected to grow rapidly. It is likely that at least three-fourths of the future growth in employment will be in trade, services, and state and local government. Any policy action or other event which raises personal income will further increase the growth in the support sectors and, through them, the growth in the economy as a whole.

Renewable resource industries can be expected to play only a minor role in Alaska's future economic growth. In fisheries and forest products, the limited supply of natural resources will constrain the amount of expansion that is feasible. Agriculture in Alaska may well expand output severalfold, but because agriculture is so small in absolute terms, this will have slight impact on the state economy. The renewable resource industries will continue to be an important part of the Alaska scene, both in terms of economics and on the basis of broader considerations, but their contributions to economic growth will necessarily be quite limited.

is the opinion that Alaska is on the verge of becoming a very rich state and can now afford to forego development that carries high social and environment costs. This pervasive view, plus the fact that many people have begun to experience negative impacts of pipeline construction, is causing some to think that the underlying political support for growth limitation policies now exists and can be mobilized by executive or legislative leadership.

Are policy tools available to intervene in the growth process? Again, some say "yes." Advocates of growth limitation argue that all of the traditional tools of planning and growth management can be used to limit growth in a fashion and to a degree that policymakers choose. For example, by increasing the scope of their application and their severity, the same techniques of land classification, transportation planning, business licensing, and fiscal policies that are used to manage the effects of growth can be used to limit the magnitude of growth as well. In addition, a wide variety of new regulatory devices and economic inducements are now being developed and perfected by a number of states to influence specific environmental, social, and economic aspects of growth and development. These utilize such mechanisms as air and water quality standards, revenue sharing, and regulatory boards and commissions.

The state government can also influence growth by saving North Slope oil revenues. If spent, these revenues will allow the state government to expand its annual budget, and this incremental budgetary expansion will be growth inducive. Certain expenditures may produce less growth than other expenditures. For example, the income and employment multiplier effects of one industry may be less than the income and employment multiplier effects of another industry, so that state subsidy of the

I'm somewhat astounded by the illusion of grandeur the morning's speakers have expressed about the ability of the state to control its growth. I think that all of the forces of growth in Alaska are outside the state. The only way we are going to control our growth in the state of Alaska is to make it unattractive to people, not attractive. And I'm not advocating that we should make it unattractive. Alaska is just not going to have any real influence in stopping growth. Rather than stop it or slow it down — whether it be rapid or moderate — let's direct it. We can direct it and should direct it well.

Chuck Evans

The federal government sector will also remain an important component of Alaska's economy, but rather than contributing to growth, it is most likely to decline in the future. As the state becomes more self-reliant and as the Native Claims Settlement Act is implemented, federal civilian employment can be expected to diminish gradually. The number of military personnel stationed in Alaska is not likely to increase, and there may be further reductions in the future. Clearly, the importance of the federal sector will be greatly diminished relative to the other economic activity in Alaska.

Changes in the price of oil can have substantial impact on the Alaska economy, and they do introduce a major element of uncertainty into the planning process. But, within the likely range of variation, changes in oil prices will not alter the basic pattern of growth in Alaska. Nor will they have such large effects as to overwhelm the influence of government policies. In fact, government policies can, if necessary, be adjusted to offset the destabilizing effects of fluctuations in oil prices.

There are two areas where policy decisions can have massive impact on the course of development. The first are petroleum development policies. If we concentrate on those aspects of petroleum development subject to state control, the key item is how much leasing is undertaken by the state. The rock bottom level is full North Slope

development — gas and oil. A second alternative is some limited additional leasing. A third is rapid petroleum development with annual lease sales every year from 1980 on, with several major new fields opened up.

The second set of policies are fiscal policies, and here we concentrate solely on the spending versus saving decision. State spending is what causes the system to grow either more rapidly or less rapidly, strongly influencing gross product, employment, and population. Public policies are by no means trivial instruments in their effect on the economy and population.

Designing effective policy instruments means focusing on what we want to accomplish. For example, if the objective of Alaska public policy is to increase the personal income of its residents, it is apparent that the aggregative policies are ill-suited to that purpose. Broad policies which cause output and income to increase also cause population to grow. The result is an increase in the size of the Alaska economy but virtually no change in real per capita income. For similar reasons, aggregative policies are not effective in reducing Alaska's unemployment rate. Thus, if the goals of public policy include raising per capita income or lowering the unemployment rate, then policies will have to be designed to achieve those specific goals; aggregative policies alone will not do the job.

former is less growth inducive than state subsidy of the latter. However, these differential effects of state spending will probably be minor. Critically important for the magnitude of long-term growth is the *amount* of money spent versus the amount of money saved. Saving will not produce growth, and it may therefore become a growth-restrictive public policy.

Another important policy lever that the state could possibly use to influence future growth is the leasing of state land for exploration and development of oil and gas. If we assume that lands leased by the state require equivalent exploration and development efforts, and have roughly equivalent producing potential, it would be possible to manipulate the distributive effects of growth induced by oil development through the timing and location of lease offerings. More importantly, it would be possible to manipulate the aggregate growth impact by varying the amount of acreage offered for lease. Thus, a decision to withhold state land from oil and gas leasing would be growth restrictive, just as a decision to save a portion of new oil revenues would be growth restrictive.

The weight of the foregoing optimism about the state's ability to influence the rate of growth in Alaska is seemingly balanced by an equal and opposite weight of pessimism, which is founded in two main arguments: (1) the state government could never mount a coherent and effective policy offensive on the rate of growth, because support for specific development projects could always overcome general political commitment to growth limitation; and (2) the forces of growth in Alaska are already in motion; they are removed from the state's sphere of action; and they are so strong that they cannot be resisted, neutralized, or deflected to any appreciable extent.

During the symposium it was argued that the public skepticism of development which has appeared in recent years is still too germinal, too abstract, and too nebulous to be a threat to specific development proposals. According to this "political realism" argument, it is one thing to ask a man what he thinks about development, and it is another to ask him what he thinks about a proposal to build a new industry in his hometown. If he is like most people, he will respond to the second question only after consulting his own interests and deciding if on balance he wins or loses from the project. Usually, only the people who are directly and immediately affected by a project identify themselves as winners or losers, and only they become relevant to those making decisions about the project. Further, the history of economic development in Alaska and the rest of the United States suggests that there will probably be more people who expect to be winners than losers, and that the winners will probably be established economic interest groups with longstanding political influence. Thus, in reality it would prove very difficult for elected officials to oppose specific development projects, whatever the general climate of public opinion toward the principle of development.

The political realists also assume that legislators could not resist the temptation to spend the revenue generated by North Slope oil production. Some symposium participants, a legislator or two among them, thought it fatuous to expect that there would be

I have an intuitive sense that within the next decade or so we are going to have some major constitutional crisis regarding the relationship between the national interests and state interests in the areas of environment, energy, and raw materials. . . . To a certain extent, the energy frontier areas of the United States — areas to which the nation as a whole is looking in its quest for self-sufficiency in primary fuel because of their strip mineable coal or their oil reserves — these areas are becoming reluctant to play the role of energy providers for the nation.

Should these states have a veto power over the use of federal resources within them, or should the federal government have the authority to override the states' environmental land-use, and economic policies with respect to the development of energy resources? . . . I think that the way in which this constitutional problem is resolved will have an enormous effect on Alaska.

Arlon Tussing

significant saving of oil revenue, or even that the spending of this revenue could be confined to a planned, coherent budget strategy designed to have predetermined growth impacts. There will be strong pressure from within state government to expand existing programs and launch new ones, as well as strong pressure from outside the government to support and subsidize natural resource development schemes in every region of the state. However uneconomic and inefficient, new resource development will be promoted as the answer to Alaska's unemployment problem and as the guarantee of long-term prosperity through diversification of Alaska's economic base. It is argued that legislative budget allocations in Alaska are made through the process of log rolling among regions and districts, and that the process would only be intensified by the availability of greater and greater amounts of public money.

During the symposium it was argued that growth limitation is in any case a "will 'o the wisp," because the state simply has no real power to resist contemporary forces of growth and development. How realistic is it to assume, for example, that Alaskans can successfully resist development of their oil and gas resources when the nation is experiencing an acute energy shortage? The oil industry by itself seems at times to have a forward momentum that sweeps all men and events with it. Now, the industry has been joined by the U.S. Department of the Interior in promoting more oil exploration and development, especially on the federally-owned lands of the outer continental shelf (OCS). The coastal states, Alaska among them, have apparently already abandoned hope of resisting OCS leasing and are negotiating with Congress for a share of federal revenue from OCS bonuses and production to at least compensate for onshore social and environmental impacts.

Moreover, OCS leasing along Alaska's coastline will probably pressure the state government into accelerating its own leasing program. Whatever the state administration may think about the desirability of more oil development in the near future, it may be forced into offering more leases to realize significant bonus income before the market is spoiled by a glut of federal lease offers, and so that it can secure royalty and taxation revenue from production of oil that might otherwise be drained by wells drilled from immediately adjacent federal leases.

In the matter of leasing land for petroleum exploration, the state is also in a competitive position with the Native regional corporations, which are "for profit" organizations. Many Native land selections under the Alaska Native Claims Settlement Act of 1971 were made with a view to oil and gas potential, with the result that Native corporations will soon have mineral rights to many promising petroleum structures in Alaska. These corporations are under pressure to hasten oil and other natural resource development, both from their stockholders and from the other regional corporations (which by terms of the Native Claims Settlement Act are entitled to 70 per cent of natural resource revenues). OCS development will assist oil development on Native lands to the extent that it results in new ports, offshore loading facilities, and cross-country oil and gas pipelines. Thus, with so

A really critical feature of the Land Claims Settlement Act is the requirement that each region must share 70 per cent of its natural resource revenue with the other regions, and that each region is required to share its revenues vertically, that is, with the villages of the region. It seems to me that this requirement places on the boards of directors of each regional corporation a tremendous burden in favor of the extraction of the region's natural resources. It may even be that a corporation which refused to permit that type of activity could face legal threats from the boards of directors of other corporations, which would claim a right and an interest, a vested interest, in that kind of development.

Joe Josephson

After we gave them some economic data, we let the villages select the lands they wanted. The majority of the lands that they selected were for subsistence life-style.

Sam Kito

What we're trying to do, in order to promote the resources on Native lands and make them relative to our people is to keep the transportation corridors, the roads and stream easements off our land so that we can develop it as it relates to our own needs. And I think the state can do somewhat the same thing. I don't care how much land the federal government has, or anybody else in Alaska; if you look at where the state is going to have its lands and where the Natives are going to have their lands, we can very well provide self-planning for the development of resources, providing we do it together.

Roger Lang

much of Alaska's potentially valuable oil land in Native or federal ownership, it is not easy to imagine how the state government could effectively limit oil development by withholding leases on its own land. Such a policy would merely shift oil development elsewhere and result in nothing more than a loss of royalty and bonus income to the state.

Another reason the state is said to have little or no control over growth patterns within its borders is the fundamental dependence of its natural resource industries on conditions and events external to Alaska. For example, the condition of the timber industry in southeast Alaska, the mining industry in interior Alaska, the fishing industry along the coasts, all depend upon such uncontrollable factors as prices and demands in national and world markets, technological developments, comparative rates of inflation, federal environmental standards, and federal resource development policies.

Skeptics of growth limitation also point out that the past record of bureaucratic attempts to manipulate human behavior on a large scale, is not a very impressive one. Ambitious social policies (of which growth limitation in Alaska would surely be one) are often ineffective or, worse yet, counterproductive. Contemporary society is so complex and individual motivation so mysterious that all the major consequences of new social policies are seldom foreseen. So far, growth limitation is *terra incognita* to politicians and policy planners around the nation.

Where Are We? Where Do We Go From Here?

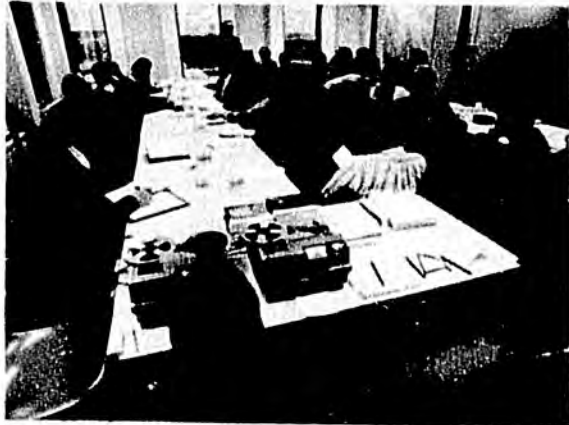
Many people in Alaska are doubtless ambivalent about the desirability of growth limitation here. Most of us like nice restaurants, shops, and a fine symphony orchestra, along with wilderness at our doorstep. However, if a poll were taken today on public attitudes toward different growth rates, a very large percentage of people would indicate a preference for selective and moderate growth to maximum or minimum growth alternatives. That is, as an abstract proposition, most would acknowledge the desirability of limiting growth to some degree. Among these people, however, there is probably a good deal of skepticism about the ability of government to design and carry out an effective regulatory effort. Like reducing state budgets, limiting growth seems possible but not probable.

If Alaskans are to ever agree upon a growth policy that actively regulates the magnitude of growth, a great deal more public discussion of the issue seems necessary. This effort may be most productive if it begins with an examination of specific development projects and proposals in the state, such as the proposals to build roads to Cordova and Nome; to develop oil resources of the outer continental shelf; to build a trans-Alaska gas pipeline; to begin flourite mining on the Seward Peninsula; and to explore Native corporation lands for oil and gas, commercial timber, and metallic minerals. What are the growth implications of each project? Are these desirable? Is the public interest served by stopping or delaying the development? Does the state or local

government have the authority, political support, and policy tools to stop or delay the project if it is deemed to be within the public interest to do so? Only in the context of specific developments will the issues of a growth policy for Alaska acquire sharp definition and tangible meaning, and the range of feasible policy action become fully evident.

* * *





STATE GROWTH POLICY

By Kenneth D. Rainey

Growth policy and growth itself are very popular these days. Growth and growth management are being studied by states all across the nation. The President must submit a biannual growth report to Congress. Communities are considering a new question — whether or not they want growth. Some are even looking at ways to severely limit influx of new population.

The growth policy field is full of semantic misunderstandings and value conflicts. So in the course of this talk, I would like to cover several things. First, my understanding of what a state growth policy should attempt to do; second, some of the distinctions I see between Alaska and the "Lower 48"; third, a review of what some of the other states are doing, including a rough classification of their problems and problem-solving techniques. Finally, I would like to suggest the essential elements of a state growth management program which I believe are applicable here in Alaska as well as in other states.

State Growth Policy: What Is It?

We need to clarify these words before this discussion can have much meaning. First, what does "growth" bring to mind? Do you remember the glorious period of seeking urban-rural balance? Public officials, government reports, and lobbyists all spoke for the need for "urban-rural balance." It was a beautiful thing. It was very harmonizing. But no one knew what it was. Rural people thought it meant moving back to the country. Urban people certainly did not think it meant limiting metropolitan area growth. As a result, urban-rural balance, was always a spongy policy concept. Certainly no states ever got down to the cutting edge of saying, "If we want urban-rural balance, it means not building something here, and building new facilities there."

The word "policy" too, has been cheapened. It has come to mean almost any statement of advocacy made by mayors, governors, presidents, or anybody else. People do not believe that governmental policy statements by themselves have much wallop.

A strong chief executive can provide the sense of coherence and consistence that planners talk about; he can provide it more realistically than a comprehensive synoptic vision moving major policymakers to change the nature of the way the system works.

Tom Morehouse

The bureaucracy has more control over what is happening than the governor. The executive branch is set up around a number of line organizations; they don't need to plan because the legislature tells them what to do in the statutes. There is an enormous grip on the future which is the existing fabric of both state and federal law.

John Havelock

They are right — they don't. We are being fed a steady diet of policy statements which sound suspiciously like TV ads: our policy is to give you the best service in town. What does that mean? Do they fix your car the first time you take it in to the shop? We have been bombarded with federal urban and rural policy statements that have meant nothing in terms of the day-to-day actions of federal agencies who allocate funds. If growth policy is to mean anything, it must get beyond bland statements and vague definitions such as "we do not want our cities to get too big" or "we do not want the rural areas to be too small." It must be geared to action. It must impose constraints on operating agencies. It must be the determinant of what funds are spent where.

Finally, we must clarify what we mean by "state" in talking about growth policy. It has been common to confuse the state as a geographic territory with the state as a government body. As a result, when a governor announces a state policy, it is often what he thinks someone else should do (locate your business in the state) rather than a statement of what the government will do. In the United States, state governments are far from all-powerful institutions. Indeed, they are very limited institutions. Traditionally, they have been fiscal conduits between the federal and local government. Comprehensive, independent programming, particularly on development, has been rare. State growth policy should mean policy announced by the governor, the legislature, or both, concerning how and where the state should grow.

However, at the same time we recognize that how and where a state grows are not completely in the hands of the state government. They are a reflection of millions of private decisions. And yet, state policies are frequently announced with little forethought as to how these policies might be implemented or how the goals they pronounce might be realized. State growth policy then, if not to be meaningless, must also carry with it clear and concise plans of how the tools and powers of state governments are to be used to achieve the goals set forth in the policy statement.

At a minimum, state growth policy should call for consistent action on the part of state agencies towards some explicit goal or goals. They may be in numbers of people, location, or quality of life. The purposes of state growth policy and state planning should be to improve the quality of life of the people in the state through managed growth. This means avoiding the unanticipated consequences of action. Federal spending had a tremendous impact on the way this country grew in the post-war period. In light of the crunches this caused, we have to believe that some of these consequences were unanticipated. A good growth policy will avoid or reduce the number of surprises:

- Interstate and Defense Highway System is almost finished. Surprise, no gas!
- Technological advances in agriculture have enabled us to control production to insure stable supplies of food and reasonable farm profits. Surprise, there is not enough food

to go around and farmers are losing money!

State growth policy must establish operational goals for the state concerning the level of population and its distribution, the type and distribution of economic activity, and the way in which the tools of state government are to be used to achieve such goals. It must offer direction to federal, local, and private decisions affecting the state. How does this apply to Alaska?

Distinctions Between Alaska and Other States

Before moving on to the discussion of what the other states are doing, I would like to offer my understanding of the distinction between the growth and growth management problems in this state and others in the Union.

Scale in area is of course the distinction that first comes to mind. The sheer size of Alaska poses many demands in trying to manage it, which you all know much better than I. Growth policy and growth management require an undergirding knowledge of land capability, soils, wildlife, climate, geology, and the like. The cost of finding out is presumably greater here.

Scale in population is also an important distinction. There are fewer people here than in any other state. This should mean fewer people problems to solve. At this moment, and happily most of the time, people are at the heart of growth management discussions. How well off are the people of this state? One thing that I have learned is that Alaskans place a high value on things that are not as important to many in the "Lower 48." That is why many of you are here. How will growth and development here influence the well-being of the people of Alaska? Will it help or harm them? Obviously, as new jobs and income are brought in and Alaskans get these jobs, their lives will be better. But if too many people move into Alaska in search of jobs, the congestion and clutter will mean many of those who live here now will feel they have lost something they value highly.

Native Land Settlements are unique to Alaska. The ownership of Native land, Native rights, and Native business and government institutions obviously will play very large roles in what development occurs and where it takes place. No other state in the Union faces these challenges on the scale that you have them here.

Greater visibility of key development decisions is also a distinguishing feature. Major development decisions in Alaska are in the hands of fewer and much more visible institutions — Federal Government, state government, and Native corporations. The role of the state government can be much more substantial. It is not so much a question of placing public limits on private property decisions, as it is how Alaska wishes to use its public property.

Recasting state and local relationships is not an overriding concern here as it is in many of the other states. Balkanization of decision-making on land use is not as much a difficulty. Growth management in the other states is nearly impossible without constitutional revision, because the land area is divided into thousands of local government jurisdictions, all of which control

Any person elected to public office cannot be too far out in front of what the majority of his constituents think. . . . You can lead by a few steps but you can't lead by a long distance. People are concerned (and anyone in public office will attest to this) with the immediate things that affect them. . . . It is easy to be in the forefront of public opinion as long as you are not responsible to the public for doing something they want right away. This is not to say that the legislature should be a more long range group, but to say don't expect us to do too much. I think you will be more productive in focusing your attention on influencing and educating public opinion.

Joe Orsini

land use. Alaska has far fewer and much larger local government jurisdictions. This makes the local role in land development decisions easier to understand.

Intrametropolitan migration also does not seem to be as much of a problem here. One of the major growth policy problems in the "Lower 48" is the migration of people within metropolitan areas. In some cases growth control has been a thin guise for excluding poor people and their problems. Migration of business and people within the metropolitan area has resulted in a mismatch of who gets what benefits from the city and who pays the cost of the city.

These are the distinctions I see between Alaska and other states. They are not absolute distinctions. In most cases Alaska has the same problems as the other states, but there are differences in degree. These differences are important to keep in mind in considering what the other states are doing, and how the tools and techniques being used elsewhere might be used here.

What the Other States are Doing

A review of each of the other forty-nine states would be rather tedious. Instead, I would like to deal with a few of the states that have received most of the current attention in the growth management discussions and then try to categorize the problems and approaches being used to solve them.

Hawaii has had statewide land use planning since 1961. For this reason, the role of the state government in controlling growth in Hawaii has been very significant. Nonetheless, all is not rosy. Hawaii faces very severe urbanization and growth pressures. Housing is scarce and costs are rising rapidly, something not unfamiliar in Alaska. Protection of agriculture lands from urban uses is also a major problem. Alaska and Hawaii share at least one thing in common. They do not have the problem plaguing many other states of large numbers of small local governments and overlapping special districts. Balkanization is a severe difficulty in attempting to control development rationally.

The Florida legislature passed an environmental land and water management act in 1972. This created a state land planning agency and an administrative commission with controls over the development of the state's lands. The act provides for designation of critical areas where the environment is either poor or especially significant for development. Such areas are recommended for control by regional agencies and then designated by the administrative commission, which also establishes the standards or limitations on any new development. Florida is attempting to identify the land carrying capacity characteristics as a guideline for establishing development standards. This attempt to identify carrying capacity is receiving a great deal of attention nationally. The question being asked is whether carrying capacity is a tool that can be used legislatively to guide development. The Academy for Contemporary Problems recently published a study reviewing the utility and limitations of carrying capacity concept. This was done at the request of the Public Works Committee of the House

The old Alaskan is in the minority — the person who came up here because he loved the country. The people who are coming in now are looking for jobs; and if jobs mean a new road or a new port or a new pipeline, by golly that is what we're going to get. And the composition of the legislature is going to reflect that view.

Emil Notti

of Representatives.

Vermont is another major center of concern for limiting development. It passed a land use and development act in 1970, regulating large scale residential development and establishing a new planning system. The act calls for three levels of planning dealing with land capabilities, development, and land use.

Other states with a significant amount of activity in the development planning field are Oregon, Colorado, and Washington; but almost every state has passed some legislation to control or direct growth. Following are some of the general characteristics of these recent state actions.

Problems in paradise characterize much of the activity we see. States with attractive environments, which have been experiencing substantial growth because of the movement of people in search of these amenity locations, have been trying to stem the tide. For some of these states, this represents a 180-degree attitude change from all-out attempts to attract new population to equally zealous attempts to discourage it. Hawaii, Florida, California, Colorado, Oregon, and Vermont are examples.

I want to emphasize what Bob Richards said about the capital intensive character of the petroleum industry and then to take a little edge off of any euphoria that you might have about that. . . . However large the wages may be as a result of this kind of development, they are for so few people that it doesn't give an answer to the question: how are we going to employ the people in Alaska who need jobs? . . . What it will give us is the opportunity to enter into the development of our service industry activities like education, health, and recreation without having to take an excessive amount of perhaps regressive taxes from each of us. We need to adopt policies that will lead us to productive activities in service industries which (in turn) will give us great opportunities for our people.

Harold Pomeroy

* * *

I foresee two long-run social benefits from the private investment of the petroleum industry in Alaska. One, it will allow Alaska to break out of the low-wage, seasonal, cyclical disruptions which are accompanied by tremendous social costs, and which have plagued Alaska's economic history. . . . Two, it will cause public revenues to increase at a more rapid rate than the need for public services. Therefore, the type of industrialization which Alaska is going to experience over the next decade, to the extent that it is led by the petroleum industry, will have a net positive influence on our non-economic goals, with social benefits exceeding the social costs.

Bob Richards

* * *

Capital intensive oil industry, which means a few people being paid enormously high wages with the vast majority struggling along without anything meaningful to do, will not produce a society I want to live in. . . . Everyone talks about seasonality as being awful, but I think it is one of the advantages of life in Alaska that many people can make enough money in a short term and live in a fairly low standard of living for the rest of the year and enjoy a quiet existence doing the things that they want. . . . It is important that we recognize the basic needs of our people in planning our expenditures. . . . We've got to get some new ideas on how people can exist and have a meaningful life.

Celia Hunter

* * *

Do not underestimate the social-political factors which militate in quite the opposite direction (against state development of service industries). The predominant public attitude in this state is that primary processing is written in stone, and I would anticipate that the legislature will respond to this and will subsidize uneconomic industry in this state under a primary processing label. . . . Unemployment is going to keep the pressure on the legislature. The average guy is thinking about a job out of this in a conventional sense.

John Havelock

A group like this can get together and very rationally arrive at a set of policies. However, when you take these policies to the citizens, they may come up with policies that are totally irrational from our standpoint, but which may be totally rational from their standpoint, because they reflect their particular value system.

. . . . In the Anchorage Borough, we've tried very hard to arrive at certain goals using citizen input for the past year and a half. It has been a very frustrating experience. . . . But we've got to develop a mechanism by which we can define these values.

Bill Beaty

Designating critical areas is another major field of legislative activity. Much of the coastal rim of the nation is making progress in protecting the coastal zone through establishment of special district with planning and development controls. This will now be aided by federal law.

State control over *power plant siting* has been legislatively established in several states. This takes the form of requiring investigation of the potential environmental impact and requiring state permits for construction.

Resource development planning and decision-making is still a weak point, although some states have made substantial progress in strip mine controls. Continued clashes over the environmental and energy issues are inevitable over the next few years.

Federal-state relations have been an area of slight progress. Fifty good state development policies do not make a good national development policy. The federal government has been passive or even ignored the question of how its policies influence the regional distribution of growth. Too much of the state growth planning has been of the "last man" variety: "I got mine and heck with you." Where are the poor to live? Where are the unemployed to go? The national government cannot stand by while the states try to externalize problems on one another. There is a legitimate and even necessary role for federal development policy in conjunction with state development policies.

There has been little progress in handling *intrametropolitan migration* to prevent the fiscal and economic Balkanization of large cities. This is the same problem as the one previously mentioned. One municipal jurisdiction attempts to externalize its problems — the poor, low value development — on its neighbor. Who is to pay the cost of the vital network of cities? Who is to pay the cost of the necessary rural areas for resources and agriculture?

What can Alaska draw out of this experience?

The following are excerpts from "Filling the Calabash: How Much is Too Much?" a paper presented at the Alaska Growth Policy Symposium by Tom Dinnell, Director, Pacific Urban Studies and Planning Program, University of Hawaii, Honolulu Hawaii.

* * *

Given the almost exponential growth of the past decades, many in Hawaii, as elsewhere, are coming to the slow realization that all that grows is not good, that endless and unlimited growth is not a logical possibility for the long run, and that the growth that has made possible so much of what we thought we wanted also appears to contain the seeds of our own undoing.

Growing numbers of Honolulu residents feel that while the economic standard of living in Hawaii has improved for many, quality of life has not. And growing numbers of neighbor islanders are concerned that what has happened to Oahu not happen to their island. Increasingly, citizens are organizing to protest developers' plans for residential development of rural or environmentally-fragile areas and are playing active political roles in seeking to protect and preserve the environment. Life of the Land, Save Our Surf,

Sierra Club, the Conservation Council, and the Outdoor Circle are more frequently in the news than ever before. Politicians now employ the environmental rhetoric in their campaigns, and a number take it seriously. Some of the most concerned environmentalists and advocates of controlled growth in Hawaii are newcomers to the Islands, perhaps seeking to preserve the Hawaii which attracted them in the first place; and some are young people who do not perceive of themselves as having a stake in continued growth. They are joined on occasion by those who have not been among the beneficiaries of growth and are about to be hurt by a specific development proposal. But in spite of much activity, Hawaii does not have at this time what might be described as a coordinated "anti-growth" movement.

Political opinion polls indicate that while voters say they favor limited growth, growth does not appear high on the list of specific issues important to them and does not seem to be a significant factor in determining for whom they will vote. Most commentators have interpreted the results of the recent Democratic gubernatorial primary as an expression of confidence in the present state administration and the types of policies Hawaii has been following, though not as strong an endorsement as in the past. It should be noted

Tools That Seem to Work

Across the nation we can roughly say that there are few state growth policies worthy of the name. The states doubtless will continue to operate in a fashion of disjointed incrementalism. This is inevitable and not necessarily bad. It is possible to make disjointed incrementalism more consistent in its direction. The following techniques would seem to be useful in Alaska.

State sketch planning, the kind done in *California Tomorrow*, would highlight the alternative futures for the state and its associated issues and problems. It would help citizen groups as well as governmental officials in guiding the long, drawn out process of trying to shape the state's growth.

A *state policies plan* would be useful to obtain better coherence among the state departments in achieving growth and development goals. The purpose of a policies plan is to review the actions and policies of the several state departments, and to say whether these policies, programs, and regulations are consistent with the state's announced development and growth policy.

The protection of critical areas also seems to be something best done by state governments. A major research effort would be required to identify and map these critical areas. This may include very large areas in Alaska. A major question is how the controls are to be established. This can be done by a single official or involve elaborate public hearings, even votes.

Requiring *state permits for power plants* and other major facilities that may have a substantial environmental or growth impact is another technique that could give the state of Alaska substantial control over the rate and location of development.

Taxes are often looked upon as a growth management technique, but in my view they are not a good one. Tax exemptions are a particularly poor technique for guiding

What we never really look at is the guy on the bottom rung who doesn't participate in conferences like this, doesn't even understand the term "growth control," doesn't really know what the quality of life means in a way that he can articulate with the people in this room, but he does know what he needs. He needs bread, he needs a roof over his head, and he needs things that by and large we don't plug seriously into our planning process.

Bill Claggett

too, that the winning primary candidate, who has since been elected Governor, speaks of being in favor of "slowed growth" as a general policy, although he has not yet indicated the specific control policies he believes Hawaii should implement.

For most people in Hawaii then, growth control policies can be discussed with a degree of eruditeness and even concern, but our actions do not yet indicate a dramatic change in the values on which we base our day-to-day decision making. To expect that Hawaii's people, as a matter of course, will at this time reduce their use of air conditioning, insist on recycling of wastes, ride bicycles to work, give up eating meat, and fight for stringent land-use controls is daydreaming. We are simply not yet at that point of consciousness or commitment.

* * *

We cannot predict with any degree of certainty the impact of specific control measures. For example:

- *Licensing hotel construction may result in increasing the unemployment rate.*

- *Preserving the natural beauty of the Islands may result in increased in-migration.*
- *Maintaining agricultural lands could lead to increasing the cost of housing.*
- *Reducing the natural birth rate may lead to a substantial change in the ethnic composition of Hawaii's population.*

And if we cannot predict with any certainty the effect of incremental steps such as these, how much less are we able to foresee the multiple consequences of a coordinated set of growth policies? We simply do not know if we have the capacity to formulate a set of policies which will be effective in bringing about the state of affairs we in Hawaii desire, even assuming we can achieve consensus on what state of affairs is desired. In fact, there is some likelihood that massive intervention in a system as highly tuned as our present economy, where the emphasis is on efficiency rather than redundancy, may be an invitation to disaster.

The greatest hope for sound public policy development lies in a citizen becoming informed about the issues; acquiring as much expertise as he can ferret out given the time constraints that are on the average man; and (once acquired) subjecting that technical expertise to the most profound scrutiny possible, so that one can try to determine not only what the facts may be, but what they mean.

Gary Holthaus

development. More important is to establish a system whereby states and local governments have the capacity to finance needed local public services. Most states need to clean up their tax system, particularly the real estate tax assessments and exemptions.

Subsidizing the construction of public facilities, such as sewers and access roads, has been a major technique to attract economic development in the United States. Certainly adequate public facilities are important and critical to the development of a community. But most research has shown that the mere existence of such facilities is not a factor in attracting industry. More discipline in these investments is needed to avoid building expensive public facilities for economic development in those locations with very poor growth prospects.

An important distinction was developed in the Appalachia program between the services and facilities needed for economic expansion, such as sewers and access roads, and those needed to assure equal access to vital human services, education, and health care. Human resource investments could be made anywhere in the region, but economic development investments were to be concentrated in a few areas where the prospects for growth were best. While there has been some wandering from this path, it is a valuable distinction and one that can be very useful in guiding growth.

Northern development constraints pose unusual problems here. What is a viable community size for economic development and for providing basic human services? Have Alaska Native land claim settlements changed our usual answers to these questions? Finally, for whom should northern development be? These considerations have been dealt with very ably in some of the other conference papers, but I see them raising even more questions:

- How can the standard of well-being for present Alaskans and their offspring be raised?
- How can you avoid substantial immigration which creates more unemployment and welfare problems than there are now, even with economic growth?
- How can you minimize the damage to the environment which has been so special to both native Alaskans and newcomers to the state?
- How do you contribute to the stability of the U.S. economy through satisfying its resource needs and supporting its trade balance and not pay a particularly large price for this contribution?

These are delicate and difficult questions. The attitudes that are evolving both here in Alaska and elsewhere in the nation are toward acceptance of a broader control on development. This is not an unquestioning acceptance. We have now moved away from decisions behind closed doors and technocratic planning. In order to achieve these broad and constructive forms of control, the public will insist upon open discussions and broad participation in the drafting of growth control and development policies.

* * *

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ALASKA'S GROWTH AND FUTURE CHOICES --
STATEWIDE POLICY ISSUES FOR THE ALASKA PUBLIC FORUM PROGRAM

DRAFT

Alaska Growth Policy Council
September, 1976

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ALASKA'S GROWTH AND FUTURE CHOICES --
STATEWIDE POLICY ISSUES FOR THE ALASKA PUBLIC FORUM PROGRAM

DRAFT

September 24, 1976

Introduction

In his "State of the State" message of January, 1976, Governor Hammond had the following things to say about individual citizens' involvement in public decisions affecting their own future and Alaska's:

Alaskans are perhaps the most involved, interested and curious citizens in these United States - and perhaps the world. This interest stems, I believe, from an ingrained desire to make our dream of Alaska - as it was and as we'd have it be - a product of and a program for Alaskans...

.....

Since no one man has the only road map, what we need up here are many alternative visions of where Alaskans want to go, and from this amalgamation put forward positive images of tomorrow. The major question is, of course, what kind of Alaska do we want, both for ourselves and for our children's children?...

.....

So we could promote anticipatory democracy. "Anticipatory" because we'd better start anticipating the future, rather than just permitting it to come about. "Democracy" because unless we find ways to involve thousands of Alaskans in the process, we'll find the future staked out by a handful of corporate, political, academic and other elitists, each of whom has carefully looked after number one while no one is taking time to look out for the public as a whole.

The Governor went on to point out that the Alaska Growth Policy Council and Public Forum Program "are tools designed to solicit public input," and that he had directed the Council to initiate the Forum program

to determine what the people think our goals should be - first, to formulate the questions, and then ask Alaskans such things as: what's your view on population growth? should we industrialize more rapidly? emphasize renewable resource enhancement and utilization? place more weight on recreational tourism? encourage or discourage community development in areas now uninhabited? build a petrochemical industrial complex? and many, many more.

The Growth Policy Council has followed the Governor's directions. It has established an extensive program of research and survey work, public information, and citizen participation in state government decision making. The program is highlighted by a series of regional and statewide workshops in which people in all parts of the state will meet to consider and express their views on critical policy issues facing the State of Alaska. These issues and the basic choices to be made are described in detail below. The choices on these issues -- the development and uses of Alaska's oil wealth, land use planning and management, human resources development, the role of government and its relationship to the people, and state growth policy generally -- will largely determine the future of Alaska. For underlying all of these issues is the question posed by Governor Hammond: what kind of Alaska do we want, both for ourselves

and for our children's children?

Because the choices to be made are so fundamental, the clearest possible expressions of public needs and preferences are essential to guide state decision makers. And it is to facilitate such public expressions and involvement that the Alaska Public Forum Program has been established. There are three major goals to be achieved through the Alaska Public Forum:

- To inform Alaska citizens of critical problems and opportunities facing the state, of basic choices to be made, and of the consequences of key decisions that must be made in the next few years.
- To assure every interested citizen an effective voice in shaping the future of the state, an opportunity to be heard on basic decisions which will be made on issues of oil wealth, land use, human resources, and government.
- To make government more responsive to concerned citizens throughout Alaska, to tune government to the expressed needs of an informed public.

At the heart of the Alaska Public Forum Program, therefore, is a series of basic policy issues and specific choices on which citizen viewpoints are sought by legislative and executive officials of state government. This paper provides background information on those issues and tentatively identifies the choices that can be made. All of the issues and choices presented have important implications for future patterns of growth in Alaska: how much, how fast, and what kinds of growth we want and where we want it to occur. They all point to the basic issue of how large a role state government should have in managing growth, controlling its effects, and achieving agreed upon social objectives that petroleum wealth will make possible. And they all relate to the overriding question of what kind of future Alaska we want.

The purpose of the Alaska Public Forum Program is to assist Alaskans to better understand the problems of Alaska's growth and to participate more directly with state government in finding solutions to them. The Forum is intended primarily as a means of strengthening the two-way communication between Alaska's people and their state government. It is thus an extension of the democratic process and a supplement to normal channels of communication, such as campaigns, elections, letters, and personal contacts between citizens and government officials. If it functions well, the Alaska Public Forum will facilitate citizen involvement in state government's efforts to meet the challenges of growth in Alaska, and it will enable government to better inform the people

of the problems to be met and the choices they can make.

This paper consists of three sections. The first describes the general background of Alaska's growth since statehood, and presents some projections of future population and economic growth. The second section presents a series of selected statewide policy issues and related choices. These, or revisions and refinements of them, will be the subjects of public discussion and response in regional workshops in all parts of the state; through newsletter, newspaper, and other media distribution; and in a statewide workshop and TV "town meeting" to be held in mid-1977. Since this paper is still a working draft subject to comments, criticisms, and revisions, the final section indicates the general kinds of responses that would help make it most useful for informing the public and soliciting their views on the role that state government should play and the course it should chart toward Alaska's future.

Alaska's Growth

This section provides an overview of growth in Alaska, including past patterns and future projections, and discusses some emerging growth policy issues that must be dealt with by state government in the next few years. In general, the picture that comes into focus shows an Alaska in rapid transition from a struggling new state in the early 1960's to an oil-rich boom economy in the 1970's and 80's, where problems of growth and opportunities for dealing effectively with them are as challenging as they are unprecedented.

This history of economic development in Alaska suggests a recurring pattern of generally unguided responses to major external forces of change, with the benefits of development flowing disproportionately to "outsiders." First it was furs, then gold and the fisheries, followed by the massive defense build-up of World War II and the Cold War of the 1950's. In what respects and to what extent will the new era of development, based on the production of potentially vast petroleum resources, prove to be different? Will the people of Alaska and their leaders and institutions have greater influence in determining the nature, rate, and consequences of development than they have been able to exert in the past? If, in the petroleum era, the state government is a major owner of the resources and the great wealth they represent, there might be reason to expect that now the State of Alaska can effectively negotiate if not independently chart its future course of

growth and capture its fair share of the benefits. How fast the state develops its petroleum resources and how it chooses to use the wealth they produce will have a very large impact on the shape of Alaska's future.

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

The Setting for Growth

There was a serious question in the early 1960's whether the new State of Alaska might survive economically. Its economy, which was dependent on federal government expenditures and a few unstable resource extraction industries, was capital poor, high cost, and

underdeveloped. Steady growth in the values of fisheries and forest product industries production, however, were indicators that, by the mid-1960's, the state could survive, though not in any high style. What made the difference during that period was the onset of major oil and gas production from the Kenai-Cook Inlet fields.

By the end of the decade, the wellhead value of production from Kenai-Cook Inlet had surpassed the values of production from the fisheries and forest products industries, rising to an amount almost equal to the values of fisheries and forest products combined. (See Table 1.) This, of course, was merely the prelude to what would follow the Prudhoe Bay discovery in 1968, when Alaska would move into the top ranks of the oil-rich regions of the Western Hemisphere.

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

- The population increased from 237 thousand in 1961 to 302 thousand in 1970, an increase of 28 percent.
- Civilian employment rose even faster, from 68 thousand to 105 thousand, for a 55 percent increase.
- The total market value of all goods and services produced in the state (Gross State Product) doubled, rising from \$681 million in 1961 to \$1.4 billion in 1970.

- Total state government revenues amounted to only \$46 million in 1961; they were almost six times higher, \$260 million, in 1970 (not counting the one-shot \$900 million sale of Prudhoe Bay leases in that fiscal year).
- Recurring state government revenues from oil and gas production at Kenai-Cook Inlet rose from \$4 million in 1961 to \$39 million in 1970. (See Table 2.)

The basic push to Alaska's economy was provided at the end of the decade by oil and gas production from the established fields, and this was reinforced by the early gearing up for Prudhoe Bay developments.

Alaska was thus enjoying a steady upward pace of growth at the end of the 1960's, based on increasing values of natural resources production, with oil and gas taking the lead. But the stage was re-set for a major leap with the Prudhoe Bay discovery, and the question for the 1970's and beyond became one of whether the state is capable of managing and accommodating the massive surge in wealth and growth that petroleum development is now bringing to Alaska.

The surge began with the discovery of oil at Prudhoe Bay in 1968. This was followed in quick succession by the state's \$900 million sale of Prudhoe Bay oil leases, passage of the Alaska Native Claims Settlement Act by Congress, the start of construction of the

\$8 billion trans-Alaska oil pipeline, planning for a Prudhoe Bay gasline, and the federal government's announcement of an accelerated OCS oil and gas leasing program weighted heavily toward Alaska offshore regions. Thus, the Prudhoe Bay discovery was but the first of a current series of massive developments now changing the face of Alaska.

Pressures for development of Alaska's oil and gas resources multiplied rapidly after the Prudhoe Bay discovery, due largely to the settlement act and the national and world-wide energy crisis. The settlement act awarded over 40 million acres of land and \$1 billion to Alaska's Native Eskimos, Indians, and Aleuts in compensation for their aboriginal claims to most of the land of Alaska. Organized into profit-making corporations under the Act, Native leaders now have obligations and strong incentives to develop the resources on their lands, and to enter into other forms of profit-making enterprise. Further, the settlement act removed one major legal block to construction of the pipeline from Prudhoe Bay and made it possible for the state to resume efforts to select its own 103 million acre entitlement under the Statehood Act.

Thus, in addition to compensating Alaska Natives for their aboriginal claims, the settlement act triggered a massive reallocation of land in Alaska. Native village and regional corporations would select over 40 million acres, the state would proceed to select its 103 million acres, and the federal government would designate up to 80 million acres of public domain as additional

national parks, wildlife refuges, forests, and wild and scenic river areas. And all of these land designations and selections would be scattered and interspersed throughout most of the state rather than falling into neat blocks. This land transaction in itself would have been a major event and force of change in Alaska even if no oil had been discovered.

Then came the energy crisis--the sudden increase in oil prices and the withholding of oil exports by the Arab nations and other members of the Organization of Petroleum Exporting Countries. Since the United States was heavily dependent on these exports, these events led to a series of emergency measures by the federal government having even greater significance for Alaska. The most important is the accelerated Outer Continental Shelf (OCS) oil and gas leasing program. Nine of the twenty-four lease sales under the program have been scheduled for Alaska offshore areas within a three-year period. Further, exploration was renewed in U. S. Naval Petroleum Reserve No. 4 (now National Petroleum Reserve, Alaska) west of Prudhoe Bay on the North Slope, an area that may itself contain as much oil or more than Prudhoe Bay's 10 billion barrels.

Also about this time, Congress passed the trans-Alaska Pipeline Authorization Act and related legislation that removed the second major legal block to pipeline construction. Permits were soon granted and construction of the trans-Alaska oil pipeline began in

the spring of 1974.

Finally, the federal Bureau of Land Management in the same year undertook a "primary corridor system" study in Alaska as a basis for the reservation of easements across public and prospective Native lands, with particular emphasis on transport needs for "high value energy resources" development. The trans-Alaska oil pipeline and the prospective gas pipeline from Prudhoe Bay may thus be only the first of a series of pipeline utility and related "corridors" that would criss-cross the state.

Thus, by early 1974, interests in Alaska petroleum resources and prospects for large-scale development had multiplied. Now, it was not only the state and major oil companies looking at the North Slope. It was also the federal government looking to the development of both onshore and offshore oil lands as a means of increasing domestic energy supplies and reducing dependence on imports. And it was the Native regional corporations making plans to develop the commercial values of lands, including oil and gas resources, granted them by the settlement act. Meanwhile, trans-Alaska pipeline construction was bringing boom conditions to Alaska.

Petroleum development, like the larger growth cycle it has set in motion, is also self-reinforcing. Prudhoe Bay and the pipeline have "opened up" the North Slope, the adjacent seas, and lands along the pipeline corridor to new federal, state, and Native corporation leasing and exploration activity. NPR-Alaska activities are similarly

likely to encourage further developments on northwestern and western Alaska lands and seas, since it is generally easier and cheaper to extend development from existing areas, and to share or expand transportation facilities than to open new and isolated areas. And the geologically promising oil lands of Alaska are widespread. In the future, this "opening up" of Alaska lands may also help make possible large-scale development of other mineral resources such as coal, copper, tin, lead, and other commodities that are now uneconomic to develop.

For fiscal reasons, Alaska's state government has added its own push to the growth momentum. The state operating and capital budgets expanded rapidly after the \$900 million sale of Prudhoe Bay leases in 1969. The budget doubled a year later and then kept climbing, requiring the state to draw on the "investment" fund established with the Prudhoe Bay money.

Soon after the state received the \$900 million, the decision was made to start spending part of it to expand and improve public services and facilities. It was anticipated at this early stage that the trans-Alaska oil pipeline would be completed by 1973, and that state oil royalties and severance taxes would fairly quickly restore the initial drawdowns from the fund. Thus, the fiscal 1971 General Fund budget of \$321 million (not including federal and other restricted and special purpose funds) was double the previous year's budget of \$162 million. The next biggest overall increase,

a 26 percent rise, occurred in the fiscal 1975 General Fund budget, due mainly to pipeline construction impacts. As a result of these successive increases, the fiscal 1976 General Fund budget was over three times larger than the pre-lease sale budget of fiscal 1970.

In general, increases were made across the board in state programs, with the largest and most expensive programs--in education, health and social services, public works, highways, and debt service--accounting for the largest dollar increases. However, since expenditures in all other program areas were also substantially increased, these "big programs" did not increase their proportions of the total General Fund budget over the 1970-1976 period. (See Table 3.)

These General Fund program increases account for the largest share of the drawdowns from the original \$900 million, as well as from the estimated \$330 million in capital gains and interest generated by major investments of the lease sale money. Smaller amounts were put into various state loan and mortgage programs (under \$100 million for housing, veterans, small business, municipal, and similar loans) and invested in the stock market (about \$18 million) in which losses of about \$7 million were incurred.

While the fund was emptying and higher plateaus of state expenditures were being created, delays occurred in pipeline construction and there were no new oil revenues to replenish the fund. The result was that a "fiscal gap" was opened for the two-year period

before Prudhoe Bay oil and revenues from it would begin to flow in late 1977. In response, state officials had to examine additional sources of income, including a tax on oil reserves and the leasing of additional areas for oil exploration. The situation now appears to be in hand, given the reserves tax and general increase in tax revenues generated by the growth accompanying the pipeline boom. But the strains are still there, and the schedule for completing the pipeline is still uncertain and critical to the state's short-term fiscal health.

Even if state officials had been more determined to make the \$900 million last a while longer, pressures for ever-increasing expenditures could not have been easily resisted. Prudhoe Bay developments, the settlement act, trans-Alaska pipeline construction, and the national energy crisis set off boom conditions in Alaska-- rapid increases in economic activity and employment opportunities, the prospect of higher incomes, expansion of trade and service enterprises, and, drawn by the new jobs and income opportunities, heavy migration into Alaska. As a result, "impact" conditions had to be met and demands on public services and facilities grew, while the costs of government and everything else in the over-heated economy continued upward. And all of this was on top of a long contained backlog of public facility and service needs in the new and still underdeveloped state.

Thus, dating roughly from the winter of 1973-1974 when pipeline construction activities began in force, and as a result of

all the conditions outlined above, Alaska's growth took off in a new surge. And the end is not yet in sight. Looking again at the indicators used to summarize 1960's growth in Alaska, bringing them up to 1975, and projecting them out to 1990, we see the following:

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

The fast growth in population and employment between 1970 and 1975 can be attributed almost fully to pipeline construction and

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anticipation of it, with a large part of this growth occurring in 1974 and 1975. Since Prudhoe Bay oil will not begin to flow until 1977 or after, and other growth-inducing developments are expected in the future, the other indicators (gross product and state revenues) that are largely dependent on such events do not show their greatest growth until later.*

Emerging Policy Issues

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The questions arise: How much is enough? Can or should the process be slowed? Can or should government itself be limited while the basic source of its expansion -- resource development -- continues at a rapid rate? Regardless of what might be done about the size of government bureaucracies and budgets, are there ways of restructuring state and local governments, defining their roles, and allocating their responsibilities so as to make them more effective and more responsive to the people? Perhaps the most basic question about government is: How much responsibility do the people of Alaska want their state government to take in meeting the social and economic problems of growth, in promoting or discouraging developments in the private sector, in protecting valued lifestyles, and in achieving some balance of environmental protection and resource development? In short, what do Alaskans want their state government to do, or to avoid doing, in making Alaska the kind of place they hope it will be?

In summary: Decisions must be made over the next few years that will affect the rate and quality of growth of communities and regions, the quality of the natural environment, and the well-being of all Alaskans. Many of the forces of growth in Alaska today are not under the control of state government. But the state does have means of influencing 1) the rate of growth through its own resource development and fiscal decisions, 2) the kinds and locations of growth through its regulatory, taxation, and expenditure powers, 3) the social and economic opportunities and well-being of Alaskans

through the ways in which oil revenues are saved, invested, and spent in the years ahead, and 4) the effectiveness and accountability of government structures and programs through structural and administrative reforms.

Future Choices

If the basic issues before Alaskans are:

- What kind of future Alaska do we want? and
- What role should state government play in getting us there?

then, how best can the people's values and preferences be determined and communicated to state and other policy makers?

It would be difficult to give direct answers to these two general questions about a preferred future and the state's role. This is because they are very broad questions and they are subject to a whole variety of meanings and interpretations. We need to know more specifically what it is about the future and the state role that most concerns people, that is possible to achieve given the tools the state has available and the general growth path Alaska is already on, and that can give clear guidance to state policy makers during the next few years when so many more specific decisions must be made.

Yet, it would be a mistake to ignore those general questions, because people's general ideas about them reflect the fundamental goals and values that give real meaning to the more specific choices that will be made. How can we decide, for example, whether the state government should take certain actions to increase private sector jobs unless we first know whether 1) the kind of industrial development required to create the jobs is consistent with the kind

of Alaska we want to see, 2) job-creation is something we want state government to take responsibility for, and 3) expansion of employment is really at or near the top of our list of priorities?

A solution to this problem of how to get clear guidance from the people on specific policy questions without losing sight of the underlying issues of citizens' goals and values is to approach these latter issues indirectly: to formulate more specific policy questions that have clear implications for Alaska's growth and quality of life in the future. People have to know that if state government does or does not do "x", then the kind of growth they may experience and their preferences and satisfactions may be affected for good or ill, or not at all.

The following sections of this paper have been prepared with that purpose in mind.

- First, four basic "issue areas" have tentatively been selected for attention--the development and uses of Alaska's oil wealth, human resources development, land use planning and management, and government and the people;
- Second, each of these issue areas is introduced with some general comments on how it ties into the broader matters of state growth and quality of life discussed earlier in this paper;

- o Third, within each issue area specific problems are identified that state government must deal with in the next few years; and
- Fourth, specific choices that can be made to deal with these problems are presented, and background information needed to understand the choices and their implications is provided.

The general plan of this presentation, then, is to move in logical steps from the broad and general to the specific and concrete, making it as clear as possible at each stage how one level relates to the next. We have already discussed the broad background and present context of growth in Alaska, and looked at some projections of future growth. We have also considered how people's basic values and goals may determine both their more specific choices and their feelings about whether growth and change, and the public decisions that might be made, are "good" or "bad" for them. Now is the point where we look at some of those possible state government decisions that can shape Alaska's future.

Oil Wealth

How Alaska uses its oil wealth -- both the resources themselves and the money the state will get from them -- will probably have the profoundest effects on Alaska's future growth and quality of life. Both the rate at which the state leases its oil and gas

resources and the ways it uses the revenues from oil and gas development can powerfully influence: 1) the general rate of state population and economic growth, 2) the kinds of economic development that occur, and 3) the social and economic well-being of individual Alaskans.

The greatest long-term effects will come through the uses of petroleum revenues. Leasing decisions in the shorter-run bring temporary boom conditions to individual communities directly affected by petroleum exploration and development activities such as at Prudhoe Bay and related pipeline construction. But the state's accumulation and uses of large-scale revenues over a longer period of time can either fuel and accelerate growth, or, through withholding them from the economy, slow or moderate the growth that would otherwise occur. Of course, the rate of leasing by the state will also determine the rate at which new revenues will become available for expenditures or savings.

The people of Alaska are the owners of the oil and gas and, through their state government, they authorize private industry -- through the selling of leases, for which the state receives "bonuses" -- to locate it. The industry's reward for finding the oil and gas is their opportunity to produce, transport, process, and sell the oil and gas for profit. Once oil and gas is found and produced, the industry pays severance, property, and income taxes, and makes royalty payments for that portion of the oil and

gas to which the state retains ownership rights. The state also has the option of taking the royalty oil and gas "in kind" and making it available for use within the state or selling it for export.

The federal government and Native corporations also likely own oil and gas resources in Alaska, and the federal government is already committed to a rapid rate of leasing on the Outer Continental Shelf. Leasing in the National Petroleum Reserve may follow. Federal and Native leasing will also have both short-term and long-term growth impacts in Alaska.

The state thus controls a large amount of oil and gas and will control large sums of petroleum revenues. The rate at which it leases new and yet undiscovered fields, the rate at which it saves and spends the revenues, and the specific ways it chooses to spend, are the most important overall growth management tools it possesses.

Petroleum Leasing--It is not known how much additional oil and gas remains to be discovered and produced on state lands. The best estimates now available suggest that the state probably does not own the equivalent of another Prudhoe Bay, a "super giant" field of 10 billion barrels of oil. However, we have seen that Prudhoe Bay alone will produce enormous sums of money for the state, and ensure a high rate of growth. It will do this for probably the next twenty years. If additional fields are found, which is likely, Alaska may be able to count on a flow of petroleum revenues and continued petroleum-based growth for thirty years, but probably not much longer.

The state can slow the rate of growth to some extent by restricting the sale or leasing of oil and gas on state lands. Or, it can speed the rate of growth by a rapid rate of leasing. This would be on top of the growth already generated by the leasing it has already done, and on top of the growth that will be stimulated by leasing likely to be done by the federal government and Native corporations.

Another thing that the state might do is take some amount of royalty oil "in kind" and make it available within the state for industrial development, such as petrochemicals, refining, power generation, etc. This, of course, would support a certain kind of growth, and it would probably require that the state sell the oil and gas at less than its market value in order to promote such industrial development.

CHOICE ONE: Should the state attempt to slow the rate of growth by restricting the sale or leasing of its own oil and gas resources, keeping them in the ground for future use?

FAVOR OPPOSE NO OPINION

CHOICE TWO: Should the state attempt to make its "in kind" royalty oil and gas available to private industry, at below market value if necessary, for development of petrochemical plants, refineries, power plants, etc. in Alaska?

FAVOR OPPOSE NO OPINION

Petroleum Revenues--Expenditure of petroleum revenues by the state has the greatest long-term growth effects because the money enters Alaska's economy and generates additional jobs, income, and hence, migration from outside. On the other hand, the state can slow the rate of growth by saving large amounts of petroleum revenues instead of spending them or otherwise letting them enter directly into Alaska's economy.

The proposed Permanent Fund could be used as such a method of saving. If it is to be used in this way, the petroleum revenues saved would be invested largely outside the state in such things as U. S. government securities, earning perhaps eight to ten percent or more a year in interest. (See Table 5 for some estimates of Permanent Fund principal and earnings, based only on Cook Inlet and Prudhoe Bay oil production, at a twenty-five percent savings rate for certain petroleum revenues.)

These Fund "earnings," in turn, could also be used for different purposes: They could be put back in the Fund and used to build up further earnings. They could be distributed directly as cash payments or "Permanent Fund dividends" to all Alaskans. They could be transferred to the General Fund and used to support state on-going programs, or simply to increase the amount available in the General Fund to spend or hold. And to the extent that any of these ways of using petroleum revenues --either directly or as earnings --lessens the need for tax revenues, the state could cut income taxes.

Instead of using the Permanent Fund as a "savings account" with earnings, the state could use it as a "loan fund." In this version of the fund, the money would be invested in Alaska for several purposes. These could include "infrastructure" development (ports, power plants, other utilities) the costs of which would be paid back by the users, like paying back a loan over time. Or loans could be made directly to attract or support such industries. The industries assisted in these ways could include any type that Alaskans want -- either renewable (fisheries, timber, agriculture) or non-renewable (mining, various kinds of manufacturing, etc.), small business or big, housing and construction, or others.

If the Fund is used as a "loan fund" in these and similar ways, it will probably make lower earnings, and it will clearly promote faster growth, than if it is used as a "savings account." This is because the money, as loans, would be used directly in Alaska, and it would help support developments that could not otherwise afford the higher interest rates that would be required by private banks, for example. Or the assisted businesses, industries, etc., may not even be able to qualify for such private loans because of high risk or simply because the funds are not available for the types of activities that the Fund might assist. Thus, the loans in this sense would have to involve subsidies (e.g., below market interest rates, state guarantees, etc.) to those assisted by them.

Whether the Permanent Fund is used as a savings account or a loan fund or both, it will of course take money that would otherwise be available to support on-going education, health and social services, highways, public safety, municipal revenue sharing, and all other programs of state government. And the larger the amount saved or loaned, the less would be available for such other on-going state programs. While money spent through such programs in Alaska serves public purposes determined by the State Legislature and Executive in each year's General Fund budget, it also adds its own push to the state's rate of growth, as we have already seen.

Instead of putting large amounts of petroleum revenues into the Permanent Fund, they could be allowed to build up in the regular General Fund. In this way, the State Legislature and Executive could decide, with a much larger amount of money available, how much should be used for on-going state programs, for capital expenditures, etc., just as they do at present. They could also decide how much to leave in the General Fund to grow and carry over from year-to-year. These General Fund "balances" make earnings, too, through short-term investments and by drawing interest in commercial bank accounts. And the earnings here, too, could be used for purposes similar to earnings under the "savings account" and "loan fund" versions of the Permanent Fund discussed above.

The above leads to petroleum revenue questions dealing with Permanent Fund size, use of the Fund as a savings account or as a loan fund, and use of Fund earnings.

CHOICE THREE: What should be done with the estimated \$1 to \$2 billion and more per year that the state will get from Prudhoe Bay and other oil production?

- A. Put all of the state's petroleum revenues into the Permanent Fund and permit only the earnings to be transferred to the General Fund.
- B. Put half the petroleum revenues into the Permanent Fund and half into the General Fund.
- C. Put one-quarter or less of total petroleum revenues into the Permanent Fund and put all of the rest into the General Fund.
- D. I don't favor the Permanent Fund at any level.

CHOICE FOUR: Which concept of the Permanent Fund would you favor most or give priority to?

- A. Permanent Fund as "savings account."
- B. Permanent Fund as "loan fund."
- C. Neither

CHOICE FIVE: To the extent that the Permanent Fund is used as a loan fund in Alaska, how would you like to see the money used?

- A. To build power plants, ports, utilities, and other infrastructure that will help support industrial development.
- B. To support development of renewable resource and related industries (fisheries, forestry, agriculture, tourism).
- C. To support development of other businesses and industry in Alaska:
 - 1. small business, housing construction
 - 2. mining
 - 3. manufacturing
- D. No opinion.

CHOICE SIX: What should be done with Permanent Fund earnings?

- A. Put back into Permanent Fund.
- B. Transfer to General Fund.
- C. Distribute as cash payments or dividends to Alaskans.
- D. Cut personal income taxes.
- E. No opinion.

Land Use Planning and Management

Petroleum development and revenue policies will affect both the rate and the quality of growth in Alaska. State land policies on the other hand, while having little direct affect on the rate of growth, can have an important affect on quality -- on where,

when, and what type of development occurs. And like petroleum policies, state land policies are strongly affected by what the federal government and Native corporations do in their own areas of ownership and jurisdiction.

The Alaska Native Claims Settlement Act granted over 40 million acres of federal public domain to the Native people. It also set aside another 80 million acres for possible inclusion in national parks, forests, wildlife refuges, and wild and scenic rivers ("d-2" national interest withdrawals). In addition, passage of the Act enabled the state to resume part of its own selections of over 100 million acres granted in the Statehood Act. (However, additional state selections were again halted in 1974 when the remaining federal public domain was withdrawn pending completion of Native selections and issuance of regulations affecting allocation of federal "public interest" or "d-1" lands under the settlement act.) Finally, the act helped make it possible for construction of the trans-Alaska oil pipeline construction to begin, removing the legal block that the claims issue represented.

The settlement act thus initiated a massive redistribution of land, set the stage for a vast increase in state and private ownership of land in Alaska, and helped open the way to the development and transport of energy and other natural resources.

At statehood, almost 100 percent of Alaska lands were owned by the federal government. Less than 500 thousand acres were in private hands, most acquired under the federal Homestead Act, and most in and around communities and along existing road networks. Today, 70 percent of Alaska lands are in federal reserves, the state has selected about 18 percent, and the Natives are completing their selections of over 11 percent of Alaska lands. (See Table 6.) When the state completes its selections, which must occur by 1984, it will have about 29 percent of the lands of Alaska, Native and other private holdings will amount to about 12 percent, and the federal government will still own the majority of the land, about 60 percent. (See Table 7.)

The resulting land ownership pattern will at best resemble a mosaic, but probably look more like a bizarre jig-saw puzzle of a thousand pieces of all possible sizes. This presents major problems of rational land use planning and management in Alaska. Watersheds, shorelines, fish and wildlife, subsistence patterns, transportation and utility systems, and many other affects of different land use activities do not conveniently stop at or confine themselves within legal boundary lines. The problem becomes more acute as we look ahead to a continuing period of rapid growth, bringing a higher level of competing demands for land, water, and other resource values, and increased access to remote areas of Alaska.

The state thus faces several critical policy issues in the area of land use planning and management in the years ahead. They include problems of state land selection, management, and disposal; cooperative federal-state-private land use planning and management; energy facility siting; mining and mineral development; pipeline routing; recreational and transportation easements; and community development. The following discussion of policy choices focuses on state land selection and disposal issues, and some critical land use planning problems facing Alaska generally.

State Land Selection and Disposal*--Since statehood, the state has generally selected lands with potential for a variety of human uses and, in the early years, acquired many small holdings near the larger communities. In more recent years, selections have been made of much larger blocks of land with mineral potential in remote areas. Most vacant land in and around communities was and is not available for state selection. By the time of statehood, most such lands had already been acquired by private parties under the federal homestead law. Consequently, most state-selected acreage is in rural areas quite beyond the range of most current urban economic and population growth.

*Some of the discussion of this section was adapted from Janet McCabe, Agenda for State Lands, Part II, Joint Federal-State Land Use Planning Commission, Anchorage, Alaska, 1975, pp i-iv.

In 1975, privately owned land in Alaska totaled about 1 million acres, with the majority of it located in the south central region. While the Alaska Native Claims Settlement Act adds almost 44 million acres of private land to the total, not much of this land is likely to be available for sale to other private parties for several years. The extremely slow pace of federal patenting to the Native owners is one reason for this. (The state itself has obtained patent to only about 16 million acres of the 70 million acres it has selected so far.) Federal lands are presently not available for private acquisition (beyond Native selections) nor are they likely to be in the foreseeable future. Without considering Native lands, Alaska land in private ownership equals about 2.5 acres per capita. Including Native lands, there are about 111 acres of private land per capita.

Land used for private purposes is located primarily in the southcentral, southeast, and interior regions. About 88 percent of the state's population lives in these areas, with concentrations in the Anchorage and Fairbanks areas accounting for 57 percent of the total population. Residential and private recreation land use is, therefore, also fairly concentrated. This concentration is emphasized by the fact that most of this land area even of the Anchorage and Fairbanks Census Divisions is unoccupied.

State land transferred to private ownership since statehood totals 124,200 acres, equivalent to an area of about 14 miles by 14 miles. Another 323,000 acres has been leased to private parties.

The greatest demand for state land has been from purchasers seeking land for investment purposes, either to hold speculatively or to subdivide and resell. Most of the land that the state has sold or leased still stands vacant.

A well-known state land disposal program in recent years was the open-to-entry program, which proved extremely difficult to administer and tended to invite public abuse (e.g., multiple holdings, speculative withholding, etc.). Also, it appears that the program fostered a scattered and wasteful pattern of land subdivision, and that it did not adequately reserve land in public ownership for public access and waterfront use. The state has recently been attempting to buy back land alienated under the program in order to provide such access.

The state has in some instances sold or leased property under terms requiring development consistent with an improvement plan and schedule. In locations suited to immediate development, this method has helped prevent speculative holding. Also, there are indications that leasing, instead of sale, as a disposal method has possibilities of reducing speculative acquisition, retaining some measure of control over land use, and allowing the state to share in revenue gained through rising land values.

The following two questions pose choices concerning state land selection and disposal policies.

CHOICE ONE: What do you think is the most important consideration in the state's selection of lands remaining under the statehood entitlement?

- A. Potential mineral development.
- B. Private residential and recreation sites.
- C. Public recreation, wilderness, and scenic areas.
- D. No opinion.

CHOICE TWO: What should the state's responsibility be for making state lands available for use by private parties?

- A. Maximum amount should be transferred to private ownership.
 - B. Selective amounts should be available for private use under restrictions.
 - C. State should retain ownership over all or most of its lands, but make them selectively accessible for recreation and similar uses by the public.
 - D. No opinion.
-

Land Use Planning Problems--The Alaska Native Claims Settlement Act, together with the Statehood Act, directly allocate and reallocate a total of 250 million acres, or two-thirds, of the total land area of Alaska. They do this not in accordance with any comprehensive plan for the rational and efficient use and protection of the land, but in terms of a broad array of mostly unrelated political, legal, and economic considerations, past events, and established ownership rights. The result is a complex pattern of scattered and interspersed holdings by the state, over 200 Native regional and village corporations, many federal agencies, several municipalities, and numerous private individuals.

While these land owners are mostly independent of one another, their uses of the land often are not. What one owner does to develop or protect his area can have repercussions on the adjacent owner's area. A pipeline corridor and access road near a small, remote settlement will certainly be felt here. The effectiveness of habitat protection on private lands can affect hunting and fishing or wildlife preservation programs on adjacent state and federal lands. Logging on federal lands may affect the fisheries downstream. And so on. All of this is to indicate the apparent need for some kind of cooperative land planning and management among independent land owners.

Effective cooperation may also mean that different owners will at times need to accept restrictions on what they do on their own land. The state, for example, may need to provide for additional

restrictions on mining and mineral development on some of its own lands in order to help protect resources on adjacent lands that might be affected by such access and use. Or, the state may need to withhold certain lands from selection by municipalities or sale to private parties in order to assure the protection of adjacent hunting and fishing areas. Or, the state may need to allow transportation access or a pipeline utility corridor through a wilderness, park, or wildlife area to support mineral development on federal or private lands.

In exchange for such actions by the state, federal and private owners would similarly need to accept certain restrictions on uses of their own lands. Such cooperative arrangements might ultimately take the form of statewide and regional land planning and management organizations in which all parties will participate. Both the State of Alaska and the Joint Federal-State Land Use Planning Commission have proposed such cooperative planning and management institutions, which would include at least the federal and state land owners.

CHOICE THREE: Should the state enter into strong cooperative land planning and management arrangements with federal and, possibly, private land owners?

FAVOR

OPPOSE

NO OPINION

Federal oil and gas leasing and subsequent development of the Outer Continental Shelf around Alaska will require that substantial support facilities be developed onshore. Such facilities include 1) supply and service bases, 2) local materials, supply -- sand and gravel, fresh water, etc., 3) platform fabrication sites, 4) submarine pipelines and landfalls, 5) crude oil storage and marine terminals, 6) liquified natural gas plants, 7) and, possibly, small refineries and petrochemical plants.

Activities associated with these facilities will advance and decline with the life of the offshore oil and gas fields. A service base, for example, can begin small as exploration commences, suddenly boom into a 50 acre, 24 hour-a-day complex as oil is discovered and developed, or fold up altogether if fields prove too small or even dry.

These support activities will require land and water resources in and near coastal communities. They will bring in many new workers for construction jobs and require fewer for operations. They will result in at least some unavoidable degree of air and water pollution. Familiar boom conditions, including crowding, housing shortages, excess demand for public services and facilities, price increases, and other such effects may be felt.

But there will be benefits for affected communities as well as costs. Jobs and incomes will be created, at least some portion of which will directly or indirectly flow to local residents, and

retail trade and services establishments will expand. The property tax base will grow and help provide the revenues to meet the new public needs (though adequate local revenues may not materialize until sometime after the needs arise). Some local residents will not only enjoy direct economic benefits, but they will also like the new character and pace of the community. Some resident young people may stay in the community rather than leave and seek their opportunities elsewhere.

Not all of the support facilities and activities are likely to be concentrated in just one or two locations, however. They may be dispersed to the most favorable locations in terms of proximity to different offshore fields, availability of sites, requirements for deep water ports, etc. Generally, the locational decisions made by the private companies involved will be in accordance with their determinations about what is most economical, profitable, and convenient, given technological requirements and the availability of suitable sites. Their locational and other decisions will not necessarily be made in terms of what is best for the community, its residents, and the natural environment. That is not their responsibility as businessmen, although they may well be willing and sometimes even eager to comply with such "public interest" criteria, provided such criteria are clear, reasonable, and applied equitably.

If such criteria are to be effectively developed and applied, this will require planning and enforcement by state and local governments. And this will mean that oil and gas support facilities would be allowed in some areas the companies might have chosen independently, but not in others. Both the benefits and costs, the "goods" and the "bads" of OCS development to local communities and coastal areas will be distributed differently than if there were no state and local facility site planning and effective controls.

CHOICE FOUR: To what extent should state and local governments control the locations of major support facilities for the exploration, development, and production of oil and gas?

- A. Companies should be able to select sites without restrictions by state and local governments.
- B. State and local governments should plan for and select sites that conform as closely as possible to state and local public interests.
- C. No opinion.

Human Resources Development

Alaskans face serious social problems as well as major opportunities in what is likely to be a sustained period of rapid growth. This long-term growth will continue to be interspersed with short-term boom conditions that are felt with particular intensity in individual communities and regions.

Many of these problems and opportunities, and some of the policy choices that go with them, have already been discussed. We have seen that the long-term growth of Alaska will bring many changes and require many adjustments in our family, community, and work lives. One of the great potential benefits, or opportunities, of this petroleum-based long-term growth is the enormous revenues that the state will receive. And, in connection with the "Permanent Fund" idea, we have discussed how these revenues might be used both to influence the state's overall growth and to benefit Alaskans. Both benefits and costs of abrupt "boom town" growth in local communities have also been mentioned -- the new jobs and income, but also the crowding, family disruption, and other social costs.

All of this implies that we have already been dealing indirectly with issues of "human resources development" -- the changing problems as well as opportunities for the growth and fulfillment of individual Alaskans. Here we will focus more directly on some human resources issues emerging from state growth and change and some of the policy choices they may present.

Education, Health Care, and Incomes--If the state does realize anywhere near the revenues projected for the next twenty years or more, it will be in a position to do some rather far-ranging and innovative things in the field of human resources development. The state could subsidize the costs of a college education and career training and retraining for all interested and qualified Alaskans

by making the University a tuition-free institution, for example, and by providing generous grants to individuals going elsewhere for education and career training programs. It could provide support for a comprehensive health care system, covering a significant share of the costs of an "Alaska Health Maintenance Organization," which would concentrate on preventive care for all Alaskans who choose to participate. And it could follow through on the idea of "Permanent Fund dividends" by distributing a portion of the revenues derived from natural resources development to all Alaskans as shareholders in the state and its resource wealth.

A great deal of work, of course, would need to be done in designing such programs, determining their costs at different levels of support, and assessing their likely results and effects. There clearly would be some difficult problems and objections to consider. There would be objections to the state's taking on any further such responsibilities, particularly of such a magnitude. There is the question of whether such support should be provided only on a need and ability to pay basis, if at all. And there is the real difficulty of such programs themselves attracting migration to the state, which, along with adding to general growth pressures, spread program benefits thinner and raise their costs higher. The question is whether Alaskans think it would be worth looking further into such possibilities to see if state government should seriously pursue them in the future.

CHOICE ONE: Should the state look into the possibility of establishing some major new human resources development programs in the areas of education health, and personal incomes?

FAVOR

OPPOSE

NO OPINION

Social Impacts--Many Alaskans have already experienced some of the more severe social impacts of rapid and large-scale development. Fairbanks, Valdez, and other communities along the route of the trans-Alaska pipeline have felt the direct effects, both good and bad, of the pipeline construction boom during the past two years. Here we will focus on some of the social problems that go with impact conditions.

A wide range of social problems accompanied the pipeline construction boom, particularly during its peak period. There were severe housing crises in some of the communities along the pipeline corridor. There were reports of increased family breakdowns and inadequate care of children. In Fairbanks, for example, the divorce rate, juvenile arrest rate, and cases of child neglect rose substantially. So did violent and non-violent crime. Native villages also appear to have experienced some serious social problems as a result of pipeline construction. In many villages, it appears that a large proportion of men left for pipeline jobs. Native organizations became concerned about such problems as food and fuel

shortages in the villages. In both Native and urban communities, increases in alcohol-related violence has been reported.

Social problems occurring in pipeline construction "boom towns" and other affected communities are likely to be repeated with other major petroleum development projects in the future, including Outer Continental Shelf leasing, development of the National Petroleum Reserve (Pet 4), and construction of other oil and gas pipelines across Alaska.

Does the state have a special responsibility to help impact communities through their crisis periods? Should there be a great deal more planning for social impacts in local communities throughout the state, which seem subject to many common and repeated problems? The state could help individual communities anticipate and prepare for their problems, based on experience of similar conditions in communities elsewhere in the state. And it could follow up with concentrated impact assistance to communities during peak periods, until local communities are able to catch up better with developments.

The knowledge and experience gained in handling social impact problems in a more organized and systematic way, with state guidance and assistance, might even carry over into more effective approaches to dealing with chronic, long-term social problems such as alcoholism, child neglect, crime, etc., that are only aggravated during severe impact periods. The state should be in an increasingly strong

position financially to provide such assistance as new petroleum-related revenues become available.

On the other hand, one could take the position that social impact problems are short-term, that benefits and costs may balance out over the longer run, and that individuals as well as communities are better off helping themselves rather than depending on the state to help them through such troubles. Besides, any such efforts are costly and would require money that might better be spent to improve education, health, social service and other on-going programs, or money that might be saved rather than spent at all.

CHOICE TWO: What should be the state's responsibility toward communities experiencing severe social and other problems of impact?

- A. The state should help communities plan for impact, and then move in with all possible forms of assistance when impacts hit.
 - B. The state should provide assistance to impact communities through its regular programs, but otherwise let the communities work through their own problems.
 - C. No opinion.
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Alcohol Abuse--Alcoholism and alcohol abuse is not merely an impact problem in Alaska. It is chronic and long-term, and it is often intensified under impact conditions. Per capita consumption of alcohol in Alaska increased by 29 percent between 1960 and 1970. In 1970, per capita consumption was 44 percent above that for the U. S. as a whole. While fatal traffic accidents attributable to alcohol accounted for 57 percent of the national total, 75 percent of Alaska accidents involved alcohol. More than half of all arrests in the state were alcohol-related between 1960 and 1970.

In Alaska, as elsewhere, programs in the field of alcoholism and alcohol abuse are directed mainly at treating the individual problem drinker after the fact, and then helping him or her on an individual basis. While many individuals have undoubtedly been assisted through their problems at least temporarily, and such efforts are necessary, there has been no apparent progress in reducing the overall problem through these "remedial" treatment programs alone.

There is a different approach to the alcohol problem, one that focuses as much on the drink as on the drinker. It supplements rather than substitutes for remedial treatment, and it emphasizes methods of cutting down the consumption of alcohol in the first place. It is a strong "preventive" approach. It considers alcohol a "potentially dangerous drug" and alcohol abuse as a social health problem of great urgency and critical proportions.

In this approach, the state would attempt to reduce overall per capita consumption on the assumption that this would reduce the overall incidence of abuse leading to bad health, accidents, crime, violence, and death. The state might stiffen penalties for driving under the influence of alcohol (as has the Municipality of Anchorage). It might strictly limit the conditions under which alcohol could be sold -- where, what hours, to whom, etc. -- and strictly enforce such limits. And it might substantially raise taxes on alcoholic beverages, which might both discourage purchases by some, as well as raise additional revenues to help cover some of the costs of the problem and of the programs for dealing with it.

Among the possible objections to such an approach are first, that nobody really knows for sure if it will work, whether it might really succeed in cutting alcohol consumption, lowering alcohol abuse, and reducing some of the worst social problems. Further, it would increase the intervention of the state in individual decisions and require more restrictions on and closer monitoring of the sellers. And, besides, it all sounds rather harsh.

CHOICE THREE: What should the state do about the problem of alcohol abuse in Alaska?

- A. The state should view alcohol as a "potentially dangerous drug" and take strong preventive action as well as continue necessary remedial efforts.
 - B. The state should continue the remedial programs only and try to improve them.
 - C. The state should cut back on its alcoholism programs altogether.
 - D. No opinion.
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Subsistence Lifestyle--The rural Alaska subsistence issue is often thought of as a fish and game rather than as a "people" matter or as a human resources development problem. Actually, fish and wildlife management can be viewed as only a technical component, a means of dealing with a much broader set of concerns. For many Alaskans, including non-Natives as well as Natives, subsistence hunting, fishing, and gathering can be seen as part of a whole way of life in rural areas.

Viewed in such "life-style" terms, subsistence involves not only fish and game management, but also significant issues of rural development, long-term cultural change, transitions from subsistence to "mixed" economies in Native villages, and natural resource development issues generally.

The speed of growth and change in Alaska directly and indirectly affects people in all parts of the state. Some of these changes in work and occupational patterns, increases in cash incomes, and greater mobility from region to region and village to city, are on-going, long-term events regardless of petroleum development, the Alaska Native Claims Settlement Act, and rapid growth of the state generally. But it seems clear that rural lifestyles, too, are affected by these major developments, and there are increased pressures on rural communities, environments, and natural resources as a result of them.

Major land areas of Alaska are being reallocated to new owners and uses, and competition for limited land, water, fish and wildlife, and other resources is increasing with the overall growth of the state. This presents problems to state resource managers, particularly as natural events and human pressures result in short and long-term depletions of certain fish and wildlife populations and deterioration of their habitats. Most people are familiar with the long-term depletion of Alaska's salmon population and the recent severe decline in the size of the Arctic caribou herd.

In the light of these general and specific events affecting rural communities and lifestyles, as well as the fact that there are competing demands from commercial and recreational users on limited fish and wildlife population, what is the state's responsibility? The state could support and protect subsistence and mixed economics

in rural Alaska, for example, by giving hunting and fishing priority to those who actually depend on subsistence for some significant part of their living, who can show a need, or whose hunting and fishing is an integral part of their general pattern of life in rural areas.

Some of the greatest difficulties of such a policy lie in deciding who qualifies and in justifying more restrictions on competing users. And this would need to be done at the same time that increased efforts are devoted to maintaining fish and wildlife populations on a sustained yield basis and protecting the natural environment that produces them.

CHOICE FOUR: What position should the state take on the issue of subsistence?

- A. It should develop a strong policy and program that gives much greater priority to subsistence users on the basis of such factors as rural residence, need, and life-style.
 - B. It should treat subsistence users of fish and wildlife resources like any other users.
 - C. No opinion.
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Government and the People

Development of Alaska's oil and gas resources brings growth-- growth in the population and economy; growth in needs and demands for public services, facilities, and regulation; and growth in the public revenues required to meet the new needs and demands. All of this translates directly into growth in the complexity and size of state government.

It is not difficult to react quite negatively to growth in "bureaucracies" and government "spending." But the matter can be kept in perspective if it is recognized that, to some extent, growth in the size of government and its budgets is a direct result of a larger population, increased demands for public goods and services, greater complexity in the economy and society, and inflation, as well as growth in the revenues available to spend.

This does not mean that the General Fund budget necessarily had to double the year following the Prudhoe Bay lease sale, of course, or that state expenditures have grown only in direct proportion to population growth. They have, in fact, risen much faster than the population. Total state expenditures in 1970 were about \$1,000 per capita. In 1975, they were almost \$2,000 per capita. This was an expenditure increase of 100 percent while the population grew by about 27 percent. But such figures do not tell the whole story of escalating needs and demands, or of the state's assumption of a larger share of the costs of public education, for example.

Nor do they tell us whether state government was spending the "right" amounts, in relation to current and past unmet needs, before the \$900 million became available.

The fact nonetheless remains that state government is growing and that it is likely to grow larger in the future. Although this may not in itself be bad, particularly if it meets real needs and performs efficiently and effectively, it does suggest that it might be time to consider whether government in Alaska--both state and local levels--might be better structured to meet future needs and to assure accountability and responsiveness to the people. Looking toward the next decade and more of rapid growth in Alaska, it may now be time to consider some basic changes in both state and local government structures and how they operate. Three areas to look at are 1) the allocation of functions and finances between state, borough, and city levels, 2) local government development in the unorganized borough (all of the area outside of the organized boroughs) and 3) reforms in services delivery systems.

Functions and Finances--The present distribution of functions and finances between state, borough, and city levels is not necessarily the ideal one, if such could be defined. From one point of view, it could be defined as one that maximizes accountability and responsiveness to the people; from another, one that maximizes efficiency; and from still another, one that is effective in performance and results. While we would like to have all of these, a little efficiency may need to be sacrificed if responsiveness is

increased, for example, and other such "trade-offs" might also need to be made. Responsiveness might be increased if local government assumed functions now provided in all or some areas of Alaska by the state.

Alaska's state government finances or administers all or a very large part of government functions that elsewhere are considered local or shared state-local responsibilities, for example, public safety, local road construction and maintenance, various health and social services programs. In recent years, state government has assumed a growing share of the costs of local public education. Further, there have been significant increases in the funds provided to local governments through the Municipal Services Revenue Sharing Program, which encourages local governments to perform certain functions locally.

In several Alaska boroughs, there continues to be some difficulty in determining whether the borough or the city or cities within it should have certain functions and powers.

The following are some possible choices about these issues.

CHOICE ONE: What level of government should provide (administer):

- | | <u>State</u> | <u>Borough</u> | <u>City</u> |
|----------------------|--------------|----------------|-------------|
| A. Education | | | |
| B. Police protection | | | |
| C. Public health | | | |
| D. Zoning | | | |

CHOICE TWO: What level of government should finance:

- | | <u>State</u> | <u>Borough</u> | <u>City</u> |
|----------------------|--------------|----------------|-------------|
| A. Education | | | |
| B. Police protection | | | |
| C. Public health | | | |
| C. Local roads | | | |

Regional Government--Most of the rural areas of Alaska are unorganized, that is, there are no borough governments as there are in urban areas and on the North Slope. This is considered by many to be both inequitable and inefficient. According to this argument, the inequities are that residents in unorganized areas have less opportunity to participate in public decision making that affects them, and that they do not participate on the same basis as residents in organized areas in paying for services that both receive, e.g., education or police protection. Inefficiency (and ineffectiveness) is believed to stem from the fact that existing service delivery mechanisms (cities and state regional offices) are not well equipped for or adequately familiar with varying rural conditions and needs.

Three major alternatives for extending regional forms of government to unorganized areas have been proposed: First, establish organized boroughs with essentially the same basic powers (education, taxation, planning and zoning) and structures (assemblies, school boards, planning commissions, etc.) that the urban boroughs have.

Second, divide the single unorganized borough into several "Unorganized boroughs," which would have some degree of local autonomy. The legislature could delegate any municipal power to it that an unorganized borough was ready for, including taxing authority. Like organized boroughs, the unorganized boroughs would have specific boundaries, powers, and a governing body responsible for more than one municipal function. Third, establish service areas with governing boards under the authority of the state legislature. Such a service area could provide any municipal service and taxes could be levied, but the powers and functions would need to be approved by the state legislature.

Assuming that local people in the areas affected would have an effective voice in determining the form and timing of regional government for them, what do you think is the best approach?

CHOICE THREE: What kind of regional government should be extended to presently unorganized areas of Alaska?

- A. Organized boroughs
- B. Unorganized boroughs
- C. Service areas
- D. No opinion

Services Delivery--Social service programs administered at the

state level, even if through regional offices, are often handicapped by distance from and lack of familiarity with local conditions and needs, particularly in rural areas. It has been suggested that effectiveness, and possibly efficiency, might be improved if the administration of programs in such areas as alcoholism, child care, assistance to the elderly, and health care, were carried out by local people in the local areas themselves.

There are regional non-profit planning and social service organizations in most areas of the state now without regional government. There are also organized city governments in most villages of 100 or more population. The suggestion is that, wherever possible and where there is a local interest, social service program administration, accompanied by adequate financing, be delegated to such local and regional entities. It may be that such an approach would cost more, but the argument is that programs would more than make up for this in increased effectiveness and in responsiveness to the people.

Concerning state government agencies and programs generally, it has also been suggested that a fairly comprehensive decentralization and regionalization of them be undertaken. The purpose would be to bring them closer to the people and to make them better attuned to different regional conditions and needs. The idea is that each major region of the state should have a regional center where all state agencies significantly involved in the area would

have offices and services located there. Again, higher costs may accompany increases in accessibility and responsiveness.

CHOICE FOUR: Should the state wherever possible delegate administration of social service programs to local governments and contract with non-profit organizations, even if this costs more?

FAVOR

OPPOSE

NO OPINION

CHOICE FIVE: Should state government be decentralized so that every region has one major government center where all relevant state agency programs are located?

FAVOR

OPPOSE

NO OPINION

Next Steps

This paper will undergo extensive review and comment before a final draft is prepared for distribution throughout the state and for use in regional and statewide workshops. In order to improve its usefulness, reviews and responses to this paper are needed particularly along the following lines:

1. Issue selection--Are the issue areas and policy choices that have been tentatively selected both manageable for public education and discussion purposes and central to problems of growth and change in Alaska? Do the issues and choices relate to critical issues within the potential control of state government? Can they lend themselves to discussion and deliberation in workshops by people without technical backgrounds and limited or no experience in the subject matter? What issues and choices should be added? Deleted? Why?
2. Issue presentation--Are the issues and choices presented objectively, accurately, and at an appropriate level of generality? How should the issues and choices be reformulated, keeping in mind that interested lay people and not experts and technicians are the primary audience? How should the questions themselves be reworded?
3. Information needs--Does the background information on Alaska's growth adequately set the stage for the discussion of issues,

and choices? What additional or different background information is needed to assure adequate understanding of Alaska's growth and of the particular issues, choices, and their implications? Can such new information be presented in a clear, simple, and relatively brief format without undue distortion or oversimplification? Does the information presented in this paper meet those criteria?

Table 1. Value (in millions) of Alaska Natural Resources Production, 1960-1970

<u>Year</u>	<u>Oil & Gas</u>	<u>Other Minerals</u>	<u>Fisheries Products</u>	<u>Forest Products</u>	<u>Agricultural Products</u>	<u>Furs</u>	<u>TOTAL</u>
1960	1.5	20.4	96.7	47.3	5.4	4.8	176.1
1962	31.7	22.5	131.9	52.3	5.8	4.3	248.5
1964	35.5	30.6	140.9	61.0	5.5	4.4	278.0
1966	50.4	35.9	197.3	73.7	5.5	7.0	369.8
1968	191.1	30.6	191.7	94.8	5.3	6.0	519.5
1970	250.0	30.0	150.0	108.0	5.0	6.0	549.0

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Table 2. Alaska Population and Economic Growth
1961-1970

<u>Year</u>	<u>Population</u>	<u>Civilian Employment (annual average)</u>	<u>Gross Product (in millions)</u>	<u>State Gas & Oil Revenues (in millions)</u>	<u>Total State Revenues (in millions)</u>
1961	236,700	67,700	\$ 681	\$ 4	\$ 46
1965	265,200	82,100	830	16	163
1970	302,400	105,000	1,371	39	260

Table 3. Increases in Education and Other Major General
Fund Expenditure Categories, FY 1970-1976

Budget Categories	Amounts		Percentages of Total		Percentage Change
	FY 70	FY 76	FY 70	FY 76	1970-1976
Dept. of Education	\$ 43.6	\$146.9	26.9%	27.4%	236.9%
State Operated Schools	3.5	19.1	2.2	3.6	445.7
University of Alaska	<u>11.9</u>	<u>34.1</u>	<u>7.4</u>	<u>6.4</u>	<u>186.6</u>
Total of Education	<u>\$ 59.0</u>	<u>\$200.1</u>	<u>36.5%</u>	<u>37.4%</u>	<u>239.2%</u>
Health & Social Services	\$ 23.8	\$ 63.0	14.7%	11.9%	168.5%
Public Works	15.8	41.7	9.8	7.8	163.9
Highways	13.0	34.0	8.0	6.3	161.5
Bond Committee	9.0	36.9	5.6	6.9	310.0
All Other	<u>41.3</u>	<u>160.3</u>	<u>25.5</u>	<u>29.8</u>	<u>288.1</u>
Total General Fund Expenditures	<u>\$161.9</u>	<u>\$536.9</u>	<u>100.0%</u>	<u>100.0%</u>	<u>231.6%</u>

Table 4. Alaska Population and Economic Growth
1970-1990

<u>Year</u>	<u>Population</u>	<u>Civilian Employment (annual average)</u>	<u>Gross Product (in millions)</u>	<u>State Gas & Oil Revenues (in millions)</u>	<u>Total State Revenues (in millions)</u>
1970	302,400	105,000	\$1,371	\$ 39	\$ 260
1975	384,400	164,500	1,754	62	506
1980	460,200	212,400	3,595	1,205	1,975
1985	568,000	263,100	4,717	2,048	3,442
1990	702,100	329,200	5,728	2,339	4,840

Table 5. Permanent Fund Principal and Earnings
1976-1990

<u>Fiscal Year</u>	<u>Petroleum Revenues Subject to Permanent Fund* (millions)</u>	<u>25% Contribution to Permanent Fund (millions)</u>	<u>Permanent Fund Balance (millions)</u>	<u>Permanent Fund Earnings at 8% (millions)</u>
1976	\$ 41.6	\$ 10.4	\$ 10.4	\$.832
1977	38.8	9.7	20.1	1.608
1978	448.2	112.1	132.2	10.576
1979	568.2	142.1	274.3	21.944
1980	780.0	195.0	469.3	37.544
1981	881.4	220.4	689.7	55.176
1982	1,001.0	250.3	940.0	75.200
1983	1,172.0	293.0	1,233.0	98.640
1984	1,269.5	317.4	1,550.4	124.032
1985	1,334.3	333.6	1,884.0	150.720
1986	1,397.8	349.5	2,233.5	178.680
1987	1,447.6	361.9	2,595.4	207.632
1988	1,430.7	357.7	2,953.1	236.248
1989	1,336.7	334.2	3,287.3	262.984
1990	1,294.4	323.6	3,610.9	288.872

*Bonuses, royalties, and federal shared revenues from Cook Inlet and Prudhoe Bay only. Thus, severance tax income is not included, nor are any potential revenues from additional state oil and gas leasing.

Sources: Department of Revenue data, July 1976, for FY 1976 through FY 1985. ISER extrapolations for FY 1986 through FY 1990.

Table 6. Alaska Land Status, 1975

	<u>Millions of Acres</u>	
	<u>Amount</u>	<u>Percent</u>
Total Area	375.3	100.0%
Federal Reserves	261.6	69.7
Native Selections (expected total)	43.7	11.6
Private Lands Patented	1.0	.3
State Selections to Date	69.0	18.4

Table 7. Alaska Land Status After State Selections

	<u>Millions of Acres</u>	
	<u>Amount</u>	<u>Percent</u>
Total Area	375.3	100.0%
Federal Reserves	226.1	60.2
Native and Other Private	44.7	11.9
State Lands Selected	104.5	27.8