

ALASKA LEGISLATURE COMMITTEE FILES

1997-1998

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9227

HOUSE JUDICIARY

1995 DIVIDEND CALCULATION

Distributable Fund net income for the last five fiscal years:	
1991	\$1,030,478,283.10
1992	1,045,812,513.59
1993	1,205,021,811.67
1994	1,094,284,277.87
1995	1,007,804,493.80
	<u>\$5,383,401,380.03</u>
21% of total per AS 37.13.140	X .21
	1,130,514,289.81
One-half transferred to the dividend fund per AS 37.13.145	X .50
	<u>\$565,257,144.90</u>
Less net prior-year obligations	- 1,994,226.82
Less hold-harmless costs	- 21,887,100.00
Less Dividend Division costs	- 4,418,100.00
Net available in the dividend fund	<u>\$537,007,718.03</u>
Estimated eligible applicants	+ 542,269
Per capita dividend checks	\$990.30

revenue the State earns from the production of State-owned oil. And each Alaskan can decide for himself or herself whether to spend it or save it.

In its first 13 years of operation, the dividend program has paid out nearly \$5 billion to all the citizens of the State through the annual distribution of per capita dividend checks. It is interesting to note that there are now

The dividend program is a finely-crafted piece of public policy which was specifically intended to create a broad and powerful constituency to protect the Fund, encourage its growth, and distribute a significant portion of Fund income for the benefit of the current generation of Alaskans.

nearly five times as many Alaskans receiving dividends as there were who originally voted for the Permanent Fund in 1976.

Dollar for dollar, the dividend program has been shown to produce a more positive *macroeconomic* impact than any other type of government expenditure. Dividends help create thousands of in-state jobs each year with great efficiency and unparalleled equal treatment for all Alaska residents, and dividends add significantly to the annual disposable incomes of Alaska's families.

The dividend program is administered by the Dividend Division of the Department of Revenue. The Alaska Permanent Fund earns the money to be used in the dividend program, and the money is then appropriated annually to the Department of Revenue. Alaskans

must submit an application to the Department of Revenue each year in order to get a dividend, and the checks are distributed by the State government. In 1993, a direct deposit option was initiated.

Investing Your Permanent Fund Dividends for the Future

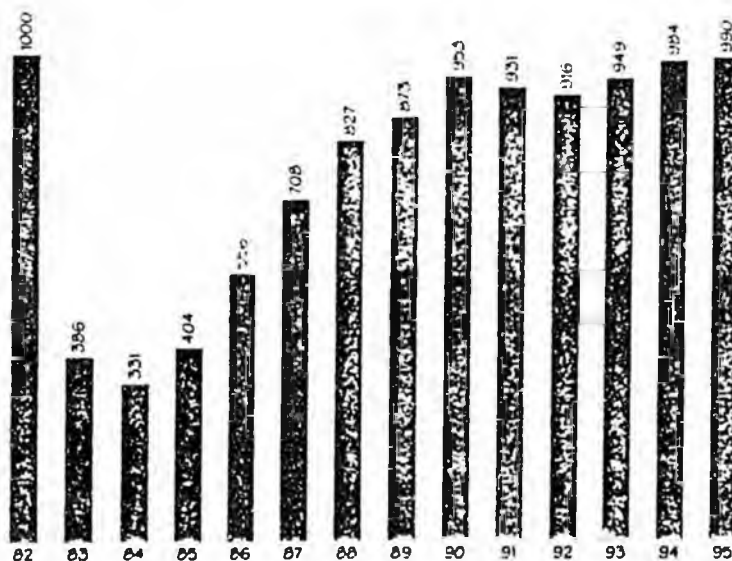
A child born in 1982 would have been eligible to receive the first Permanent Fund dividend. Imagine if that child's parents had decided then to start a college savings account. If that dividend, and all the dividends paid since then, had been saved and invested, it would now amount to quite a bit of money. In fact, assuming a 7% compounded annual rate of return, that child's savings account would now total more than \$15,000.

Now imagine if that child's parents

continue to reinvest all income earned. By the year 2000, when the child born in 1982 is ready to enter college, his or her personal Permanent Fund dividend account will amount to approximately \$11,150. Assuming a 3.7% rate of inflation, that will still be worth about \$26,000 in 1995 dollars - enough for a health down payment on a good college education!

Note: The University of Alaska offers an individual investment program for Alaskans interested in using their Permanent Fund dividends to buy college tuition credits at today's cost for use in the future. For more information about this Advance College Tuition Program, call 800-478-0003.

PER CAPITA DIVIDENDS



Inflation-Proofing: An Important Use of Fund Income

Inflation protection for the Permanent Fund is provided by Alaska Statute 37.13.145. Popularly known as inflation-proofing, this provision of law was first passed by

Fund during that year. The amount may come from current year earnings or, if earnings are insufficient, from the earnings reserve account.

Depending on the inflation rate and the earnings rate of the Fund during any given year, the percentage of income required for inflation-

Past Use of Fund Income

According to the instructions from the 1976 constitutional amendment, all Fund income was to be deposited in the General Fund until such time as the legislature authorized another use for it.

Depending on the inflation rate and the earnings rate of the Fund during any given year, the percentage of income required for inflation-proofing could be relatively high or low.

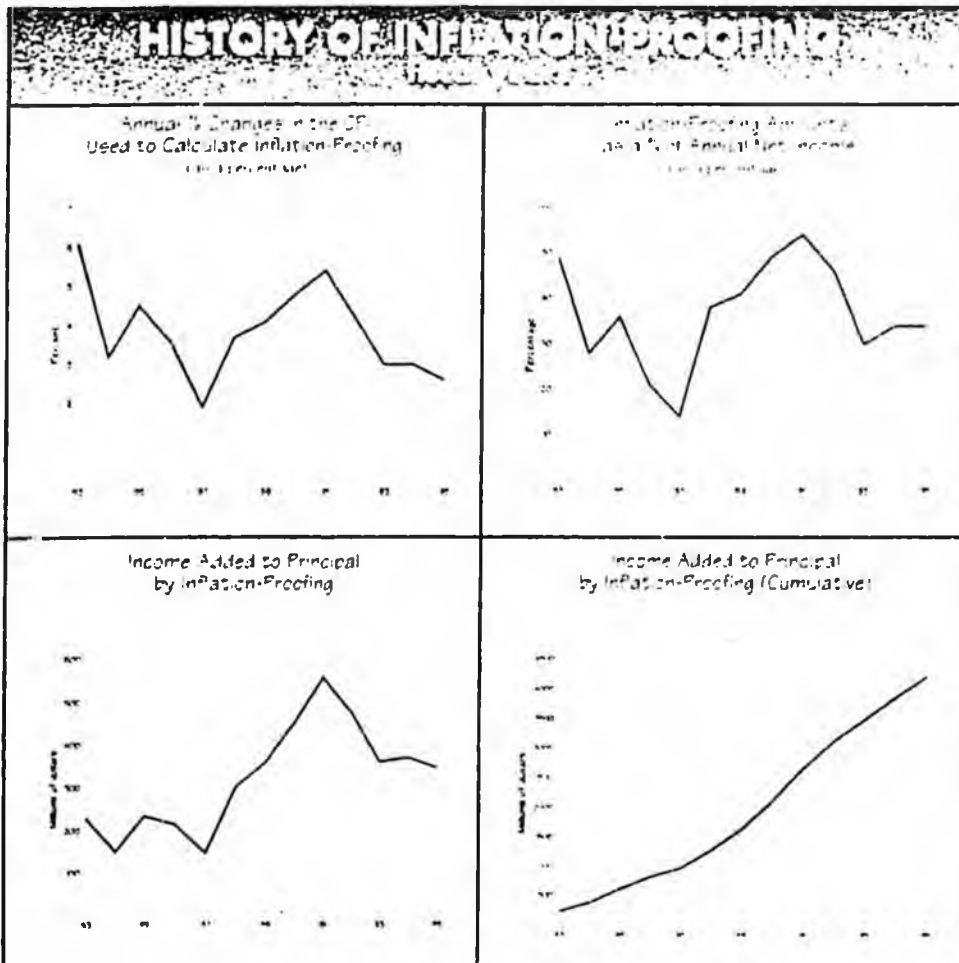
the legislature in 1982 to assist the trustees in their efforts to maintain the real value of the Fund over the long term.

Inflation-proofing protects the Fund by requiring the automatic reinvestment of income each year in an amount sufficient to offset the effect of inflation on the principal of the

proofing could be relatively high or low. For example, in fiscal 1987, 14% of net income was required to inflation-proof the principal; in fiscal 1991, 54% of income was required. In fiscal 1995, inflation-proofing took 34% of net income. Cumulatively, inflation-proofing has added \$4.2 billion to Fund principal.

CALCULATION FOR 1995 INFLATION-PROOFING	
1994 Calendar Year Average CPI-U	444.0
1993 Calendar Year Average CPI-U	432.7
Annual Change in the CPI-U	11.3
$11.3 \div 432.7 = 2.61\%$ Annual Rate of Inflation	
Fiscal Year-End Principal	\$13.3 Billion
x Rate of Inflation	x 2.61%
Fiscal 1995 Inflation-Proofing	= \$348 Million

For the first four years, the legislature did not authorize any other use, and the income went directly and solely to the General Fund. To date, a total of \$266 million of Fund income has been transferred to the General Fund. This represents 2% of the \$12.3 billion of net income the Fund has produced since inception.



INFLATION-PROOFING EFFECTS

The Fund In 2010

	<p><u>Without Inflation-Proofing</u></p> <p>Assets \$17 Billion Annual Income \$1.4 Billion Dividends \$700 Million</p>
	<p><u>With Inflation-Proofing</u></p> <p>Assets \$34 Billion Annual Income \$3.1 Billion Dividends \$1.4 Billion</p>

In 1980, lawmakers authorized the first new use of Fund income: the payment of Permanent Fund dividends. However, because this first version of the dividend program tied the amount of the dividend to the length of residency, it was ruled unconstitutional by the U.S. Supreme Court and was never implemented. Nonetheless, since that year, one-half of Fund income available for distribution has been set aside for payment as dividends.

In 1982, the legislature enacted a plan for the use of all Fund income which, with minor changes, is still in place today.

First, a new version of the dividend program was passed and initiated

with a special \$1000 per capita payment. Second, inflation-proofing was adopted so that a portion of Fund income would be added automatically to principal at the end of each fiscal year in "an amount sufficient to offset the effect of inflation."

Lastly, the 1982 legislature directed that any income remaining after the payment of dividends and inflation-proofing be transferred to an undistributed income account in the Permanent Fund. The trustees subsequently designated this account a reserve for future inflation impact and dividend payments.

This undistributed income account grew during each of the next four

years as the Fund experienced a sustained period of relatively high earnings with relatively low inflation. By the end of fiscal 1986, this account amounted to \$1.264 billion.

In a showing of fiscal prudence, rather than use this money to try to sustain an unrealistic level of spending, the 1986 legislature appropriated the entire balance of the undistributed income account to the principal of the Fund, effective July 1, 1986. They also renamed this account the earnings reserve account.

As of June 30, 1995, undistributed income in the earnings reserve account totaled \$1.203 billion.

On Inflation-Proofing

The following comments are excerpts from the special Permanent Fund Tenth Anniversary meeting held in Juneau on February 9-10, 1987 and attended by both past and present members of the Board of Trustees.

First chairman of the Board of Trustees Elmer Rasmuson: *"Inflation is like a thief in the night. It steals from you silently and nobody knows what is being done. We were urged by everyone we contacted to be sure that we put back enough money for inflation-proofing.... As a result of that, the first board took a strong position on inflation-proofing."*

Former chairman of the Board of Trustees Byron I. Mallott: *"The case has been strongly made for inflation-proofing as a significant policy, and in that regard, I have not seen any wavering on the part of the trustees.... There's a strong consensus among the trustees that it (inflation-proofing) is a key to meeting the board's fiduciary and investment responsibilities."*

Former trustee Tom Williams: *"One of the things that may be overlooked a little bit in terms of inflation-proofing is its relationship with the Fund's long-term goal of a 3% real rate of return. All the different assumptions one might make about inflation will not hide the fact that if the Fund's long-term goal is achieved, the Fund will be producing a 3% real income that will be available for distribution.... You must also realize, despite the \$1.26 billion special legislative appropriation made in 1986 - if inflation were to go to 10% and we didn't inflation-proof, with a Permanent Fund of over \$8 billion, most of that deposit would evaporate. It doesn't show up on any ledgers or anything like that, but it's gone just as surely as if it had been spent."*

Glossary

Consumer Price Index. The period: tabulation of selected consumer goods and services indicating price trends and the rate of inflation.

Fiduciary. One who holds something or acts in trust for another.

Macroeconomic. A broad view of the economy. Concerned with general behavior and the economy as a whole, in contrast to "micro-economic" which is concerned with details and the economic behavior of individuals and small groups of individuals.

Prudent. Wise, exercising good judgment with common sense, careful.



FISCAL NOTES

A BUDGET UPDATE FROM THE ALASKA STATE CHAMBER • VOL. 3 ISSUE #4 • WEEK OF MARCH 3, 1997

Permanent Fund celebrates 20 years of vision and success

February 28, 1997 marked the 20th anniversary of the first deposit—\$734,000—in the Permanent Fund. Today the fund's value is over \$20 billion.

The Fund was created when voters amended Alaska's Constitution in 1976 to save some of Alaska's oil profits. While many Alaskans think the Fund and the dividend program are synonymous, the dividend program wasn't created for another four years.

PF First Proposed in 1970

The idea to save some of Alaska's revenues was first proposed in 1970 when the state got \$900 million from the Prudhoe Bay lease sale. Governor Keith Miller introduced a bill to establish the "Alaska Resources Permanent Fund" and proposed to deposit \$500 million. The bill, however, did not pass—the House Special Monetary Committee decided the full \$900 million was needed to meet more immediate needs.

Pipeline construction brought another boom in the mid-1970s.

State leaders wanted to find a way to make the State's wealth more "permanent." The 1976 constitutional amendment was a way to do that. Advocates said:

- The Fund would create an investment base from which to generate future income. When oil revenues declined, it would be a way to pay for state services;
- Deposit of 2.5% of all oil royalties would prevent the Legislature from spending it; and
- The Fund was a way to transform some non-renewable resource revenues into a renewable source of wealth for future generations.

The amendment was approved by a 32% margin—75,588 to 38,518.

Fund's Management

From 1976 to 1980 Alaskans debated how the Fund should be managed. In 1980 the Alaska Legislature decided it should be managed as a public trust with the primary purpose of protecting its principal. This meant it would follow the "Prudent Investor Rule" by which investments would be of trust-grade quality and made at market rates.

The legislation also made the

Fund's earnings available to be spent by the Legislature. The Legislature then made an extra deposit of \$900 million into the Permanent Fund.

Dividend Program

In 1980 the dividend program was created but later ruled unconstitutional because it used residency to determine each dividend amount. In 1982 a legally-acceptable dividend program was finally created. A mechanism to "inflation-proof" the Fund by re-depositing extra interest earnings back into it was also established.

Earnings Exceed Oil Revenues

In FY 1996 the Permanent Fund earned a record \$1.8 billion, exceeding oil revenues to the state's treasury. Of this amount:

- \$613 million went for dividends
- \$33 million was spent on state programs
- \$406 million for inflation-proofing
- \$765 million was "leftover."

These "leftover" earnings accumulate in an Earnings Reserve Account. The Legislature has appropriated these extra earnings—a total of \$5.8 billion—back into the Fund.

Fiscal Notes' goal is to educate Alaska businesses about the state's budget process—not only by monitoring its budget-related actions, but more importantly, reporting what they mean. This understanding will enable Chamber members to more effectively help the state achieve the Chamber's desired balance between a responsible level of state spending and appropriate level of state services.

Looking forward: a role for the Fund in closing the fiscal gap?

While many think President Bush lost re-election because of the "t" word (hint: "taxes"), the Alaskan political equivalent is "PF." Talk about using Permanent Fund (PF) earnings for anything other than dividends is close to political suicide.

"Vote of the people"

The Long Range Financial Planning Commission's recommendation that the Fund's earnings be used to replace declining oil dollars sparked a round of calls from politicians that they won't support any change in the PF without "a vote of the people." The fact is no one can touch the Fund's \$20 billion principal without voter approval. Some now want to extend this slogan to its earnings which the Legislature now spends by a majority vote. This is how dividends are paid and the fund inflation-protected. This is also how another \$33 million in earnings is spent for "PF" connected programs.

There are now calls to put dividends and the Fund's inflation protection into the Constitution. Two such proposals also go one step further—voters would have to approve spending the earnings on anything else.

Lack of self-restraint

While such efforts sound good, they blur responsibility for the state's long term fiscal security. It appears some legislators don't think they or their colleagues can continue the same self-restraint in how earnings are spent. They also don't believe legislators can continue to be trusted to make the best decisions on if and when Fund earnings should be used for other purposes in the future. Instead, such decisions should be bumped to the voters.

In evaluating such proposals, it is important to not only look at how it works but also at what it means in the context of the state's long-term fiscal security. While "protecting the PF" is a popular political cry, what it

means is a dramatic limit on the choices legislatures will have as they try to balance future budgets.

Makes income tax more likely

Even if this Legislature's Majority succeeds in cutting state spending by \$250 million over five years, the state will still have a fiscal gap, and other revenues will be needed to fill it. Two major sources for other revenues are a personal income tax and/or PF earnings. In the absence of a crisis, it is a pretty safe guess voters will reject the use of PF earnings to pay for "government." *(For some proponents, "let the people vote" is more about setting the stage for further cuts in government because they don't think future legislators will pass an income tax. If they take PF earnings off the table, it makes increases in current taxes or further cuts more likely. In fact, should Alaska get that close to an income tax, no doubt there will be another call to "let the people decide")*

The proving ground will be if the Legislature succeeds in cutting the budget as they have proposed. While their first year target to cut \$70 million was hit, decisions to cut another \$180 million are going to be more difficult and politically-unpopular *(perhaps this may be another opportunity to play political "dodge ball"—"let the people vote" on budget cuts)*

First secure Alaska's fiscal future

In politics there are few rewards for being concerned about what today's decisions will mean in 20 years. Instead, the preoccupation is with what they will mean come the next re-election. Before the Legislature and Governor limit what fiscal tools are available to close the gap, it is important Alaska first has a long range strategy securely in place that not only closes the state's fiscal gap but also results in the kind of Alaska we want to leave future generations.

Asset allocation: key to Fund's long-term earning potential

While Alaskans can be proud the Fund has grown to \$20 billion, according to the PF Corporation, its historic performance is just average or slightly below-average.

A reason is limits on its asset allocation. How to achieve a larger, consistent, long-term revenue stream by changing the allocation is being discussed. Currently no

more than 50% can be invested in stocks. This has meant that as the stock market has sky rocketed, the Fund has had to sell stocks because their high earnings bumped the portfolio against the 50% ceiling. While changing the limit could increase flexibility, it also carries increased risk and management cost.

"Fiscal Notes" is a project of the Alaska State Chamber of Commerce. Information is compiled and written by Cheryl Frasca. It is distributed to organizations who fax it to members. If you get more than one copy or no longer want to receive "Fiscal Notes," contact organizations of which you are a member. For other comments or suggestions, contact the Chamber's Anchorage office at 278-2722; fax 278-6643. Please copy and distribute "Fiscal Notes" to others interested.

Legislative Research Agency

Alaska State Legislature



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ALASKA PERMANENT
FUND CORPORATION

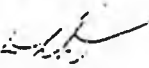
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May 3, 1994

MEMORANDUM

TO: Representative Bill Hudson

FROM: Deb Davidson 
Legislative Analyst

RE: Appropriations of Permanent Fund Income
Research Request 94.192

You asked us to identify and group all Permanent Fund income appropriations since 1977 into the following categories: Permanent Fund Corporation operating budget, inflation-proofing, Permanent Fund Dividend payments, Permanent Fund Dividend Division administrative costs, payments to the departments of Corrections, Health and Social Services, Law, and Public Safety, and any other appropriations of Permanent Fund income. You also asked us to identify the program, amount and purpose of the appropriations to the individual departments.

Below is brief explanation of the ways the Permanent Fund income has been allocated since the fund's creation and the various programs which receive partial or full funding by Permanent Fund income. Attached to this memorandum is a table showing, by fiscal year, the allocation of the fund's income. This information was obtained from the annual reports of the Permanent Fund Corporation and from discussions with corporation staff.

When the Permanent Fund was created in FY 77, all income from the fund was to be deposited into the general fund "unless otherwise provided by law." This is what occurred until FY 81, when the Permanent Fund Corporation was established and took over the administration of the fund from the Alaska Department of Revenue, and the Dividend Fund was created within the general fund to receive a portion of the income from the Permanent Fund in accordance with legislative appropriations. Money was initially deposited into this fund for payment of the Permanent Fund Dividends, the first of which were distributed in 1982.

Two changes were made in FY 83 which affected the way the administrative costs of the Permanent Fund were paid for and how the income from the fund would be used. Operating costs for the Permanent Fund Corporation would henceforth be taken from the income of the

Representative Hudson
May 3, 1994
Page 2

Permanent Fund (they are not, however, deducted from the 'net income'). Prior to FY 83, these costs had been paid out of the general fund. Secondly, the statutory provisions requiring the "inflation-proofing" of the principal of the Permanent Fund from the net income of the fund went into effect.

In FY 84, the Permanent Fund Dividend Division was created within the Department of Revenue to administer the Permanent Fund Dividend Program. The costs of this division are paid for by the net income of the Permanent Fund which is deposited into the Dividend Fund.

The "hold harmless" provisions enacted effective in FY 83 insure that individuals denied federal benefits as a result of receiving Permanent Fund Dividends receive the same level of assistance that would have been received had they maintained their eligibility for federal benefits. These costs were paid for out of the general fund from FY 83 through FY 85. Beginning in FY 86, the costs of these "hold harmless" provisions were paid for out of the net income deposited into the Dividend Fund.

Statutes that went into effect in FY 89 required that the amount of dividend funds that would have gone to individuals convicted of a felony or incarcerated during a part of a fiscal year would be appropriated to the Violent Crimes Compensation Board within the Department of Public Safety rather than being distributed to the individuals. The Governor's Office of Management and Budget and the Department of Corrections determined that the Violent Crimes Compensation Board would not need all the funds withheld for this purpose and recommended that the balance be used to fund two programs within the Department of Corrections.

As a result of ending the payment of dividends to incarcerated felons, the courts ruled that funding must be provided to the Department of Corrections for "gate money" (money paid to prisoners at the time they are released to help with their transition back into society). These funds were provided through a portion of the above balance. The rest was used to fund the Sex Offender Treatment Program.

In addition to appropriations made from the Dividend Fund for the foregoing programs, since FY 89 the legislature has appropriated funds from Permanent Fund income to the general fund for use by the Department of Law to cover the costs of certain oil and gas litigation.

We hope this information is useful. If you have any questions or would like additional information, please call.

Attachments

DISTRIBUTION OF PERMANENT FUND NET INCOME
FY 77 - FY 93 (in thousands of dollars)
 (See accompanying memorandum 91-192 for explanation of the table)

Fiscal Year	Permanent Fund Net Income	Permanent Fund Corporation Operating Expenses	Inflation-Proofing (see note a)	General Fund	To Dividend Fund within General Fund						Department of Law	Other	Notes to Other	Earnings Reserve Account		
					Dividends	Corrections	Health & Social Services	Public Safety	Revenue	Total to Dividend Fund				Undist. Income Deposited (Withdrawn)	Cumulative Balance (b)	
FY 77	36															
FY 78	1,791			1,298												
FY 79	7,967			6,547												
FY 80	32,427		266	11,838	11,838											
FY 81	149,867	Gen'l Fund	219	27,466	27,466											
FY 82	368,426	Gen'l Fund		71,145	71,145											
FY 83	471,125	1,139	231,192	109,515	107,875		Gen'l Fund									
FY 84	529,157	2,695	150,935		171,471		Gen'l Fund		3,513	171,985						
FY 85	657,761	3,979	234,570		214,571		Gen'l Fund		2,701	217,274						
FY 86	1,020,922	5,318	216,476		297,351			3,525	2,547	303,425						
FY 87	1,066,512	4,925	148,112		379,525			8,581	2,877	390,983					529,417	529,417
FY 88	789,152	5,110	302,861		411,268			9,850	1,258	424,376					61,915	591,332
FY 89	863,493	5,688	360,212		413,174	761	11,764	737	3,537	439,915	3,501	689 to Permanent Fund Excess			41,087	635,419
FY 90	915,859	6,977	451,999		469,951	761	12,217	737	3,816	457,451	3,500	100 Commission on the Future of the Permanent Fund (to dividend fund) 1,505 to Permanent Fund Excess			(10,729)	601,690
FY 91	1,030,177	9,581	558,811		469,162	761	11,705	746	4,114	489,439	3,750	1,615 to Permanent Fund Excess			(21,221)	581,469
FY 92	1,015,959	11,122	476,893		463,714	758	18,511	801	4,288	488,210	5,250	137 to Dividend Fund to implement ch 4 SFA 92 1,616 to Permanent Fund Excess			61,728	645,197
FY 93	1,226,036	14,915	462,150		506,023	803	19,252	1,508	4,304	531,890	4,950	6,511 \$4,611 to principal, \$1,840 to Excess			120,231	965,131
Total	\$10,174,297	571,751 not from net income	\$3,196,989	\$227,929	\$4,014,538	\$1,350	\$98,415	\$4,531	\$14,951	\$4,186,445	\$20,950					

NOTE: Minor discrepancies may exist between the data presented in this table and that contained in the Permanent Fund Corporation annual reports. This is most likely due to rounding and to changes over the years in the way the data were presented.

(a) The FY 80 and FY 81 appropriations for inflation were transfers from capital gains to the principal of the Permanent Fund in accordance with the 1960 Law.

(b) In 1986, the Legislature appropriated all undistributed income accepted since the fund's inception (\$1,264,385,000) to the principal of the fund and renamed the undistributed income fund to the Earnings Reserve Account.

Source: Alaska Permanent Fund Corporation, personal communication and annual reports.

Prepared by the Legislative Research Agency, May 1991 (91-192)

subject of a lease-purchase agreement between the Department of Natural Resources and Alaska Court System did not constitute unrestricted "program receipts" for deposit in the state treasury and did not violate this provision. *Carr-Gottstein Properties v. State*, 899 P.2d 136 (Alaska 1995).

Quoted in Zerbetz v. Alaska Energy Ctr., 708 P.2d 1270 (Alaska 1985).

Section 14. Legislative Post-Audit. The legislature shall appoint an auditor to serve at its pleasure. He shall be a certified public accountant. The auditor shall conduct post-audits as prescribed by law and shall report to the legislature and to the governor.

Section 15. Alaska Permanent Fund. At least twenty-five per cent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the State shall be placed in a permanent fund, the principal of which shall be used only for those income-producing investments specifically designated by law as eligible for permanent fund investments. All income from the permanent fund shall be deposited in the general fund unless otherwise provided by law.

Cross references. — For provisions governing the management of the Alaska permanent fund, see AS 37.13; for provisions concerning permanent fund dividends, see AS 43.23.

Effective dates. — This section took effect February 21, 1977 (9th Legislature's SCS CSSHJR 39 (Res) am S (1976)).

Legislative history reports. — For report on House Joint Resolution No. 39 (CS SSHJR 39, SSHJR 39), see 1976 House Journal, p. 683.

Opinions of attorney general. — Since this section specifically authorizes dedications to the Permanent Fund of "at least" 25 percent of certain revenues, any additional dedication to the fund by statute or by appropriation is also permissible. November 30, 1982 Op. Att'y Gen.

If the legislature enacts any other distribution program which is consistent with the intent of the

Cited in Ault v. Alaska State Mtg. Ass'n, 387 P.2d 698 (Alaska 1963); *Vest v. Schafer*, 757 P.2d 586 (Alaska 1988); *Public Employees' Local 71 v. State*, 775 P.2d 1062 (Alaska 1989); *Hickel v. Cowper*, 874 P.2d 922 (Alaska 1994).

permanent fund dividend law (AS 43.23), any appropriation to implement that program will be exempt from the appropriation limit of § 16, art. IX, of the state constitution. 1983 Op. Att'y Gen. No. 01.

The appropriation limit of section 16 of this article must be interpreted consistently with the permanent fund amendment contained in this section. Each legislature may reexamine existing law and enact different laws providing for the use of income earned by the Alaska permanent fund. If section 16 were interpreted so that the exception for permanent fund dividends applied only to appropriations to finance cash dividends under AS 43.23, the legislature would essentially be denied the flexibility to adjust to changing philosophies concerning the propriety of making cash payments directly to residents, which this section expressly reserves to it. 1983 Op. Att'y Gen. No. 01.

NOTES TO DECISIONS

Expectancy is not a financial interest. — An Alaska federal district judge's receipt of a permanent fund dividend does not give rise to a cause for recusal because it is only a possible future receipt of Alaska Permanent Fund dividends; where the judge's order denying recusal neither disclosed nor betrayed even the slightest hint of personal bias or prejudice and where the plaintiffs' arguments substantially oversimplified the extremely complex matter of how the profits of the Alaska Permanent Fund, out of which dividends derive, are generated, recusal was not required. *Exxon Corp. v. Heinze*, 792 F. Supp. 77 (D. Alaska 1992).

In a suit in federal court seeking injunctive relief barring state trial judges and jurors from deciding a dispute over royalties allegedly due from a plaintiff corporation to the state for oil drilled on state land, where the plaintiff contended that its counterclaims

in the royalty litigation might conceivably affect the quantity of money in Alaska's Permanent Fund, and where the United States District Court Judges for this District of Alaska received dividends, as do all resident Alaska judges, recusal of the judge was not warranted because the expectancy a citizen has in receiving Permanent Fund dividends is not a financial interest but is subject to legislative whim. *Exxon Corp. v. Heinze*, 792 F. Supp. 72 (D. Alaska 1992).

Quoted in Williams v. Zobel, 619 P.2d 422 (Alaska 1980); *Alaska Oil Co. v. Alaska*, 45 Bankr. 356 (D. Alaska 1985); *State v. Anthony*, 810 P.2d 155 (Alaska 1991); *State, Dept of Revenue v. Cosio*, 858 P.2d 621 (Alaska 1993).

Stated in Zobel v. Williams, 457 U.S. 55, 102 S. Ct. 2309, 72 L. Ed. 2d 672 (1982).

Cited in United States v. Pleier, 849 F. Supp. 1321 (D. Alaska 1994).

Section 16. Appropriation Limit. Except for appropriations for Alaska permanent fund dividends, appropriations of revenue bond proceeds, appropriations required to pay the principal and interest on general obligation bonds, and appropriations of money received from a non-State source in trust for a specific purpose, including revenues of a public enterprise or public corporation of the State that issues revenue bonds, appropri-

ations from the treasury than the cumulative change in population and inflation. Money reserved for capital projects shall not be included in the limit in bills for appropriations for capital projects by the governor, or passed by the legislature over a veto, or approved by the voters. Capital projects in excess of the limit shall, as provided by law, be for the maintenance of the capital stock. Money made except to meet a state need shall not be used to yield competitive market

Effective dates. — This section took effect November 24, 1982 (12th Legislature's SCS CSSHJR 39 (1981)).

Opinions of attorney general. — This section imposes an appropriation limit on the legislature. Appropriations which exceed available revenues shall not be paid under those appropriations unless there is enough surplus money available. 1983 Op. Att'y Gen. No. 01.

There is history which supports the interpretation of the term "capital projects" in section 16. 1983 Op. Att'y Gen. No. 01.

If the legislature enacts a program which is consistent with the permanent fund dividend law, the legislature may appropriate to implement that program up to the appropriation limit. 1983 Op. Att'y Gen. No. 01.

If the legislature provides for a program which may not be expended until

Section 17. Budget. The State treasury shall be used to pay the permanent fund under this section. On July 1, 1990, as a result of administrative proceedings, lease bonuses, rentals, payments or bonuses, property, shall be deposited in the permanent fund. The permanent fund shall be invested so as to produce the maximum return. The principal shall be retained in the permanent fund under this section. (b) If the amount appropriated for the permanent fund reserve fund. However, the amount may not exceed the amount appropriated in the previous year. (c) An appropriation shall be made upon affirmative vote



Alaska Permanent Fund Corporation
P.O. Box 25500 Juneau, Alaska 99802-5500
(907) 465-2047

MEMORANDUM

DATE: January 22, 1996

TO: Byron I. Mallott
Executive Director

FROM: Peter A. Bushre *PAB*
Chief Financial Officer
and
Jim Kelly *JK*
Director of Communications

SUBJECT: Accounting Treatment of
Permanent Fund Income

STEP 1

Sec. 37.13.145. Disposition of income. (a) The earnings reserve account is established as a separate account in the fund. Income from the fund shall be deposited by the corporation into the account as soon as it is received. Money in the account shall be invested in investments authorized under AS 37.13.120.

STEP 2

Sec. 37.13.140. Income. Net income of the fund includes income of the earnings reserve account established under AS 37.13.145. Net income of the fund shall be computed annually as of the last day of the fiscal year in accordance with generally accepted accounting principles, excluding any unrealized gains or losses.

STEP 3

Sec. 37.13.145. Disposition of income. ... (continued)...

(d) Notwithstanding (b) of this section, income earned on money awarded in or received as a result of State v. Amerada Hess, et al., 1JU-77-847 Civ. (Superior Court, First Judicial District), including settlement, summary judgment, or adjustment to a royalty-in-kind contract that is tied to the outcome of this case, or interest earned on the money, or on the earnings of the money shall be treated in the same manner as other income of the Alaska permanent fund, except that it is not available for distribution to the dividend fund, and shall be annually deposited into the principal of the Alaska permanent fund.

STEP 4

Sec. 37.13.140. Income. ... (continued)... Income available for distribution equals 21 percent of the net income of the fund for the last five fiscal years, including the fiscal year just ended, but may not exceed net income of the fund for the fiscal year just ended plus the balance in the earnings reserve account described in AS 37.13.145.

STEP 5

Sec. 37.13.145. Disposition of income. ... (continued)...

(b) At the end of each fiscal year, the corporation shall transfer to the dividend fund established under AS 43.23.045 50 percent of the income available for distribution under AS 37.13.140.

STEP 6

Sec. 37.13.145. Disposition of income. ... (continued)...

(c) After the transfer under (b) of this section, the corporation shall transfer from the earnings reserve account to the principal of the fund an amount sufficient to offset the effect of inflation on principal of the fund during that fiscal

year. The corporation shall calculate the amount to transfer to the principal under this subsection by

(1) computing the average of the monthly United States Consumer Price Index for all urban consumers for each of the two previous calendar years;

(2) computing the percentage change between the first and second calendar year average; and

(3) applying that rate to the value of the principal of the fund on the last day of the fiscal year just ended.

In 1980, lawmakers authorized the first new use of Fund income: the payment of Permanent Fund dividends. However, because this first version of the dividend program tied the amount of the dividend to the length of residency, it was ruled unconstitutional by the U.S.

Supreme Court and was never implemented. Nonetheless, since that year, one-half of Fund income available for distribution has been set aside for payment as dividends.

In 1982, the legislature enacted a plan for the use of all Fund income which, with minor changes, is still in place today.

First, a new version of the dividend program was passed and initiated

with a special \$1000 per capita payment. Second, inflation-proofing was adopted so that a portion of Fund income would be added automatically to principal at the end of each fiscal year in "an amount sufficient to offset the effect of inflation."

Lastly, the 1982 legislature directed that any income remaining after the payment of dividends and inflation-proofing be transferred to an undistributed income account in the Permanent Fund. The trustees subsequently designated this account a reserve for future inflation impact and dividend payments.

This undistributed income account grew during each of the next four

years as the Fund experienced a sustained period of relatively high earnings with relatively low inflation. By the end of fiscal 1986, this account amounted to \$1.264 billion.

In a showing of fiscal *prudence*, rather than use this money to try to sustain an unrealistic level of spending, the 1986 legislature appropriated the entire balance of the undistributed income account to the principal of the Fund, effective July 1, 1986. They also renamed this account the earnings reserve account.

As of June 30, 1995, undistributed income in the earnings reserve account totaled \$1.203 billion.

On Inflation-Proofing

The following comments are excerpts from the special Permanent Fund Tenth Anniversary meeting held in Juneau on February 9-10, 1987 and attended by both past and present members of the Board of Trustees.

First chairman of the Board of Trustees Elmer Rasmussen: *"Inflation is like a thief in the night. It steals from you silently and nobody knows what is being done. We were urged by everyone we contacted to be sure that we put back enough money for inflation-proofing.... As a result of that, the first board took a strong position on inflation-proofing."*

Former chairman of the Board of Trustees Byron I. Mallott: *"The case has been strongly made for inflation-proofing as a significant policy, and in that regard, I have not seen any wavering on the part of the trustees.... There's a strong consensus among the trustees that inflation-proofing is a key to meeting the board's fiduciary and investment responsibilities."*

Former trustee Tom Williams: *"One of the things that may be overlooked a little bit in terms of inflation-proofing is its relationship with the Fund's long-term goal of a 3% real rate of return. All the different assumptions one might make about inflation will not hide the fact that if the Fund's long-term goal is achieved, the Fund will be producing a 3% real income that will be available for distribution.... You must also realize, despite the \$1.26 billion special legislative appropriation made in 1986 - if inflation were to go to 10% and we didn't inflation-proof, with a Permanent Fund of over \$8 billion, most of that deposit would evaporate. It doesn't show up on any ledgers or anything like that, but it's gone just as surely as if it had been spent."*

Glossary

Consumer Price Index. The periodic tabulation of selected consumer goods and services indicating price trends and the rate of inflation.

Fiduciary. One who holds something or acts in trust for another.

Macroeconomic. A broad view of the economy. Concerned with general behavior and the economy as a whole, in contrast to "micro-economic" which is concerned with details and the economic behavior of individuals and small groups of individuals.

Prudent. Wise, exercising good judgment with common sense, careful.

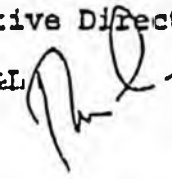
ATTORNEYS AT LAW
SIMPSON, TILLINGHAST, SORENSEN & LORENSEN
A PROFESSIONAL CORPORATION

LESLIE LONGENBAUGH
RONALD W. LORENSEN
E. BUDD SIMPSON
STEPHEN F. SORENSEN
JON K. TILLINGHAST

ONE SEALASKA PLAZA, SUITE 300
JUNEAU, ALASKA 99801
PHONE (907) 588-1400
FAX (907) 586-3065

DANIEL H. DROUYE
KATHRYN L. KURTZ
L. MERRILL LOWDEN

MEMORANDUM

To: Byron I. Mallott, Executive Director, APFC
From: Ronald W. Lorensen, STS&L 
Date: March 10, 1997
Re: HJR 25 & SJR 18, Proposing amendments to the Alaska
constitution relating to the permanent fund
Our File No.: 846.1

The purpose of this memo is to express a cautionary note regarding possible issues relating to the tax status of the permanent fund that may arise if the amendments to Article IX, sec. 15 of the Alaska Constitution proposed by HJR 25 and SJR 18 are ultimately adopted. Based on the analysis set out in certain studies with which I am familiar, it appears that adoption of the proposed amendments might weaken the State's long-standing position that the income of the fund is not subject to federal taxation. Unfortunately, because of the sensitive nature of the fund's tax status, I am not able to address specific concerns in a public record such as this memorandum. However, with the permission of the APFC, I could provide information about those studies on a confidential basis to appropriate legislative committees or staff.

HJR 25
Page 2 of 4

CALLAN ASSOCIATES_{INC.}

March 10, 1997

MICHAEL J. O'LEARY, JR., CFA
EXECUTIVE VICE PRESIDENT



SAN FRANCISCO

NEW YORK

CHICAGO

ATLANTA

DENVER

Mr. Jim Kelly
Alaska Permanent Fund Corporation
801 W. 10th Street, Suite 302
P.O. Box 25500
Juneau, AK 99802-5500

RE: Proposed Constitutional Amendment

Dear Jim:

As requested, I want to share several initial thoughts regarding the proposed constitutional amendment that you forwarded to me (Senate Joint Resolution 18). Obviously, the intent of the proposal is to limit distributions from the Permanent Fund to dividends (a percent of average realized income) unless the electorate specifically approved other distributions. Naturally, any decision regarding the use of Permanent Fund earnings is entirely a decision for the people of Alaska and their representatives.

Current statute and the proposed amendment both have significant investment related implications that may influence policy makers in their deliberations. I have attempted to succinctly outline several significant issues that warrant careful consideration as the legislature proceeds with its analysis.

1. Stocks will make the earnings stream both higher and more volatile. Investing a meaningful proportion of the Fund's assets in stocks is critical for attainment of its long-term goals. However, the pattern of stock returns is much more volatile than the pattern of bond returns. The current statutory language and the proposed constitutional amendment, combined with the growing proportion of equities in the APFC, result in greater volatility of earnings (and hence, dividends) than may have been originally perceived.
2. APFC has not yet experienced the downside of equity investment. Fortunately, the Fund has experienced "good" volatility, not both "good" and "bad" volatility. However, there inevitably will be meaningful periods of "bad" (i.e., poor markets) volatility. For example, in 265 rolling five year periods from 1926 to 1996, a 50/50 stock/bond combination had zero or negative real returns 21% of the time (55 periods of 0% or negative real returns).

Mr. Jim Kelly
Page Two
March 10, 1997

3. Other "endowments" have moved away from distribution policies tied to earnings. The majority of endowments and foundations link distributions to a percent of market value, not to a proportion of earnings. They do this to ensure a more consistent and reliable distribution pattern.
4. New Mexico moves from income to market value approach. The citizens of New Mexico passed a constitutional amendment that changed the distribution pattern for that State's Permanent and Tax Severance funds to a percent of market value approach. In part, the rationale for the change was a recognition that tying distributions to "realized" earnings resulted in sub-optimal investment policy. In effect, a dollar of income return was more valuable than a dollar of unrealized return. This tended to push policy toward higher current income at the expense of future growth.
5. At AFPC's direction, Callan is "stress" testing APFC's current and alternative asset allocation policies to help the Board and staff understand how earnings may be affected by a poor market environment. In this analysis, we will examine the 1973-1977 market environment and illustrate how APFC's current asset allocation policy would have performed. By looking at this poor market period, policy makers may better understand the implications of the current statutory and proposed constitutional amendments implications for dividend payments and inflation proofing.

I hope that this letter helps you address the questions confronting you.

Sincerely,



Michael J. O'Leary, Jr., CFA
Executive Vice President

MJO:dsb

HSR 25
page 4 of 4

** TOTAL PAGE.03 **

Mr. Jim Kelly
Page Two
March 10, 1997

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I hope that this letter helps you address the questions confronting you.

Sincerely,



Michael J. O'Leary, Jr., CFA
Executive Vice President

MJO:dsb

HJR 25
page 4 of 4

Revision Date: _____ Dept. Affected: Revenue
 Title: HJR 25. Proposing amendments to the Constitution to BRU: Alaska Permanent Fund Corporation
guarantee permanent fund dividends, etc. Component: Alaska Permanent Fund Corporation
 Sponsor: Rep. Austerman
 Requestor: House State Affairs Committee COMPONENT SERIAL NO. 113

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ()						

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY97) cost \$ 0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

As noted above, this fiscal note indicates zero fiscal impact. However, please see the two attachments which raise issues which could potentially lead to significant fiscal impact on the Permanent Fund and the State of Alaska. As noted in the letter from the Fund's investment consultant, Michael O'Leary of Callan Associates, "current statute and the proposed amendment both have significant investment-related implications that may influence policy makers in their deliberations." The APFC would request the opportunity to conduct the analysis described in the Callan letter and would be pleased to present the analysis to the legislature at the appropriate time.

Prepared by: Byron J. Mallott, Executive Director
 Division: Alaska Permanent Fund Corporation
 Approved by Commissioner: Wilson L. Condon
 Agency: Revenue

Phone: 465-2059
 Date: March 10, 1997
 Date: March 10, 1997

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SPONSOR STATEMENT - CS HJR 25

Within the Constitution of the State of Alaska (Article IX, Section 15), all income from the Alaska Permanent Fund is deposited into the general fund and available for appropriation. The Legislature by statute, has created an earnings reserve account (AS 37.13.145), from which dividends and inflation-proofing are paid. Funds then remaining in the earnings reserve account are called undistributed income or (left-over earnings).

Historically, this undistributed income has been deposited back into the principal of the Permanent Fund by the Legislature. Last year the Legislature deposited \$1.8 billion of undistributed interest earnings back into the corpus of the Permanent Fund, leaving a balance of about \$100 million in the earnings reserve account.

Under current law, the permanent fund dividend and inflation-proofing could be eliminated by a simple majority vote of the Legislature and subsequent approval by the Governor.

A constitutional amendment is the only way to guarantee the permanent fund dividend program continues and provide for inflation-proofing of the Alaska Permanent Fund itself.

With both the permanent fund dividend and inflation-proofing permanently protected by the constitution, Alaskans might feel more comfortable about the Legislature considering other uses for undistributed income in the earnings reserve account.

[HJR 25]

Cliff Stone from Austerman's

☐ Jim Kelly PFD - 2059
Next week exec. session
will bring counsel

Byron Malloy, Director

↳ let him know re exec session

To Joe/Lisa
 Date 4/25 Time 1:50
While You Were Out
 M Janet
 of Rep. Rokeberg
 Phone _____
 AREA CODE NUMBER EXTENSION

TELEPHONED	PLEASE CALL
WAS IN TO SEE YOU	WILL CALL AGAIN
WANTS TO SEE YOU	URGENT
RETURNED YOUR CALL	

Message He will be late to Monday a.m. Mtg., he has a bill up in another committee
(Yeah right - he's not an early bird.)
 Operator

Jim Kelly
Tam Cook
Byron Malloy
Lorenson?

Roke

Taxation Issue

Ron Woreason

— Joe Green

Fax 586 3065

— 463 3044 msg.

Tom Cook

Exec Session

Unit Rule (22(b)(1)) adversely affect joint



- HJR 25

- Tax issues

- announce holding ✓

HJR

30

HOUSE COMMITTEE REPORT

(7)
Date Referred to Committee: March 17, 1997

FURTHER REFERRALS:

Date of Committee Action: 4/9/97

The JUDICIARY Committee considered:

HJR 30

HOUSE JOINT RESOLUTION NO. 30

ENDORSE FED. CT. OF APP. FOR 12TH CIRCUIT

Relating to the creation of a new United States Court of Appeals for the Twelfth Circuit.

recommends it be replaced with the following committee substitute _____ the same title
 a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) _____ APPROVES PREVIOUS: (Dept/Date) _____
 fiscal note(s) _____ fiscal note(s) _____

zero fiscal note(s) HOU. JUD. COMM. zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
<i>Don Bunde</i>	BUNDE	✓			
<i>Jim Craft</i>	CRAFT	✓			
<i>Norm Kereberg</i>	KEREBERG	✓			
<i>Richard S. Porter</i>	PORTER	✓			
<i>James D. Green</i>	GREEN	✓			
<i>Sharonne James</i>	JAMES	✓			
<i>Michael Berkowitz</i>	BERKOWITZ	✓			

CHAIR'S SIGNATURE *Joseph ...*

FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO. HJR 30

Revision Date: 4/8/97 Dept. Affected: None
 Title: Creating a Twelfth Circuit Court of Appeals BRU: _____
 Sponsor: House Judiciary Committee Component: _____
 Requester: House Judiciary Committee COMPONENT SERIAL NO. _____

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY97) cost: \$ _____

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Lisa Kirsch
 Division: House Judiciary Committee
 Approved by ^{Chair} Commissioner: [Signature]
 Agency: House Judiciary Committee

Phone: 465-4990
 Date: 4/8/97
 Date: 4-8-97

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Ken Freeman
Press Secretary
(907) 465-3804

For Immediate Release: March 17, 1997

Contact: Rep. Joe Green (907) 465-4931

House Committee Seeks To Split Ninth Circuit Court

JUNEAU -- A legislative resolution in support of S.431, a US Senate bill that would allow Alaskans to challenge federal court decisions in Seattle instead of California was introduced in the Alaska State House of Representatives Monday.

The US Senate bill, introduced last week by Alaska Senators Ted Stevens and Frank Murkowski, along with a group of other western-state senators, would split the federal Ninth Circuit Court of Appeals, which meets in San Francisco, and create a new Twelfth Circuit Court with headquarters in Seattle.

The Ninth Circuit encompasses a population between 40 and 50 million people in Washington, Montana, Oregon, Nevada, California, Arizona, Idaho, Alaska, and Hawaii, Guam and the Northern Mariana Islands. California cases alone represent over half of the Ninth Circuit's caseload.

"The Ninth Circuit is just too big. There are too many cases and too many issues before the court," said Representative Joe Green, (R) Anchorage, Chairman of the House Judiciary Committee, which introduced HJR 30. "There are about 200 cases from Alaska before the Court now. And when our cases are heard, it takes far too long to get a decision."

The proposed Twelfth Circuit would consist of Alaska, Oregon, Washington, Idaho, and Montana.

"So many federal issues important to Alaska end up in court. It is critical for us to be able to plead our case before a judge who understands Alaska, and has the time to render a fair decision" said Green.

Speaker of the House Gail Phillips, a strong supporter of splitting the Ninth Circuit, noted that creating a Twelfth Circuit establishes a more responsive court system for Alaska.

"The original boundaries of the Ninth Circuit were established in the 1930's and since that time the population in the Western states has increased dramatically," said Speaker Phillips.

"HJR 30 sends a very clear message to Congress that Alaska strongly supports the idea of dividing the Ninth Circuit Court of Appeals, and making the Court of Appeals much more workable for Alaska. It will make the decisions affecting our critical land issues heard in a much more timely manner," said Speaker Phillips.

Alaska State Legislature



House of Representatives
House Judiciary Committee

State Capitol, Room 120
Juneau, Alaska 99801-1182
(907) 465-4990

Sponsor Statement

HJR 30 - Endorsing S.431 and a new Twelfth US Circuit Court of Appeals

The United States Court of Appeals for the Ninth Circuit encompasses nine states and two territories: Alaska, Arizona, California, Hawaii, Idaho, Montana, Nevada, Oregon, Washington, Guam and the Northern Mariana Islands. The circuit contains nearly 14 million square miles and 50 million people, and is the largest US court of appeals by any measure.

HJR 30 endorses S.431, introduced by Senators Ted Stevens, Frank Murkowski and four other western senators, which proposes to split the ninth circuit and create a new twelfth circuit, to include Alaska, Idaho, Montana, Oregon, and Washington.

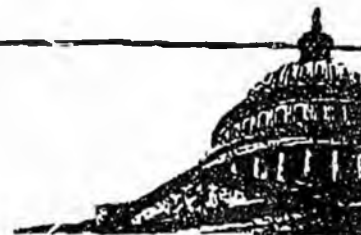
The legislature should support S.431 because the ninth circuit is simply too large to respond to the needs of Alaska. Alaska cases represent only 2.4% of the court's total case load, while cases originating in California account for nearly 60%. At the end of 1996 there were 181 Alaska cases pending before the court, but 4440 cases pending from California. These numbers are staggering, especially in light of the fact that while most circuits have 12 or fewer judges, the ninth circuit has 28 active court of appeals judges.

The Attorneys General from all five states involved in the proposed twelfth circuit have endorsed the split. Here in Alaska, Governor Tony Knowles, and Attorney General Bruce Botelho have endorsed the idea. HJR 30 puts the Alaska legislature on record in support S.431, and a federal judiciary that is capable of responding to Alaska's needs.

NEWS FROM THE OFFICE OF

FRANK MURKOWSKI

United States Senator - Alaska



For Immediate Release: Contact: Chuck Kleeschulte or Cindi Bookout
March 12, 1997 O (202) 224-9306; H (301) 283-4149; O 224-8767
(Email: chuck_kleeschulte@murkowski.senate.gov)

MURKOWSKI-STEVENS INTRODUCE BILL TO CREATE NEW 12TH CIRCUIT FEDERAL COURT

WASHINGTON -- Saying that citizens in the Pacific Northwest should not have to suffer from slow judicial decisions, Alaska's two Sens. Frank Murkowski and Ted Stevens today introduced legislation to create a new federal judicial court circuit to relieve the blacklogged caseload of the Ninth Circuit based in California.

The two senators, joined by Sens. Slade Gorton, R-Wash., Larry Craig and Dirk Kempthorne, R-Idaho; and Sen. Gordon Smith, R-Oregon, have proposed legislation to split the existing Ninth Circuit Court. Under the proposal, California, Hawaii and the Pacific Territories would remain in the Ninth Circuit, while a new Twelfth Circuit would be created to cover the states of Alaska, Washington, Oregon, Idaho and Montana.

The senators said the move would relieve the current caseload burden on the Ninth Circuit. They added the new court would create a Northwest Circuit that is historically, economically, culturally and philosophically united.

"No one court can effectively exercise its power in an area that extends from the Arctic Circle to the tropics. We must revamp the circuits to create a court with a regional sense of community and greater knowledge that will lead to greater consistency and dependency in legal decisions," said Murkowski.

"This bill will result in a better caseload distribution among states with a Northwest focus. Of the 28 judges on the Ninth Circuit, only one is an Alaskan," Sen. Stevens said.

"Many of those currently serving on the Ninth Circuit are activists that fail to understand the uniqueness of Alaska. In rendering their decisions, they often make, rather than interpret, the law.

"We have been pursuing this split for some time. Alaskans deserve a more responsive court that understands Alaska's unique circumstances," Sen. Stevens said.

The senators said they were offering the bill for a host of reasons:

- * The Ninth Circuit serves a population of more than 45 million people, well over a third more than the next largest circuit in the federal system.

- * Last year the court had 7,146 new filings, the second highest in the nation. In 1995 the court had 8,092 filings, that year almost 2,000 more (25 percent) than any other circuit.

105TH CONGRESS
1ST SESSION

S. _____

IN THE SENATE OF THE UNITED STATES

Mr. MURKOWSKI introduced the following bill; which was read twice and referred to the Committee on _____

A BILL

To amend title 28, United States Code, to divide the ninth judicial circuit of the United States into two circuits, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the "Ninth Circuit Court
5 of Appeals Reorganization Act of 1997".

6 **SEC. 2. NUMBER AND COMPOSITION OF CIRCUITS.**

7 Section 41 of title 28, United States Code, is amend-
8 ed—

9 (1) in the matter before the table, by striking
10 "thirteen" and inserting "fourteen";

1 (2) in the table, by striking the item relating to
2 the ninth circuit and inserting the following new
3 item:

"Ninth Arizona, California, Hawaii, Nevada,
Guam, Northern Mariana Is-
lands.";

4 and

5 (3) between the last 2 items of the table, by in-
6 serting the following new item:

"Twelfth Alaska, Idaho, Montana, Oregon,
Washington.".

7 **SEC. 3. NUMBER OF CIRCUIT JUDGES.**

8 The table in section 44(a) of title 28, United States
9 Code, is amended—

10 (1) by striking the item relating to the ninth
11 circuit and inserting the following new item:

"Ninth 19";

12 and

13 (2) by inserting between the last 2 items at the
14 end thereof the following new item:

"Twelfth 7".

15 **SEC. 4. PLACES OF CIRCUIT COURT.**

16 The table in section 48 of title 28, United States
17 Code, is amended—

18 (1) by striking the item relating to the ninth
19 circuit and inserting the following new item:

"Ninth San Francisco, Los Angeles.";

20 and

1 (2) by inserting between the last 2 items at the
2 end thereof the following new item:

"Twelfth Portland, Seattle."

3 **SEC. 5. ASSIGNMENT OF CIRCUIT JUDGES.**

4 Each circuit judge in regular active service of the
5 former ninth circuit whose official station on the day be-
6 fore the effective date of this Act—

7 (1) is in Arizona, California, Hawaii, Nevada,
8 Guam, or the Northern Mariana Islands is assigned
9 as a circuit judge of the new ninth circuit; and

10 (2) is in Alaska, Idaho, Montana, Oregon, or
11 Washington is assigned as a circuit judge of the
12 twelfth circuit.

13 **SEC. 6. ELECTION OF ASSIGNMENT BY SENIOR JUDGES.**

14 Each judge who is a senior judge of the former ninth
15 circuit on the day before the effective date of this Act may
16 elect to be assigned to the new ninth circuit or to the
17 twelfth circuit and shall notify the Director of the Admin-
18 istrative Office of the United States Courts of such elec-
19 tion.

20 **SEC. 7. SENIORITY OF JUDGES.**

21 The seniority of each judge—

22 (1) who is assigned under section 5 of this Act;

23 or

24 (2) who elects to be assigned under section 6 of
25 this Act;

1 shall run from the date of commission of such judge as
2 a judge of the former ninth circuit.

3 **SEC. 8. APPLICATION TO CASES.**

4 The provisions of the following paragraphs of this
5 section apply to any case in which, on the day before the
6 effective date of this Act, an appeal or other proceeding
7 has been filed with the former ninth circuit:

8 (1) If the matter has been submitted for deci-
9 sion, further proceedings in respect of the matter
10 shall be had in the same manner and with the same
11 effect as if this Act had not been enacted.

12 (2) If the matter has not been submitted for de-
13 cision, the appeal or proceeding, together with the
14 original papers, printed records, and record entries
15 duly certified, shall, by appropriate orders, be trans-
16 ferred to the court to which it would have gone had
17 this Act been in full force and effect at the time
18 such appeal was taken or other proceeding com-
19 menced, and further proceedings in respect of the
20 case shall be had in the same manner and with the
21 same effect as if the appeal or other proceeding had
22 been filed in such court.

23 (3) A petition for rehearing or a petition for re-
24 hearing en banc in a matter decided before the effec-
25 tive date of this Act, or submitted before the effec-

1 tive date of this Act and decided on or after the ef-
2 fective date as provided in paragraph (1) of this sec-
3 tion, shall be treated in the same manner and with
4 the same effect as though this Act had not been en-
5 acted. If a petition for rehearing en banc is granted,
6 the matter shall be reheard by a court comprised as
7 though this Act had not been enacted.

8 **SEC. 9. DEFINITIONS.**

9 For purposes of this Act, the term—

10 (1) “former ninth circuit” means the ninth ju-
11 dicial circuit of the United States as in existence on
12 the day before the effective date of this Act;

13 (2) “new ninth circuit” means the ninth judicial
14 circuit of the United States established by the
15 amendment made by section 2(2) of this Act; and

16 (3) “twelfth circuit” means the twelfth judicial
17 circuit of the United States established by the
18 amendment made by section 2(3) of this Act.

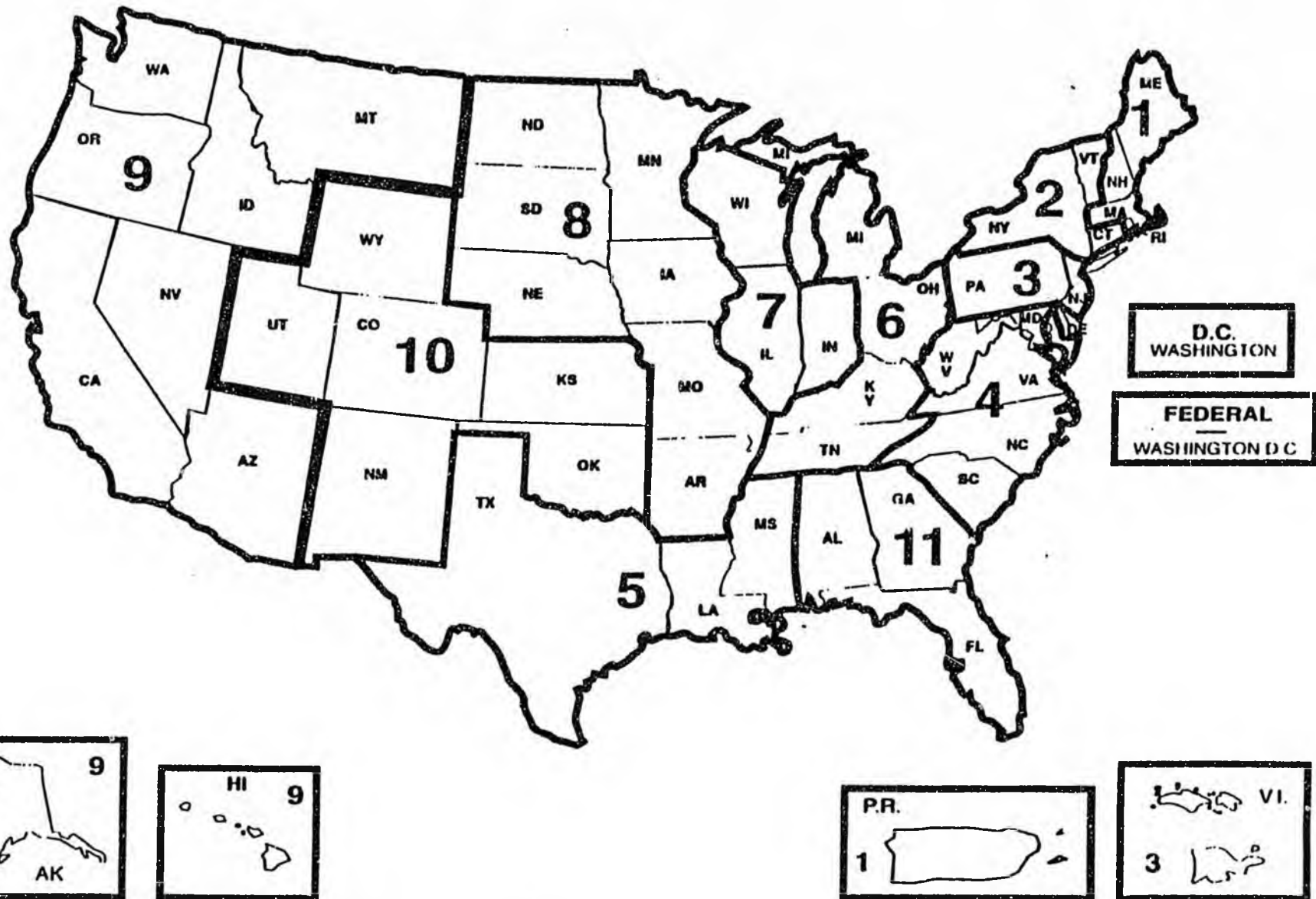
19 **SEC. 10. ADMINISTRATION.**

20 The court of appeals for the ninth circuit as con-
21 stituted on the day before the effective date of this Act
22 may take such administrative action as may be required
23 to carry out this Act. Such court shall cease to exist for
24 administrative purposes on July 1, 1999.

1 **SEC. 11. EFFECTIVE DATE.**

- 2 This Act and the amendments made by this Act shall
3 become effective on October 1, 1997.

The Thirteen Federal Judicial Circuits



TONY KNOWLES
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

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September 8, 1995

The Honorable Orrin Hatch, Chair
Senate Committee on the Judiciary
Senate Dirksen Office Building
Washington, DC 20510-6275

Dear Senator Hatch:

I write this letter to urge passage of S. 956, a bill to divide the Ninth Circuit Court of Appeals into two circuits. In doing so, I note with pride and satisfaction that Senators Stevens and Murkowski have both joined as co-sponsors of this important legislation.

Alaskans have long observed that the Ninth Circuit, the largest in the nation both in territory and membership, has concerned itself predominantly with issues arising out of California. Indeed, the court's membership is heavily weighted to that state. The court's case filings are larger than any other circuit in the country, thus frequently leading to inordinate delay in decisions important to our state.

Alaskans have suffered from these shortcomings. For instance, despite the court's granting of expedited consideration in an important case involving Alaska Native subsistence use in a case known popularly as the Katie John case, the court required more than thirteen months to render its decision (now being reconsidered) after oral argument. In other cases, panels of the court have shown a surprising lack of understanding of Alaska's geography and people. As a consequence, decisions rendered from San Francisco have often caused unnecessary hardships on Alaskans.

The creation of a Twelfth Circuit Court of Appeals encompassing the Northwestern states and Alaska would benefit this region by providing for speedier and more consistent rulings rendered by jurists who have greater familiarity with the social, geographical, political, and economic life of the region.

Sincerely,

Tony Knowles
Governor

cc: The Honorable Ted Stevens, U.S. Senate
The Honorable Frank Murkowski, U.S. Senate

The Anchorage Times

Publisher: BILL J. ALLEN

"Believing in Alaskans, putting Alaska first"

Editors: DENNIS FRADLEY, PAUL JENKINS, WILLIAM I. TOBIN

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Dividing the court

IT MAY NOT yet be a bandwagon, but there is some favorable forward movement toward dividing the 9th U.S. Court of Appeals and creating a new appellate court serving Alaska, Idaho, Montana, Oregon and Washington.

The latest to join the rising chorus endorsing the proposal include some powerful political figures — among them the Democratic governor of Alaska, Tony Knowles, and the state's attorney general, Bruce Botelho.

Legislation to split the 9th Circuit — the nation's largest, with 11 more judges than any other circuit — is actively under consideration in the U.S. Senate. The bill's sponsors include Republican Sens. Frank Murkowski and Ted Stevens of Alaska.

In a letter to Sen. Orrin Hatch, chairman of the Senate Judiciary Committee, which is holding hearings on the bill, Gov. Knowles said the existing court "has concerned itself predominately with issues arising out of California." That's not surprising, considering that 55 percent of all the cases before the court come from California and a majority of the court's 28 active judges are Californians.

The court's case filings also are larger than any other appeals court in the country, the governor said, "thus frequently leading to inordinate delay in decisions important to our state."

Mr. Knowles is not the first to complain about this, but adding his voice to those pointing out the drawbacks of the existing over-sized court is important.

"For instance," the governor told Sen. Hatch, "despite the court's granting of expedited consideration of an important case involving Alaska Native subsistence use in a case known as the *Katie John* case, the court required 13 months to render its decision (now being reconsidered) after oral argument.

"In other cases, panels of the court have shown a surprising lack of understanding of Alaska's geography and people. As a consequence, decisions rendered from San Francisco have often caused unnecessary hardships on Alaskans."

Similar concerns were expressed by Mr. Botelho and the top legal officials of the other four states that would be included in a new court.

In a letter to Sen. Hatch, the five state attorneys general said the creation of "a Northwest circuit court would mitigate the problems of the unwieldy size of the 9th Circuit."

If approved, Alaska, Idaho, Montana, Oregon and Washington would be placed in a new 12th Circuit Court — leaving California, Arizona, Hawaii, Nevada, Guam and the Northern Mariana Islands in the 9th Circuit. Dividing overgrown circuit courts is not an unusual move. The most recent split came as the 11th Circuit was created out of the 5th Circuit.

Creation of a new 12th Circuit is long overdue.

STATE OF ALASKA

TONY KNOWLES, GOVERNOR

**DEPARTMENT OF LAW
OFFICE OF THE ATTORNEY GENERAL**

September 12, 1995

Honorable Orrin Hatch
Chair, Senate Committee on the Judiciary
224 Senate Dirksen Office Building
Washington, D.C. 20510-6275:

Dear Chairman Hatch:

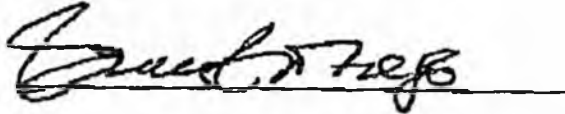
The undersigned attorneys general support the division of the existing Ninth Circuit Court of Appeals and the creation of a new Northwest circuit court consisting of judges from the five states that we serve, Alaska, Idaho, Montana, Oregon, and Washington, provided, of course, the new circuit is adequately funded.

The creation of a Northwest circuit would mitigate the problems of the unwieldy size of the Ninth Circuit. The Ninth Circuit has by far the most judges, the largest area served, and the most cases of any circuit court. Our states are directly affected by the resulting intra-circuit inconsistencies in decisions, infrequency of *en banc* consideration, and potential for drawing panels with little familiarity with the laws and practices of our states. Judges serving a Northwest circuit would be more aware of issues pending before other panels, and more willing to hear matters important to our states *en banc*. Perhaps most importantly, the more manageable volume of cases will allow our states' citizens to have their cases heard and decided in a reasonable period of time.

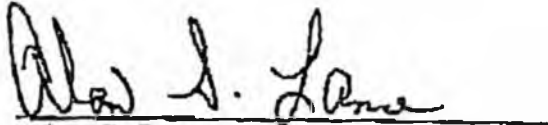
The Ninth Circuit's caseload is steadily increasing with the greatest increase in cases coming from the Central District in California. In 1989, 22 percent of all Ninth Circuit cases were filed in the Central District of California; today, those cases constitute 27 percent. This trend will only aggravate our problems in the future if the Ninth Circuit is not divided.

For these reasons, we urge your support for the creation of an adequately funded and staffed Northwest Circuit Court. We appreciate your consideration of our comments and concerns.

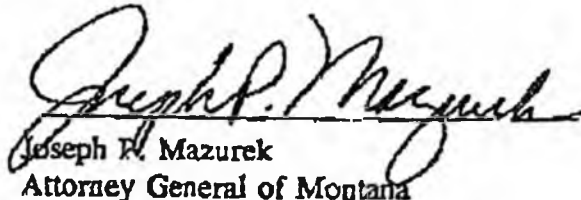
Sincerely,



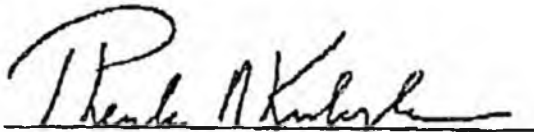
Bruce M. Botelho
Attorney General of Alaska



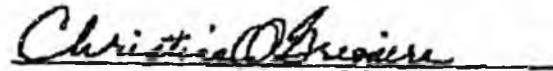
Alan G. Lance
Attorney General of Idaho



Joseph P. Mazurek
Attorney General of Montana



Theodore R. Kulongoski
Attorney General of Oregon



Christine O. Gregoire
Attorney General of Washington

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October 19, 1995

Mr. John Katz
Office of the Governor
State of Alaska
444 North Capitol Street, Room 518
Washington, D.C. 20001

Dear John:

Please find enclosed Charlie Cole's testimony that was submitted for the Senate Judiciary Committee hearing on the "Ninth Circuit Court of Appeals Reorganization Act of 1995" held on September 13.

Sincerely,


Frank H. Murkowski
United States Senator

STATEMENT OF CHARLES E. COLE
BEFORE THE SENATE COMMITTEE ON THE JUDICIARY REFORMATION
OF THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

I am an attorney at law practicing in Fairbanks, Alaska. I am a member of the State Bar of California, the Washington State Bar, and the Alaska Bar Association. I was admitted to the California and Washington bars in 1953, and the Alaska bar in 1955. The views I express here are entirely mine, and I speak for no one other than myself.

I support the enactment of S. 956. The reasons follow.

Forty years ago, while serving as a lowly law clerk to the then United States District Judge for the Territory of Alaska, at Fairbanks, in the course of my jurisprudential musing I stumbled across a remark by whom I recall as an internationally famed legal scholar. In response to an inquiry whether he would be willing to formulate a code of laws for a newly independent nation, such as, for example, the Napoleonic Code, he replied that before undertaking such a monumental task he first would want to live among the peoples for fifty years to learn their ways of life, their mores, and their economic and social values. Over the years as I have wandered my way along the path of the law I have thought again and again about that comment and have come increasingly to appreciate the wisdom that lay beneath it. Underlying it, of course, is the theory that in a republican form of government laws are to be made by the people's representatives. But the principle stops not there. Not only ought the laws be made by a representative body of the governed, the laws also ought to be interpreted and applied by representatives.

This seemingly self-evident principle has been cast adrift by the broad sweep of the appellate jurisdiction of the Court of Appeals for the Ninth Circuit. Its three-judge panels, laden with appointees from the States of California and Arizona, routinely decide case after case involving statutes applicable only to the State of Alaska, statutes such as the Alaska Native Claims Settlement Act and the Alaska National Interest Lands Conservation Act. While the judges comprising these geographically unbalanced panels are among the finest in the federal Courts of Appeal, because they have lived and practiced in what in many ways is a culture and an environment foreign to Alaska, when called upon to interpret these uniquely Alaska statutes, they lack a broad personal understanding of the competing interests involved in their enactment. These judges have the ability, to be sure, to apply the orthodox rules of statutory construction. Yet, when

called upon to interpret statutes unique to Alaska, they seem to apply an approach entirely inconsistent with those rules, a tendency to rocket to a result inapposite to that reached by jurists having a perspective gleaned from life in the North, from having lived amongst "the clash between traditional and modern ways of life" over fishing, for example, and from having lived amongst the clash between environmentalists and developmentalists, over logging, for another example.

This situation is classically illustrated by two recent appellate decisions interpreting the definition of "public lands" in the Alaska National Interest Lands Conservation Act, 16 U.S.C. §3101, et seq. (ANILCA), one by an esteemed panel of the Court of Appeals for the Ninth Circuit, the other by the Supreme Court of the State of Alaska.

In State of Alaska v. Babbitt, 54 F.3d 549 (9th Cir. 1995) the issue was whether the definition of "public lands" in ANILCA includes navigable waters. ANILCA defines "public lands" as "lands situated in Alaska which...are Federal lands, 16 U.S.C. §3102(3). "Federal Land" is defined as "lands the title to which is in the United States," 16 U.S.C. § 3102(2). "Land," is defined as "lands, waters, and interests therein." 16 U.S.C. §3102(1). Thus, ANILCA defines "public lands" as "lands, waters, and interests therein the title to which is in the United States." 54 F.3d at 552.

In Babbitt a panel of Ninth Circuit judges comprised of Eugene A. Wright, Cynthia Holcomb Hall, and Charles E. Wiggins faced for decision "whether the federal agencies' conclusion that public lands include some navigable waters under the reserved water rights doctrine is based on a permissible construction of the statute." 54 F.3d at 553. For three years in the litigation before the district court the federal agencies had agreed with the State that "public lands" exclude navigable waters, but at the second oral argument on the issue, those "agencies" modified their position, arguing that public lands include those navigable waters in which the federal government has an interest under the reserved water rights doctrine. 54 F.3d at 551, 552. "Prior to oral argument" the United States had more than merely "agreed with the State" in the early course of the litigation before the District Court. Early on the Secretary of the Interior had adopted regulations that supported the State's interpretation of the Act. As the Babbitt opinion points out, when in 1990 the United States took over implementation of the provisions of the ANILCA which gave rural residents a subsistence priority, "[t]he Secretary of the Interior, on behalf of all concerned federal agencies, published temporary subsistence management regulations that adopted a very narrow definition of public lands, explaining that 'navigable waters generally

are not included within the definition of public lands.' The final regulations do not differ significantly. See 57 Fed Reg. 22,940, at 22,942 (May 29, 1992)."

In a remarkably brief opinion, the Babbitt panel found "reasonable the federal agencies' conclusion that the definition of public lands includes those navigable waters in which the United States has an interest by virtue of the reserved water rights doctrine," and held that "the federal agencies that administer the subsistence priority are responsible for identifying those waters." The Babbitt panel determined that the navigational servitude held by the United States is not "'an interest...the title to which is in the United States,' such that all navigable waters are public lands within the meaning of ANILCA." 54 F.3d at 553. It also found that "[n]either the language nor the legislative history of ANILCA suggests that Congress intended to exercise its Commerce Clause powers over submerged lands and navigable Alaska waters." 54 F. 3d at 553. It concluded, however, that because the "United States has reserved vast parcels of land in Alaska for federal purposes through a myriad of statutes," it has "implicitly reserved appurtenant waters, including appurtenant navigable waters, to the extent needed to accomplish the purposes of the reservations," and therefore, "[b]y virtue of its reserved water rights, the United States has interests in some navigable waters," so "[c]onsequently public lands subject to subsistence management under ANILCA include certain navigable waters." 54 F.3d at 554.

Then, recognizing "that its holding may be inherently unsatisfactory," the panel said that it "hope[d] that the federal agencies will determine promptly which navigable waters are public lands subject to federal subsistence management," and that it "expect[ed] the federal agencies and the state to cooperate fully to protect and provide the opportunity for subsistence fishing in navigable waters." 54 F.3d at 554. Finally, the panel in Babbitt said that the "issue raised by the parties cries out for a legislative, not a judicial solution...only legislative action by Alaska or Congress will truly resolve the problem." 54 F.3d at 554. Noteworthy is the panel's comment that its decision has application to Alaska, and thus does not allow the United States to usurp state powers over navigable waters elsewhere. 54 F.3d at 552 n.9.

Not only is the holding in Babbitt "inherently unsatisfactory," so manifestly is the opinion. Inherently unsatisfactory is the opinion's failure to address the glaring legal issue of whether government trial counsel "at oral argument" could "modify" regulations validly adopted years earlier by the federal agency statutorily responsible for implementation of ANILCA. For the court to say that it holds

reasonable the "federal agencies" conclusion as to the scope of "public lands" without addressing this central issue, (an issue, by the way, on which there is substantial authority), is no less than remarkable. Also inherently unsatisfactory is the opinion's failure to address the issue of whether the United States holds "title" to "some navigable waters as a result of its reserved water rights." As the opinion points out, under ANILCA public lands are lands, waters, and interests therein, the title to which is in the United States. [Emphasis added]. 54 F.3d at 552. Conceding, as the Court says, that the United States "has interests in some navigable waters," the critical issue is whether it could be said to have "title" to this interest. The panel quietly passed over this issue, except to say that if it adopted the States' view and held that public lands exclude navigable waters, it "would give meaning to the term 'title' in the definition of the phrase 'public lands.'" yet is that not precisely what ANILCA requires? Sidestepping the issue, the panel said that if it gave meaning to the term "title" it would "undermine congressional intent to protect and provide the opportunity for subsistence fishing," so legislating with fury, it decided not "to give meaning to the term 'title' in the [congressional] definition of the phrase 'public lands.'" "

The panel is far too able, far too experienced, to fail to recognize these basic issues. Its failure to address them in its opinion is inexplicable. Or can it be explained as a California Court bent on making law to suit a California judicial philosophy?'

When the identical issue, whether ANILCA's "public lands" definition includes navigable waters came before the Alaska Supreme Court, it addressed these issues head on, and concluded that it did not. Totemoff v. State of Alaska, ___ P. 2d ___, Opinion No. 4236, decided August 7, 1995. In Totemoff the Alaska Supreme Court noted that it was "not obligated to follow Babbitt, since it is not bound by decisions of federal courts other than the United States Supreme Court on questions of federal law." Slip Opinion, p. 18. It then went on to rigorously dismantle the Babbitt opinion on the public lands issue point by point. First, it said that even if the navigable servitude or reserved water rights can be considered interests to which the United States holds title, the State has an interest in fish and wildlife located in navigable waters which precludes federal regulation of such fish and wildlife, under §102(3)(a) of ANILCA and the

¹ I recognize that the opinion's author, Eugene A. Wright, resides in Seattle, but that does not prevent him having become inbred with a California judicial philosophy from twenty-five years on the Ninth Circuit.

Submerged Lands Act of 1953, 43 U.S.C. §§1301-56 (1988).²

Next, the Alaska court said that "the navigational servitude and reserved water rights are not the type of property interests to which title can be held." Slip Opinion, p. 21. "Neither the navigational servitude nor reserved water rights," the Alaska court said, "are possessory rights in a body of water," and therefore, "the United States cannot hold title to the navigational servitude or reserved water rights." Slip Opinion, p. 22. The "interests" Congress had in mind when it included "interests" in "lands" or "waters," the title to which is in the United States, within the definition of public lands, the Court said, were "possessory interests less than fee interests such as leases [for which] there is considerable authority that title can be held to such interest." Slip Opinion, p. 23.

Another reason for rejecting the Babbitt holding, the Alaska court said, was because "even assuming the navigational servitude or reserved water rights are interests to which the United States holds title, the land management authority which the federal government obtains through these interests is limited by the purposes of the interests." Slip Opinion, p. 25. Accordingly, the navigational servitude only gives the United States the power to regulate navigable waters for navigation purposes without owing compensation;... it does not permit federal regulation of hunting and fishing in navigable waters. Similarly, the reserved water rights doctrine only grants to the government the right to either exclude others from appropriating water which feeds a government reservation or to use a limited volume of water in order to serve the federal land reserved.... The doctrine does not provide the federal government with plenary power over a body of water."³ Slip Opinion, pp. 25, 26.

Another reason advanced by the Alaska court for rejecting the Babbitt holding was that the navigational servitude is derived from the Commerce Clause and the power to reserve water rights comes from the Commerce and Property Clauses. Since neither of these clauses gives Congress the power to regulate hunting and fishing on state land or water, it follows, the court said, that "neither the navigational servitude power to regulate for navigation purposes nor the power to reserve water rights can grant the federal government

² The Babbitt opinion avoided mention of the Submerged Lands Act.

³ The Babbitt court made no mention of this well-recognized limitation on the navigational servitude or reserved water rights doctrine.

jurisdiction to manage hunting and fishing in navigable waters. The two powers are over navigation and water, not fish and game." Slip Opinion, p. 26.

According to the Alaska court a final reason its ruling on the navigable waters issue was the sheer impracticality, if not the impossibility, of employing the reserved water rights doctrine to define the geographic scope of navigable waters covered by ANILCA. Congress could not have intended to create, the court said, "such a complicated and uncertain regulatory scheme" as the Babbitt holding requires. Slip Opinion, p. 27.

Rejected outright by the Alaska Court were the Babbitt panel's view "that the position taken by the federal agencies that reserved water rights...define the scope of ANILCA was a reasonable agency interpretation owed deference," and its view that the position advocated by the State would undermine Congress' intent to protect subsistence fishing. Citing a 1995 Sixth Circuit decision, the Alaska high court said no deference is owed to positions on the interpretation of statutes adopted by agencies during litigation which contradict earlier regulations. Not surprisingly, the Alaska court said that "[i]f any interpretation is owed deference, it is the interpretation in the federal regulations that ANILCA generally does not apply to navigable waters, not the position adopted in a litigation context." Slip Opinion, p. 28.

With respect to the Babbitt panel's concern about undermining congressional intent to protect and provide the opportunity for subsistence fishing, the Alaska court pointed out that "public lands" in the federal regulations issued pursuant to ANILCA includes navigable waters over submerged lands owned by the United States, and also that some subsistence fishing occurs in non-navigable waters which are "public lands." Thus "fulfilling Congress' intent to provide an opportunity for subsistence fishing does not require ruling that reserved water rights define 'public lands' under ANILCA." Slip Opinion, p. 31.

The two opinions, Babbitt and Totemoff, could hardly present a more marked contrast; one, thoroughly researched and carefully crafted, replete with supporting authority; the other sketchy, shy of authority, and rampant with the exercise of legislative power. What accounts for this remarkable divergence in the two opinions? Certainly not the lack of ability on the Babbitt panel. It was an outstanding panel, able and experienced. Surely it recognized the issue presented by the United States' amazing revelation during oral argument about the proper interpretation of public lands; i.e. the issue of whether that position or the position

contained in regulations adopted by the Secretary of the Interior represent "the agencies' answer" to the interpretation of "public lands." Certainly the opinion's implicit conclusion that the position adopted during the oral argument represents "the agencies' answer" to the statutory ambiguity, rather than that adopted by the agencies in a published regulation, merits an explanation, for sheer common sense says that it is the duly adopted regulation of the federal agency responsible for implementation of legislation that supplies the "agencies' answer;" otherwise, the United States, whenever during litigation it views a regulation as inimical to its litigation interests, would disavow the interpretation contained in the regulation and ipso facto adopt a new one favorable to its position in the litigation. Also meriting an explanation is the court's conclusion that if it adopted the State's position it "would give meaning to the term 'title' in the definition of the phrase 'public lands.'" Surely the Babbitt panel knew that Congress intended the word "title" to have meaning when it used it in the definition of "public lands." Why then did the Babbitt panel not give the term meaning other than glibly to usurp the legislative prerogative by saying that if it gave the term meaning it would undermine congressional intent to protect subsistence fishing, and therefore conclude that the term "title" in the definition of "public lands" is devoid of meaning?

The answer lies in the panel's inability to comprehend the delicate sensitivities which underlying ANILCA's provisions dealing with subsistence. Residing thousands of miles afield from subsistence hunting and fishing in Alaska, learning of the issues presented by ANILCA's vagaries only from a sterile printed record and from tourist guides, judges in the Ninth Circuit who are life-long residents of the southern climates who lack life-long familiarity with the multi-faceted policies underling ANILCA's subsistence provisions, are less qualified to fill in its intricacies than jurists who have lived for a life time with first-hand knowledge of them. This is especially true where, so often, they are called upon to ascertain Congressional intent. The framework for "congressional intent" in the enactment of statutes of particular regional applicability is most often supplied by those with personal familiarity with the underling, wide-ranging policy issues. Such was the case with ANILCA. It was crafted basically by Alaskans having personal interests in subsistence hunting and fishing issues. Standing to reason, therefore, is that judges having historical and personal sensitivity to these policy issues are better qualified to decide the thorny issues emminating from it.

This undoubtedly is what accounts for the strikingly dissimilar opinions in Babbitt and Totemoff. The Alaska

court, comprised of judges who have lived for years among those subject to ANILCA's subsistence provisions and who themselves have fished in Alaska's navigable waters were simply better able to interpret ANILCA. If that does not account for the wide divergence in the two opinions, what, then, does? Surely not the lack of legal ability in either body.

Babbitt is not the only illustration of an "inherently unsatisfactory" opinion of a Ninth Circuit panel interpreting ANILCA. Compare the Babbitt panel's failure to address the meaning of the word "title" with Judge Kozinski's amazing opinion in Kenaitze Indian Tribe v. State of Alaska, 860 F.2d at 312 (9th Cir. 1988). There the issue was the meaning of "rural" in ANILCA's definition of "subsistence uses." An Alaska statute had defined "rural area" to mean "a community or area of the state in which the noncommercial, customary, and traditional use of fish or game for personal or family consumption is a principal characteristic of the economy of the community or area." Swiftly striking down this statute as inconsistent with ANILCA, the Kenaitze panel said that the "term 'rural' is not difficult to understand," and, for guidance as to its meaning in the statute the panel referred to Webster's Third New International Dictionary 1990 (1981), and went on to say that "rural" "is a standard word in the English language, one commonly understood to refer to areas of the county that are sparsely populated, where the economy centers on agriculture or ranching," and that the "State's definition would exclude practically all areas of the United States that we think of as rural, including virtually the entirety of such farming and ranching states as Iowa and Wyoming. The panel's reference to agriculture or ranching, in especially in areas of the United States other than Alaska in support of its decision is remarkable since, apparently unbeknownst to the panel, there is virtually no agriculture or ranching in Alaska. Searching for further support of the holding, Judge Kozinski then looked to use of "rural" in other federal contexts, citing as examples, of all things, the practice of the U.S. Census Bureau, the Social Security Act, the Housing Act of 1949, and definitions adopted of rural by the Federal Communications Commission and the Federal Housing Administration.⁴ These practices, statutory definitions, and regulations, of course, are applicable to the entire United States, where in many areas ranching and agriculture constitute the major economic activity, grossly unlike Alaska,

⁴ Judge Kozinski knows better than to lift definitions from the Social Security Act and the Housing Act of 1949 as support for the congressional intent in using "rural" in ANILCA. He is among the brightest of the bright.

(where essentially there is none). ANILCA uses the term "rural" to divide the State of Alaska (not the entire United States), into rural versus urban areas. Referring to rural areas in Wyoming and Iowa in contrast to the Los Angeles urban area bears no resemblance to the urban/rural contrast between Anchorage and Ophir, Alaska.

The Kenaitze panel also supported its view that the Kenai, Alaska area is not urban by dividing its population into the area in which those inhabitants reside, and then, astoundingly, employing a tourist guide, The Milepost, to support the panel's view that the Kenai area is rural. The guide describes the Kenai area as one featuring "massive peaks and broad ice fields of Kenai mounts...dropping away to the great forested plateau of the western area," with its many lakes, rivers, and streams making Kenai a prime sport fishing destination. 860 F.2d at 314. If members of the panel had spent much time in the Kenai area they would have recognized how inaccurately this describes the Kenai/Soldotna area. The "massive peaks" and "broad ice fields" are miles and miles away from the central Kenai/Soldotna communities in "the Kenai area."

After rejecting "the states's contorted definition of rural," and adopting one used by Congress in the Social Security Act and the Housing Act of 1949, as well as definitions adopted by the FCC and FHA of the term defining rural "in terms of population," the opinion solemnly cautions against "creative interpretations"⁵ and points out that "Congress passes laws, not purposes,....and that "[w]hat matters is not some general purpose that may have motivated lawmakers but the means they chose to achieve that end." 860 F.2d at 317. Apparently the Babbitt panel overlooked this admonition from Judge Kozinski when it ostensibly concluded that when Congress used the word "title" in the definition of "public lands" it did not intend it to have any meaning. If this is not a classic example of "creative interpretation," one has yet to discern it.

The views I express here are not an appeal to

⁵ See footnote 7, in the Kenaitze opinion, where Judge Kozinski says: "The state does not of course claim to be rewriting the statutory language. No one ever admits to taking a blue pencil to an Act of Congress. But precisely the same end is achieved through creative interpretation. Assigning exotic definitions to statutory terms alters the statute just as surely and effectively as changing the statutory language." By the same token exotic borrowing of definitions from unrelated contexts alters the statute "as surely and effectively as changing the statutory language."

regionalism. I agree with the remarks of former Chief Judge Warren Burger that it is offensive to believe that a United States judge, having taken the oath of office, is going to be biased because of the economic conditions of his own jurisdiction. I also agree with former Senator Pete Wilson's echoing of Justice Burger's concerns when he says that the "judges of the Circuit are there to apply the law, not make it," and that "it is not intended that federal courts abide by a sense of localism." Yet that is precisely what the California-laden panels are consistently doing when they are deciding cases under statutes unique to Alaska. They are applying a "California judicial philosophy" time and time again when interpreting and applying federal statutes specifically applicable to Alaska. They are making law, and the law they are making is rooted in a "California judicial philosophy" sprinkled heavily with a large measure of localism. If that is not exactly what Babbitt and Kenaitze show, what else accounts for these bizarre decisions?

If enactment of S. 956 is what it takes to bring this pernicious practice to a halt, then that is what ought to be done.

**RATIONING JUSTICE
ON APPEAL**

**THE PROBLEMS OF THE U.S.
COURTS OF APPEALS**

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Chapter Five

CONGRESS DECLINES TO DIVIDE THE NINTH CIRCUIT

A. INTRODUCTION

As this Chapter was being written in mid-1993, legal commentators were speculating that the 103d Congress would revisit the issue whether to divide the Ninth Circuit in earnest, if the Judicial Conference of the United States accepted a pending recommendation that ten additional judgeships be added to that bench that now numbers twenty-eight judges.¹ But such speculation about the likelihood of a division goes back nearly fifty years. What is more

1. Back in 1990, the Judicial Conference decided to oppose setting any absolute maximum on the number of article III judges. In March of 1993, the Conference deferred action on a committee recommendation and a request from the Ninth Circuit for an additional ten-judgeships until the completion of the Report of the Long-Range Planning Committee on the size of the whole federal judiciary. Steve Albert, *Congress Weighs Plan to Divide the 9th Circuit*, *Legal Times*, Feb. 1, 1993, at 12; Steve Albert, *9th Circuit Rethinks Its Bid for 10 More Judges*, *Legal Times*, Aug. 16, 1993, at 11; Marcia Coyle, *Some Judges Seek Cap on Ranks*, *Nat'l L.J.*, May 31, 1993, at 9. At the September 1993 meeting, the Judicial Conference, by a close vote, rejected a proposal to call on Congress to limit the federal judiciary to 1,000 judges. The Conference did reaffirm, however, the judicial branch's commitment to the principle of limited federal courts staffed by the necessary number of judges to perform its role.

The last Congress rather obliquely considered a bill to divide the Ninth Circuit. S. 1686, 102d Cong., 1st Sess. (1991). That bill, introduced during the last Congress by Senator Slade Gorton, would have divided the current Ninth Circuit into the two circuits: a new Twelfth Circuit, comprised of Alaska, Idaho, Montana, Oregon, and Washington; and a new Ninth Circuit made up of the remaining states of Arizona, California, Hawaii, Nevada, Guam, and the Northern Mariana Islands. The bill was referred to the senate Judiciary Committee in August of 1991. See 137 Cong. Rec. S12,182 (daily ed. Aug. 2, 1991). However, no further action was taken on the bill.

important, for present purposes, than the likelihood that such a bill might be introduced is to understand the debate over dividing the Ninth Circuit within the larger context of the how Congress might respond to the problems of the United States Courts of Appeals.

In March of 1990, extensive hearings were held on S. 948, a bill introduced in the 101st Congress to accomplish the division of the Ninth Circuit.² Because that bill went quite far along in the legislative process and was fully considered, this Chapter will focus on those 1990 hearings and debates in the Senate.³ That legislative consideration represents the most recent and most thorough congressional evaluation of the problems facing the largest judicial circuit and, indirectly, sheds some light on current congressional thinking about the entire intermediate level of the federal courts, particularly the problems of the large circuits.⁴

2. S. 948, 101st Cong., 1st Sess. (1989). See generally *Hearing on S. 948 Before the Subcomm. on Courts and Admin. Practice of the Senate Comm. on the Judiciary*, 101st Cong., 2d Sess. (1990). S. 948 was introduced in May of 1989 by Senator Slade Gorton and was referred to the Judiciary Committee. See 135 Cong. Rec. S5026 (daily ed. May 9, 1989). On March 6, 1990, the Subcommittee on Courts and Administrative Practice began and concluded hearings on the bill. See 136 Cong. Rec. D211 (daily ed. Mar. 6, 1990).

3. The 101st Congress also considered a related bill, H.R. 4900, which would have divided the Ninth Circuit but which proposed to reassign the states and territories differently to create a new Ninth Circuit composed of Arizona, California, Nevada, Hawaii, Guam, and the Northern Mariana Islands, and a new Twelfth Circuit composed of Alaska, Idaho, Montana, Oregon and Washington. H.R. 4900, 101st Cong., 2d Sess. (1990). The House bill was referred to committee and a hearing was held before the Committee on the Judiciary's Subcommittee on Courts, Intellectual Property, and the Administration of Justice on June 13, 1990. 136 Cong. Rec. D730 (daily ed. June 13,

1990). Such differences over possible realignments have the potential to take away significantly from the momentum to divide, as was true during the protracted congressional consideration of dividing the Fifth Circuit. But see *supra* note 1 (later Senate proposal followed the division in H.R. 4900).

The primary emphasis here will be on the Senate version because that debate was more developed and because the arguments in the House of Representatives for and against division follow along the same lines. See 136 Cong. Rec. E1700-01 (daily ed. May 24, 1990) (statements of Reps. Morrison and Craig) (WESTLAW: fi 136 cr e1700). For the most part, the arguments pro and con division do not vary from bill to bill. See generally Position Paper Prepared by the Circuit Executive, U.S. Court of Appeals for the Ninth Circuit (1991).

4. This account has been adapted, with permission, from: Thomas E. Baker, *On Redrawing Circuit Boundaries—Why the Proposal to Divide the United States Court of Appeals for the Ninth Circuit is Not Such a Good Idea*, 22 *Ariz. St. L.J.* 917 (1990) (WESTLAW: AZSLJ database, ci(22 +5 917)).

B. THE HISTORICAL BOUNDARY OF THE NINTH CIRCUIT

In Chapter One, the history of the United States Courts of Appeals and their boundary lines were described at some length. That detail will not be rehearsed here, except briefly to recall the legislative map drawing of the federal circuits in the western States. In 1855, California was constituted as a separate circuit⁵ and along with Oregon was reconstituted as the Tenth Circuit in 1863.⁶ Nevada was added to the Tenth Circuit in 1865.⁷ In 1866, Congress again rearranged the circuits, realigning the States to draw nine circuits.⁸ This legislation grouped California, Nevada, and Oregon in a then newly-numbered Ninth circuit to which Montana, Idaho, and Washington soon were added.⁹ The landmark Evarts Act, passed in 1891, created a new court—the circuit court of appeals—for each of the nine circuits, including the Ninth Judicial Circuit.¹⁰ Around the time that Congress abolished the anachronistic circuit courts, the modern Ninth Circuit took shape¹¹; Alaska, Arizona, Hawaii, and eventually Guam were added.¹² Finally, in 1948, the Judicial Code officially renamed all the circuit courts of appeals and the westernmost intermediate court formally became the United States Court of Appeals for the Ninth Circuit.¹³

Even this abbreviated summary of the experience in the western States demonstrates a passing era of congressional willingness to redraw circuit boundaries and to reassign States to existing or newly-created circuits. Viewed historically, these incidents of re-drawing describe an earlier evanescence to the boundary lines. Viewed functionally, these incidents are best explained as past

5. Act of Mar. 2, 1855, ch. 142, 10 Stat. 631.

6. Act of Mar. 3, 1863, ch. 100, 12 Stat. 794.

7. Act of Feb. 24, 1865, ch. 64, 13 Stat. 440.

8. See Act of July 23, 1866, ch. 210, § 2, 14 Stat. 209.

9. See *id.* Montana was added to the Ninth Circuit by the Act of Feb. 22, 1889, ch. 180, 25 Stat. 682. Washington was added to the Ninth Circuit by the Act of Feb. 22, 1889, ch. 180, § 2, 25 Stat. 676, 682. Idaho was added to the Ninth Circuit by the Act of July 3, 1890, ch. 656, § 16, 26 Stat. 215, 217.

10. Act of Mar. 3, 1891, ch. 517, 26 Stat. 826.

11. See Act of Mar. 3, 1911, ch. 231, 36 Stat. 1087.

12. Hawaii was included in the Ninth Circuit by the Act of Mar. 3, 1911, ch. 231, 36 Stat. 1087, 1131. Arizona was included in the Ninth Circuit by the Act of Feb. 28, 1929, ch. 363, 45 Stat. 1346. Alaska district court decisions were made reviewable in the Ninth Circuit by the Act of Feb. 13, 1925, ch. 229, 43 Stat. 936. Guam was added to the Ninth Circuit by the Act of Oct. 31, 1951, ch. 655, 65 Stat. 710, 723.

13. Act of June 25, 1948, ch. 646, § 2680, 62 Stat. 869, 985.

exercises of the near-plenary congressional power to "from time to time ordain and establish" the "inferior courts" of the United States.¹⁴ Finally, it is noteworthy that for the last century or more the Congress has made no changes in the Ninth Circuit boundary, except to add new States. Downsizing thus would go against the historical experience.

C. OTHER PROPOSALS TO CHANGE THE BOUNDARY OF THE NINTH CIRCUIT

Responding to the urgings of Chief Justice Burger and others, in 1973 Congress created the Commission on Revision of the Federal Court Appellate System, the so-called Hruska Commission.¹⁵ What was noteworthy was the Commission's reluctance to redraw all the circuit boundaries:

We have not recommended a general realignment of all the circuits. To be sure, the present boundaries are largely the result of historical accident and do not satisfy such criteria as parity of caseloads and geographical compactness. But these boundaries have stood since the nineteenth century, except for the creation of the Tenth Circuit in 1929, and whatever the actual extent of variation in the law from circuit to circuit, relocation would take from the bench and bar at least some of the law now familiar to them. Moreover, the Commission has heard eloquent testimony evidencing the sense of community shared by lawyers and judges within the present circuits. Except for the most compelling reasons, we are reluctant to disturb institutions which have acquired not only the respect but also the loyalty of their constituents.¹⁶

After extensive consideration and debate, the Hruska Commission recommended that Congress divide only what were at that time the two biggest circuits. Instead of a national reconfiguration of all the circuit boundaries, that comprehensive study thus recommended that Congress divide two courts of appeals—the Fifth Circuit, which has been accomplished, and the Ninth Circuit, which Congress still has not decided to divide. These two recommendations satisfied the general criteria for realignment the Commission

14. U.S. Const. art. III, § 1 ("inferior" is the term in article III).

15. Act of Oct. 13, 1972, Pub. L. No. 92-489, 86 Stat. 807 (1973).

16. Commission on Revision of the Federal Court Appellate System. *The Geographical Boundaries of the Several Judicial Circuits: Recommendations for Change*, 62 F.R.D. 223, 228 (1973).

had established at the time: (1) circuits should be composed of at least three States; (2) no circuit should be created that would immediately require more than nine judges; (3) a circuit should contain States with a diversity of legal business, socioeconomic interests and population; (4) realignment should avoid excessive interference with established circuit boundaries; and (5) no circuit should contain noncontiguous States.¹⁷

Neither of these recommendations was really "new." The long legislative history of the division of the Fifth Circuit is chronicled in Chapter Four. Proposals to divide the Ninth Circuit had been around since before World War II and the Commission recommendation came as no surprise.¹⁸ What was surprising was the Commission's 1973 proposal to carve up California and reassign district courts in the same State to different circuits.¹⁹ That was enough to end the matter back then, although division has been a perennial proposal of recent Congresses.²⁰

D. NINTH CIRCUIT ADMINISTRATIVE INNOVATIONS

During the seemingly interminable debate over its division, the Ninth Circuit has attempted to meet the legislative challenge to administer a large circuit efficiently through innovation and industry. In 1978, Congress at least temporarily decided against the recommendation to divide both the Fifth Circuit and the Ninth Circuit. Instead, Congress authorized:

Any court of appeals having more than 15 active judges may constitute itself into administrative units complete with such facilities and staff as may be prescribed by the Administrative Office of the United States Courts, and may perform its en banc function by such number of members of its en banc courts as may be prescribed by rule of the court of appeals.²¹

17. *Id.* at 231-32.

18. *Id.* at 234-35.

19. See generally Arthur D. Hellman, *Legal Problems of Dividing a State Between Federal Judicial Circuits*, 122 U. Pa. L. Rev. 1188 (1974).

20. Previous to S. 948, chronicled here, the last bill that would have divided the Ninth Circuit was introduced in

1983 but went nowhere. S. 1156, 98th Cong., 1st Sess. (1983); Faye A. Silas, *Circuit Breaker—Move on to Split the Ninth*, A.B.A.J., Jan. 1984, at 34.

21. Omnibus Judgeship Act of 1978, Pub. L. No. 95-486, § 6, 92 Stat. 1629, 1633, supplemented by Act of Oct. 15, 1980, Pub. L. No. 96-458, 94 Stat. 2035 (1981).

As we have seen in Chapter Four, Congress soon thereafter did enact legislation to divide the Fifth Circuit largely at the instigation of the judges from that circuit. The Ninth Circuit judges, by contrast, have accepted Congress's invitation to innovate in numerous ways.²² And so far, Congress has sanctioned these innovations by declining to divide the circuit, in effect, allowing the Ninth Circuit experiment in administering a large circuit to continue.

The Court of Appeals reorganized itself internally into three administrative units to allow for a more decentralized and more efficient administration. The most senior active judge acts as the administrative judge for each unit. The chief judge,²³ the three administrative judges, and five active judges drawn by lot from among those willing to serve, constitute an executive committee that is authorized to act between regular court meetings, in emergencies and on lesser matters. The executive committee's chief function is to review proposals on operating procedures and to make recommendations to the full court.²⁴ The argument has been made that "[s]ooner or later, the Ninth Circuit will be divided, either by Act of Congress or on a de facto basis by the creation of regional administrative units within the circuit."²⁵ Even if one were to concede, as one must, that circuit division is most properly accomplished by legislation, the Ninth Circuit's present administrative arrangement still seems far from a "de facto division." After all, the administrative arrangement is expressly authorized by a federal statute. Furthermore, the position taken in this Chapter is not that the court *never* be divided but that it not be divided *now*.

22. The Judicial Council and United States Court of Appeals for the Ninth Circuit, Fourth Biennial Report to Congress on the Implementation of Section 6 of the Omnibus Judgeship Act of 1978 and Other Measures to Improve the Administration of Justice in the Ninth Circuit 1 (July 1989), reprinted in *Hearing on S. 948 Before the Subcomm. on Courts and Admin. Practice of the Senate Comm. on the Judiciary*, 101st Cong., 2d Sess. 361 (1990) [hereinafter Fourth Biennial Report to Congress]; see also Joe S. Cecil, *Federal Judicial Ctr., Administration of Justice in a Large Appellate Court: The Ninth Circuit Innovations Project* (1985); Thomas Church, *Administration of An Appellate Leviathan: Court Management in the Ninth Circuit Court of Appeals*, in *Restructuring Justice—The Innovations of*

the Ninth Circuit and the Future of Federal Courts 226 (Arthur D. Hellman ed., 1990) [hereinafter *Restructuring Justice*]; Clifford J. Wallace, *Before State and Federal Courts Clash*, *Judges' J.*, Fall 1986, at 37.

23. See 28 U.S.C.A. §§ 45, 136 (1988).

24. Noel V. Lateef, *Justice on Appeal: A Proposal*, *L.A. Daily J. Rep.*, Sept. 29, 1989, at 6, 10.

25. *Hearing on S. 948 Before the Subcomm. on Courts and Admin. Practice of the Senate Comm. on the Judiciary*, 101st Cong., 2d Sess. 250-51 (1990) (testimony of Sen. Mark O. Hatfield) [hereinafter *Testimony of Senator Mark O. Hatfield*].

The argument, in short, is that Congress should allow the Ninth Circuit experiment to complete its full course.

By circuit rule, as authorized by Congress, the Court of Appeals has adopted a limited en banc court procedure.²⁶ The chief judge and the ten active judges chosen by lot sit on each en banc panel; however, an en banc rehearing is granted only on the vote of a majority of all active judges. Retired Chief Justice Burger seems to think this is a practice that will not work in theory.²⁷ Critics of the limited en banc complain that the device is expensive and time consuming without being effective to maintain a unity in the law of the circuit. The "luck of the draw" selection procedure is singled out as a self-limiting weakness that diminishes allegiance to the en banc holdings and makes the reconciliation of precedents even less likely.²⁸ Based on its institutional experience, the Department of Justice has concluded that the Ninth Circuit judges themselves have "a strong aversion to using this limited en banc procedure."²⁹ As is true in some other circuits, it is not uncommon for the judges

26. 9th Cir. R. 35-3 (formerly Rule 25). See generally Steve Bennett & Christine Pembroke, "Mini" In Banc Proceedings: A Survey of Circuit Practices, 34 Clev. St. L. Rev. 531 (1986).

27. This was the basis of his objection to retaining the current circuit boundary:

Now calling that panel of eleven judges an en banc hearing is what modern-day law students call an oxymoron. It is a horrible word—an inherent contradiction. It isn't an en banc hearing at all. If you take the very words "en banc," French or English, it means all the judges involved. And, of course, the Ninth Circuit judges saw from the experience of the Fifth Circuit that they had to do something.

• • •

I don't think there is an en banc procedure in the Ninth Circuit at all. An en banc procedure would be every judge who, *under the law*, by virtue of active service, is entitled to vote.

Hearing on S. 948 Before the Subcomm. on Courts and Admin. Practice of the Senate Comm. on the Judiciary, 101st Cong., 2d Sess. 467 (1990) (testimony of

Retired Chief Justice Warren E. Burger) [hereinafter Testimony of Retired Chief Justice Warren E. Burger] (emphasis added).

28. Hearing on S. 948 Before the Subcomm. on Courts and Admin. Practice of the Senate Comm. on the Judiciary, 101st Cong., 2d Sess. 275 (1990) (statement of Sen. Conrad Burns) [hereinafter Statement of Senator Conrad Burns]; Senators Slade Gorton, Mark O. Hatfield, and Ted Stevens, Response to Tentative Recommendations of the Federal Courts Study Committee (Jan. 31, 1990), reprinted in Hearing on S. 948 Before the Subcomm. on Courts and Admin. Practice of the Senate Comm. on the Judiciary, 101st Cong., 2d Sess. 27 (1990) [hereinafter Response to Tentative Recommendations].

29. Letter from Bruce C. Navarro, Acting Assistant Attorney General, U.S. Department of Justice, to Sen. Howell Heflin, Chair, Subcomm. on Courts and Admin. Practice 5 (Mar. 6, 1990), reprinted in Hearing on S. 948 Before the Subcomm. on Courts and Admin. Practice of the Senate Comm. on the Judiciary, 101st Cong., 2d Sess. 571 (1990) [hereinafter Letter from Bruce C. Navarro].

not to vote on petitions for en banc rehearing. On average, only nine cases are reheard by the limited en banc each year and the "super-en banc" convening all twenty-eight judges, though still statutorily possible, has never once been held.³⁰ Part of this reluctance presumably is due to the unwieldiness, in terms of costs and delay, of any en banc rehearsings. These rehearsings are judicially labor intensive: considering motions for rehearing, convening and conferencing, building and maintaining the more complicated and more fragile full-court consensus. Besides the problems caused by the additional workload, there is the not yet completely fantastic expectation that the Supreme Court might eventually grant review in a case being considered for en banc rehearing, rendering the en banc effort nugatory.

These seem to be telling criticisms. First, there is a general skepticism about the continued efficacy of the en banc mechanism in general, both in the Ninth Circuit and at large in the other Courts of Appeals.³¹ Second, there are further compromises attendant on the limited en banc with fewer than all judges. But these have been traded off against the alternative of a hearing panel with twenty-eight members, which had proved wholly unworkable in the actual experience of the judges on the former Fifth Circuit.³² After all, these trade-offs were made first by Congress in 1978 in the controlling statutory provision and second by the Ninth Circuit judges themselves who sought to exercise this statutory delegation. The Court of Appeals can hardly be faulted for choosing a legislated option and for avoiding the demonstrated problems of the status quo en banc, the over-sized bench that is the only other choice.³³ Concerns that a limited en banc is, at best, only a necessary evil are allayed somewhat by the testimonials of some of the actual judicial participants. For example then-Judge (now Chief Judge) Wallace publicly has observed:

30. Position paper of Senator Slade Gorton on the "Ninth Circuit Court of Appeals Reorganization Act of 1989" (S.948) 7, reprinted in *Hearing on S. 948 Before the Subcomm. on Courts and Admin. Practice of the Senate Comm. on the Judiciary*, 101st Cong., 2d Sess. 18 (1990) [hereinafter Position Paper of Senator Slade Gorton]; Statement of Senator Conrad Burns, *supra* note 28, at 276.

31. See Thomas E. Baker, *A Compendium of Proposals to Reform the United States Courts of Appeals*, 37 U.

Fla. L. Rev. 225, 291-92 (1985). See generally Arthur D. Hellman, *Maintaining Consistency in the Law of the Large Circuit*, in *Restructuring Justice*, *supra* note 22, at 55, 73-78.

32. See *supra* Chapter Four.

33. But see *Hearing on S. 948 Before the Subcomm. on Courts and Admin. Practice of the Senate Comm. on the Judiciary*, 101st Cong., 2d Sess. 559 (1990) (statement of Mark C. Rutznick) [hereinafter Statement of Mark C. Rutznick].

Having sat on seven of these limited *en banc* cases, my impressions are positive. The critical question is whether each judge of the court of appeals will conclude that he or she need not vote on every *en banc* case. From my own observations, I sense a different climate when the selected judges represent the court. *En bancs* under the traditional system often centered around attempts by the author of the panel opinion to justify his or her position, in the face of repeated attacks by the panel dissenter. Now, only by chance is a member of the panel on the *en banc* court, and, so far, I have not witnessed any great defensiveness.³⁴

From the point of view of lawyers and litigants, one might suppose a 6-5 decision by a limited *en banc* court to be as trustworthy a precedential datum as some 5-4 or more fractured decision by the Supreme Court.³⁵ Finally, it is significant that the Report of the Federal Courts Study Committee recommended that the limited *en banc* mechanism actually be extended to other courts "to allow more efficient use of court of appeals resources ... [since] [t]he growth in the number of circuit judges is likely to continue, increasing the potential for *in banc* courts of unwieldy size."³⁶

The Ninth Circuit judges also have worked to increase their judicial output and have adopted a number of intramural reforms, including a submission-without-oral argument track for more straightforward appeals and a prebriefing conference program designed to narrow issues, shorten briefs, and encourage settlements. The support role of staff has been made more efficient.³⁷ The Ninth Circuit likewise has been a leader in judicial utilization of advances in technology in such areas as electronic mail and computerized case management.³⁸

34. Judge J. Clifford Wallace. Address at the Univ. of Cal. Law School at Berkeley (Dec. 2, 1982). in Lateef, *supra* note 24 at 9.

35. *Hearing on S. 948 Before the Subcomm. on Courts and Admin. Practice of the Senate Comm. on the Judiciary*, 101st Cong., 2d Sess. 692 (1990) (statement of Eric Redman) (hereinafter Statement of Eric Redman).

36. Report of the Federal Courts Study Committee 115 (Apr. 2, 1990) (hereinafter Study Committee Report).

37. *But see* Position Paper of Senator Slade Gorton, *supra* note 30, at 8 (critical of "bureaucratic procedures").

38. *See generally* Cathy Catterson, *The Changing Ninth Circuit*, 21 *Ariz. St. L.J.* 173 (1989); Stephen L. Wasby, *Technology and Communication in a Federal Court: The Ninth Circuit*, 28 *Santa Clara L. Rev.* 1 (1988).

In their 1989 Biennial Report to Congress under the 1978 statute, the judges of the Ninth Circuit themselves concluded that their experiment may be deemed a success.³⁹ The First Report in 1982 described the planned changes. The Second Report in 1984 noted progress and acknowledged problems. The Third Report in 1986 concluded that a large court could dispose of a huge caseload effectively. The Fourth Report in 1989 carefully documented the judges' conclusion that there is no reason to divide their court. Indeed, the judges expressed confidence that "the innovations of the past decade provide a solid foundation for the *continued growth* of the Ninth Circuit."⁴⁰ This Ninth Circuit judicial attitude stands in sharp contrast to the story of frustration described by the judges in the former Fifth Circuit, who took the opposite approach: to continue the traditional full en banc rehearing and to take a comparatively timid approach to administrative reorganization. As we saw in Chapter Four, that approach failed in the considered opinion of the Fifth Circuit judges themselves. Of course, whether the experiment in the Ninth Circuit is a success and, for that matter, whether the experiment is over, are questions ultimately left to Congress.

E. THE CONGRESSIONAL DEBATE ON S. 948

Introduced by Senators from the Pacific Northwest in 1989, S. 948 would have divided the Ninth Circuit into two new circuits: a new ninth circuit composed of Arizona, California, and Nevada, and a new twelfth circuit composed of Alaska, Hawaii, Idaho, Montana, Oregon, Washington, Guam, and the Northern Mariana Islands.⁴¹

39. Fourth Biennial Report to Congress, *supra* note 22, at 71.

40. *Id.* (emphasis added). The studied silence of the most recent annual report may be a significant indicator of judicial attitudes or it may be judges whistling past their Court's graveyard: the subject of division is not mentioned and one of the highlights is long-range planning for the Ninth Circuit. See 1992 Annual Report of the Ninth Circuit. These studies and reports are often highly persuasive with members of Congress. See *Hearing on S. 948 Before the Subcomm. on Courts and Admin. Practice of the Senate Judiciary Comm.*,

101st Cong., 2d Sess. 289 (1990) (statement of Sen. Dennis DeConcini) (hereinafter Statement of Senator DeConcini).

41. S. 948, 101st Cong., 1st Sess. (1989).

This is one significant difference between the 1989 measure and the later proposal in the 102d Congress. S. 1686 would have redrawn the circuit boundary along the same lines as the 1989 House of Representatives bill, H.R. 4900. See *supra* notes 1, 3. The later proposal would have created a new ninth circuit composed of Arizona, California, Hawaii, Nevada, Guam, and the

The debate over S. 948, in fact, amounted to a debate over whether the Ninth Circuit experiment with administering a large circuit has been successful and whether it should be allowed to continue.¹² Although campaigns to divide have been somewhat cyclical over the years, this was the most credible effort in the modern era, as eight Senators joined as co-sponsors.¹³ In a significant new development, the Department of Justice endorsed the measure, after having taken an official "no position" during earlier consideration.¹⁴ On March 6, 1990, a full-scale hearing was held before the Subcommittee on Courts and Administrative Practice of the Senate Judiciary Committee and, as disclosed in the footnoted sources to this Chapter, a full schedule of witnesses gave lengthy and detailed testimony, some in favor and some opposed to the measure. Five Senators from affected states went on record as being opposed to division.¹⁵ Senator DeConcini, the only member of the Judiciary Committee to testify, opposed the bill. Other members of the Committee were never required to declare their position, however, because the measure was left to expire with the end of that Congress.

While the early reaction by then-Chief Judge Goodwin of the Ninth Circuit seems correct, that the proposal was "blatantly

Northern Mariana Islands, and a new twelfth circuit composed of Alaska, Idaho, Montana, Oregon, and Washington. S. 1686, 102d Cong., 1st Sess. (1991).

42. Compare Mark O. Hatfield, *Time for a New Federal Circuit in the West: Why the Ninth Circuit Should Be Divided*, Or. St. B. Bull., Jan. 1990, at 6, 7 with Alfred T. Goodwin, *Splitting the Ninth Circuit—No Answer to Caseload Growth*, Or. St. B. Bull., Jan. 1990, at 10, 11.

43. Original sponsors included Senators Burns (Mont.), Gorton (Wash.), Hatfield (Or.), Packwood (Or.), McClure (Idaho), Murkowski (Alaska), and Stevens (Alaska). See generally 135 Cong. Rec. S5027 (daily ed. May 9, 1989) (statements of Introduction). Senator Symms (Idaho) and Senator Baucus (Mont.) later were added as cosponsors. See 135 Cong. Rec. S5847 (daily ed. May 31, 1989); 135 Cong. Rec. S5198 (daily ed. May 11, 1989).

44. Letter from Bruce C. Navarro, *supra* note 29. Earlier the same year, then-Attorney General Thornburgh had

testified before the Federal Courts Study Committee on the general problem:

What the Committee has not done, nor could it have reasonably been expected to do in the short time allotted, is to evaluate measures to return logic to the chaos and historical accident of circuit boundaries. It makes little sense to have one circuit with six judges (the First Circuit) and another with 28 judges (the Ninth Circuit). We must ultimately come to grips with the historical anomalies of the regional circuits and develop ways to maintain consistency and predictability.

Statement of Attorney General Richard Thornburgh before the Federal Courts Study Committee 7 (Jan. 31, 1990).

45. See generally *Hearing on S. 948 Before the Subcomm. on Courts and Admin. Practice of the Senate Comm. on the Judiciary*, 101st Cong., 2d Sess. (1990) (statements of Senators Alan Cranston, Dennis DeConcini, Daniel K. Inouye and Pete Wilson).

political,"⁴⁶ "most all issues having to do with federal courts are political. Ultimately, federal jurisdiction is about politics. Furthermore, in public debates with Congress over the administration of the courts, "federal judges in the United States are by nature and necessity politicians."⁴⁷ Published news accounts suggest that this bill was part of "a long running political fight between the Northwest's pro-growth developers and the environmentalists."⁴⁸ The point is that proponents of division are serious and committed and the proposal to divide the Ninth Circuit deserves careful analysis.

One would suppose that those who would redraw circuit boundaries would bear the burden of persuasion, a burden which ultimately went unsatisfied in the consideration of S. 948. In their formal responses summarized here, the Ninth Circuit's judicial defenders who opposed the division seemed to have persuasively

46. Dan Trigoboff, *Northwest Favors Splitting "California" Circuit*, *Legal Times*, June 12, 1989, at 2, col. 1 (quoting former Chief Judge Alfred Goodwin). In a later interview, former Chief Judge Goodwin said he no longer felt it appropriate to comment on the motivation of the measure's sponsors. *N.Y. Times*, Mar. 9, 1990, at B6.

47. Deborah J. Barrow & Thomas G. Walker, *A Court Divided—The Fifth Circuit Court of Appeals and the Politics of Judicial Reform* at ix (1988).

48. Trigoboff, *supra* note 46, at 2, col. 1. The alleged political motive was to overcome the so-called California-judge dominance of the Ninth Circuit, which lately has delivered too many "decisions—frequently reversals of district judges in Washington and Oregon—favoring such plaintiffs as Save the Yaak (a river in Montana) and Friends of the Earth. Often the defendants are governmental agencies cooperating with private concerns attempting to develop or draw resources from public lands." *Id.* at 2, 15; see, e.g., *Portland Audubon Soc'y v. Hodel*, 866 F.2d 302, 303 (9th Cir.1989). The popular press also figured that the Ninth Circuit's decisions to stay state executions of various murderers from Washington and Montana

have contributed to a regional hostility among elected officials toward the Court of Appeals. Kim Murphy, *Critics Say 9th Circuit Is Too Big for the Job. Seek to Secede*, *L.A. Times*, June 27, 1989, at 3; compare, e.g. *Campbell v. Kincheloe*, 829 F.2d 1453, 1457 (9th Cir.1987), cert. denied 488 U.S. 948, 109 S.Ct. 380, 102 L.Ed.2d 369 (1988), rehearing denied 488 U.S. 1023, 109 S.Ct. 827, 102 L.Ed.2d 815 (1989) (affirming the denial of relief, but after a stay pending appeal) with *Vasquez v. Harris*, ___ U.S. ___ 112 S.Ct. 1713, 1714, 118 L.Ed.2d 418 (1992) (ordering "no further stays of a [state] execution shall be entered by the federal courts except upon order of this Court."). See generally *Hearing on S. 948 Before the Subcomm. on Courts and Admin. Practice of the Senate Comm. on the Judiciary*, 101st Cong., 2d Sess. 627 (1990) (statement of Kenneth O. Eikenberry) [hereinafter *Statement of Kenneth O. Eikenberry*]. The debate has become personal on both sides. Senator Gorton responded: "As expected, this bill has been taken personally by the Ninth Circuit hierarchy—God Bless their souls—who has [sic] set out to defeat this bill and protect their power base." *Position Paper of Senator Slade Gorton*, *supra* note 30, at 5.

rebutted the allegations of the Senate sponsors.⁴⁹ At least this much can be said: Congress could not agree to divide the Ninth Circuit. In the context of the present study, it is important first to understand the pros and cons in the debate over the fate of the Ninth Circuit and, second, to appreciate the implications of these arguments for the future of all the Courts of Appeals.

1. SIZE

Senator Gorton, who led the effort to divide the Ninth Circuit, deems the size of the circuit to be a problem in and of itself, just as the size of the former Fifth Circuit once was considered an inherent problem.⁵⁰ He concludes:

In a nutshell: the Ninth Circuit is simply too large. This huge circuit requires too much travel, and has too many judges handing down too many opinions that breed inconsistency and lack of uniformity, and require of judges and lawyers too much reading, in too little time, encouraging frivolous lawsuits and overburdening the court calendar, which costs the public too much money and delivers too slowly, too little justice.⁵¹

The Ninth Circuit covers nine states and two territories totalling approximately 14 million square miles. Distances and travel expenses for lawyers are greater as a result.⁵² Travel expenses for the Ninth Circuit are the highest in the federal courts. But any circuit with Alaska will be the largest geographically and besides Alaska amounts to Anchorage for judicial purposes. A typical panel sitting away from chambers usually involves only two hours travel time

49. See generally Position Paper Prepared by the Circuit Executive, U.S. Courts for the Ninth Circuit (1989), reprinted in *Hearing on S. 948 Before the Subcomm. on Courts and Admin. Practice of the Senate Comm. on the Judiciary*, 101st Cong., 2d Sess. 340 (1990) [hereinafter Position Paper of the Circuit Executive]. The 1989 Ninth Circuit Judicial Conference recommended that Congress reject any proposal to divide the court, and an overwhelming number of the circuit's active judges opposed division. *Hearing Scheduled on Ninth Circuit Split*, Third Branch, Feb. 1990, at 3.

50. 135 Cong. Rec. S5026 (daily ed. May 9, 1989) (statement of Sen. Gorton); see also Statement of Senator Conrad Burns, *supra* note 28; Testimony of Senator Mark O. Hatfield, *supra* note 25.

51. Position Paper of Senator Slade Gorton, *supra* note 30, at 1; see also Letter from Bruce C. Navarro, *supra* note 29, at 3-5.

52. Lawyers and litigants from the large cities in the Pacific Northwest often are obliged to travel 600 to 1000 miles, at about that dollar cost, to San Francisco sittings. Statement of Mark C. Rutzick, *supra* note 33, at 8.

each way for a 20–30 hour stint on the bench.⁵³ Air travel time and expense are the only relevance of geography today.

The Ninth Circuit serves a population of almost 44 million people, fifteen million more than the next largest Sixth Circuit and about twenty million more than any of the other Courts of Appeals.⁵⁴ This is roughly one-sixth of the entire nation's population, the approximate proportion in the old Eighth Circuit when Congress divided it in 1929.⁵⁵ But nearly any conceivable circuit with the whole of California will be among the largest in population.

With twenty-eight judgeships, at the time of the congressional hearings, the Ninth Circuit had twelve more than the next largest Fifth Circuit and sixteen more than the average of all the other circuits. In 1990, the Ninth Circuit courts were staffed by 28 circuit judges, 11 senior circuit judges, 87 district judges, 40 senior district judges, 50 magistrates, and 62 active plus 8 recalled bankruptcy judges. By the estimate of Senator Gorton, as many as 10 additional circuit judgeships were already justified by the standard caseload formula, which would have meant a total of 38 appellate judges.⁵⁶ In the abstract, size might be viewed as an asset. The bench is enriched by diversity and there is a flexibility in the court of appeals and in the district court to shift judges around to meet episodic needs. The recent experience arguably has been to the benefit of the Pacific Northwest and particularly Washington. During 1988 alone, 42 assignments of judges were made from districts in the proposed new ninth circuit to districts in the proposed twelfth circuit.⁵⁷ The point is well-taken, however, that maintaining the Ninth Circuit to permit such transfers is not to be preferred over the forthright solution of appointing the number of judges that are needed in the over-burdened districts.⁵⁸

53. *Hearing on S. 948 Before the Subcomm. on Courts and Admin. Practice of the Senate Comm. on the Judiciary*, 101st Cong., 2d Sess. 315 (1990) (statement of former Chief Judge Alfred T. Goodwin) [hereinafter Statement of former Chief Judge Alfred T. Goodwin].

54. Population estimates indicated an increase of 17% over the 1980 census. Letter from Bruce C. Navarro. *supra* note 29, at 4.

55. Statement of Mark C. Rutzick. *supra* note 33, at 558.

56. Position Paper of Senator Slade Gorton. *supra* note 30, at 2. See *supra* text accompanying note 1.

57. *Hearing on S. 948 Before the Subcomm. on Courts and Admin. Practice of the Senate Comm. on the Judiciary*, 101st Cong., 2d Sess. 503 (1990) (statement of Irwin H. Schwartz).

58. Letter from Edward F. Shea, Washington State Bar Ass'n., to Senator Strom Thurmond. Senate Judiciary Subcomm. on Courts and Admin. Practice 2 (April 25, 1990), reprinted in *Hearing on S. 948 Before the Subcomm. on Courts*

The Ninth Circuit's caseload of more than 6,000 appeals annually is 2,000 larger than the next largest Court of Appeals and accounts for nearly one-sixth of the total appeals in all the twelve regional Courts of Appeals.⁵⁹ Projections promise an even more Brobdignagian docket as the current rate of growth would double the 1980 docket well before the year 2000. In the year ending March 31, 1989, the Ninth Circuit terminated 6,659 appeals, 15% more than the previous year.⁶⁰ Despite three unfilled vacancies, the court's calendar was by one measure "current" during the time Congress was debating the division bill: once an appeal was fully briefed by counsel, it was scheduled for the next argument calendar.⁶¹ Such statistics should not be the final word, however, for they are too often difficult to assess meaningfully. Increases in the quantity and the complexity of appeals have come to be a "given" in the federal system. We know, intuitively, however, that division would ameliorate somewhat the burden on district judges and attorneys to keep up with the law of the circuit, for the simple reason that there would be fewer slip opinions to read in each new Court of Appeals.⁶²

One Senate sponsor noted that 14.5 months was the median time the Ninth Circuit took to process an appeal, at that time the longest in the nation.⁶³ Of that period, however, the Circuit

and Admin. Practice of the Senate Comm. on the Judiciary, 101st Cong., 2d Sess. 546 (1990).

The number of bankruptcy judges has allowed the Ninth Circuit to be an important leader in bankruptcy appellate panels. *Hearing on S. 948 Before the Subcomm. on Courts and Admin. Practice of the Senate Comm. on the Judiciary*, 101st Cong., 2d Sess. 457-62 (1990) (statement of Thomas E. Carlson, U.S. Bankruptcy Judge). See generally Judy B. Sloan & Gordon Bermant, *Bankruptcy Appellate Panels: The Ninth Circuit's Experience*, 21 *Ariz. St. L.J.* 181 (1989). The Federal Courts Study Committee held up this example to Congress and the other circuits. Study Committee Report, *supra* note 36, at 74-76.

59. Letter from Bruce C. Navarro, *supra* note 29, at 4.

60. Position Paper of the Circuit Executive, *supra* note 49, at 2. The latest available data seem to substantiate the

inexorable quality of the Ninth Circuit's docket growth. In 1990, there were 6,725 filings (+ 5.6%), 5,544 terminations (-0.6%), and 8,402 appeals pending (+16.4%). 1990 Annual Report of the Ninth Circuit 61 (hereinafter 1990 Annual Report).

61. Position Paper of the Circuit Executive, *supra* note 49, at 3.

62. Position Paper of Senator Slade Gorton, *supra* note 30, at 3; Letter from Edward F. Shea, *supra* note 58, at 2; *Hearing on S. 948 Before the Subcomm. on Courts and Admin. Practice of the Senate Comm. on the Judiciary*, 101st Cong., 2d Sess. 708 (1990) (statement of Judge Eugene A. Wright).

63. 135 Cong. Rec. S5027 (daily ed. May 9, 1989) (statement of Sen. Burns); see also Position Paper of Senator Slade Gorton, *supra* note 30, at 3 (15.3 months as of June 30, 1989). "The median disposition time from notice of appeal to final disposition decreased from 15.9

Executive submits that only a fraction is spent in judges' chambers; from submission to disposition: 2.5 months for orally argued cases and 0.9 months for submitted cases. These figures are less than the national average.⁶⁴ The remainder of the 14.5 months is spent by court reporters and attorneys in record preparation and briefing. Still this is a troubling statistic: mathematically half the appeals take longer than two years. Some opponents of division maintain that practicing attorneys do not complain of undue delay.⁶⁵ And the point is repeated that simply dividing the circuit will absolutely not reduce the workload in any way.⁶⁶ Still appellate justice delayed is justice denied. Even the judges themselves have expressed a concern that the Ninth Circuit has been able to "improve[] its performance in every area except the interval between filing of last briefs to case hearing or submission."⁶⁷ Manipulating

months in 1989 to 15.6 months in 1990." 1990 Annual Report, *supra* note 60, at 63. In the years since, the disposition time has substantially remained the same. In the most recent Annual Report, the Court announced: "The Ninth Circuit has improved its performance in every area except the interval between filing of last briefs to hearing or submission." 1992 Annual Report of the Ninth Circuit at 71.

64. Position Paper of the Circuit Executive, *supra* note 49, at 9-10. An outside evaluator has concluded:

It is true that in recent years the Ninth Circuit has ranked low among the twelve regional circuits in the number of appeals terminated on the merits per three judge panel. The court has also had one of the poorest records for speed of case processing, if one measures the median time from filing notice of appeal to disposition. However, the court comes off quite favorably in the size of its backlog as measured by the number of appeals pending per panel. Similarly, if one looks at the median time for processing cases after the judges have begun work, the Ninth Circuit looks quite good. Perhaps the judges on other courts of appeals handle more cases individually because those courts do not have as many judgeships as their caseloads would warrant.

Even if one were to focus solely on the Ninth Circuit's modest showing in the statistical data on case participations per judge it would be impossible to identify a cause and effect relationship because so many other factors may also be at work (for example, the Ninth Circuit's practice of writing self-contained memoranda in cases not decided by published opinion).

Arthur D. Hellman, *Jumboism and Jurisprudence: The Theory and Practice of Precedent in the Large Appellate Court*, 56 U. Chi. L. Rev. 541, 600 n.255 (1989) (WESTLAW: UCHILR database, ci(56 +5 541)).

65. See Statement of Senator Deconcini, *supra* note 40, at 288. The former Chief Judge seems to explain away the delay by attributing it to "slow panels," not the size of the court. Statement of former Chief Judge Alfred T. Goodwin, *supra* note 53, at 6.

66. *Hearing on S. 948 Before the Subcomm. on Courts and Admin. Practice of the Senate Comm. on the Judiciary*, 101st Cong., 2d Sess. 442 (1990) (statement of James W. O'Brien, State Bar of California).

67. 1990 Annual Report, *supra* note 60, at 63 n.67. Another outside evaluator echoed these concerns:

The Ninth Circuit is not, however, without its problems.... We begin with the median time from filing a

appellate interval statistics is not a sufficient response on the court's part. At the same time, that the Ninth Circuit is relatively slow overall when compared to other circuits or that some of its judges may not be productive as other judges in other circuits, for whatever reasons, are not sufficient justifications to divide the circuit. Without more detailed study, the only confident prediction would be that the effect of division presumably would be to create two slow benches out of one, if all else were to remain the same.

Finally, the Ninth Circuit may be sized by cost.⁶⁸ Circuit expenses for 1988 totalled \$25.3 million, that was about one-fifth of the total for all the courts of appeals. Division would add to this total. An initial expenditure confidently estimated at \$1.4 million would be required to establish the new twelfth circuit. While there was some testimonial speculation—against logic and the whole experience of the federal government—that the two new circuits somehow would be more cost efficient than the existing circuit and would result in a net savings, the realistic fiscal expectation is that two circuits will be more costly to administer than one.⁶⁹

The discussion of the size of the Ninth Circuit—its dimensions of geography, population, judgeships, docket and cost—suffers from a lack of context more often than not. Two comparisons illustrate the need for context. Consider that the Ninth Circuit is today larger than the entire federal appellate judiciary of 1939, with nearly twice the total national caseload of 1939. Consider also that there are approximately the same number of federal judges, trial and appellate, in the entire Ninth Circuit as there are state judges, trial and appellate, in the single state of Arizona. Workload and efficiency, not size, are the problems of the Ninth Circuit. Even if

notice of appeal to final disposition in cases adjudicated on the merits. Since 1984 the figure has increased every year, and in 1988, the last year for which published statistics are available, the figure was 14.5 months, ranking the Ninth eleventh among the twelve regional circuits. Less than a month separated the Ninth from the cellar, and the median for the Ninth was more than twice as long as that for each of the two fastest circuits. To lawyers and litigants fourteen and one-half months elapsed time may seem long enough, but it bears emphasis that this is only a median figure: half the cases took longer.

A. Leo Levin, *Lessons for Smaller Circuits, Caution for Larger Ones*, in *Restructuring Justice*, *supra* note 22, at 331, 334. See also Steven Flanders, *Celebrating Size*, 75 *Judicature* 276, 277 (1992) (WESTLAW: JUDICATURE database, ci(75 +5 276)).

68. Position Paper of Senator Slade Gorton, *supra* note 30, at 4, 9.

69. Testimony of Retired Chief Justice Warren E. Burger, *supra* note 27, at 469. But see *Hearing on S. 948 Before the Subcomm. on Courts and Admin. Practice of the Senate Comm. on the Judiciary*, 101st Cong., 2d Sess. 442 (1990) (statement of Chief Judge Bar-

one were disposed in favor of circuit-splitting, it seems inescapable that any bill that keeps Arizona and California together, as S. 948 would have done, cannot promise anything but a few speculative and marginal gains.⁷⁰

2. CONSISTENCY

Senator Gorton and Senator Hatfield expressed a serious concern for decreased consistency and the latter gave as one main reason for division "the increased likelihood of intracircuit conflicts."⁷¹ Statistically, opportunities for conflicting holdings are numerous: on a 28 judge court there are 3,276 combinations of panels that may decide an issue, without counting senior judges, district judges and judges sitting by designation. In 1989, there were 9310 individual judge participations in panels.⁷²

Defenders from the Ninth Circuit respond:

Preservation of a single circuit with a single Court of Appeals has resulted in the maintenance of a consistent and predictable body of federal law throughout the western states and the Pacific maritime area, facilitating trade and commerce and contributing to stability and orderly progress. If the admiralty and commercial law of the Pacific ports were to be divided between two separate and independent Courts of Appeals, conflicts would inevitably develop and predictability of the law would be diminished in this vitally important region.⁷³

Consistent with the newspaper explanation of the politics of this recent proposal, the sponsors impliedly would hope for conflicts between the two proposed circuits. Only then would the federal law in the Pacific Northwest differ substantially from the federal law in Arizona, California and Nevada.⁷⁴ They were after a change in federal law, not consistency. Senator Hatfield made much to do

bara J. Rothstein) ("[T]he cost ... is certain to be exorbitant.").

70. S. 1686 likewise would have kept these two states together. See S. 1686, 102d Cong., 1st Sess. (1991). See *supra* note 1.

71. 135 Cong. Rec. S5026 (daily ed. May 9, 1990) (statement of Senator Gorton); *Id.* at S5027 (statement of Sen. Hatfield); see also Statement of Senator Conrad Burdick, *supra* note 28, at 275; Response to Tentative Recommendations, *supra* note 28, at 6-9.

72. Position Paper of Senator Slade Gorton, *supra* note 30, at 5.

73. Position Paper of the Circuit Executive, *supra* note 49, at 5-6; see also Statement of Chief Judge Alfred T. Goodwin, *supra* note 53, at 314-16. The Golden Gate U. L. Rev. publishes an annual survey of Ninth Circuit case law.

74. See 135 Cong. Rec. S5026-28 (daily ed. May 9, 1990); see also Position Paper of Senator Slade Gorton, *supra* note 30, at 5-6.

about a survey of judges and attorneys conducted by the Ninth Circuit in which a majority of judges and lawyers disagreed with the statement that "[t]here is consistency between panel, considering the same issue."⁷⁵ Whatever else might be said about the polling validity of this phrasing, a contrary impression is suggested by the responses to other questions in the very same survey. A majority of both judges and lawyers agreed with statements that the "Ninth Circuit decisions generally adhere to law announced in earlier opinions" and that the "quality of published opinions is good."⁷⁶ As one practicing lawyer testified at the Subcommittee hearing: "splitting the Ninth Circuit is not something that the lawyers who practice before the Ninth Circuit have requested."⁷⁷

Arguably, the Ninth Circuit has done more than other circuits to deal intramurally with intracircuit conflicts. All fully briefed cases are reviewed by central staff attorneys who code the issues on appeal into a computer.⁷⁸ Cases that raise the same issue and become ready for calendaring around the same time are assigned to the same three-judge panel. This computer program also informs later panels when an earlier panel has heard but not yet decided the same issue; the first panel that gets the issue then decides it authoritatively.⁷⁹ Even judges who are not on the hearing panel participate to write memoranda that not infrequently result in modification and clarification of a draft panel opinion. The limited en banc procedure already described decides conflicts that arise despite these procedures. Arguably, one indication of the effectiveness of this array of procedures is the relatively small number of en

75. 135 Cong. Rec. S5027 (daily ed. May 9, 1989) (statement of Sen. Hatfield). See generally Ninth Circuit Judicial Council, Survey of District Judges and Attorneys Regarding the U.S. Court of Appeals for the Ninth Circuit 19 (July 1987).

76. Position Paper of the Circuit Executive, *supra* note 49, at 8.

77. Statement of Eric Redman, *supra* note 35, at 691. At a Judicial Conference of the Courts of the Ninth Circuit, in a secret ballot among all judges and lawyer representatives attending, 90% voted to oppose S. 948. Lawyers voted 69 to 10 to oppose the measure. S. 948 was opposed by Bar Associations in Arizona, California, Hawaii, Idaho, Montana, Nevada, and the Northern

Mariana Islands. S. 948 was endorsed by the Washington Bar Association and the Conference of Western Attorneys General.

78. Arthur D. Hellman, *Central Staff in Appellate Courts: The Experience of the Ninth Circuit*, 68 Cal. L. Rev. 937, 945 (1980). A more recent innovation with the Staff Attorneys Office illustrates the effort to monitor and manage the law of the circuit. The Office reviews all appeals in the volatile area of sentencing guidelines and notifies the panel of any relevant published or unpublished opinions. Eventually, the system will be computerized.

79. United States Court of Appeals for the Ninth Circuit General Orders 4.1 (1987).

banc rehearings that are granted each year. The most comprehensive empirical study of precedent in the Ninth Circuit concluded: "On the problem of inconsistency in the law, . . . the Ninth Circuit has generally succeeded in avoiding conflicts between panel decisions."⁸⁰

This is one of those rare situations when the assertions made by both sides of a public policy debate have been subjected to the careful and objective study of an independent scholar. Professor Arthur D. Hellman has conducted the only systematic study of the operation of precedent in the Ninth Circuit. Hellman analyzed one-fifth of the Ninth Circuit's published panel opinions in each of two calendar years (1983 and 1986) and then tracked those same issues through later decisions. He also analyzed all published panel decisions in which there was a dissent filed during the year 1986.

Professor Hellman contemplated the concept of indeterminacy in the law of a circuit in general and attempted to take the measure of unpredictability in the law of the Ninth Circuit in particular. The Professor summarized his conclusions, based on a multiple-year study of thousands of opinions of the Ninth Circuit, as follows:

1. The Ninth Circuit has generally succeeded in avoiding conflicts between panel decisions. Although there can be disagreement over what constitutes an intracircuit conflict, the points of dispute would be irrelevant in the vast majority of

80. Arthur D. Hellman, *Breaking the Banc: the Common-Law Process in the Large Appellate Court*, 23 *Ariz. St. L.J.* 915, 921 (1991) (WESTLAW: AZSLJ database, ci(23 +5 915)). His summary went on to explain:

The most significant new finding is that multiple-precedent issues can be of several different kinds, with different implications for structural reform depending on the circumstances that give rise to them. Also noteworthy is evidence suggesting that what makes appellate outcomes unpredictable, even in a large court, is not an array of decisions pointing in different directions, but, more often than not, the absence of a precedent that is closely on point.

Id. An earlier study, by the same author, concluded: "On the basis of an admit-

tedly limited sample, it does not appear that intracircuit inconsistency is as much of a problem as many lawyers think." Hellman, *supra* note 64, at 544. See also *Restructuring Justice*, *supra* note 22, at 27, 85 (concluding actual intra-circuit conflicts are relatively rare, but that appeal outcomes do seem to vary on often-litigated legal issues that are governed by fact-specific rules). If there is a perception of inconsistency it may be best explained by the disarray in a few prominent areas of law, which are not characteristic of the general law of the Ninth Circuit. Hellman, *supra* note 64, at 595; see also *Hearing on S. 948 Before Subcomm. on Courts and Admin. Practice of the Senate Comm. on the Judiciary*, 101st Cong., 2d Sess. 661-62 (1990) (statement of Arthur D. Hellman).

cases. The study found very few instances in which two panels reached contrary results that could not easily be reconciled on the basis of obvious differences in the factual or legal setting. Moreover, when decisions were not unanimous, dissenters rarely argued that circuit precedent compelled a result contrary to the majority's.

2. Contrary to what some observers have hypothesized, unpredictability of appellate outcomes is not primarily a consequence of the proliferation of precedents. The study found that what makes for an unpredictable outcome generally is not an oversupply of circuit decisions, but the absence of a circuit precedent that is closely on point.

3. From the perspective of lawyers and trial judges, the most serious problem associated with the large appellate court is the existence of multiple precedents governing the same issue. A "multiple-precedent issue" is created when the number of precedents is large; the results are varied; the decisions are handed down in a relatively short span of time; and the opinions discuss the operative facts in some detail. The study estimated that about one-sixth of the Ninth Circuit's published decisions may involve a multiple-precedent issue.

Typically, multiple-precedent issues involve fact-specific legal rules (e.g., defining the moment when a defendant has been arrested), but some arise when the law is in the process of evolution because the courts are still struggling to articulate the governing standard (e.g., the union's duty of fair representation). The question remains whether these circumstances make the law unpredictable for lawyers and trial judges irrespective of the number of binding relevant precedents.⁸¹

The chief gain to be expected from a division, in terms of consistency, therefore, might be that judges, lawyers, and litigants could cope better with a smaller, more manageable, and more predictable universe of case law. Perhaps the most troubling aspect of the debate over consistency is the cynical charge of "discretionary justice." The charge is that there is so much case law in the Ninth Circuit that it has become increasingly easy for

81. Arthur D. Hellman, *Maintaining Coherence in the Law of the Large Circuit: The Empirical Record*, 1993 National Workshop for Circuit Judges of the U.S. Courts of Appeals in Washington, DC (Feb. 7-10, 1993). This sum-

mary was based on previously published works cited above. *Id.* (citing *Restructuring Justice*, *supra* note 22, at 55-90; Hellman, *supra* note 64; Hellman, *supra* note 80).

panels to act like legal realist tribunals, picking out the precedents that lead to the desired result. In this kind of judicial environment, philosophy becomes controlling and such subjectivity generates uncertainty which in turn attracts more appeals. The best answer to this argument may be found in the first part of the statement of an Oregon district judge who raised it at the Subcommittee hearing: "To an extent this is true throughout the country, but it is even more pronounced in the Ninth Circuit."⁸² Dividing the Ninth Circuit simply will not solve this problem, to the extent it exists in that Court of Appeals.

3. CALIFORNIA ATTITUDES

Senator Gorton complained that the Northwest states "are simply dominated by California judges and California attitudes."⁸³ He expressed concerns for geographical representation and for a regional familiarity he says California judges do not have toward his own Pacific Northwest. He hoped for appellate judges who better understand the unique issues of the Northwest.⁸⁴ Senator Burns said that "it is [not] fair or in the best interest of the judicial process" for citizens of states such as Montana to suffer because California, like the population centers on both coasts, "continues to experience an economic and population boom."⁸⁵ He compared the arrangement of six circuits on the east coast with only the one circuit on the west coast to call for "judicial fairness," invoking a kind of sovereign representation theory.⁸⁶ Senator Hatfield, another co-sponsor, seemed to distance himself from the California xenophobia somewhat by arguing positively for the desirability of a northwest circuit comprised of a small set of contiguous States with common interests, presumably, interests which those States do not share with California.⁸⁷

82. *Hearing on S. 948 Before the Subcomm. on Courts and Admin. Practice of the Senate Comm. on the Judiciary*, 101st Cong., 2d Sess. 448 (1990) (statement of Chief Judge Owen M. Panner) [hereinafter *Statement of Chief Judge Owen M. Panner*]; see, e.g., *Greenhow v. Secretary of Health & Human Servs.*, 863 F.2d 633, 635-36 (9th Cir.1988). See also *Hellman*, *supra* note 80, at 986-87.

83. 135 Cong. Rec. S5026 (daily ed. May 9, 1989) (statement of Sen. Gorton).

84. Position Paper of Senator Slade Gorton, *supra* note 30, at 6-7.

85. 135 Cong. Rec. S5028 (daily ed. May 9, 1989) (statement of Sen. Burns).

86. Statement of Senator Conrad Burns, *supra* note 28, at 3-4.

87. Testimony of Senator Mark O. Hatfield, *supra* note 25, at 253. Senator Hatfield explained:

Opponents of the Bill respond to such an argument by branding it as an illegitimate attempt to "gerrymander" the make-up of the Court, or imper-

While "California attitudes" may be a quite deserved epithet in the general life of the nation, the sponsors' underlying premise that California judges are idiosyncratic and monolithic, a distinct subset among Ninth Circuit judges, simply is beyond the threshold of absurdity. One need not be a Turnerian historian to observe first, how the coastal zeitgeist seems to move from each coast inward and second, how the western influence on the life of the nation and the nation's law appears to be in the ascendancy. The sentiment hostile to California judges appears to be more pronounced regarding environmental law, and it seems to be an unfounded stereotype.⁸⁸ Anyone who studied the individual judicial philosophies on the Ninth Circuit or understood the way hearing panels are constituted would not be persuaded.⁸⁹ Panels are drawn by computer from a pool that includes all the judges on the Ninth Circuit. The program is designed so that each judge sits with every other judge

missibly balkanize federal law. The former is not the motivation, and the latter will not be the result. Circuit court boundaries were originally created to reflect this regional identity. Circuit size was determined, in part, by identification of a small set of contiguous states that shared a common background. The goal is not to avoid differences of opinion on various legal issues, nor to splinter the uniform development of federal caselaw. Rather, it is to foster reasoned decisions (which take into account the social, economic and historical circumstances from which legal issues arise) by judges who share similar backgrounds and experiences.

Id.

88. See Editorial, *Don't Split the Ninth Circuit*, S.F. Chron., Mar. 12, 1990, at A16. The Sierra Club Legal Defense Fund, admittedly an institution without claim of objectivity, surveyed the published opinions of the Ninth Circuit since 1987 on environmental issues and found them to be "about evenly split between affirming and reversing judgments." *Hearing on S. 948 Before the Subcomm. on Courts and Admin. Practice of the Senate Comm. on the Judiciary*, 101st Cong., 2d Sess. 514 (1990) (statement of Michael Traynor, Chair, Sierra Club Legal Defense Fund).

The study "revealed] neither domination of a particular region by judges appointed from states outside the [northwest] region nor an overall tendency in the existing Ninth Circuit to side with environmental interests." *Id.* It seems noteworthy, however, that environmental groups are so visible in the opposition to the proposal to divide the Ninth Circuit. Something must be a stake for them. Republican Senator Wilson, then a candidate for Governor in California, where environmental issues are important, raised an environmental hue and cry. See W. John Moore, *Debating an Appeals Court Boundaries*, Nat'l J., Mar. 10, 1990, at 582.

89. See Position Paper of Circuit Executive, *supra* note 49, at 8-9; see also Hellman, *supra* note 64, at 547 n.20. The price for the arrangement of panels is not small, in time and energy of judges. One thoughtful critic has suggested this is not worth it, that "the net is a pattern of having judges sit together far too few times in the course of a cycle which requires the better part of two years to complete and yet travelling over a far-flung circuit." *Hearing on S. 948 Before the Subcomm. on Courts and Admin. Practice of the Senate Comm. on the Judiciary*, 101st Cong., 2d Sess. 684 (1990) (statement of former Sen. Roman L. Hruska).

in the pool an equal number of times, and sits at each place for holding court an equal number of times. It is quite rare that all three judges from a panel are from the same place. Except for the Chief Judge, the en banc court is randomized in each case. To correlate decisions with the geographic origins of the judges would appear impossible even for the most avid number-crunching social scientist. At least, no one has tried it thus far.

To the extent that a "regional milieu" may be relevant in a case, the district judge can be expected to have incorporated it into the litigation at the trial level.⁹⁰ At the appellate level, a judge's hometown, as distinct from judicial philosophy, cannot reasonably be expected to play a large role. Local bias is offensive to the very notion of a federal court. Balkanization of federal law is contrary to federalism. The proper function of the regional Courts of Appeals is to federalize the law.⁹¹ Simply stated, it is difficult to believe the complaint of a California judge domination.⁹² But if one did believe it, S. 948 would actually increase this concern, because the supposed dominance of California judges in the new ninth circuit would be strengthened drastically by the division.

90. Statement of Eric Redman, *supra* note 35, at 694. There is also some question whether the division of the Ninth Circuit actually would generate and maintain appellate "victories" for the Northwest. *Id.*

91. Judge Wisdom explains why circuit splitting threatens this function:

If this process were carried to its logical conclusion, the states of Texas, California and New York would each constitute a circuit. A United States Court of Appeals does not just settle disputes between litigants. It has a federalizing function as well as a purely appellate function of reviewing errors. The federal courts' role is to bring local policy in line with the Constitution and national policy. Within the framework of "cases and controversies" and subject to all the appropriate judicial disciplines, federal courts adjust the body politic to stresses and strains produced by conflicts (1) between the nation and the states and (2) between the government (national, state and local) and private citizens asserting federally-created or fed-

erally-protected rights. The federalizing role of circuit courts should not be diluted by the creation of a circuit court so narrowly based that it will be difficult for such a court to overcome the influence of local prides and prejudices.

John Minor Wisdom, *Requiem for a Great Court*, 28 *Loy. L. Rev.* 787, 788 (1980). Arguments to the contrary are simply wrong. See Statement of Mark C. Rutzick, *supra* note 33, at 565 ("The argument for extra-regional appellate judges is at bottom historically ignorant and incorrect.").

92. Letter from Chief Judge Goodwin to Senator Heflin 2 (April 2, 1990), reprinted in *Hearing on S. 948 Before the Subcomm. on Courts and Admin. Practice of the Senate Comm. on the Judiciary*, 101st Cong., 2d Sess. 435 (1990) ("If there is a California domination I am afraid that Diogenes and his lantern will have to find it."). Two of the most visible "California judges," Chief Judges Browning and Goodwin, were appointed from Montana and Oregon, respectively.

The comparison to the east coast, while instructive, should not be pushed too far. Granted, the east coast, with multiple circuits, has a commercial viability that does not seem to be weakened by the existence of multiple federal appellate venues. But this arrangement resulted from history and the accident of accumulated ad hoc redrawing of circuit boundaries, accelerated in the east by earlier population growth and economic development. It seems more prudent to recognize that history has provided the west coast with an opportunity to be a region in a sense that the east coast is not. One implication, perhaps, of this recognition is that Congress should be reluctant to unalterably sub-divide the federal judicial region on the west coast without serious and careful reflection. Finally, if the political decision is that the federal law should vary regionally, then Congress should legislate those particular variations; variations should not be created indirectly by changing the structure of the federal court system.

4. MASTERY OF STATE LAW

Upon introduction of the S. 948, Senator Packwood urged that dividing the Ninth Circuit "will allow judges and their clerks to develop an even greater mastery of the State laws which their circuit encompasses than the high level of expertise which they currently exhibit."⁹³ First, this argument seems to include its own refutation: the current "high level of expertise" does not appear inadequate. Second, the actual experience borne out by the statistics further diminishes this argument. The Ninth Circuit currently decides about 225 appeals in diversity cases each year and in three-fourths of those the district judge, who in the typical case was a long-time practitioner in that State's law, is affirmed.⁹⁴ The remaining 5,800-plus cases raise issues of federal law.

5. REDUCING THE REVERSAL RATE

Senator Packwood suggested that dividing the Ninth Circuit might reduce the reversal rate by the Supreme Court.⁹⁵ Admitted-

93. 135 Cong. Rec. S5027 (daily ed. May 9, 1989) (statement of Sen. Packwood); see also Statement of Kenneth O. Eikenberry, *supra* note 48, at 632.

94. Position Paper of Circuit Executive, *supra* note 49, at 10. *But cf.* In re McLinn, 739 F.2d 1395, 1397 (9th Cir. 1984) (en banc) (questions of state law are reviewable under same independent de novo standard as are questions of

federal law); accord *Selve Regina College v. Russell*, 499 U.S. 225, 111 S.Ct. 1217, 113 L.Ed.2d 190 (1991), *on remand* 938 F.2d 315 (1st Cir.1991); see also *supra* note 48.

95. 135 Cong. Rec. S5027 (daily ed. May 9, 1989) (statement of Sen. Packwood); see also Statement of Chief

ly, the statistics fluctuate from term to term, but as recently as October Term 1986 the Ninth Circuit ranked tenth among the twelve regional circuits in reversal rate with a 47% reversal rate compared to a national average of 62%.⁹⁶ In any event this argument seems something of a non sequitur.⁹⁷ It should be noted that dividing the Fifth Circuit did not seem appreciably to affect the number of cases claiming Supreme Court review from the region of the new Fifth and Eleventh Circuits. There is a lay person's crude perception that the Ninth Circuit was a conservative court in the 1970s, which the Carter appointments made more liberal for a time and which the Reagan-Bush appointments later made more conservative. The common newspaper-style explanation is that the reversal rate was high for a period when the Ninth Circuit was out of synchrony with the Supreme Court. What this argument may prove ultimately may be very little: any characterization of a bench as large as the Ninth Circuit must be a gross generality and will prove highly evanescent. After all, each new Administration brings its own approach to Article III patronage.

F. THE ARGUMENT FOR A MORATORIUM ON DIVIDING THE NINTH CIRCUIT

Senator Hatfield, one of the sponsors of the bill, explained: "one of the major goals of the sponsors of S. 948 has been accomplished.... For too long, the problems facing the Ninth Circuit, and the entire federal circuit system for that matter, have not received the thoughtful attention of Congress and public discussion they deserve."⁹⁸ The effort of the present study is to join the debate and to bring some more attention to it. The argument offered here, however, is that Congress should not declare cloture in the filibuster over the fate of the Ninth Circuit, at least not prematurely.

The most recent arguments for division individually and cumulatively appear in part to be craftsmanlike efforts to achieve an

Judge Owen M. Panner. *supra* note 81. at 449.

96. Position Paper of Circuit Executive. *supra* note 49. at 10.

97. See Harold J. Spaeth. *Supreme Court Disposition of Federal Circuit Court Decisions*, 68 *Judicature* 245. 249-50 (1985); Gerald F. Uelman. *The Influ-*

ence of the Solicitor General upon Supreme Court Disposition of Federal Circuit Court Decisions: A Closer Look at the Ninth Circuit Record, 69 *Judicature* 361. 366 (1986).

98. Statement of Senator Hatfield. *supra* note 25. at 250.

underlying political goal to shift the direction of law in the Pacific Northwest, notwithstanding Congressional protests to the contrary. This may be attributable, perhaps, to some unarticulated realization that the traditional means of influence by the two political branches—appointment and confirmation—have become less effective, either because of the then long-standing party division between the President and the Congress or because the Ninth Circuit bench has grown too large to pack easily or quickly. Accidents of retirement happen too infrequently for large-scale substitutions and senior circuit judges continue to hear appeals, thus further diluting the impact of new appointees. Of course, there is nothing inherently wrong with that political goal. Indeed, the desire on the part of those in the Pacific Northwest to have a circuit of their own, independent of the California presence, goes back to the 1940s and likely will continue. The judges who resist the division are practicing “politics” as well.⁹⁹ Their apparent desires for size and the status quo likewise fuel this debate. The judges opposing the division may just be more “conservative” of institutions (not necessarily ideologically); some may relish judicial administration on the grand scale; being a member of a court which is larger than the first Senate may be attractive to some judges; even sessions in Hawaii can be seen as a perquisite to be protected.¹⁰⁰ There is a certain political irony in the overall Senatorial impatience exhibited by S. 984, however. The Ninth Circuit had a nominal Republican majority when the 1989 bill was introduced, that grew larger by the end of the last Administration.¹⁰¹ Yet, the measure's chief advocates were Republican. Once before when this ineluctable constitutional influence of nomination and confirmation was overlooked during the ill-fated court-packing plan of 1937,¹⁰² Senator James Byrnes of South Carolina observed about such political impatience, “Never run for a train after you have caught it.”

99. See generally *Judges and Legislators: Toward Institutional Comity* (Robert A. Katzmann ed., 1988); see *supra* note 49.

100. Judge Kozinski was quoted, perhaps tongue-in-cheek, as saying that he did not want to give up circuit meetings in Hawaii. Trigaboff, *supra* note 46, at 15. Stranger considerations have controlled redrawing decisions. See Thomas E. Baker, *Precedent Times Three: Stare Decisis in the Divided Fifth Circuit*, 35 Sw. L.J. 687, 726 n.288

(1981) (Canal Zone alignment in the Fifth Circuit depended on scheduled airline connections).

101. See Hellman, *supra* note 64, at 547 n.19. See generally Goldman, *Reagan's Judicial Legacy: Completing the Puzzle and Summing Up*, 72 *Judicature* 318 (1989) (WESTLAW: JUDICATURE database, ci(72 +5 318)).

102. See William H. Rehnquist, *The Supreme Court: How It Was, How It Is* 215-34 (1987).

Ultimately and properly considered as a political issue, the national interest is the larger context within which Congress must decide. The defenders of the Ninth Circuit boundary assert a powerful defense against division, sounding the importance of a national presence in the Pacific Rim. Then-Chief Judge Goodwin made the argument on that level:

Commercial law affecting worldwide maritime trade, aircraft and automobile manufacturing plants, agriculture and the entertainment industry is applied uniformly throughout a vast area of land and water from which emerges about one-fifth of the federal litigation in the United States.¹⁰³

Congress necessarily ought to pause to consider that "[v]irtually all active judges of the court of appeals, and the majority of all judges and lawyers in the circuit, are against the proposed division."¹⁰⁴

Beyond the particulars of the Ninth Circuit, there is an inevitable downside to the technique of splitting circuits generally. It irreversibly lessens the "federalizing function of courts of appeals."¹⁰⁵ And everyone is bound to agree that subdividing Courts of Appeals must logically be understood to be a limited strategy.¹⁰⁶ The best argument against dividing existing circuits is that it is a reform that simply does not work to reduce workload. As Chapter Four concluded, the division of the Fifth Circuit did not perform any lasting miracle. Furthermore, the larger Courts of Appeals, with the larger problems—the District of Columbia, Second and Ninth Circuits—practically resist any feasible division.¹⁰⁷

As an academic matter, dividing circuits might be more feasible and would be more effective if the entire geographical scheme could

103. Statement of former Chief Judge Alfred T. Goodwin, *supra* note 53, at 312; see also *Hearing on S. 948 Before the Subcomm. on Courts and Admin. Practice of the Senate Comm. on the Judiciary*, 101st Cong., 2d Sess. 282 (1990) (statement of Sen. Alan Cranston). See generally Lateef, *supra* note 24, at 11.

104. 1990 Annual Report, *supra* note 60, at v.

105. Charles Alan Wright, *The Overloaded Fifth Circuit: A Crisis in Judicial Administration*, 42 *Tex. L. Rev.* 949, 974 (1964); Wisdom, *supra* note 91, at 788.

106. Thomas G. Gee, *The Imminent Destruction of the Fifth Circuit: Or, How Not to Deal with a Blossoming Docket*, 9 *Tex. Tech L. Rev.* 799, 799 (1978) ("[A]re we to continue the splitting process until it becomes mincing, with a United States Court of Appeals for the Houston Metropolitan Area?").

107. See Paul D. Carrington, *Crowded Dockets and the Courts of Appeals: The Threat to the Function of Review and the National Law*, 82 *Harv. L. Rev.* 542, 587 (1969); Hellman, *supra* note 19, at 1192-1237.

be redrawn, the approach rejected by the Hruska Commission in 1973 as much too unsettling.¹⁰⁸ This would permit an initial levelling of caseload and judgeships. For example, Congress might create twenty circuits of nine judges organized with roughly equal caseload under a completely redrawn system of boundary lines.¹⁰⁹ This symmetry would be gained, however, at a high cost in disruption. Much federalizing influence of the Courts of Appeals would be lost with so many smaller circuits. The balkanized precedent of the law of the circuits already present in the current arrangement would be worsened likely without any compensating improvements. More circuits multiply intercircuit conflicts, and the resulting balkanized hegemony of national law arguably is one of the principal banes of the federal court system.¹¹⁰ If circuit splitting is a bad idea, circuit mincing is even worse.

Dividing the Ninth Circuit or using it as an excuse to create a system of mini-circuits simply will not address the real problem. The cure is worse than the disease, for circuit splitting does not solve the problems of one circuit and merely postpones solution of the problems of two to some future day.¹¹¹ Again, then-Chief Judge Goodwin summed up the problem:

Splitting the Ninth Circuit, or other circuits, would not address the real problem facing the Federal Courts of Appeals. The problem is not structure, but workload. Creating more regional circuits would not diminish the work, but merely divide it. The number of cases that must be heard by three-judge panels nationwide would remain the same and continue to grow no matter how many new circuits are formed.¹¹²

Among the subjects within the explicit charge of the Federal Courts Study Committee was Congress' request for an evaluation of the structure and administration of the Courts of Appeals. Perhaps, the timing of the introduction of S. 948 can be understood as having been some not-so-subtle attempt to influence the Study Committee's deliberation with the hope of some support for the proposal to divide the Ninth Circuit. The sponsors of S. 948 did in

108. See *supra* text accompanying notes 15-16.

109. See Alvin B. Rubin, *Views from the Lower Court*, 23 UCLA L. Rev. 448, 459 (1976).

110. Thomas E. Baker & Douglas D. McFarland, *The Need for a New National Court*, 100 Harv. L. Rev. 1400, 1404-

09 (1987) (WESTLAW: HVLR database, ci(100 +5 1400)).

111. See Thomas E. Baker, *A Postscript on Precedent in the Divided Fifth Circuit*, 36 Sw. L.J. 725, 742 (1982) (WESTLAW: SWLJ database, ci(38 +5 725)).

112. Goodwin, *supra* note 42, at 11.

fact respond to the Committee's Tentative Recommendations¹¹³ and directly requested that the Committee's Final Report include a specific endorsement for the proposal.¹¹⁴ The Study Committee resisted these efforts for the most part, and in the Final Report took "no position" on the proposal, deciding instead to defer to the political process.¹¹⁵

The Federal Courts Study Committee instead entreated Congress to reconceptualize the debate over the Courts of Appeals. The direction of analysis in the debate over S. 948, that "big is bad"—that we must add circuit judges to keep up with caseload and then divide Courts of Appeals to keep them recognizable as courts—is only one possible direction of thought. Admittedly, it has been the congressional approach now for some one hundred years. But, the Study Committee challenged Congress to stop thinking linearly, or at least alternatively to begin to think in the other direction:

The current debate between Ninth Circuit and the other circuits revolves around two very different conceptions of an appellate court. The Ninth Circuit works as a rotating system of three-judge panels (over 3,000 combinations are possible) covering an enormous geographic area, bonded by a very capable administration and serviced by the nation's only small, or limited, in banc of ten randomly selected judges and the chief judge. Other courts prefer the traditional concept of a smaller, more intimate, unitary tribunal, even as their growing caseload makes this ideal more and more difficult to sustain. Perhaps the Ninth Circuit represents a workable alternative to the traditional model. If not, the entire present appellate system needs restructuring before other circuits become the "jumbo" courts toward which they are gradually evolving.¹¹⁶

113. Senators Gorton, Hatfield, and Stevens repeatedly agreed with the direction of analysis of the Committee. See generally Response to Tentative Recommendations, *supra* note 28.

114. Letter from Senators Slade Gorton and Mark O. Hatfield to Judge Joseph F. Weiss, Chair of the Federal Courts Study Committee (Sept. 3, 1989).

115. Study Committee Report, *supra* note 36, at 123 ("We take no position on whether the Ninth Circuit should be split. That question involves issues peculiar to that region that we are not

qualified to address, given our deadline and resources.").

The Ninth Circuit otherwise was featured prominently in the Committee's report. Its uniqueness and size were emphasized. *Id.* at 114. As previously mentioned, the limited en banc procedure was endorsed. *Id.* at 115. The court's administrative innovations were found praiseworthy. *Id.* at 115-16. See also *infra* Chapter Nine.

116. *Id.* at 122-23.



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TESTIMONY ON HJR NO. 30
APRIL 9, 1997

My name is Joanne Grace. I am an assistant attorney general here to testify on behalf of Attorney General Botelho, who supports the Ninth Circuit Court of Appeals Reorganization Act. The Ninth Circuit has by far the most judges and the largest area served of any circuit court, and these facts do not serve Alaska well. Such a large court with judges so far away cannot adequately understand and appreciate the issues unique to Alaska. In 1996, 60% of the cases the court heard came from California, while about 2% came from Alaska. Of the judges currently serving on the ninth circuit bench, 64% are from California, while only one is from Alaska.

A new circuit comprised of Montana, Alaska, Washington, Oregon, and Idaho would eliminate the dominance of California judges over these states. Proponents of splitting the circuit have complained that Californians and other southwestern judges fail to appreciate the effect of their environmental decisions on the economies of states dependant on natural resource development rather than on high-tech industries. As to Alaska, the lack of understanding extends far beyond economics; most judges on the ninth circuit have different sensibilities and perceptions of social, geographical, political, and economic matters.

For example, in interpreting the term "rural" as applied to Alaska, a ninth circuit panel consisting of three judges from

Pasadena, San Francisco, and San Diego obviously applied a non-Alaskan understanding of its meaning. The issue in *Kenaitze Indian Tribe v. State* was whether ANILCA's rural subsistence priority applies to the Kenai Peninsula. The state regulation defined "rural" as it generally is understood in Alaska, as the bush. It did so by excluding areas characterized primarily by a cash economy, and thus excluded the Kenai Peninsula. The court vehemently rejected this interpretation, calling it "unusual" and "exotic." The Court said:

The state's definition would exclude practically all areas of the United States that we think of as rural, including virtually the entirety of such farming and ranching states as Iowa and Wyoming

The term rural is not difficult to understand; it is not a term of art. It is a standard word in the English language commonly understood to refer to areas of the country that are sparsely populated, where the economy centers on agriculture or ranching

860 F.2d 312, 316-17.

The court completely rejected the possibility that "rural" might mean something different in Alaska, the only place that ANILCA applies, than it does in the Midwest or West.

Other examples of when an urban Californian perspective could work to Alaska's disadvantage might occur in the following situations: