

# View from Behind The Governor's Desk

By JAY S. HAMMOND

I have said the Beaufort Islands would be leased when it was in the best interest of Alaskans. Lacking that peculiar omniscience accorded some barkeepers, cabdrivers, and editorial writers, I could not earlier determine when that might be. Now, after considerable study, our Financial Options Committee agrees there are more arguments for leasing than against.

Though not required by law, public hearings have been held. Environmental assessments show no unacceptable risks. The Department of Revenue indicates we must raise \$250 million more by Fiscal Year 1977 or borrow.

The Legislature has passed a resolution urging a Beaufort lease, although the Democratic legislative leadership questions it. I commend them. High time rude questions were asked regarding State lease policy, or rather, lack of it. But, fellows, where were you when Kachemak Bay was leased by the previous Administration with neither advanced environmental assessment nor public input, and for such a low price?

Now, I know your shots are triggered by principle, not partisan politics; but to those less charitable, it should be pointed out that your concerns really support our efforts to hammer out a sane leasing policy.

To that end we are identifying critical habitat areas which should be given lowest leasing priority and conducting public hearings and environmental assessments. Also, we have drawn up standards for offshore development to which we will adhere. There are other alternatives to leasing; but most rest with the Legislature, not the executive branch. The Legislature could pass a State sales tax of ten per cent or double the income tax and raise enough revenue. Again, hardly likely.

The current 20 mill tax on reserves could be increased by the Legislature to 30 and raise about \$250 million. However, because of the credit, this merely delays the crisis.

The Legislature could eliminate the credit and increase the mill rate. However, some would deem this bad faith since this tax was "sold" on the basis that the credit would be allowed.

The Legislature could approve a sale of royalty oil and gas, but the more sold the less we would have for Alaskan use.

The Legislature could place before the voter in November, 1976, a Constitutional amendment permitting borrowing beyond one year. But that would be too late. Even if we could borrow, it would simply obligate future revenues, just as did New York City.

These options are not available to the Governor. They require legislative action, which is always imponderable. In addition, any time we fund government with non-renewable resource dollars, be they from lease sales, royalties, reserves or severance taxes, we gamble. Such revenues will exhaust. If we build a house of cards on oil sands, it will collapse when oil is gone. Some proposing these alternatives forget the fact these also are mortgages on our future.

Of course, we hope to reduce State spending; but the cards are stacked against us with double-digit inflation, a State merit system coupled to collective bargaining, growth in population, and increased service. The one option available to a Governor is leasing. While there are arguments against a Beaufort sale, just as there are arguments against using any non-renewable resource revenues for expanding government — a matter in which we have some 900 million lessons — it appears that of alternatives, the Beaufort lease presents fewest problems and has advantages.

There are, for example, striking differences between the proposed federal OCS development in the Gulf and the State's Beaufort plan. On every count the Beaufort is preferable: a Beaufort lease would not be in a virginal area either offshore or onshore; there exists a transportation system for both oil and gas; the Beaufort lease would not impact communities since there are none in the immediate vicinity; and the environmental risks are far less.

A Beaufort lease next year should reduce the urgency of the OCS leasing schedule by providing an alternate energy source and in demonstrating our willingness to contribute to the national needs, if done properly.

Most agree the Beaufort will be leased someday, the question is when. The exact timing depends on many factors including the ability to time and use a lease sale to our best advantage compared to other revenue possibilities. Timing will also depend on our ability to form a satisfactory agreement with the Federal government regarding

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disputed areas of the Beaufort. Federal OCS areas will increasingly compete for the cash oil companies have available. If we wait beyond next year, we might realize far less revenue.

Since no communities are in the immediate area, the exercise of existing statutory powers of State agencies seems adequate for planning and control until a Coastal Zone Act is adopted.

Finally, revenues from a lease sale could inspire support for the Constitutional amendment required to create a permanent fund. Knowing the penchant of politicians to parcel out pork when the barrel is bulging, such a fund could assure that henceforth, pigs greased with petroleum products will prove more elusive than they have in the past.