

781

SCRA

HB

932

101

First, the charge to generate a "private economic base" is not a familiar role of government. Second, responsibilities of such a policy effort tend to overlap the established categories of government programs.

THE NEED FOR SPECIAL EMPHASIS

Special emphasis to a problem outside the bounds of traditional government services is difficult to achieve for line-agencies. A mission may be so critical, and so varied, that indeed it MUST OPERATE BEYOND THE BOUNDARIES OF TRADITIONAL SERVICE AGENCIES. But architects of such things "beyond" the bounds of those service agencies, often fashioned as so-called "coordinators," must concede that more often than not, such creations become quickly isolated and powerless to carry out their tasks within government.

A purported "special structure" cannot hope to invade the "turf" of entrenched agencies, unless first the legislature is thoroughly convinced of the depth of the target problem, and secondly unless the state executive is equally convinced.

In order to avoid the inevitable muted-isolation of such a special structure, the construction of the unit must build-in strong political backing and involvement. Such backing is essential precisely because such a structure is being asked to INTERFERE WITH THE ESTABLISHED ROUTINES OF OLD LINE AGENCIES, or is being asked to "reach" where they cannot reach.

Confronted by an "outside structure" charged with coordination, or the like, an established line-agency will generally take the easiest path. Generally that easiest path is to resist outside interference. Only if there is a very strong commitment in high level policy ranks, or after an agency gets its fingers slapped, will traditional agencies opt to "cooperate," since that then becomes their "easiest path." In other words, in constructing a special structure policymakers must analyze how to give a separate structure special "clout."

A special structure, in commission or agency form, and whether permanent or temporary, cannot be justified unless lawmakers are convinced of the following:

- (1) . . . that the economic problem in rural Alaska is catastrophic in scope, or lacking that extreme;
- (2) . . . that the mission does not fit traditional program agencies, or spreads beyond the bounds of a number of agencies;
- (3) . . . that the problems require a special emphasis, or perhaps are problems easy to slide off for "future action," therefore tending to submerge the mission under the day-to-day crisis of a department.
- (4) . . . that the problems are so serious and complex that a line agency lacks the "clout" to deal with the issue, or to initiate action and propose solution without special political backing.
- (5) . . . that the mission is genuinely not to "run program," but rather to coordinate and provide muscle for other existing state programs and resources, and to provide the same between government and other institutions (federal, state, local government, non-profit, private).

Additionally, inherent in many of the foregoing criteria is that a special rural development structure should be cast in the role of "advocate." The role of advocate could pose inherent conflicts within some departments, and in the case of a planning agency may compromise that agency by presupposing the outcome of careful planning work. The role of the planning agency may require a very close partnership with the advocate agency, but the planning agency may be something of an alter-ego partner, being required to occasionally criticize and oppose the more active advocacy of its alter-ego partner.

THE MEASURE OF THE ALASKA "RURAL ISSUE"

The measure of the problem of "rural economy" in Alaska measures very high against most of the previous criteria. Individuals may differ in assessment of degree of the problem, or in the nature of solution, but few are likely to disagree that the condition of the state's rural community economy is indeed catastrophic and has been for more than three decades.

From another view, economic events of the past several decades in Alaska have wrought tremendous growth and changes in urban Alaska. But the economic gap, as well as the sense of alienation between urban and rural Alaska, has widened. This division also tends to follow unfortunate racial lines among Alaskans.

The economic contrasts of rural and urban Alaska presents a picture of prosperous urban islands floating in a sea of rural economic depression.

Whatever the cause or whomever, if anyone, is to blame, the economic condition of much of rural Alaska is undisputably a human tragedy and an embarrassment to our democratic economic systems.

SPECIAL OPPORTUNITIES OF THE PRESENT

It is difficult for our system of government to reach into the private economic sector and participate in constructing economic equity. The independence and separate dynamics of our government systems and our private economic systems do not always relate to each other. However, in critical times our systems, while perhaps slow to respond, have generally proven able to rectify glaring inequities.

Looking for the means to build a public/private relationship, a case can be made that unused federal resources are available. Additionally, it appears that federal economic policy is shifting to emphasize priority policy: . . . that only "private jobs" can resolve severe economic problems in the long run.

Present federal policy is shifting resources to rural and development initiatives that stress private development and private employment. These so-called "White House Initiatives" hold out great opportunity to those who are ready for them, for those who can put them together with other available resources, and for those like Alaska, that have a genuine underdeveloped rural base that is starved for "risk capital."

CURRENT ACTION

Recognizing the federal opportunity, the Alaska Legislative Budget and Audit Committee, together with the State Administration, has been working to put together a series of federal/state agreements designed to coordinate federal economic resources through a single federal lead agency, and to put that agency together with a state working counterpart.

The effort would be to coordinate federal resources of value in a rural economic initiative, to maximize those resources, and to clear federal/state barriers to development (regulatory, etc.) on a timely basis.

The state working counterpart would be WHATEVER SPECIAL STRUCTURE THE LEGISLATURE AND EXECUTIVE chooses to approve (which is the primary subject of this report).

PRIVATE RESOURCES

A case can be made also that private resources are now available for rural development that were not present in the past.

The native corporate structure has matured and gained experience in the last eight years. The capital assets of the native corporations, and especially the village corporations represent a "resource" that should be assisted by state and federal development policy.

However, the capital of native corporations in many respects is no different than any other capital. Despite the fact such capital has a social base in the form of resident community stockholders, such capital must still find and/or develop viable projects which offer both reasonable security of the investment and adequate return. It must be stressed that under the law, the native corporations ARE NOT social welfare organizations, but are established as profit making private corporations. They have the same problems in facing high risk frontier development as other corporations, except that their personal motivation to "do it" in the face of higher risk is likely stronger. However, it is possible that the proper use of state and federal resources, in conjunction with native corporate resources, might be able to reduce risk to native capital and encourage the flow of such assets into rural development.

The current proposal to pre-pay the remainder of the state's obligation under land claims settlement will also add significantly to the financial base of native corporation capital. Such an action may be the single largest, and the simplest action, the state can take in regard to rural development.

The private land and resource base that is a part of the land claims structure is also a significant factor in rural development. The goal of a state structure should be to help assist and direct capital to grassroots rural development, regardless of whether that capital is private, state, federal, or native, and to encourage the use of state, federal, and native land and resources in a coordinated fashion in behalf of encouraging a rural private economic base.

Additionally, Alaska financial institutions are now considerably stronger and more varied than a decade ago. They have stronger ties to outside institutions, and due to such world scale developments as Prudhoe Bay, new significance of fisheries resources, a capital and resource base from land claims, Alaska commands a respect far beyond the measure of its present economic production.

STATE RESOURCES

The chief asset of the state is its "position" to act as a focal point in bringing together available existing resources, and to apply to an effort to construct a viable rural private economy.

The state must be, and is the natural initiator of a search for, and a marshalling of, economic resources. Obviously, federal agencies do not come seeking difficult and often risky development efforts.

The state also has basic resources of its own to offer that it did not have a decade ago. The state has the ability to act as initiator of community services related to private development, such as utilities, transportation facilities, and technical assistance. The state has the ability to participate in capital, or to attack basic private financing issues such as fire insurance in rural areas. The state has a "field network" available through program agencies, which with proper coordination, could assist in both local community development and private projects.

The state also offers a superior basic structure with which to coordinate with federal institutional participants. The Alaska structure has a strong central line of authority leading from the governor, and is vastly different than the fractured multi-elective structure that exists in many other states.

THE ALASKA DIFFERENCE: LENGTH AND DEPTH OF COMMITMENT

Alaska requires a long-term commitment to rural economic problems. The state's rural problems are not a result of recent economic recession, or existing sick industries, the problems are a result of more than a quarter century of economic collapse and difficult cultural adjustments. The Alaska effort may require the better part of a decade..

It is here --in length and depth of commitment-- where Alaska differs markedly from the manner in which other state's will approach the development of SPECIAL FEDERAL AGREEMENTS to enhance private economic development. A review of the few existing agreements, and potential agreements, indicates that the agreements appear geared towards one or two "priorities-of-the-day." They seem to carry a hidden presumption of temporariness about them, and lack a strong tie to "joint" executive/legislative commitment and development of intrastate mechanism to focus on more than the "issues-of-the-day." In this respect it is likely the initial motivation of Alaska is different from other states.

In reviewing the federal opportunity for both the state to command and coordinate federal resources, there appears to be a significant opportunity for Alaska to be the only, or at minimum one of the few, states to approach the agreements with a much longer range view in mind.

Alaska has the opportunity to get the federal government committed to state rural development, committed to special treatment and coordination, and to keep that commitment going for a prolonged period. However, in order to command the long-term commitment of the federal government the state must first itself be committed.

As previously stated, economic initiatives under our separate public and private policy systems require a deep commitment to bridge the gap. In Alaska this means a commitment of the executive and the legislature, and further a broadbased commitment within the legislative body. Oddly, the effort must command the commitment of the urban legislator and the perception that the effort is also vital to the urban economies of the state.

Commitment of rural policymakers to such an effort is something to be taken for granted, with some exceptions. However, rural backing and rural development as a "rural issue, can isolate the effort as a regional issue, and one therefore eligible to be pushed, shoved, cut, threatened, bargained, and generally politically played-out in the precarious wars of short-term legislative policy. Unfortunately, long term issues requiring a breadth and depth of commitment, issues needing an expectation of sustainability over time, do not always fare well in the battles of more immediate political pie-cutting.

However, the commitment of urban legislators could provide the commitment to rural development the sustainability it needs. Urban lawmakers have an interest of their own in an expanding and healthy rural economy.

Previously Alaska was described as a series of urban economic islands floating in a sea of economic depression. Whether that picture is overstated can be argued, but the lesson of the portrayal cuts both ways. The picture not only reflects a non-existent rural economy, and all which that infers, but equally a precariously isolated urban economic structure.

The picture is one of precariously narrow urban economies based primarily on government spending, cycles of construction and singular resource development booms, and one of urban communities failing to develop themselves as broad commercial centers serving a growing economy far beyond their own borders.

In other words, for the state's narrow based and isolated urban economies, rural development is "urban development." It is not only urban development, but offers a strongly stabilizing ingredient for the urban economic structure. It is almost impossible to undertake development in most rural areas of the state that does not benefit the urban commercial centers. However, the converse is not true, since urban development may hold no benefits for rural communities.

Urban policymakers may also consider the long-range ramifications of continued neglect of a rural economy:

- (1) . . . that the urban/rural economic contrast is both a serious ethical and functional problem for Alaska.
- (2) . . . that the end-results of continued rural economic poverty tend to become urban social and economic problems due to out-migration into urban areas.
- (3) . . . that in future general economic constrictions, urban unemployed will tend to outmigrate from the state, but that the rural unemployed, represented mostly by native Alaskans, are unlikely to outmigrate except to urban areas due to deep cultural ties.
- (4) . . . that while Alaskan urban economies have grown dramatically over the past several decades, those economies remain narrow.
- (5) . . . that in order to develop a stable commercial center, the center must have an economy to serve "elsewhere."
- (6) . . . that rural development promotes both direct, and indirect economic activity for urban centers.
- (7) . . . that rural development expands opportunity for larger scale rural resource development, since expanding economic benefits will increase confidence of both urban and rural parties that that such "development" can be managed for mutual benefit.

There must also be an awareness that rural Alaska needs a scale of development we might term "micro development." However, urban interests tend to key on "macro-development" scale projects, projects on a scale where it is often simply assumed that there is enough "economic fall-out" to benefit everyone. However, this is not necessarily true, and especially so for non-urban areas.

Carefully managed "marco-scale" development may be made to pay some dividends to rural Alaska. But what rural Alaska does need is micro-development, development that is small, not nearly so exciting and romantic to advocate for policymakers, but which fits the needs and the life-style of rural communities. In a sense, a structure charged with rural economic advocacy will need to learn to "think small," and it will take some adapting on the part of policymakers to think in terms of thousands of dollars, tens of jobs, and etc., instead of on sweeping scales of billions of dollars, world scale resources, and thousands of jobs.

THE POSSIBLE ALASKA STRUCTURES

The purpose of creating a structure is to provide a functional vehicle for policy focus, and to put the label "special" on the structure. Such labeling tends to put the structure, and the policy community, "on notice" that they intend to do something, and to invite scrutiny if they show a lack of performance. A special structure also tends to isolate itself sufficiently to invite participation of interested parties.

Three types of structures appear possible:

- (1) A SPECIAL COMMISSION, responsible to the Governor, and working out of the Office of the Governor.
- (2) AN OFFICE created within the Office of the Governor. A small agency essentially part of the executive staff.
- (3) Assignment to an existing agency with related interests, either creating a new unit hereto, or reorganizing an existing unit.

The basic alternative "settings" for a structure will be discussed in terms of the least viable first.

Assignment to Existing Department

The assignment of the task of rural development advocacy and coordination to an existing department immediately relegates the issue to whatever is the status of that agency.

If the agency is a sub-unit of an existing division, of an existing department, then it is likely the federal government would view the state effort in much the same manner of other states --that the structure has one of two priorities and little other interest.

It is not the intent here to be critical of the ability of any one of several possible agency operators, but rather to suggest that it is asking alot of a sub-component agency to be able to become not only an interagency coordinator among state agencies, but also between state and federal governments and between government and the private sector.

As a sub-component within a line-department, a rural economic development initiative would first have to command its fair share of attention by department heads from among the "daily crisis" of regular operating programs.

Next, since such a rural effort would reach beyond departmental confines, not only would the rural effort have to battle for survival among competing demands within the department, but also it would have to survive among competing demands outside the department. Such a program would constantly require the department chief officer to run interference in coordinating problems with other departments, as well as with key players in the governor's office and with other institutions. The sub-departmental assignment can be made to look good on an organizational chart, but likely asks a line-agency chief, already besieged with enough operational problems, to unrealistically wear thin their welcome in "unhappy" interdepartmental "turf" battles, much less to provide the "extra-energy" to provide leadership to draw together federal, state, and private interests.

The fact remains, that programs are just that, they are designed to deliver an established service in a beneficial manner and with a minimum of bureaucratic boat-rocking both "within and "without" the departmental organization. A department may well prove the exception, especially if it is new and must find its policy niche, when there is exceptional political backing, or when there is unusual leadership.

However, in viewing something as complex as a rural development effort involving multiple departments, governments, and other institutions, the process appears to supercede the primary "operations" role of a state line-department.

The structure must be capable of:

--FIRST, capable of refining its charge to projects which can be accomplished. The structure must participate in selecting rural priority efforts.

--SECOND, it must determine who, if anyone, is presently charged with a needed function, must encourage rural responsibilities be assigned departments, and give backing to departments in carrying out their rural functions.

--THIRD the rural structure must be capable of some leeway in independent articulation. It cannot be just the state administration's spokesmen, since one of its purposes will be to inject "unfinished ideas" into the"

- executive policy forum
- legislative policy forum
- private policy forum
- and the public forum

--FOURTH, the rural structure must plow new ground in that it should not be a GOVERNMENT PROGRAM, but must be a facilitator of private effort. It must strike a respectful partnership with the "private policy" sector.

--FIFTH, the structure must be cast in a role of "advocate" for rural initiative --for rural action.

Last, there is always the very real problem of the tendencies in an operational department to convert potential of a popular effort into gain for its own agency budget needs.

If a departmental placement for structure is to be considered, there are a number of potential candidates with rural field organizations. Key among them would be the Department of Community and Regional Affairs, and the Department of Transportation and Public Facilities.

Additionally, the Division of Policy and Planning (DPDP) in the Office of the Governor, would serve as a home for such a structure, either as an integral portion of the division, or as a more defined sub-component like the Office of Coastal Zone Management. However, there could also be conflicts of fundamental roles. The rural effort needs the partnership, the resources of DPDP, and DPDP should be encouraged to build a strong rural planning component. But DPDP also may need to be the alter-ego of the rural structure, as it functions as rural advocate. It would appear DPDP's planning role should be to put the product of advocacy into a larger scheme, and as alter-ego be the necessary critic of the much more activist rural advocacy agency.

A CABINET LEVEL AGENCY

The creation of a special agency in the Office of the Governor is perhaps the simplest creation. Such an office would be small and it is likely its ability to function, and command policy attention within that framework, would be largely dependent on the capability of the person heading such as office.

The office could serve well enough as the focal point for state interaction with the federal/state interagency agreements. And, in terms of carrying out the intrastate functions of the federal/state agreements, such an office would probably be able to carry out its task of state department coordination.

However, open to question is whether such an office could carry out the "expanded" mandate of a significant rural development initiative. Since rural Alaskans, and legislators, would not be on the inside of such a construction, it is likely the tendency would be for those interests to become critics of actions, lack of actions, or both.

It is also doubtful that such an office left simply in that form, could be the injector of unfinished ideas into various forums, or if so, that the injection would tend simply to be into the executive policy forum shielded from the dynamics of more public policy forums. Additionally, circumstances would tend to make the office "spokesmen" for the state administration on rural economic issues, limiting the dynamics of the structure.

If a simple agency structure is selected, then effort will be required to give the office high prestige, and to provide it with staff. The dimensions of the office might be expanded by merging the function with the Private Industries Councils created federal Title VII, thereby providing the agency with a rural private outreach and some dynamics of rural "input." However, at this point the Office begins to take on the posture of the commission/agency form of structure.

Under conditions of other times a modified Office structure could suffice, but today the senior policy structure of the state is virtually besieged by "macro-issues," such as d-2, OCS, bottom fishery, gas pipeline, gas liquids development, excess revenue policy, Beaufort Sea development, and many others.

The heavy burdens of Alaska policy going into the 1980s would appear to suggest that a long-range rural policy structure must be given "something extra" to program it for survival.

STRUCTURAL SETTING

The structural setting of a cabinet level office would be much like the other "offices" of the governor, except that a portion of its responsibility would face "outward" from state government to interface with the federal interagency agreements and the federal/state joint function. In many respects the structural arrangement of the rural structure need not be much different if developed in a "commission" form.

The special office could be flanked on one side by the Private Industries Council (PIC), which could act as an advisory group, even to the extent of merging staff functions. The office should also be flanked by the Division of Policy and Planning (DPDP), which could beef up its own rural planning capability and establish direct liaison with the rural office.

It is preferable under the Alaska strong executive concept that the office be clearly responsible to the governor, and that the governor in the final analysis be responsible for the rural office. The purpose of attaching other involvements is not to erode or substitute for executive responsibility, but to provide some of the special elements previous described. Such features could add political strength by tapping legislative input, involve input from rural advisory features, and achieve status by the involvement of a key political officer such as the Lt. Governor.

However, such features added to a cabinet level office transcends into the third alternative structure, essentially which seeks to construct involvement of other key interests without diluting the final "executive" responsibility of the office

A RURAL COMMISSION/AGENCY STRUCTURE

The third alternative structure initially appears the most complex. However, the appearance of complexity is derived largely from trying to name the main components of the rural structure, and determine their basic purposes. In a sense naming such a structure merely formalizes what likely exists in a "de facto" sense anyway.

The concept of the commission structure would simply be to draw together in one place the "key parties" with rural roles, and then to balance out that more institutional group with a balance of rural field representatives. The structure should remain firmly within the executive framework. The policy group would bring together the following components.

- INSTITUTIONAL REPRESENTATIVES, not necessarily limited to state officials.
- LEGISLATIVE REPRESENTATION, providing a balance against administration.
- RURAL PUBLIC REPRESENTATION, providing for non institutional balance from the rural field areas.
- PRIVATE SECTOR REPRESENTATION, providing representation from private business, possible finance.

Page 22

The group would be a commission capable of acting as a "whole," but it would also be a commission capable of acting in the form of its natural "parts," the basic components of these subcommittees being drawn from the sectors they represent on the commission:

--DEPARTMENTAL COORDINATING SUBCOMMITTEE

--RURAL ADVISORY SUBCOMMITTEE

--PRIVATE SECTOR SUBCOMMITTEE

In order to allow the commission to function more efficiently it is suggested the governor name an executive committee of five:

- One agency representative
- ' --One Legislative Representative
- Two rural representatives
- The chairman (of the commission)

The structure would be designed to allow, when appropriate, each subcomponent to operate on its own in special areas of concern and assignment. However, at the request of the subcommittees, or the direction of the chairman, the subcommittees would overlap depending on the problem being addressed. Additionally, legislators would be considered members of any of the subcommittees. The system would allow for each subcommittee to specialize in its natural area, with rural representatives minimizing rural outreach and input

The function of the executive committee would be to also operate as the key component in facing the federal government, and in efficiently dealing with the smaller issues of implementing the federal/state inter-agency agreements.

The executive committee would be the state salesperson in the federal market place, seeking to maximize federal resources.

An innovation in the executive committee structure might be to call the legislative representative the "Legislative Co-Chairman." The suggestion is that the legislative co-chairman would not have the same management prerogatives of the chairman, but could be used to maximize the presence of the commission by carrying to the federal level the power of legislative position as well as being charged with rural leadership as (Legislative) Co-Chairman. In considering the latter suggestion, it should be remembered that there is a difference between the "elected" leaders and the agency representatives reception in Washington offices. The elected representatives has no constraints in skipping middle-management, or in the unquestioned right of calling on Washington level political support and in involving them in deliberations. The posturing of the legislative co-chairmanship would solely to an attempt to sustain the rural effort by tapping political power and political presence as the state structure faces Washington D.C. Equally, the Lt. Governor might be used to be the Chairman of the state structure, thus again tapping the political strength and presence of the elective leaders.

The goal of tapping the state's political power structure is to provide a strong and unified executive/legislative policy face towards Washington D.C. (such policy links also facilitate federal links to the state).

In terms of executive functions on the internal Alaska level the legislative position should not violate the integrity of the traditional Alaska executive system. In this area the position of legislators would be that of members.

In terms of the policy structure reaching out for input into rural Alaska, here the legislators could again play a stronger role, perhaps even facilitating common outreach efforts between legislative committees and the commission effort.

MEMBERSHIP

The Commission shall be composed of not more than 14-members, with four being institutional members, two being legislators, two being members of the private economic community, and six being members from rural areas.

Legislators could be appointed by the governor, or by the presiding officers of each chamber.

Legislation should provide for the membership of the director of the University Cooperative Extension Service on the commission as one of the four institutional members.

The legislation should name state departments with key rural field and/or planning responsibility, requiring the Governor to name two as institutional members. The legislation should state that other chief administrators shall serve ex-officio at the request of the Governor or Lt. Governor.

The legislation should name the Lt. Governor as an institutional member and name the Lt. Governor as Chairman of the Commission unless he chooses not to serve on the commission. In such event the Governor shall name another Chairman from any of the membership.

Two private economic community members should be appointed by the governor, representing private business and/or financial expertise.

Six members should be appointed who live in rural areas. It is suggested that these members be drawn from a list of nominations from the boards of the Rural Education Attendance Areas (REAA's). Requested should be first nomination of REAA board members willing to serve, and preferably with private business experience in rural areas, and second for nominations other than board members. The intent is to move towards using the state's only region-wide elective rural officers for public input in state policymaking affecting their communities. The legislation should ask that the governor's appointment from those nominations recognize the various rural regions of the state as much as is possible comensurate with a small number of members to be appointed.

AGENCY DIRECTOR AND STAFF

The legislation should provide for the appointment of the Director of the rural structure by the governor.

The gubernatorial appointment makes clear the primary executive loyalty and nature of the structure. Additionally, the act of inviting legislators into a titular role of an executive commission denotes a certain amount of trust between the two branches of government on rural advocacy. As a practical matter, the governor may be well advised to consult with the commission in selecting a director, while making it very clear that the director has the support and confidence of the governor. In this regard, it should be considered that the director will have to function among other department heads in coordinating rural functions. If it is not clear that the director is the "governor's person," then the functionality or the ability to coordinate and cooperate with other agencies is open to question. Without executive recognition, the director is likely to quickly become the underling of whatever key administration official on the commission DOES HAVE THE GOVERNOR'S CONFIDENCE.

The legislation should also provide for commission staff within the provisions of legislative budgeting. The nature of the commission may also mean that some staff can be provided by federal grants. In staffing expertise should be split between employees with practical rural awareness and staff that has expertise in working within government and private agency structures.

AGENCY/COMMISSION DESIGN

The design of the commission appears complex. It is in reality quite simple. The appearance of complexity comes from trying to arrive at a design of any unit whereby the pieces of the unit can remain separate when necessary (or when working on issues and problems which need not involve the other components of the commission).

- The design allows for the federal government to design whatever cooperating unit it desires and attach it to the state creation.
- Whatever federal working unit could 1) function separately, and 2) be part of a unified state/federal working council, depending on working goals and conflicts. And, 3) a federal designee (likely of the federal designated lead agency under interagency agreements), could be a federal vice-chairman of any combined unit.
- The state executive committee could function as a separate state unit in direct Washington lobby efforts.
- The state executive committee is designed to simplify the federal interface and internal state interagency coordination.
- The full state Rural Development Commission is designed to function as a whole in dealing with problems, policy, and projects.
- The State Rural Development Commission is designed to function in its natural "parts" in 1) attacking problems unique to those parts, and 2) in trying to fulfill obligations to have an "outreach and input" to and rural areas of the state.
- The State Rural Development Commission in its "parts" will also be able to accommodate overlapping between those parts based on the "overlap" of problems and the "overlap" of the individual "interest" of members.
- The state/federal structure at the top will be able to direct the function of state/federal subunits who actually exist in, and have practical field knowledge of, rural Alaska regions.
- In keeping with establishing a line of authority, the State Rural Development Agency would work under the "direction" of the Governor through the offices of the Lt. Governor acting as Chairman. The commission would provide the carry-through on rural issues.

THE KINDS OF ISSUES AND PROBLEMS

The kinds of issues and problems the rural structure will handle will be varied. The central theme of the commission at any period in "time" will depend on what is possible within the historical circumstances of that time period.

- The development of a private economic base in terms of "specifics" will in part depend on practical economics --practical potentials of "what's" possible "where," and "when."
- The structure may address the issue of "what the state should do" in helping prevent failure and default of smaller native/private corporations actually located in rural areas.
 - possible maintenance of a village management assistance effort like attempted by Alaska Native Foundation (through CRA, or by contract).
- State potential in encouraging native capital investment in rural areas, and in participating in the "security" of front-line rural investments.
- The development of state loan instrumentalities, and state bonding authorities, in such a manner as to be practically useful for potential rural investors.
- Identification and resolution of other rural "blockages" to private investment.
 - fire insurance.
 - bonding availability.
 - utility infrastructure.
 - transportation
 - training Assistance
- An advocate to "tailor" large "macro" economic projects, whether a major petroleum project, or an applicant for state industrial bonds, to respond not just to such things as generalized affirmative action, but more specifically to the "micro-economic" needs of more remote rural communities (if an employer can rotate an employee from Anchorage or Texas, it is possible to rotate an employee from a rural village.

PAST AND PRESENT:

STRUCTURE OF STATE RURAL RESPONSIBILITIES

January, 1980

REPORT CONTENTS

At Issue: A Rural Strategy.	1
Government Structure and "Policy".	2
Alaska: Special Tools for Success.	4
The "Place" of a Rural Initiative Structure	7
The Rural Policy Systems.	9
Origins of State Rural Policy.	11
Benchmarks in Alaska Rural Policy.	17
-Limit on Territorial Power.	17
-Alaska Willingness to Tax.	18
-Territorial Influences on Structure.	19
-Constitutional Benchmarks.	20
-Early Statehood Benchmarks.	21
The Pattern of State Services	26
Rural Emphasis of State Agencies	30
Basic Organization 1959	32

REPORT CONTENTS

Present State Organization	33
-Governor's Office	33
-Department Comm. & Regional Affairs	36
-Department Trans. & Pub. Facilities	39
-Department Health & Soc. Services	41
-Department Fish and Game	43
-Department Public Safety	45
-Department Natural Resources	47
-Department Environmental Conservation	49
-Department Education	51
-Department Commerce & Econ. Development	53
-Other State Departments	55
Other Significant Quasi-State Structures	60
The Role of State Rural Departments	63

This report briefly reviews state responsibility and organization from the perspective of Alaska's varied rural populations.

The report probes state organization and function in terms of the potential "role and placement" of a state structure charged with encouraging the development of a private economic base in rural areas. The report does not seek "fault" in existing programs, or suggest fault through past action or inaction, but rather seeks to indentify rural programs which offer creative association for some "new" structure charged with forging a state/private partnership devoted to expanding a "private" economic base in rural Alaska.

At Issue: A Rural Strategy

In the final analysis this report is suggestive that the state needs to be continually developing and modifying a broad and flexible "Rural Economic Development Strategy."

Secondly, the state needs the MEANS by which to implement and sustain such long-range policies.

Thirdly, the state needs to take the leadership by establishing a structure on the Alaska level, designed to maximize and coordinate federal, state, local, and private resources available for desirable rural economic development projects. The more detailed consideration of the proper design of such a state structure, and the placement of such a structure within the framework of state government, is the subject of a companion report to this document.

Lastly, as a matter of statewide economic policy, this report suggests that rural development is fundamental to urban development. Rural economic growth should be an important urban economic goal, since such development is essential to broadening the economic base of the state's commercial centers.

GOVERNMENT STRUCTURE AND "POLICY"

Government generally is a highly organized structure designed to provide a variety of "services" that a society has determined to be necessary. Therefore the established structure of government says something about established policy, the priority of various policies, and about the "lack of such policy."

In the case of an Alaskan rural economic policy, there is essentially no clearly identifiable structure, and therefore there is no apparent state rural economic policy, or policies. There are, of course, many state rural "service" programs, and a large variety of state rural policies addressing various rural needs, but few touch upon the the seemingly primary need of "an economic base."

However, this should not be suprising since Alaska state government, or any other similar government, is generally a structure developed to deliver the more traditional services --education, transportation, health and social services, and etc. It is perhaps an unusual circumstance, that our government systems in this country often focus strong issue on "things economic," but rarely do they develop the means to effect strong economic policy. The problem of effecting rural policy is even more acute, since a lack of infrastructure and isolation limit the normal means of "advocacy."

Under any circumstance the distance between our American government systems and our private economic systems is significant, and only when unusual tools are available to a government, or there is crisis, is policy generally able to bridge the distance and weld government and private economic goals to some common purpose. In view of our public and private systems "seperation," Alaska's potential for success in forging a state/private partnership must be open to issue. However, Alaska does have some special and unusual "tools" at-hand --tools that most other government have no hope of having available.

ALASKA: SPECIAL TOOLS FOR SUCCESS

First; the general state of collapse of the Alaska rural economy in many regions means there are few entrenched interests to complicate and make policy change difficult.

Second; Alaska is in many respects the most "rural" of all the states, providing opportunity for Alaska to gain federal recognition of its rural economic needs on the federal agency level.

Third; Current federal policy is shifting to emphasize federal support for private efforts that contribute to a continuing private economic base, with special emphasis on rural economic initiatives. Alaska has special opportunity to take advantage of both old and new federal resources, and also has special reason to sell its often unusual needs to the federal government.

Fourth; The structure of the State of Alaska is less complex, and has a clearer line of authority than most other governments, creating special opportunity to expedite and coordinate federal resources. In other words, Alaska has a genuine executive structure, while most other governments (competing for resources) are structured into something akin to a "committee of executives."

Fifth; The state is Alaska's largest resource owner. Aside from being a political entity, the State of Alaska is one of the largest and most diversified resource corporations in North America.

The role of resource owner is untypical of other governments, and gives the state both special opportunity (and responsibility) to promote economic development and to forge a mutually beneficial partnership with the private economic structure needed to develop those resources.

Sixth; The state is also a large financial corporation well beyond the bounds of the usual government service institution. The state's resource disposition provides it with "excess revenues" well beyond the state's immediate and future service demands, leaving opportunity for the prudent use of excess financial capital as a tool in encouraging private development.

Seventh; The settlement of Alaska Native Land Claims has provided a unique private structure in rural Alaska, and has created opportunity for the state to work in partnership with that unique private corporate structure. The land claims settlement has created a rural network in private interests that has both lands and some financial capital. The native corporations represent a "local opportunity" for partnership and for participation in development, which is completely unavailable in most other similar areas of "third world" economic conditions. The native corporations have the unusual nature of having the efficient structure of the private corporation, but also having a local base.

Eighth; The economy of Alaska has access to a large federal landmass, and its various resources, as well as significant marine resources and the nation's largest continental shelf.

Ninth, The final special difference for an Alaska economic initiative may be in the "timing." The timing is very likely "right" in terms of the: 1) maturing of the land claims corporation, 2) in terms of the maturing of the state resource and land base, 3) in terms of the state's financial resources, 4) in terms of world crisis over long term resource commitment and availability, and lastly, 5) in terms of the evolution of federal policy to stress private development, and the opportunity for maximizing federal financial resources and generating federal cooperation and coordination.

Nevertheless, the forging of a tri-partnership ---state, federal, and private-- to address rural economic problems and develop an Alaska rural development policy, is not a easy task. However, in any such policy the state must have primary responsibility, and it is the state that has the lasting interest in insuring that rural economic policies are developed and can be sustained over a sufficient period of time. If an emphasis on rural economic problems is to be initiated, then it is the state that has the responsibility for initiation.

Initiation by the state also provides a certain acknowledgement by other partners, especially the federal government, of the state's leadership in setting economic priorities, in economic and environmental planning, and in allocating monetary resources. Such leadership also provides opportunity for a commanding role in maximizing state financial resources available for development by addition of federal and private effort.

THE "PLACE" OF A RURAL INITIATIVE STRUCTURE

The end result of a review of state rural service responsibility is a determination of whether a structure, designed to promote policy enhancing a rural "economic foundation," belongs "within" the traditional government service structure, or is best placed "outside" of normal government delivery institutions.

The general conclusion of this report in reviewing state rural programs appears to recommend that such a structure should stand "separate" from the general programs. The basic function of the routine delivery of rural service, and the task of maintaining a continually changing rural economic development strategy, appear to be inherently separate.

Many reasons can be presented in defense of such a "separation," but these reasons, in terms of detail, belong more properly in the companion report to this document which deals with the potential conceptual design of a state policy structure.

However, such reasoning ranges from the traditional separation of the private economy and government service roles in our American systems, the special "advocate" nature of an economic policy structure, and the need for a structure to be an advocate of rural services related to rural economy that are broader than the function of any one agency.

Finally, to be successful in bridging the gap between private and public systems, such a policy group needs the strong political adjacency and backing of both the executive and the legislative.

The success of government dealing with the private policy sector may be rooted in government respecting the private-policy sector as a sector to be treated with a respect, and on an equal footing, with the policy branches of government. Therefore, the suggestion that state dialogue with the private sector be subordinated to a sub-bureaucracy status may be fatal to a successful policy partnership. In other words, a policy partnership suggests, a certain equality and mutual interest among the parties.

A principal determination of the policymaker in seeking to "place" a state structure charged with encouraging a private economic base, may therefore be, whether the public policymaker chooses to treat the private sector as an equal and independent partner in policy, or whether that private sector is a subordinate partner suggestive that it is to be "directed" by some line-agency.

However, this is not to suggest that such a rural economic development structure does not have a strong interest in, and relationship too, the rural service agencies and the state's role in community development. An economic development structure would be strongly supportive of rural service needs, especially as they impact development opportunities.

Hence, in "placing" a state policy structure charged with addressing economic issues, a number of primary considerations have thus far surfaced. They are:

- 1) The issues of whether the mission and the charge of economic advocacy are not inherently different, and therefore such a structure perhaps should not be subordinate in a line-agency with service functions.
- 2) The need for a political adjacency to governor and legislature in order to maintain momentum, and
- 3) The issue of treating the private policy sector as a legitimate policy level co-equal.

THE RURAL POLICY SYSTEMS

The previous discussion questioned the placement of a state rural economic policy structure essentially "within" the state line-service functions. However, the policy structure external to the state government itself must also be reviewed in terms of such a state system.

In rural Alaska four basic policy systems are identifiable. The systems are familiar structures in American policy, but as might be expected, in rural Alaska some of those structures are underdeveloped or almost non-existent.

It is not "within" any one of these systems that a rural development strategy must be forged, but rather between such systems. The structure by one means or another, to be successful, must forge a partnership among these systems.

These identifiable policy systems are, in their broadest context, as they apply to rural Alaska:

- 1) The federal policy system.
- 2) The state policy system.
- 3) The local government policy system.
- 4) The private enterprise policy system.

The first three systems are clearly recognizable, although each has its special difficulties in dealing with the problems of rural Alaska. However, it is perhaps unfortunate that the American "alter-ego" to government, our very dynamic private economic system, is not recognized and communicated with as a fundamental policy system.

As indicated the above systems each have their problems when applied to rural Alaska. The special problems of the state system and the local government system will be discussed in more detail in following material. However, the federal system deserves some brief comment, since the system has "more established economic roles" than state and local systems, but must suffer from sheer logistics of policy between remote policy centers and extremely isolated Alaska rural communities in a bi-cultural setting. The federal government also faces the very realistic problem of having to establish policy criteria on a norm that fits an incredible variety of national situations.

Despite areas of extreme policy dispute between the state and federal government, the federal government does offer significant resources that can be applied to a rural development initiative.

ORIGINS OF STATE RURAL POLICY

The state largely inherited the rural policy system from the federal government. The Territorial government also carried out certain rural service functions. It is perhaps easy to point an accusing finger at the federal government, alledging a neglect of rural Alaska, but it should also be remembered that Alaska Territorial government was a form of "self government" and had the option to function in rural regions.

There are many reasons why Alaska Territorial Government did not expand its functions into the rural regions, and many of those reasons are very practical and many are simply circumstantial under the conditions of the period. Conversely, a case can be made that the federal government made significant efforts, especially when one considers the practical circumstances of that government in dealing with rural Alaska. Like all government, the federal agencies depend on policy, and policy depends on "appropriations" that generally derive from a political base. Obviously, Alaska had little political base, and the far flung and isolated rural needs of the state lacked even the cohesion necessary for a local advocacy. Most federal agencies lacked support for carrying out Alaska functions, while others received "fall-out" support from general "Indian" legislation enacted by the Congress

It is not the function of this report to go into detail concerning the problems of early rural policy. However, a few brief comments lend perspective to the later development of rural policy under statehood.

Presently, state rural policy is primarily aimed at delivering in rural areas the "traditional" services of government. And, in view of the difficulty the state has had in simply forging policy for the more traditional services in rural areas, it is not surprising that the state has been incapable of addressing a "less traditional" role regarding the economic plight of its rural populations.

In general, the circumstances that retarded the delivery of basic services in rural Alaska, simply more fully eclipsed a policy recognition of economic conditions and attendant state responsibility.

First, in early statehood, since the state was not delivering the traditional basic services, it was unlikely that the state should perceive self-responsibility for the more non-traditional and difficult to service economic problems. Additionally, generally government will not respond to more difficult development of "economic policy" unless there is a crisis. There are some exceptions, such as the nation's long history of addressing agricultural economic policy. Hence, economic policy in the area of U.S. agricultural policy has become "traditional policy." Additionally, in places like rural Alaska, hidden away from general policy-view (and public) view by isolation, wilderness, and culture misperceptions, despite severe economic problems, the existence of such "crisis" was simply not recognized.

Secondly, in early periods Alaska rural policy was fractured, and additionally there was no traditional local government system to be the conveyor of local needs to "the citizens," and to be the purveyor advocacy to senior governments.

Third, in the early years of statehood there was a perception, despite the declarations of the State Constitution, that native issues were federal issues, and that native Alaskans were still the "wards" of the federal government.

Fourth, state responsibility was further undercut by assertions that rural problems were the result of federal neglect (somehow justifying further state neglect).

Fifth, there was general recognition that rural services were expensive. Therefore there was a natural, and perhaps quite practical, resistance on the part of the revenue impoverished young state to create rural services, or to encourage an early transfer of many functions from the federal government.

Sixth, a public perception that statehood and local control would bring a magically improving general economy tended to undercut entry into economic policy. Statehood itself was perceived to be the economic solution for all Alaska. The economic emphasis of the time was more on the government-revenue side of the economic equation.

Seventh, the federal poverty programs were implemented in the early 1960s. Many of these programs were administered by the state, and others were delivered directly to rural Alaska. The programs appeared to be dramatically attacking rural poverty, and did tend to "finance" the entry of the state into rural responsibility. However, most of the programs focused on traditional government policy areas, such as education and basic services, and there was not a coordinated emphasis on the causes of rural poverty --the lack of "cash" industry and the rising demand for "cash" in the rural economy. The programs for the most part were conceived in Washington D.C. and funded on an "on-gain/off-again" short term grant basis. The cycle of poverty programs failed to recognize that much of pre-war rural Alaska had a variety of "cash" industries that fit community life-style, but that post-war Alaska saw those industries sink into almost total recession.

The poverty programs did their job in identifying that rural Alaska was in "poverty," in providing an element of advocacy that substituted for the lack of infrastructure, and in easing the state into a rural outreach.

Eighth, land claims settlement contributed to public misconceptions and adversity. Land claims helped dramatically forge state rural issue and policy, but tended to distract from a detailed focus on very basic rural needs. Public reaction to land claims was that native Alaska (rural Alaska) has land and money, so let them solve their own problems. Oddly, the land claims structure should have been "welcomed" as an economic middle-ground structure usable by government in development policy.

Ninth, the gigantic economic issues of the pipeline period of the early 1970s tended to sweep aside lesser and more homegrown economic problems. The pipeline was a distraction. The "euphoria" of the pipeline boom, both within and outside of government, created the assumption that something would rub-off on everyone.

Tenth, rural political representatives have generally been at a disadvantage in securing policy attention and service dollars, partially due to the lack of a local government funding vehicle for channeling state monies for local services. For example, broad funding formulas have allowed urban lawmakers to secure most appropriation needs on almost an "automatic" annual basis. One formula delivered basic school support for urban areas, and another picked up local debt service. Such formulas delivered urban educational services and also relieved local tax burdens for other purposes and services. Maintaining such services required only minimal political effort each year, with all urban lawmakers having a common interest. In contrast, rural lawmakers have constantly been required to fight line-by-line for service appropriations within the budget, often in competition with fellow rural representatives. Under such conditions the rural lawmakers quickly "expends" his political opportunities for minor gains in "bricks-and-mortar." Despite urgent long range problems, the rural politician has had little excess energy to devote after battling for immediate needs. Applied to economic development, rural lawmakers have had difficulty in just marshalling their talents for the "most basic" of traditional basic services, let alone entry into such long-range, complex, and less traditional policy arenas as restoring a private rural economic base.

The lack of substantial local governments in rural Alaska creates many problems. The rural state representative is left being a substitute local government representative, and the state is often cast in the role of substitute local government. However, this report does not suggest that creation of "local government" in rural Alaska will necessarily resolve local-government oriented problems. Obviously, rural Alaska lacks population density and the usual dynamics that makes local government viable, and therefore caution should be exercised in attempting to create a system that may be unrealistically "grafted" on top of rural communities. The lack of a "cash" economy in rural regions may be prerequisite to a genuine local government --a government that rural people feel belongs to "them" and not the state.

This report earlier suggested that a crucial issue in a public/private partnership in development is whether the public treats the private as a "respected" policy equal, or whether it attempts to subordinate that policy partner. Suggested was that an equality is perhaps crucial to a true partnership and creativity. The same may be true of local government, which is often termed a "lesser" government. It may be important to a rural "economic initiative" partnership, as well as to the proper relationship of a rural local government with the state, that the policymaker determine whether rural local government belongs to a rural public, or is simply a step-child of the state for the state's convenience, and whether in any partnership the policymaker (and the state) views such a relationship as one of equals, or of a subordinate relationship. The relationship, and be suggestive of a subordinate role of the state.

BENCHMARKS IN ALASKA RURAL POLICY

Alaska rural policy has its origins in the Territorial period in Territorial legislation, in federal legislation, and in the organic legislation of the federal government that granted powers to Alaska level governments of the period. The basis for the expanding policy role of Alaska government in that time was linked to: 1) the ability of the Territory to carry out functions, and 2) its desire, or lack of desire, to responsibly tax itself to carry out policy functions and services.

Limit on Territorial Powers

In granting powers to Alaska in various pieces of organic legislation dating even to pre-Territorial status, the Congress saw fit to limit the ability to finance through "bonding," which correspondingly limited the ability of the Territory to finance capital projects. Since most rural needs were "facility" oriented and expensive, that basic federal limitation considerably hamstrung Territorial government. Depending on the period, the Territories ability to "tax" was also limited.

As a result statehood and the ability to bond represented a crucial benchmark in the state being able to finance rural programs.

Congress reenforced the situation by granting the Alaska cities the right to bond for facilities. In reviewing the situation it is easy to conclude that Congress desired to keep the Territorial government weak.

Alaska Willingness to Tax

The ability of the Territory to tax was also in question at times, with such question being aimed mostly at the ability to tax the lucrative fishing industry. Alaska was willing to tax its "outside" owned industries, Congress under lobby by Seattle interests was reluctant, but it must also be acknowledged that when it came to taxation the Territory also showed a very "marked disinterest" in taxing its own citizens by any means.

Hence, while Alaska decried federal dominance it was reluctant to "pay-its-own-way." As a result Territorial government resembled something of a "pass-through" agency." With little money of its own, the Alaska government took in federal funds and other earmarked revenue, and passed those funds through to local government.

In the pre-statehood period it was local government that had the ability to bond themselves, tax themselves, and which were the primary recipient of Territorial federal funds. The weak Territorial government did not have unrestricted funds to spend in rural regions, and the lack of a local government infrastructure left the rural citizens out of the basic funding pattern. The pattern simply reenforced the "division" of the Alaskan urban/rural spheres, and the dominance of the federal government in the rural area. The lack of revenue, and the lack of a willingness of the Territory to raise its own from its own citizens, simply meant there was no "Territorial presense" in rural Alaska.

Perhaps the crucial benchmark paving the way for Alaska rural policy was the Territories decision to "tax itself" after a bloody 1948 election surrounding the issue. Territorial Gov. Ernest Gruening for a decade had advocated the need for a comprehensive schedule of Alaska taxes to finance government, and for a decade the Territorial Legislature steadfastly refused such a program. In exasperation Gruening in 1948 aggressively campaigned against the legislature, and surprisingly won a majority that enacted Alaska's first really comprehensive revenue base.

The decision to tax was an important decision in declaring an assertive self-responsibility, and while benefits were not oriented towards rural Alaska, the revenue availability would begin a long process of accepting more expensive rural responsibilities. Oddly, the tax benchmark was likely a crucial step in the final drive for statehood. The period 1948 - 1953 saw lawmakers begin to organize a very fractured government, saw a leveling of federal agency power, saw the Territory complete an organized compilation of its laws, saw the abolition of the Alaska Fund with a coordinated tax system, the creation of a Territorial Department of Fisheries (as an assertion of local management), and the creation of the Alaska Statehood Committee.

Territorial Influences on Alaska Structure

The Territorial experience was one of wrestling with a fractured Territorial government, with a variety of elected officials, a weak legislature, a federally appointed governor, and policy strings that disappeared into the maze of Washington D.C.

The Territorial experience had established the firm place of local government in the policy framework of Alaska political thinking. The new emphasis was not so much to create a "super-executive" structure, but to create a structure far removed from the cob-webs of the Territory, where the line responsibility was clear and where there was clearly some "one" in charge.

Constitutional Benchmarks

The constitution Alaskans drafted in 1955 produced a number of rural benchmarks and framed a few ongoing policy dilemmas.

The constitution created generally a simple executive structure with the governor clearly responsible for all actions. While Alaska has its ongoing problems in making government function, the simple structure of the Alaska system in the long-run should be an advantage for rural needs, policy development, and coordination of multi-government effort. Many other state's administrative structure resembles a "committee" of executives.

The constitution declared responsibility for ALL its citizens, laying both the legal and policy foundation that native Alaska, and therefore rural Alaska, was the responsibility of the state.

The constitution recognized the unresolved nature of Alaska native land claims.

The constitution attempted to deal with the problem of local government by declaring that Alaska would be divided into governmental units called "boroughs" (State Constitution, Article X). The lack of local government still causes problems in state dealings with rural Alaska, but also, the fundamental problems that have precluded the normal creation and function of local government in such remote rural areas are also still with us.

Early Statehood Benchmarks

In the early period of statehood the state government was not without rural concerns. The state attempted entry into vocational education aimed at rural areas, and airports were a high priority. A Rural Development Agency was established in the Office of the Governor, which acted as the representative of the governor in assessing and resolving urgent rural problems, and which also administered a small grants program (now lodged in the Rural Assistance Division, Department of Community and Regional Affairs). However, in the first half of the 1960s state efforts were constrained by budget uncertainty as the state absorbed functions from the federal government and attempted to establish a revenue base. Under such circumstances the state budget was small, growing from \$60-million to \$154-million by 1965. Early bond issues totaled only \$30-million (1960), \$17-million (1962), and \$13-million (1964).

The real rural issues began to surface in the mid-1960s as the state's financial ability grew and as confidence grew that the could pay for new effort in policy.

In 1965 the Legislature developed a concept of rural regional high schools, and presented a \$5-million bond issue to the public. While the concept ultimately never came into existence, the public DID APPROVE THE BONDS. The action was an important legislative, and public, declaration that the state was ready to begin carrying out its rural education service responsibilities, and that the state, not the federal government has the responsibility for educating rural Alaskans (native Alaskans). Likewise, the issue recognized the severe problems of secondary education for rural citizens.

In 1966 Land Claims settlement became an issue for the first time in the public policy forum.

Additionally, in the 1966 elections issue surfaced as to whether the state should create a Department of Native Affairs to tackle rural Alaska problems. The issue produced considerable debate, contributed to public awareness of "things rural," but floundered in both the native and non-native community on the basis of not wishing to create another "little-Bureau of Indian Affairs," and on concerns that such an agency would create difficult racial question. The issue lead to the counter suggestion of creating a Department of Community and Rural Affairs.

On the Congressional level by 1964 Alaska representatives were beginning to press for an Alaska Housing Program for rural communities, and press for upgrade and transfer of BIA schools to the state.

The mid-1960s also saw the entry of the federally instigated war on poverty programs. The programs made contribution to developing "rural awareness" on the part of both policy maker and public, and likewise contributed to grass-roots awareness of problem solving on the rural level.

By 1966 native land claims had brought about the first phase of the land freeze, and the land claims problem was rapidly becoming the state's most serious issue.

By 1968 significant efforts were being made to bring electrical services to Alaska rural communities. The Alaska Village Electrical Cooperative (AVEC), organized to finance through the the federal Rural Electrification Agency (REA), also required a somewhat hasty organization of many Alaska rural communities into Alaska fourth class cities.

Throughout the majority of the 1960s two adjacent policy/issue streams were developing. Independent issue forces were developing such as land claims, as well as political forces such as the Alaska Federation of Natives, and other non-profit corporation agencies in the form of rural need advocates (AVEC, poverty non-profits, etc.). And, in the other stream, the improving revenue base of state government, more than \$200-million by fiscal 1969, allowed a cautious state expansion into rural service needs. In perspective, the 1960s was a period when Alaska was unsure it could meet the basic obligations of statehood in terms of financing government, and as events of the decade provided "confidence," the state showed willingness to confront more costly rural service needs.

The discovery of oil and Prudhoe Bay in 1968 and the entry into a "surplus revenue" condition in 1969 with the receipt of the \$900-million set the stage for facing more rural responsibility on the part of the state.

On one hand the rural areas suffered in the "funding process" because they were not part of local government systems, and therefore could not participate in the almost "automated" state transfer of funds to Alaska local governments that saw additional funding equally more than half of the \$900-million shifted to urban areas in the next five years. On the other hand, the existence of excess funds meant that rural areas could push for additional education funds, transportation improvements, and other health service needs.

By 1971 the legislature had created the rural State Operated School System SOS, and while short-lived, the effort was aimed at providing rural Alaska a semblance of autonomy, input, and substitute local government in the area of education.

In terms of funding for education, the stepped up appropriations in essence represented the first significant state money that the state had put into rural education. Prior to 1970 the state's receipts under federal PL-874 impact funding approximately equaled the state's rural school outlay for operations (Note: The federal government generously allowed the state to receive maximum impact funds even treating open-to-entry federal lands as maximum federal impact).

The state in the early 1970s enacted such legislation as a Village Safe Water Act (although little more than a declaration of responsibility for health needs), it addressed the needs for community roads, trails, and designed state municipal revenue sharing so small communities could obtain a share for the barest expressions of responsibilities such as fire, police, and etc.

Settlement of Land Claims in 1971 began a process of constructing a private corporate infrastructure throughout rural Alaska. However, there was unfortunately little state effort to recognize that structure in any institutional construction, or to take an interest in the survival and success of those unique creations on the part of the state.

The legislature did create in the early 1970s the Department of Community and Regional Affairs, which was designed to collect together rural and community functions of state government. The assumption existed that such a department would provide adequate "rural linkage." However, while the department has in many cases performed very capably, it was created as a line-agency (program agency), and as such too much was expected in regard to such an agency pursuing problems that exist outside the scope of defined programs or are multi-agency.

The legislature in the mid-1970s hammered out the Rural Education Attendance Area legislation (REAA's), disbanding the old SOS school system in favor of regional districts.

The REAAs represented a significant policy step in creating (education-service) local government, in allowing a genuine measure of regional autonomy and self-determination, in providing a funding formula taking the burden off rural lawmakers to have to fight for each individual school need. The REAAs also sought to follow native corporation boundaries, seeking to achieve a social and geographic compatibility.

THE PATTERN OF STATE SERVICES

The present pattern of state services being extended into rural Alaska are very BASIC AND TRADITIONAL SERVICE ORIENTED.

The entry into rural services follows the traditional American pattern of education, transportation, and health and social services.

On the rural community level this translated into the presence of teachers, school facilities, an airport, roads in trails, the availability of safe water, and to a lesser degree the presence of sewage disposal, electrical service, and adequate housing. Of these services teachers, school buildings, roads, trails, and airports can be funded either by formula or by state appropriation. However, water, sewage, and community electricity are utility in nature, implying some measure of local support and responsibility. Additionally, adequate housing implies some ability to support that housing.

It is in the area of utility services, housing, and personal income that state policy runs into the "void" that is at the bottom of rural issue. The issue is the lack of rural economy, the lack of ability to support services, housing, and family.

A review of state service responsibility in rural area reflects emphasis on blindly providing categorical services. It is the Department of Education's responsibility to facilitate education. It is the Department of Transportation's responsibility to provide roads and airports as directed by the legislature, it is the responsibility of the Department of Environmental Conservation to police safe water, it is the Department of Community and Rural Affairs responsibility to operate various assigned community assistance efforts. Each department has its functions and carries out that function. However, schools need electricity, water, and sewage, and homes and people need services, and the later need income for paying for such services and for purchasing other personal needs.

In the final analysis, no state agency is responsible for any kind of comprehensive addressing of the problems of rural economy.

The failure to address an Alaska rural economy is not a failure of program agencies and their specific authorities, but rather a failure of state policy to recognize that while services are urgently needed, they compound the problem of rural economics --the widening division of "cash available" and "cash needed" to pay for services.

The economic conditions of rural Alaska date to the 1940s, and while rural Alaska has always lacked services, it has not always lacked an economy. Pre-World War II rural Alaska had a variety of "cash" industries, depending on the rural region, that quite amply supported the rural life style of the period.

Such rural industries were fur, fish, gold, labor intensive transportation, woodcutting, and etc., all of which declined into disastrous conditions by the mid-1950s. External influences and changing technology eroded the rural economy. The price of gold was frozen in the early 1930s, spelling a slow death for Alaska mining, fur fashions changed and fur farming, synthetics, and fur imports snuffed out the fur industry, the bush plane eclipsed labor intensive transportation, and the convenience of oil killed off the woodcutting industry. In 1948 the Alaska Railroad altered its Yukon River steamboats from woodburners to oil, and overnight the woodyards and much economy disappeared from the Yukon Valley. Likewise the decline of major industry saw the decline of fishing for barter and cash.

A strong case can be made that for the past quarter century rural Alaska has been in severe depression and almost nobody noticed. This can be contrasted with the quick response and issue attached to the current problems of the state's urban economies. The difference is likely that a sophisticated infrastructure exists in the urban areas to demand that economic crisis be recognized and dealt with to the extent possible.

By and large it was not the role of the state service agencies to notice and deal with such a fundamental issue as rural economy, an issue obviously far exceeding the boundaries on the jurisdiction of any one, or for that fact, all such agencies.

The purpose of reviewing state services within the context of economic rural needs is that while such agencies must remain largely within their categorical responsibilities, these same agencies are very valuable front-line allies in an rural economic initiative. Regardless of however the state chooses to address the broad issues of rural economic plight, the facts also are that a fairly small number of state agencies have the rural organization and community level experience that must be brought into any such effort.

The following section will review state agency from the standpoint of both present rural involvement and the nature of that involvement.

RURAL EMPHASIS OF STATE AGENCIES

State government growth over two decades has produced a greater state presence in rural areas. Growth has produced a developing pattern of state agencies with a viable rural network of employees in the field.

Agencies with significant rural presence divide into functions which by their nature must remain narrow, such as police functions, and agencies which have significant community development potential. The following chart reflects agencies with large numbers of employees "outside" Juneau, Fairbanks, and Anchorage.

STATE EMPLOYMENT BY DEPARTMENT AND LOCATION
(Timeframe 1977)

<u>Agency</u>	<u>Juneau</u>	<u>Anchorage</u>	<u>Fairbanks</u>	<u>Other</u>	<u>Total</u>
Governors Office	174	106	25	21	326
Administration	307	102	90	170	669
Law	59	69	29	17	174
Revenue	150	85	11	10	256
Education	260	92	6	77	435
* Health Soc. Serv.	411	741	188	461	1,801
Labor	406	201	84	77	768
Commerce/Econ Dev.	123	118	8	3	252
Military Affairs	11	104	4	32	151
** Natural Resources	38	171	51	144	504
** Fish and Game	202	230	79	364	875
** Public Safety	134	300	100	313	847
Environmental Cons.	78	10	16	15	119
* Community & Reg Affr.	99	39	7	14	159
* Trans & Pub Facil.	874	763	440	1,117	3,194
Legislature	122	50	13	18	203
Alaska Court System	37	245	81	120	483
TOTALS	3,485	3,526	1,232	2,973	11,216

* Agencies with large rural organizations and/or responsibilities.

** Agencies with specialized rural functions.

Several other organizations outside of the state structure deserve mention. One is the University of Alaska, which has a growing rural network, and other other are the Rural Education Attendance Areas (REAAs). The latter are of interest not only because of their comprehensive local government coverage, but because their boards constitute publically elected representation.

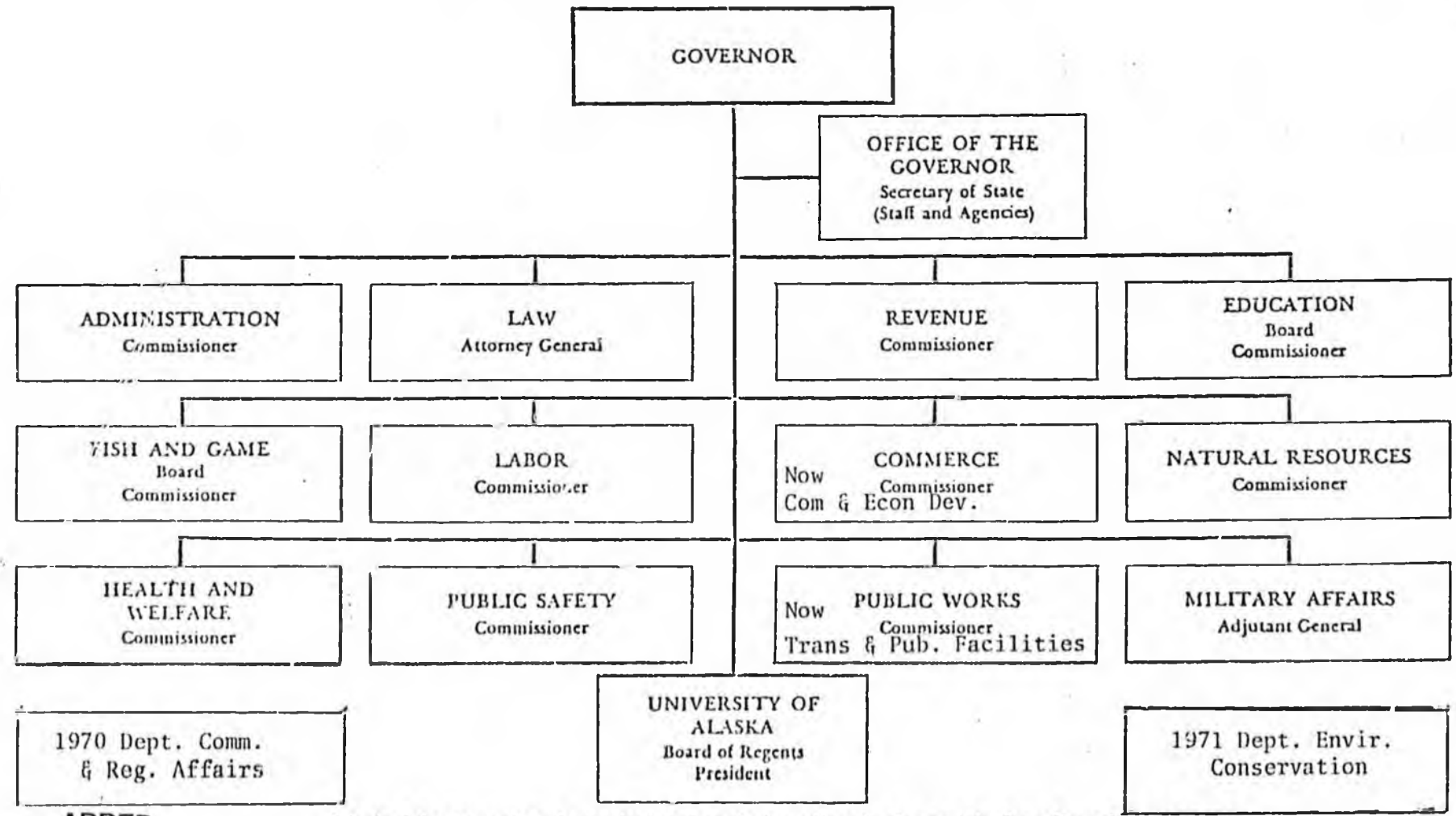
The following review of state agencies will be reviewed in order of groups of agencies reflecting:

- 1) Agencies with either large numbers of rural employees in the field, significant rural responsibilities, or with both.
- 2) Agencies with large field organizations but with highly specialized responsibilities, and which therefore might not be appropriately called upon in some coordinative rural effort.
- 3) Agencies with small rural field staff operations, but which have a large policy impact on potential rural issues. Agencies with potential for rural involvement.
- 4) Agencies without significant rural field operations and with little definitive rural responsibility.

The following page provides a view of how the architects of Alaska government established state agencies in 1959 with twelve departments (the constitution limited departments to 21). The basic organization has altered little in two decades. Two new agencies have been added, another department was created and then merged with Commerce (Dept. Commerce & Economic Dev.), while the early day version of Public Works was split into thr Departments of Highways and Publig Works, and then remerged in 1977 into Transportation and Public Facilities.

Alaska 1959

ORGANIZATION OF THE EXECUTIVE BRANCH



ADDED

Principal departments and agencies based on the State Constitution and the State Organization Act of 1959. Members of the Fish and Game and Education Boards and the Board of Regents appointed by Governor. Commissioners of Education and Fish and Game appointed by Governor from names submitted by Boards. Heads of all other principal departments directly appointed by Governor. All appointments subject to legislative confirmation. The administration of the University of Alaska is specifically established by the Constitution and is not under the same direct executive control as the principal departments included here.

ADDED

GOVERNOR'S OFFICE

The Governor's office is both a kind of "super-agency" and a kind of "catch-all" agency, inheriting functions which either do not fit elsewhere or which have inherent conflicts in role (example: The Public Defender would be suspect if under the Department of Law and the state's chief prosecutor. There is also a tendency to place "advocacy" agencies in the Governor's Office, since their role of advocacy may clash with line-service roles and since their actions shape basic new policy.

Obviously many functions of the Governor's office have an impact on rural policy, but a few have a very important policy shaping role.

They are:

- POLICY DEVELOPMENT AND PLANNING
--Coastal Zone Management Subagency
- OFFICE OF TELECOMMUNICATIONS
- GROWTH POLICY COUNCIL (Office Lt. Governor)

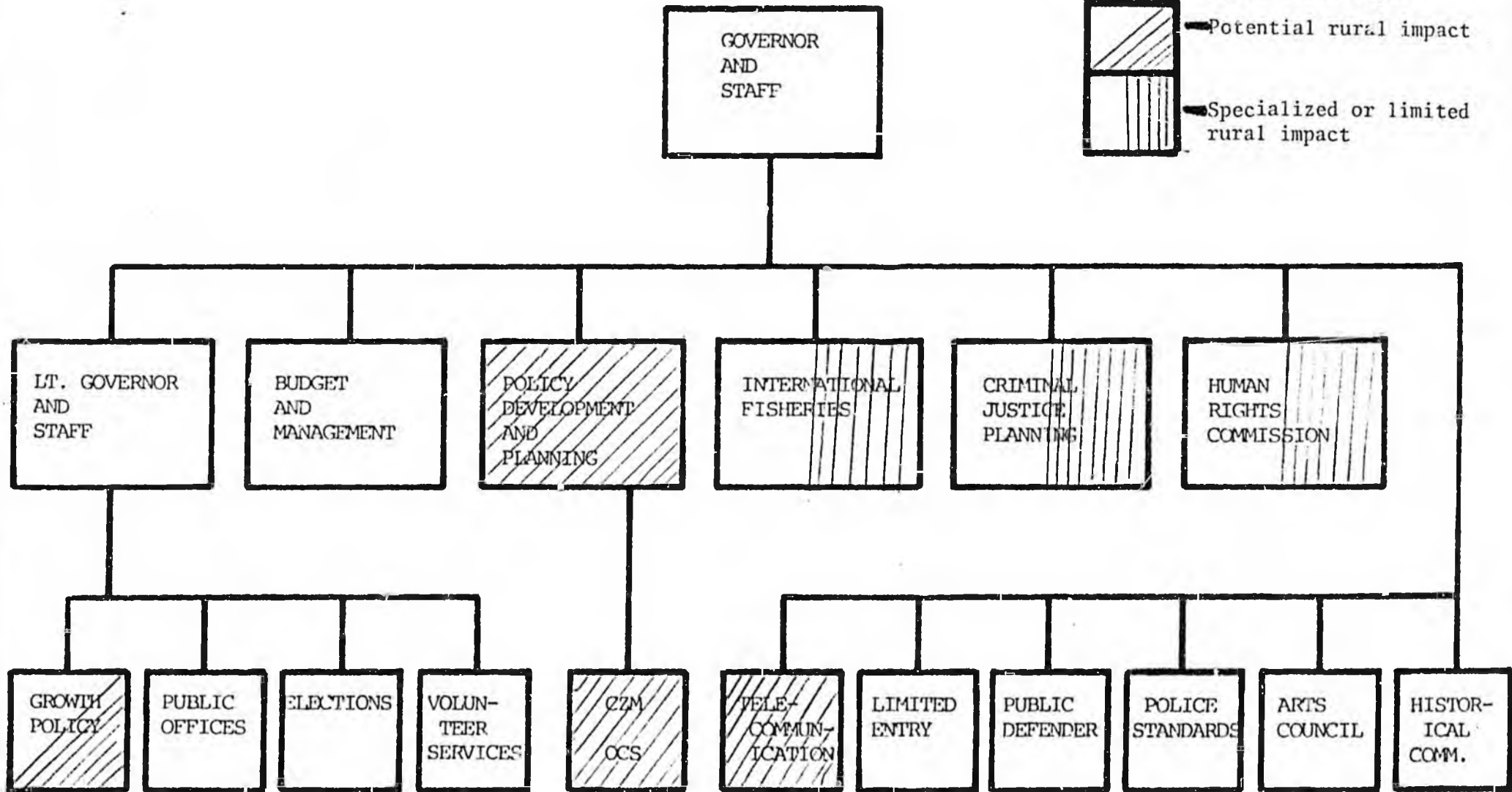
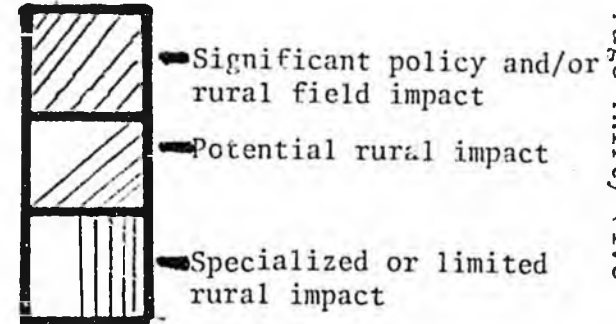
Other agencies of the Governor's Office have a very definite but special role in rural policy, such as the HUMAN RIGHTS COMMISSION and CRIMINAL JUSTICE PLANNING COMMISSION. The Office of International Fisheries and the state's trade office functions in Denmark and Tokyo could have an important rural relationship in regard to facilitating private economic initiative.

The Division of Policy Development and Planning can have a large impact on rural policy, and especially on rural private economic development. However, DPDP is an agency that must maintain a very broad planning perspective, and must carry out functions that must make it at times an "adversary," as opposed to an "advocate." An example may be the agencies difficult role in Coastal Zone Management, where it may have to oppose local demands (such as current differences over the North Slope Borough's proposed Coastal Zone Plan).

DPDP must also be broadbased and have continual involvement in all sorts of policy, including rural policy, and for that very reason DPDP may not be able to act as a genuine rural economic advocate.

Telecommunications is an agency in the Office of the Governor that has functioned as an "advocate" in terms of rural communications issues, and general Alaska communications issues in recent years. Telecommunications could have been assigned to DPDP, but it is doubtful if DPDP could have specialized and have acted as "advocate" as did the Office of Telecommunications.

OFFICE OF THE GOVERNOR



DEPARTMENT COMMUNITY AND REGIONAL AFFAIRS

The Department of Community and Regional Affairs Department has the responsibility to meet the state's responsibility to render maximum assistance to government and the community and regional level. The Department is therefore not necessarily a department charged with "maximum" rural obligations. However, the department is perceived by many policy-makers as a Department with special rural obligations, and the department also perceives itself to a certain extent in that manner. The charge of the department places CRA in a position of assisting in rural areas where government is small, inadequate, lacks professional management, and in many respects acting as "substitute" government where non exists at all.

The Department has five divisions:

- (1) Administrative Services
- (2) Manpower
- (3) Community Planning
- (4) Local Government Assistance
- (5) Community and Rural Assistance

The Department also is the seat of policy groups or commissions such as: 1) THE STATE BOUNDARY COMMISSION, 2) MANPOWER COUNCILS, and more recently 3) THE PRIVATE INDUSTRIES COUNCIL (PIC).

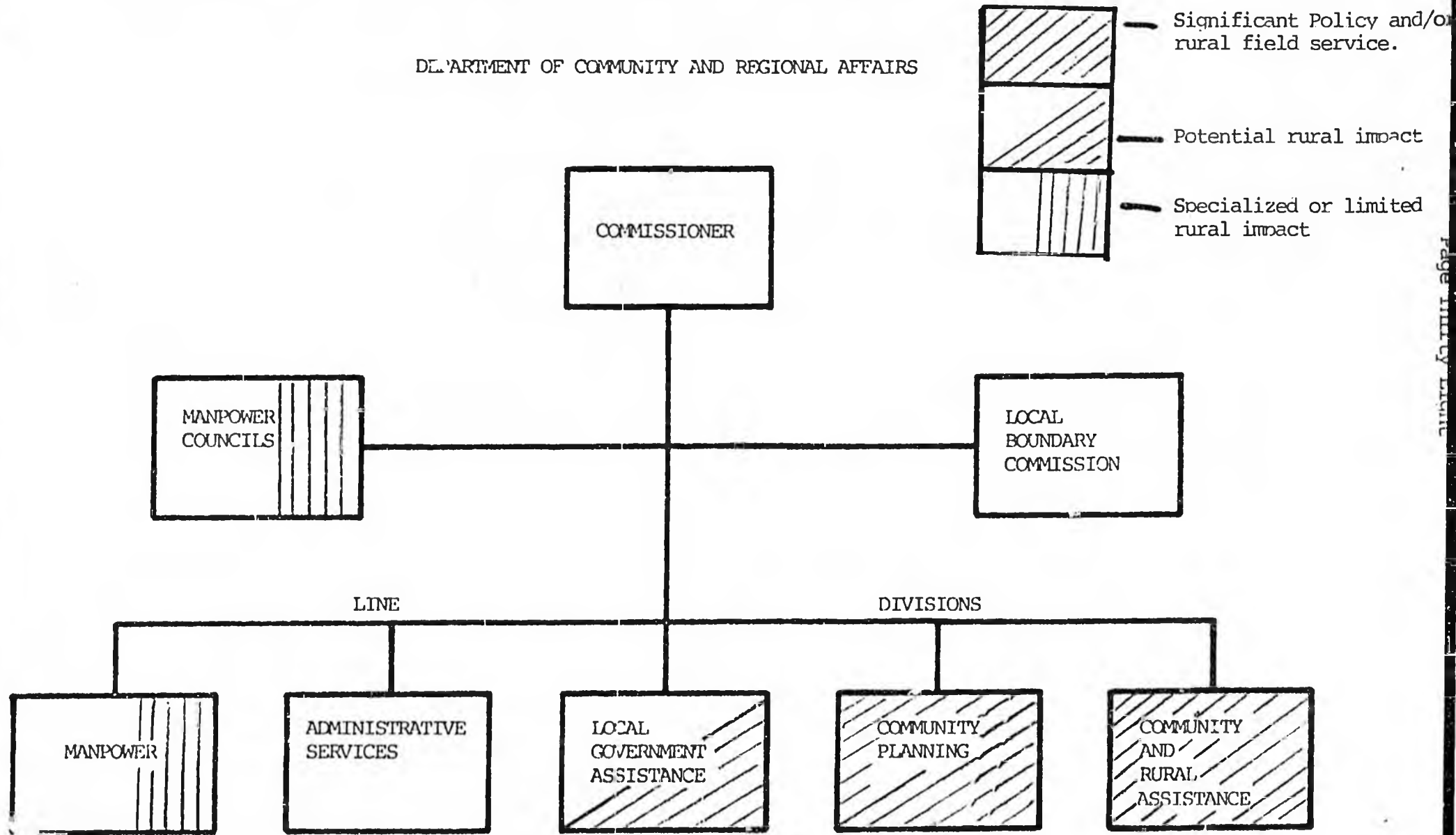
The Department maintains offices in key rural centers, and operating programs such as the rural assistance grants projects, has a valuable rural outreach.

CRA now has an important rural presence and as rural Alaska wrestles with difficult local government problems, the department will have an even more important role. However, the future demands of local government in rural Alaska will tend to specialize CRA in the government area, creating new obligations that will tax its resources in maintaining its program service obligations.

The department is now presently small with primary rural responsibility placed in its community planning function, local government assistance function, and rural assistance and grants program. CRA will be an important partner in economic advocacy in rural Alaska, and it is likely in that process that whatever structure is designed as a rural economic advocate, will likewise be an advocate of maximizing CRA's program and service functions.

Community and Regional Affairs, although quite small compared with other departments, must be selected as one of the four to five departments with significant rural policy and field obligations. The Department has also the most "generalized" functions of those rural agencies (as compared with Transportation, or HSS) and therefore the Department may be a likely nominee for a lead-functionary among program-service agencies in bringing together coordination in the field on economic projects.

DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS



DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

The Department has the largest number of employees in state government. Many employees are either in planning and construction, or maintenance along transportation systems connecting major urban centers, but nevertheless, a sizable number of employees are represented in rural areas.

The Department has four major units:

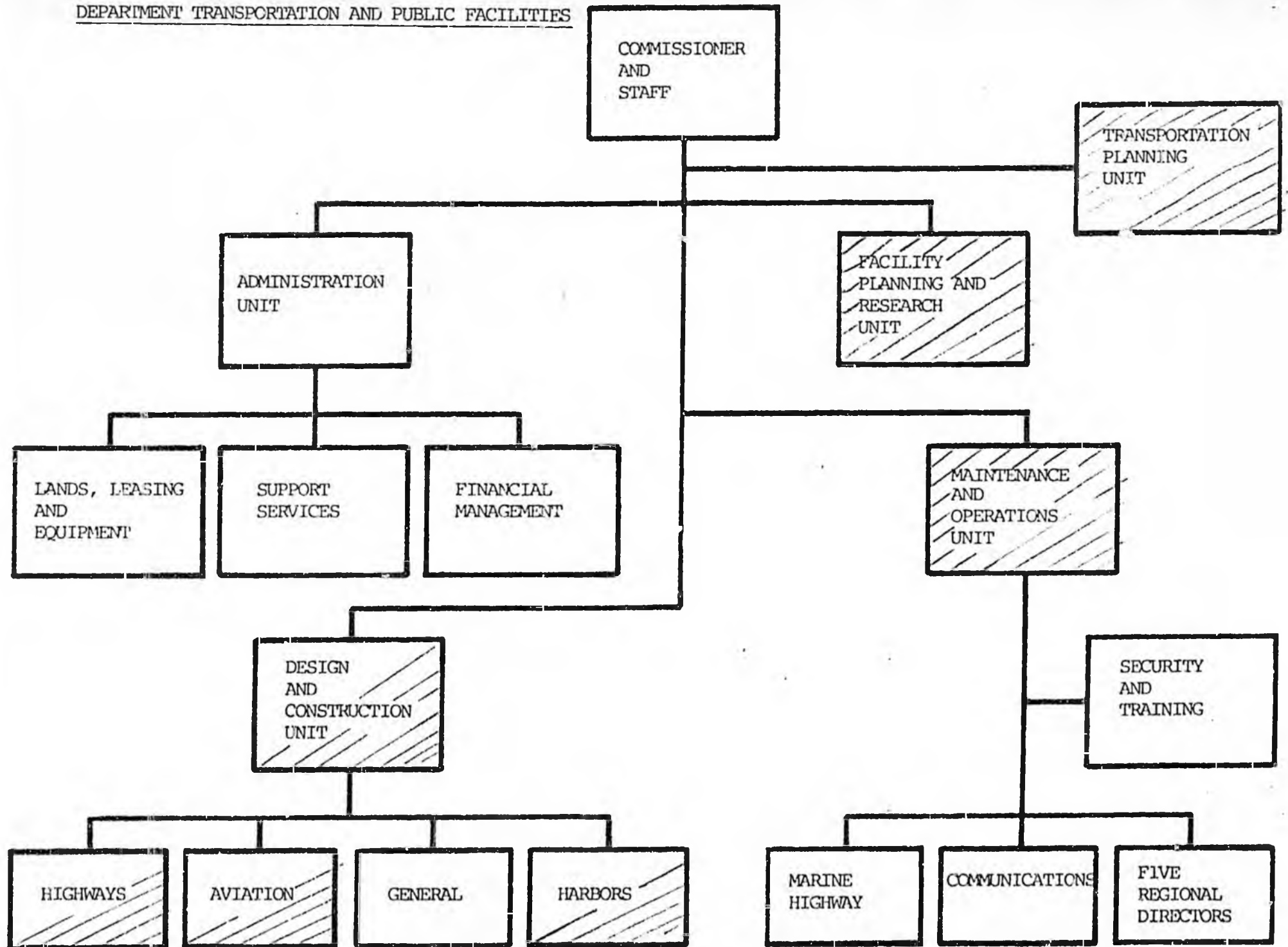
- 1) Administration
 - 2) Design and Construction
 - 3) Maintenance and Operations
 - 4) Facility Planning and Research
- **Transportation Planning (Office of Commissioner)

The Department is very important to rural areas because of its planning and development of rural transportation systems, its planning and development of facilities, and its maintenance of such facilities. In both areas the department has critical possible SUPPORT and EXPERTISE to offer private development in rural areas.

DOT important rural functions are:

- 1) TRANSPORTATION AND FACILITY PLANNING: Important in terms of possible coordination and support of rural development in the private area.
- 2) MAINTENANCE AND OPERATIONS: A valuable field staff with rural experience.
- 3) DESIGN AND CONSTRUCTION UNITS: Important in building to rural needs. A source of practical development experience for rural projects.

DEPARTMENT TRANSPORTATION AND PUBLIC FACILITIES



DEPARTMENT HEALTH AND SOCIAL SERVICES

The Department is the state's second largest department and is perhaps the largest in terms of employees functioning on the field level in rural areas of the state.

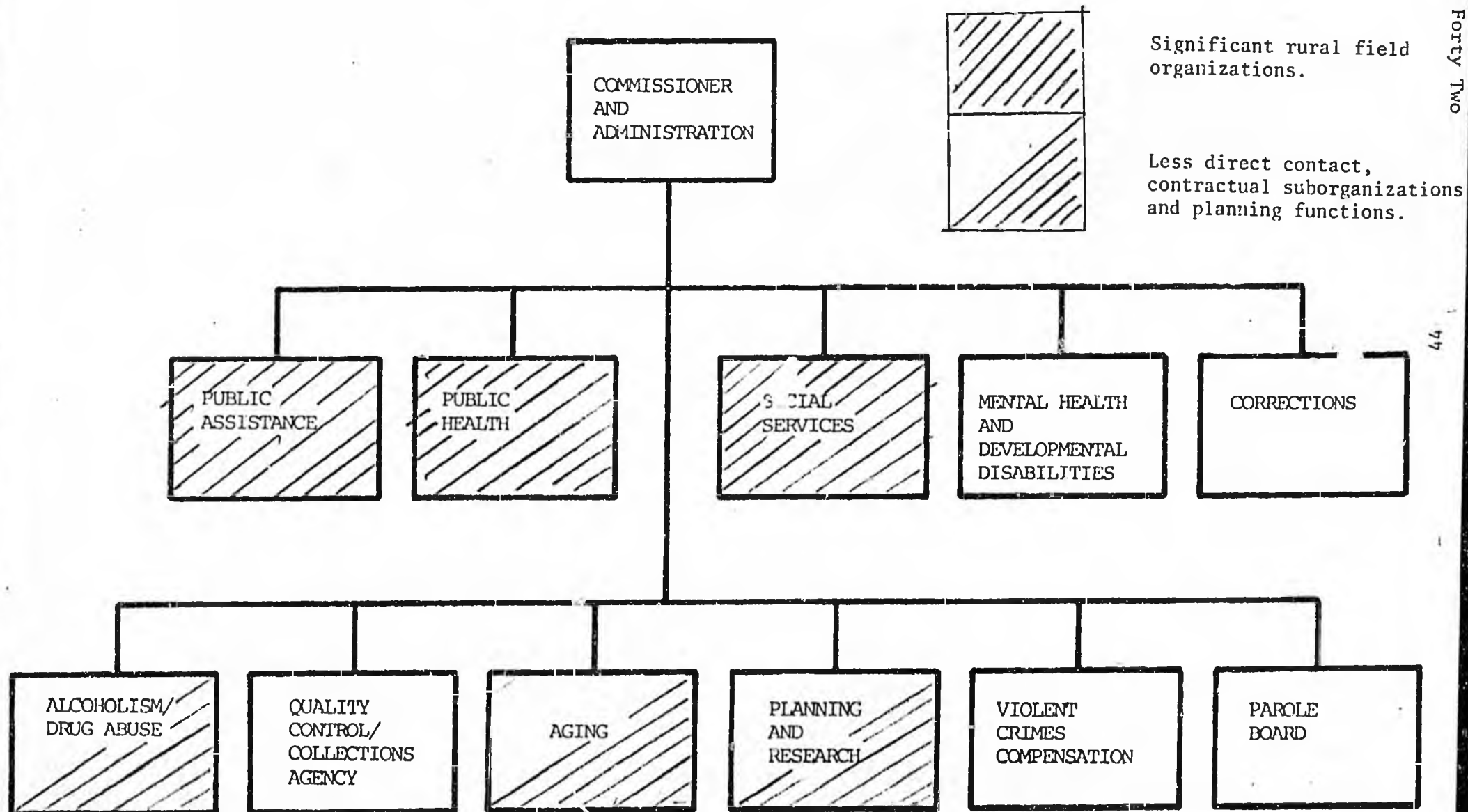
HSS has rather specialized program functions, but in any effort at developing a coordinated rural awareness and effort, the fact is that the department has the most strategically placed field staff. The contact of the staff with communities is also reasonably frequent and regular. The Department is also contact and program involvement with a great many rural Alaska non-profit corporations that deliver various kinds of contract services.

Ironically the department with this "largest rural presence" is the department that is charged with putting on the social and economic "band aids" in an almost futile attempt to patchup the results of decades of economic and social deterioration.

The key field divisions are: PUBLIC ASSISTANCE, PUBLIC HEALTH, SOCIAL SERVICES, and less directly ALCOHOLISM, AGING, and PLANNING AND RESEARCH.

Despite the seeming gap between HSS programs and the function of an economic initiative, it may be important that the department be included among departments that would be partner to economic initiative.

DEPARTMENT OF HEALTH AND SOCIAL SERVICES



DEPARTMENT OF FISH AND GAME

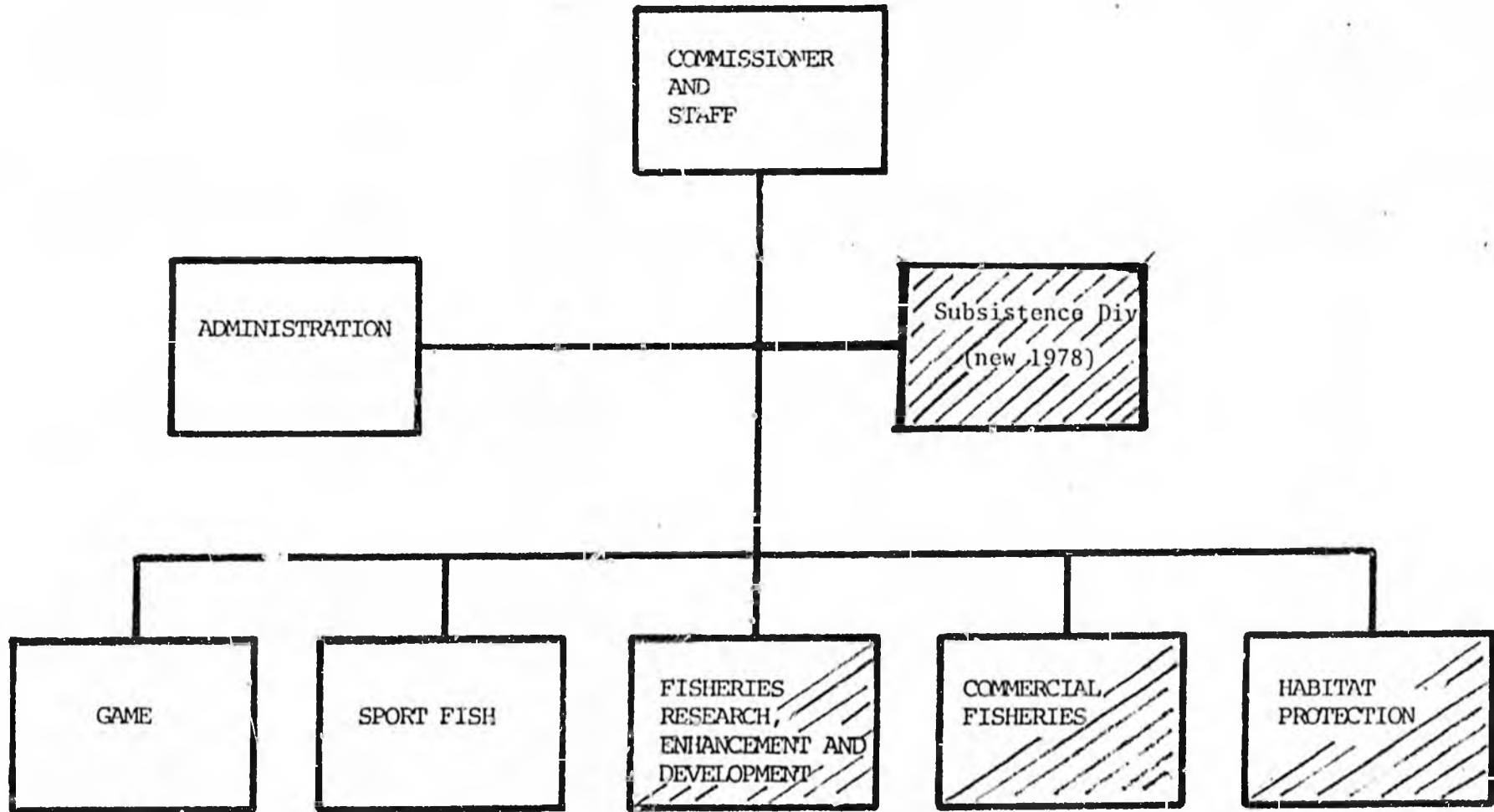
The Department of Fish and Game has a sizable rural staff, but one which has rather specialized functions in most cases. The Department has five principal divisions: GAME, SPORT FISH, COMMERCIAL FISHERIES, HABITAT PROTECTION, FISHERIES RESEARCH, ENHANCEMENT, AND DEVELOPMENT, and a sixth unit added in 1978 to deal with SUBSISTENCE.

Fisheries Research and enhancement, commercial fisheries, and habitat protection all can be involved in rural issues and problems. However, in terms of an expectation of "early" advocacy, the divisions may have a conflict in role, since they must police and question various proposals made against their primary spheres of interest. Such units cannot be expected to be policeman, evaluator, and advocate.

The subsistence division implemented in 1978 for the first time created a unit within the department that was broadly oriented towards a rural issue -- use of the resource for subsistence. The broad charge of the division has also equipped it to function more in the role of advocate of rural needs than other departmental units.

It may be in a rural economic initiative that the Subsistence Division might prove an effective coordinator between other units and external structures involved in rural development.

DEPARTMENT OF FISH AND GAME



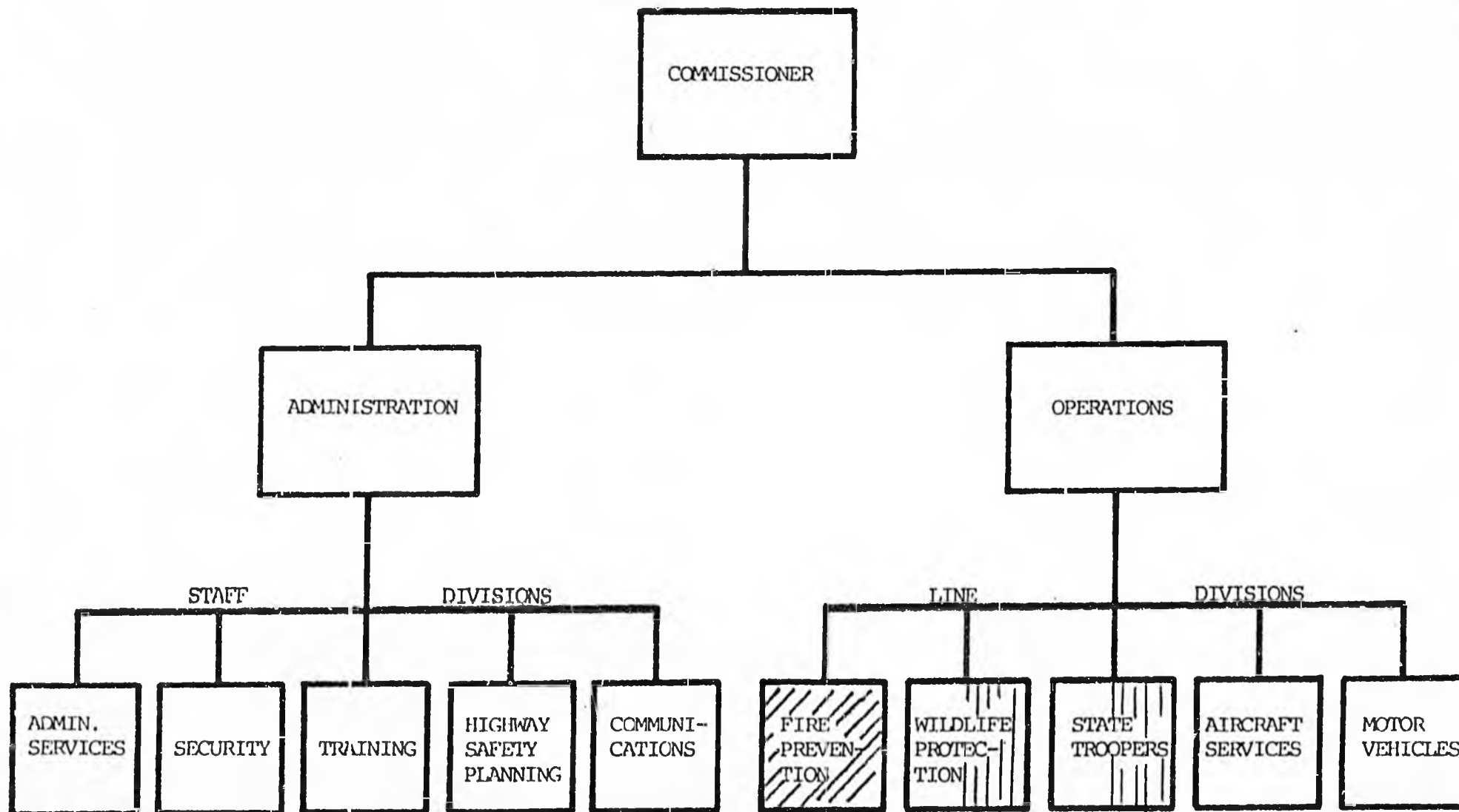
DEPARTMENT OF PUBLIC SAFETY

The Department of Public Safety is perhaps the most field oriented department in state government. The department is literally a field agency. However, while the department has an excellent rural spread of employees, and an excellent communications network, its specialized police function removes it from being a functional part of any rural coordinative unit. The role of the department is simply inherently different from development functions.

The department also operates the division of Wildlife Protection, and while this unit is extensively rural oriented, it has even a stronger conflict.

The division within Public Safety that could have significant rural impact, and become significant rural advocate in terms of community development and protection, is the DIVISION OF FIRE PREVENTION.

DEPARTMENT OF PUBLIC SAFETY



Page Forty Seven

DEPARTMENT OF NATURAL RESOURCES

The Department has a small rural field operation, and that field operation is largely through the state's expanding development of park facilities. The Department is not a rural field "operative," but is and can be a significant department in terms of policy that can impact rural lifestyle and development.

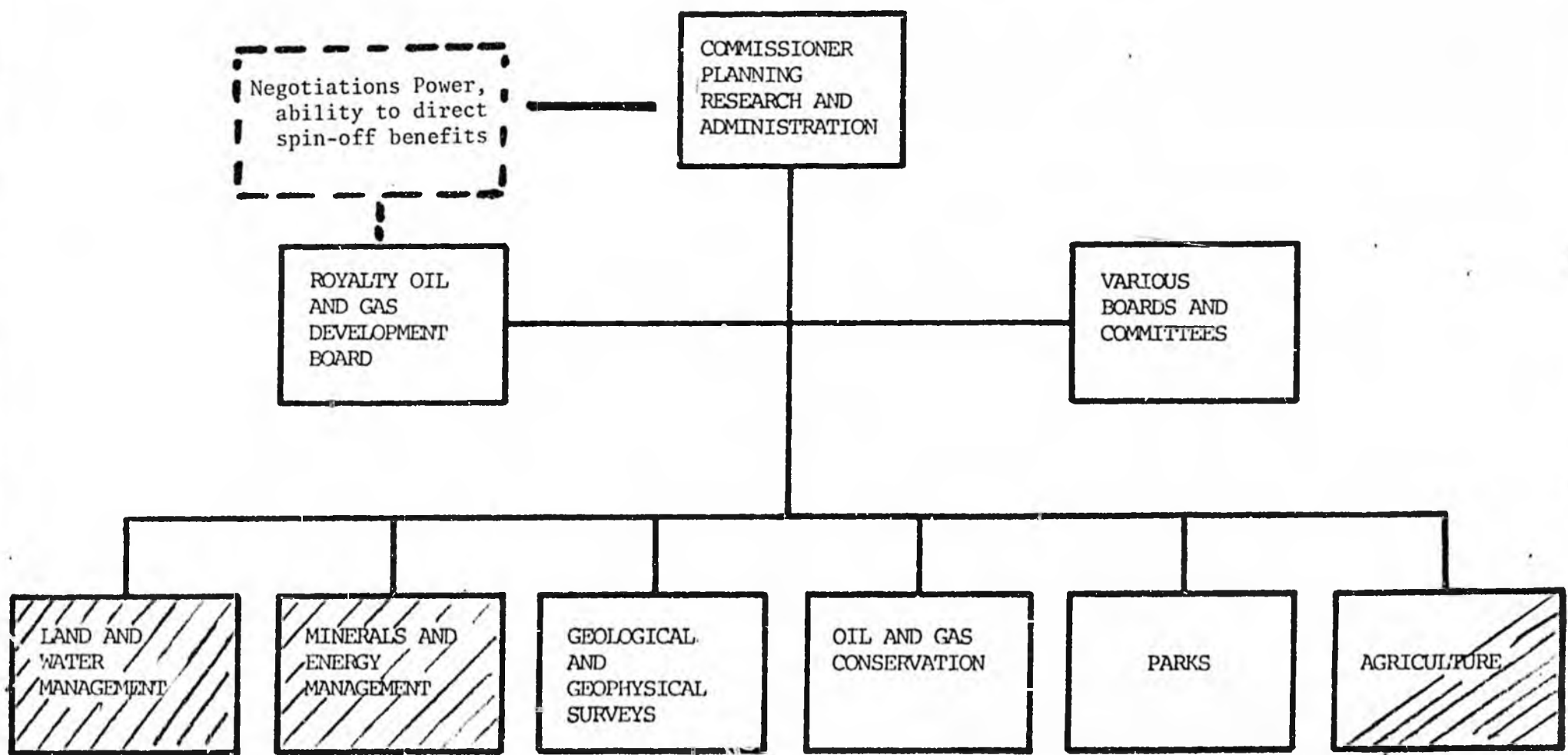
The Department has primary say in disposition and/or management of a large portion of the state's surface and subsurface resource wealth.

Key divisions with rural policy impact in the department are:

- 1) LAND AND WATER MANAGEMENT: Management and disposition of state land and water resources. This division can have a positive impact on cooperating with community projects, and/or cooperating with native land management and development.
- 2) MINERALS AND ENERGY MANAGEMENT: Manager of the state's oil disposition (together with Oil and Gas Conservation).
- 3) AGRICULTURE: Charged with Alaska agricultural policy, which will have an expanding place in the Alaska economy in the next quarter century.

The Department has tends to be the lead negotiator in major resource contracts of state leased resources (Alpetco, Gas Pipeline, as well as the specific resource lease). This role involves delicate decisions that concern spin-off, or soft benefits, and as a result the department could have a crucial place in determine whether "macro-scale" projects in some manner can be made to benefit or underwrite the "micro-economies" of small rural communities.

DEPARTMENT OF NATURAL RESOURCES



DEPARTMENT OF ENVIRONMENTAL CONSERVATION

The department is small and has responsibility for maintaining the state's environmental quality. As such DEC must be both the operator of several service programs and the state "advocate" of the environment. Such a role of advocacy would appear to prohibit to a certain extent its participation in rural economic development initiative. This is not to suggest DEC could not participate in coordination and attempts to speed consideration of a project. However, the DEC could not be expected to be THE ADVOCATE.

DEC does administrate the state's program of small community water and sewage development. Such programs are essential to rural community development, and could relate to private economic development. DEC must act as developer and policemen at times, and faces some conflicts in the sewer and water area. DEC must be the critic of systems at times to the extent that a technology is not realistic within the framework of a small rural community. The department can in such circumstances recommend the subsidy of systems, but this may reflect interdepartmental conflict since the agencies policemen role may lead to compacting its own future budget, and/or developing complicated utility projects that pull DEC into management to the extent of being perhaps undesirable and secondly the type of situation no bureaucracy will volunteer for.

DEPARTMENT OF ENVIRONMENTAL CONSERVATION

