Leg. Finance - Finance Comte Files (1971-72) 8879

HB 38am, HCR 51am, HB 52

34

RECORDS CERTIFICATION

I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James D. Smith
Signature of Camera Operator

4/4/89
Date

02-519 (REV 8/78)

Committee Report

Rec'd 4/20/71

S E N A T E

_____
Date

Mr. President:

The Committee on FINANCE has had HB 33 (bill or subject matter) under consideration. A majority of the members of the Committee

- [ ] recommends it do pass
- [ ] recommends it do not pass
- [ ] recommends it do pass with attached amendment(s)
- [x] recommends it be replaced with CS for HB 33 and that CS for HB 33 do pass
- [ ] (and) recommends it be referred to the _____ committee
- [ ] reports it back without recommendation
- [ ] (other) _____

MEMBERS SIGNING THE MAJORITY REPORT:

[illegible]		
[illegible]		

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

[illegible]
CHAIRMAN

LAWS OF ALASKA

1967

Source

FSS-CSSB 15

Chapter No.

15

AN ACT

Providing for a loan to the City of Fairbanks and promoting the long term operation of the Fairbanks Alaska 67 centennial site; and providing for an effective date.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. PURPOSE. It is the purpose of this Act to provide assistance for the overall economy of interior Alaska and to provide for the maintenance and long term operation of a major visitor attraction as a permanent contribution to the economy of Alaska.

* Sec. 2. (a) The State Bond Committee is authorized to loan to the City of Fairbanks an amount not to exceed $1,500,000 for the purpose of acquiring so much of the right, title and interest in and to the Alaska 67 centennial site and improvements at Fairbanks as is necessary for compliance with sec. 3 of this Act.

(b) A loan made under this Act shall bear interest at the rate of four per cent per annum upon the declining balance and may be made for a term not to exceed 15 years. Payment of interest shall be made in annual installments to commence the first year subsequent to negotiation of the loan. Payments on the principal shall be made in annual installments to commence not later than five years subsequent to the negotiation of the loan.

* Sec. 3. A loan negotiated under this Act shall be subject to the following conditions, as well as further provisions and conditions considered advisable by the State Bond Committee:

(1) The City of Fairbanks will make such proper arrangements with Alaska 67, Pioneer Memorial Park, Inc., and other persons, firms and corporations as are necessary for the City of Fairbanks to acquire an assignment of sufficient right, title, or interest in the centennial site at Fairbanks so as to permit operation of the site so long as the loan or any part of

it remains unpaid.

(2) The City of Fairbanks will retain control and responsibility for the operation and maintenance of the centennial site for not less than 15 years, except that the City of Fairbanks may lease all or any part of the site for a period not to exceed five years.

(3) The right, title or interest of the City of Fairbanks to the centennial site shall not be assigned or transferred without approval of the State Bond Committee during the term of any loan made under this Act.

(4) Notwithstanding any lease of the centennial site the City of Fairbanks shall be primarily responsible for the site and shall insure the same for such an amount as may be required by the State Bond Committee.

(5) The City of Fairbanks shall file an annual report, prepared by a certified public accountant, with the State Bond Committee and the Legislative Audit Committee, disclosing in detail the financial status of the centennial site operation.

* Sec. 4. An amount not to exceed $1,500,000 is authorized to be appropriated for a loan to be made under this Act.

* Sec. 5. The City of Fairbanks may purchase the right, title, and interest of the state in the centennial site upon the payment of the city of the obligations of Alaska 67 other than debentures and upon payment of additional consideration which may be required by the commissioner of natural resources.

* Sec. 6. Notwithstanding the provisions of Ch. 127, SLA 1966, any remaining funds appropriated for use under that chapter may be expended for the Alaska 67 site, excluding retirement of debentures, without a requirement of federal matching funds or a limitation that no more than one-half of the costs of the project may be supported by federal funds.

* Sec. 7. Notwithstanding the provisions of Ch. 127, SLA 1966, Alaska 67 shall not be required to repay loans made under the provisions of that chapter, provided

(1) this Act applies only to funds appropriated to the centennial loan fund before the effective date of this Act;

(2) all grant funds received after the effective date of this Act by Alaska 67 from federal sources shall be paid to the centennial loan fund;

(3) the State Bond Committee may exercise any security rights granted the state to secure a repayment obligation to the fund.

* Sec. 8. This Act takes effect on the day after its passage and approval or on the day it becomes law without approval.

Approved by governor: October 7, 1967
Actual effective date: October 8, 1967

HB 38

MEMORANDUM State of Alaska

TO:

Honorable Robert Ward
Commissioner
Department of Administration

DATE : May 3, 1968

FROM:

Edgar Paul Boyko
Attorney General

By: Vernon L. Snow
Assistant Attorney General

SUBJECT:

Loan to City of Fairbanks
for the purchase of Alaska
67 for $1,500,000.00
Our File No. ADM-26

We are enclosing herewith a check from the City of Fairbanks (No. 13705 dated May 1, 1968) in the amount of $1.00. This check represents payment by the City of the $1.00 due on the purchase of Alaska 67 under the terms of the agreement signed between the City and the State.

Please see that this is credited to the proper account. I assume that this would be a natural resources account since the City is obligated to repay the $1,500,000 from the operation of the centennial site. However, it may be that you consider this amount should be credited to the State through another account regarding the Alaska 67 loan.

EPB:VLS:me

Enclosure: Check No. 13705 from the
City of Fairbanks for $1

STATE OF ALASKA

CODE DISTRIBUTION VOUCHER

SUSPENSE

OR (CIRCLE ONE ONLY)

GD TR TV AV JV

INSTRUCTIONS: [illegible] 24 SPACES ADDRESS TO 3 LINES AS FOLLOWS: [illegible] 24 SPACES [illegible] 20 SPACES. [illegible] TRANSMITTAL OF RECEIPTS ONLY. ALTERNATE DESCRIPTION

AGENCY DOCUMENT NUMBER:

DATE PREPARED: 5/17/68

VENDOR (PAYEE) NAME AND ADDRESS	ENCUMBRANCE NUMBER	TRANS. CODE	DEPT	DIV. AND PROG	FUNCTION	SUB FUNCTION	OBJECT RECPT	HIGHWAY FUNCTION	PROJECT LEDGER	AMOUNT
City of Fairbanks		403	95	02	01	00	634			1.00
To deposit check #13705 in the amount of $1.00 received from the City of Fairbks. per terms of the agreement between the City of Fbks. and the State of Alaska for the purchase of the A-67 Centennial Site.										

CERTIFICATION: I certify that the facts herein or on supporting documents are correct, that this voucher constitutes a legal charge against funds and appropriations cited, that sufficient funds are encumbered to pay this obligation or that there is a sufficient unencumbered balance in the appropriation cited to cover this obligation.

CERTIFYING OFFICER

DOCUMENT TOTAL → 1.00

DATE ENTERED

VOUCHER NUMBER

GD – GENERAL (INVOICE) TV – TRAVEL VOUCHER AV – [illegible] VOUCHER
TR – TRANSMITTAL OF RECEIPTS (1st EXTRA BLUE COPY) JV – [illegible] VOUCHER

DEED OF TRUST NOTE

$1,500,000.00 Fairbanks, Alaska May 1, 1968

FOR VALUE RECEIVED, the City of Fairbanks promises to pay to the order of the STATE OF ALASKA, REPRESENTED BY THE STATE BOND COMMITTEE IN THE CITY OF Juneau, Alaska; One Million Five Hundred Thousand Dollars ($1,500,000.00), with interest from May 1, 1968, at the rate of four per cent per annum on the declining balance until this note is fully paid. Principal and interest are payable as follows:

> Interest on the balance of principal is to be paid on the first day of May in 1969, 1970, 1971, and 1972.
>
> The sum of $171,300 on the first day of May in each of the years 1973 through and including 1982. The remaining balance of principal plus accrued interest shall be paid on the first day of May, 1983.
>
> Payments shall be applied first to interest and secondly to principal.

This note is made for the express purpose of allowing the City of Fairbanks to buy the centennial site at Fairbanks under the provisions of Chapter 15, First Special Legislative Session of 1967.

The terms of an agreement of an even date between the City of Fairbanks and the State of Alaska referring to this loan are incorporated by reference as a part of the terms of this note.

If default is made in the payment of any installment under this note, and if such default is not made good within thirty (30) days following notice of default, the entire and principal sum and accrued interest shall at once become due and payable at the option of the holder of the note. Failure

to exercise this option does not constitute a waiver of the right to exercise the same in the event of any second default.

Remedies of the State of Alaska in the event of default and foreclosure are limited to those remedies set forth in the agreement and deed of trust.

This note is secured by a deed of trust and quitclaim deed covering real and personal property of even date wherein the deed of trust the First National Bank of Fairbanks is named as trustee of the real estate, improvements and personal property situated in the Fairbanks Recording District, State of Alaska. This note is to be construed according to the laws of the State of Alaska.

CITY OF FAIRBANKS

By: H. A. Boucher

H. A. BOUCHER, Mayor

Attest:

Wallis C. Droz

WALLIS C. DROZ, City Clerk

Approved as to form:

Grace Berg Schaible

City Attorney

STATUTORY QUITCLAIM DEED

The grantor, PIONEER MEMORIAL PARK, INC., an Alaska non-profit corporation of Fairbanks, Alaska, for and in consideration of $10.00 conveys and quitclaims to the State of Alaska all interest which it has, if any, in the following described real estate and personal property located in the State of Alaska, and hereinafter described:

> Lot Twelve (12) and that portion of the Southwest Quarter (SW 1/4) of the Southwest Quarter (SW 1/4) of Section Nine (9) which lies north of the north right-of-way line of Airport Road, all lying within Section Nine (9), Township One South (T1S), Range One West (R1W), Fairbanks Meridian, together with all improvements located thereon, subject to existing subleases to a portion or portions of the above area except that certain sublease between Pioneer Memorial Park, Inc. and Alaska 67, together with all furniture, fixtures, equipment and other personal property, whether affixed or movable located thereon, except the items described below which are retained by Pioneer Memorial Park, Inc.:
>
> Paintings of C. "Rusty" Heurlin
> Steamer Nenana

DATED at Fairbanks, Alaska, this 29th day of April, 1968.

PIONEER MEMORIAL PARK, INC.

BY /s/ Leo A. Schlotfeldt
President

ATTEST

/s/Olga T. Steger
Secretary

STATE OF ALASKA)
) ss
FOURTH JUDICIAL DISTRICT)

On this 29th day of April, 1968, before me, the undersigned Notary Public in and for the State of Alaska, duly commissioned and sworn, personally appeared Leo A. Schlotfeldt

and _____Olga T. Steger_____, known to me to be the President and Secretary, respectively of Pioneer Memorial Park, Inc., the corporation that executed the within instrument, and known to me to be the persons who executed the within instrument in behalf of such corporation and that they acknowledged to me that such corporation executed the same pursuant to its By-Laws or a Resolution of its Board of Directors.

WITNESS my hand and official seal on the day, month and year in this certificate first hereinabove written.

/s/ Grace Berg Schaible
Notary Public in and for Alaska
My Commission Expir . 3-7-72

[SEAL]

QUITCLAIM DEED

The grantor, CITY OF FAIRBANKS, for an in consideration of a loan from the STATE OF ALASKA and an agreement with the State for the purchase of the centennial site at Fairbanks, Alaska, does, under the terms of that agreement, hereby quitclaim to the State of Alaska all interest which it has, if any, in the following described real estate and personal property located in the State of Alaska, and hereinafter described:

> Lot Twelve (12) and that portion of the Southwest Quarter (SW 1/4) of the Southwest Quarter (SW 1/4) of Section Nine (9) which lies north of the north right-of-way line of Airport Road, all lying within Section [illegible] Township One South (T1S), Range [illegible] East (R1E), Fairbanks Meridian, together with all improvements located thereon, subject to existing subleases to a portion or portions of the above area which were given prior to April 1, 1968 by Pioneer Memorial Park and Alaska 67, and subject to all subleases given by the City of Fairbanks which conform with the provisions of an agreement between the State of Alaska and the City of Fairbanks which has an effective date of May 1, 1968 and any amendments to that agreement.
>
> All personal property used in connection with the operation of the above described real property which have been received by the City of Fairbanks at any time from the State of Alaska, Pioneer Memorial Park, and Alaska 67, which cost these entities $100.00 or more per item or unit.
>
> All personal property purchased by the City of Fairbanks having a cost to the City of $100.00 or more per item or unit with revenues derived from the operation of the above described real and personal property or the proceeds received from the sale of property purchased with revenues derived from the operation of the above described real and personal property.
>
> Any cash on hand held by the City of Fairbanks derived from the operation of the above described premises.

DATED at Fairbanks, Alaska, this 1st day of May, 1968.

CITY OF FAIRBANKS

By /s/ H. A. Boucher
H. A. BOUCHER, Mayor

Attest:

/s/ Wallis C. Droz
WALLIS C. DROZ, City Clerk

STATE OF ALASKA)
) ss.
FOURTH JUDICIAL DISTRICT)

On this 1st day of May, 1968, before me, the undersigned Notary Public in and for the State of Alaska, duly commissioned and sworn, personally appeared H. A. BOUCHER and WALLIS C. DROZ, known to me to be the Mayor and City Clerk, respectively, of the City of Fairbanks, the party that executed the within instrument, and that they acknowledged to me that the City of Fairbanks executed the same pursuant to its ordinances.

WITNESS my hand and official seal on the day, month and year in this certificate first hereinabove written.

/s/ Alice King
Notary Public in and for Alaska
My Commission Expires: 12-19-69

(SEAL)

APPROVED AS TO FORM:

/s/ Grace Berg Schaible
Grace Berg Schaible
City Attorney

APPROVED AS TO SUBSTANCE:

/s/ Wallis C. Droz
Wallis C. Droz, City Manager

A G R E E M E N T

WHEREAS, the Alaska State Legislature passed an Act during its First Special Session of 1967 entitled Chapter 15, providing for a loan of not more than $1,500,000 to the City of Fairbanks, hereinafter referred to as "City", by the State of Alaska, hereinafter referred to as "State", and promoting the long-term operation by the City of the Alaska 67 centennial site at Fairbanks, hereinafter referred to as "centennial site", and

WHEREAS, it is the intent of the City and the State, represented by the State Bond Committee, to carry out the provisions of Chapter 15, First Special Session, SLA 1967, and

WHEREAS, a note having an even date with the effective date of this agreement, hereafter referred to as "note", has been executed by the City to borrow $1,500,000 to use in the purchase of the centennial site.

NOW, THEREFORE, the City and State agree as follows:

1. State agrees to sell to the City the centennial site, subject to existing leases, in consideration of the City paying to the State the sum of $1.00 plus the City paying all of the outstanding obligations, except debentures, of Alaska 67, a nonprofit corporation, and the City keeping all of the conditions of this agreement, the note referred to above, the deed of trust referred to in this agreement and Chapter 15, SLA 1967, First Special Session.

2. Contemporaneous with the execution of the note, an escrow shall be set up with the First National Bank of Fairbanks, Second and Cushman, Fairbanks, Alaska 99701.

3. At the time the escrow referred to in paragraph 2 is set up or prior thereto, the City shall obtain quit claim

deeds from Alaska 67, a nonprofit corporation, formerly named 67 North and hereafter referred to as "Alaska 67", and Pioneer Memorial Park, Inc., a nonprofit corporation, naming the State of Alaska as grantee of all their right, title and interest in leasehold interests and improvements on the centennial site including personal property which is more particularly described as follows:

> Lot Twelve and that portion of the Southwest Quarter of the Southwest Quarter of Section Nine which lies north of the north right-of-way line of Airport Road, all lying within Section Nine, Township One South, Range One West, Fairbanks Meridian, together with all improvements located thereon, subject to all valid subleases to a portion or portions of the above area which have previously been given by Pioneer Memorial Park and Alaska 67 except the sublease from Pioneer Memorial Park to Alaska 67, and all furniture, fixtures, equipment and other personal property, whether affixed or movable, transferred to the State or City by Pioneer Memorial Park and Alaska 67.

4. The City will place the $1,500,000 received from the State under the note in a trust account or trust accounts in anbank or banks chosen by the City. From the trust account(s) the City will forthwith proceed to pay secured and unsecured obligations of Alaska 67, excluding debentures. Those obligations shown as a lien or claim of lien on the title report of Alaska Title Guaranty Company dated March 22, 1968 which was furnished to the State by the City shall be paid before unsecured creditors, except that if the City contests the validity or amount of the lien or claim of lien shown on that title report, a reserve of funds may be made in the trust account(s) to meet the contingency of later having to pay that claim and the unsecured claims may be paid with those funds not held in reserve.

5. In paying the secured and unsecured obligations of Alaska 67 under paragraph 4 above, the City may exercise any

rights of set-off it holds against any person or entity which holds an obligation (claim) against Alaska 67. An amount equal to the amount of set-off may, upon settlement of the obligation, be transferred by the City from a trust account opened under paragraph 4 above and placed in another account of the City for its use. It is expressly understood that the right of set-off and transfer of funds to another account of the City under this paragraph does not extend to any reduction of the amount claimed by a claimant arising from a compromise settlement or otherwise.

6. The City agrees that any of the funds not disbursed in the payment of the obligations of Alaska 67 will be returned to the State as soon as the obligations are paid to be applied to reduce principal on the amount owed on the note. Any funds returned under this paragraph shall be considered to be payment on the last principal installment payment required under the note.

7. None of the funds loaned by the State under the note may be used to pay for any new improvements or any future contracts or obligations of any type.

8. The City shall see that any official or employee who is empowered to disburse the proceeds is bonded so as to protect the City and State from loss.

9. The City will operate the centennial site so long as the note or any part of it remains unpaid.

10. The City will retain control and responsibility for the operation and maintenance of the centennial site during the time the note or any part of it remains unpaid, except that the City of Fairbanks may lease all or any part of the site for a period not to exceed five years.

11. A special account within the City's treasury known as the Alaskaland Account shall be established separate from all other accounts administered by the City. All operating revenues from the centennial site shall be credited to this account.

Assets from this account shall be used only for the administration, operation and maintenance of the centennial site, for capital improvements on the site and the replacement of equipment for the site and for the repayment of the $1,500,000 borrowed from the State. Any excess of revenues from the operation of the site over expenditures at the close of any fiscal year of the City shall be used only for the purposes set forth in the preceding sentence.

12. An inventory shall be maintained of all personal property received from the State, Alaska 67, Pioneer Memorial Park, or property purchased from the revenues referred to in paragraph 11 immediately preceding. The items of personal property inventoried under this paragraph shall be those which had an original cost price to the City, State, Alaska 67, or Pioneer Memorial Park of $100.00 or more per item or unit.

13. The right, title or interest of the City to the centennial site shall not be assigned or transferred without approval of the State Bond Committee during the term of any loan made under this Act.

14. Notwithstanding any lease of the centennial site, the City shall be primarily responsible for the site and shall obtain a fire insurance policy naming the State as a beneficiary which shall cover the insurable buildings and personal property on the site and shall contain an 80 per cent co-insurance fire insurance clause. The amount of such policy shall not be for a sum less than the balance owed to the State by the City on the note. The City shall also carry public liability insurance covering injuries to persons and/or property sustained on the centennial site or in connection with its operation. The face amount of the public liability insurance policy shall not be less than the amount of such insurance presently carried by the City.

15. The City shall file an annual report on or before March 1 of each year prepared by a certified public accountant, with the State Bond Committee and the Legislative Audit Committee, disclosing in detail the financial status of the centennial site operation for the preceding calendar years.

The report shall be in a form satisfactory to the State and contain all reasonable information requested by the State, including but not limited to a statement of revenues and expenses, an inventory list of personal property purchased during the year (see paragraph 12 above), a list showing the balance in the trust funds accounts referred to in paragraphs 4, 5, and 6 above and of persons paid and amount paid during the year from those trust accounts and the balance in trust accounts at the close of the operational year. The State shall have the right at any reasonable time to inspect the records of the City covering its operation of the centennial site and the receipts and disbursements of funds obtained from the State on the note.

16. Contemporaneous with the execution of the note, the following documents shall be placed in escrow with escrow instructions.

(i) A statutory quit claim deed from the State to the City of the centennial site;

(ii) A deed of trust covering the centennial site and personal property described in paragraph 12 from the City to the First National Bank of Fairbanks as trustee, naming the State as beneficiary.

(iii) A quit claim deed by the City to the State of its interest in the centennial site and the personal property described in paragraph 12.

(iv) A financing statement in duplicate satisfying the provisions of the Uniform Commercial Code shall be

signed by the City in favor of the State covering all personal property referred to in paragraph 12 above. (An itemized inventory of all items of personal property received from the State, Alaska 67, and Pioneer Memorial Park, Inc. which had a cost of $100.00 or more per item shall be submitted to the escrow agent and the State within ninety days after it is received by the City.)

(v) A release by the State of the financing statement covering personal property referred to in (iv) above.

(vi) Quit claim deeds by Pioneer Memorial Park and Alaska 67 to the State of all Pioneer Memorial Park and Alaska 67's interest in the centennial site and certain personal property.

(vii) Deed of reconveyance by trustee naming City as grantee.

(viii) Deed of reconveyance by trustee naming State of Alaska as grantee.

(a) The escrow agent shall, upon the opening of the escrow, record first the quit claim deeds from Pioneer Memorial Park and Alaska 67 (vi) above. Second he shall record the financial statement referred to in (iv) above with the Commissioner of Administration and the Recorder where the property is located and this agreement shall be recorded in the Recorder's office where the property is located.

(b) Upon certification by the City that all obligations of Alaska 67 have been paid, excluding debentures, and payment of $1.00 to the State required by the Commissioner of Natural Resources and upon the approval by the State Bond Committee that it appears that all of Alaska 67's obligations, excluding debentures, have been paid and the other

terms of the note and this agreement have been complied with, the escrow agent shall record the deed from the State to the City ((i) above) and immediately thereafter record the deed of trust from the City to the State ((ii) above).

(c) The quit claim deed from the City to the State ((iii) above) will be held by the escrow agent-trustee and delivered to the City with the release signed by the State of the financing statement ((vi) above), together with the executed deed of reconveyance, without warranty ((vii) above) when the escrow agent-trustee is advised by the State that the note has been repaid and all conditions of the note, deed of trust, and this agreement have been complied with. The grantee in such reconveyance shall be described as the City of Fairbanks. The escrow shall then be closed.

(d) Upon written request by the State specifying the nature of the default, and the amount due and owing, the escrow agent-trustee shall execute a written notice of default. The escrow agent-trustee shall serve the notice upon the City by registered mail, return receipt requested, or by making personal service and obtaining a receipt of service made. The escrow agent-trustee shall also at that time record the Notice of Default in the Office of the Recorder in each recording district in which said real property or some part thereof is situated. The City of Fairbanks shall have thirty days from the date it received notice within which to cure the default.

(e) If the default referred to in (d) above has not been cured to the satisfaction of the State within thirty days after notice of default has been given, the escrow agent-trustee shall deliver to the State the statutory quit claim deed and deed of reconveyance ((iii) and (viii) above) which were

placed in escrow. If the deed of trust has been recorded previously under the terms of (b) above, the escrow agent-trustee's deed of reconveyance, without warranty, shall be executed and delivered to the State. The grantee in such reconveyance shall be described as the State of Alaska. The escrow agent-trustee shall also at that time furnish the State with a title report showing the property is free and clear from all indebtedness other than the $1,500,000 note referred to in this deed of trust. The escrow shall then be closed.

(f) City shall bear all costs, fees and expenses of the escrow agent-trustee in connection with this agreement.

17. The City is personally liable for the proceeds from the note not used to pay obligations of Alaska 67 and which have not been returned to the State, loss of personal property referred to in the financing statement referred to in paragraph 16, and damages arising from a breach of a condition of this agreement except the repayment of note proceeds used to pay the obligations of Alaska 67 wherein paragraph 18 of this agreement provides the sole remedy.

18. Except for the instances set forth in paragraph 17, the State's remedies for nonpayment of the note shall be receipt of the real property and improvements constituting the centennial site and the personal property referred to in paragraph 16 of this agreement.

19. City agrees to keep the centennial site, its improvements and the personal property referred to in paragraph 16 in good condition and repair, subject to normal wear and depreciation during the period the note or any part of it remains unpaid. The provisions of that paragraph covering repairs contained in the deed of trust, referred to in paragraph 16 of

this agreement shall be followed as a standard in making repairs.

20. The terms of the deed of trust given by the City to the State referred to in paragraph 16 of this agreement and the note together are incorporated by reference as part of this agreement. If there is any recital or condition in the deed of trust at variance or conflict with the terms of this agreement, the terms of this agreement shall govern.

21. In this agreement, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

22. The centennial site shall be open to the public without discrimination as to race, creed, color, or national origin.

23. Any proceeds yet to be paid from past or existing Federal grants in aid for the centennial site of any type to Alaska 67, the State, or anyone else, belong to the State and are not to be considered as any part of this agreement or payment on the note from the City to the State for $1,500,000.

24. The City shall assume possession of the premises of the centennial site and the conduct of its operations on May 1, 1963. City accepts the premises in its present condition.

25. All Notices and correspondence to the City and State not personally served shall be mailed to the following addresses:

City of Fairbanks
P.O. Box 790
Fairbanks, Alaska 99701

State Bond Committee
c/o Commissioner of Commerce
State of Alaska
Pouch D
Juneau, Alaska 99801

26. It is the intent of the City and the State that the deeds referred to in paragraph 16 of this agreement shall

be considered to operate as a conveyance of all right, title and interest of the Grantor in the personal property listed in them, including after acquired property as defined in paragraphs 11 and 12.

27. The effective date of this agreement shall be May 1, 1968.

28. Definitions.

(a) "Operate the centennial site" means operating it for at least 75 consecutive days each year for outdoor recreation purposes, and using it for entertainment, education and to attract tourists to Alaska and Fairbanks, including but not limited to activities similar to those carried out by Alaska 67 during the centennial year of 1967. It shall also be operated in such a manner as to comply with the requirements of Federal grants given to Alaska 67 by the Bureau of Outdoor Recreation, the Economic Development Administration, and the Federal Centennial grant.

(b) "Obligations of Alaska 67" means legal obligations, except debentures of Alaska 67, a nonprofit corporation, which were incurred prior to October 8, 1967, including interest, penalties, costs of court, and attorney's fees until date of payment.

Dated this 1st day of May, 1968.

Attested and approved as to substance:

CITY OF FAIRBANKS

MALLIE C. BROZ, City Clerk

By: H. A. BOUCHER, Mayor

Approved as to form:

CHARLES LING SCHAEBLE
City Attorney

STATE OF ALASKA
By STATE BOND COMMITTEE

COMMISSIONER
DEPARTMENT OF COMMERCE
Chairman

COMMISSIONER
DEPARTMENT OF ADMINISTRATION
Member

COMMISSIONER
DEPARTMENT OF REVENUE
Secretary

Approved as to form:

EDGAR PAUL BOYKO
ATTORNEY GENERAL

By: _____

STATE OF ALASKA)
) ss
FIRST JUDICIAL DISTRICT)

This is to certify that on the 29th day of April, 1968, before me, the undersigned, Notary Public in and for the State of Alaska, duly commissioned and sworn, personally appeared George Sharrock, Robert W. Ward and George A. Morrison, known to me to be the Commissioners of Commerce, Administration and Revenue respectively, of the State of Alaska, and to me known to be the identical individuals who executed the within and foregoing agreement; and they acknowledged to me that they signed and sealed

said instrument in their official capacity as members of the State Bond Committee and as the free and voluntary act of the State of Alaska, for the uses and purposes therein mentioned.

IN TESTIMONY WHEREOF, I have thereunto set my hand and affixed my Notarial Seal the day and year above first written.

Notary Public in and for Alaska
My Commission expires: 12-23-70

STATE OF ALASKA)
) ss
FOURTH JUDICIAL DISTRICT)

This is to certify that on the 1st day of May, 1968, before me, the undersigned, a Notary Public in and for the State of Alaska, duly commissioned and sworn, personally appeared H. A. Boucher and Wallis C. Droz, to me known to be the Mayor and City Clerk, respectively, of the City of Fairbanks, Alaska, a municipal corporation, and to me known to be the identical individuals who executed the within and foregoing agreement; and they acknowledged to me that they signed and sealed said instrument in their official capacities and as the free and voluntary act of the City of Fairbanks, for the uses and purposes therein mentioned.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed by Notarial Seal the day and year first above written.

Notary Public in and for Alaska
My Commission expires: 12-19-19

MEMORANDUM

TO: Bob Stevenson
Deputy Commissioner
Department of Revenue

DATE: January 11, 1971

FROM: Legislative Finance
Room 407
Capitol Building

SUBJ: Fiscal Note Request

Please prepare a fiscal note for HB 38 and return it to our office by January 18, 1972.

In addition to the general instructions of December 12, 1971 regarding fiscal note preparation, furnish a schedule of annual and total revenue loss to the State if this bill is enacted into law.

Timely return of this information is requested. Forward one copy to the Division of Budget and Management also.

RAG/db

Attachment: HB 38

cc: Budget and Management

Introduced: 1/12/71
Referred: State Affairs
and Finance

BY BRADNER, HUBER
RANDOLPH AND KERTTULA

IN THE HOUSE

HOUSE BILL NO. 38

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act providing for state loan forgiveness with respect to the Alaska 67 centennial site; and providing for an effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. Notwithstanding provisions of ch. 15 FSSLA 1967, the City of Fairbanks shall not be required to pay the principal or interest on the state loan made to the city under provisions of that chapter. Payments of interest on the loan made before the effective date of this Act shall be refunded.

* Sec. 2. This Act takes effect on the day after its passage and approval or on the day it becomes law without approval.

The Legislature of the State of Alaska
FISCAL NOTE
Second Session - Seventh State Legislature

I. REQUEST
Bill Identification: House Bill No. 38 am
Title: State loan forgiveness with respect to the Alaska 67 Centennial site
Requested by: Legislative Finance Date: January 11, 1972
Return Date Requested: January 18, 1972
Agency: Department of Revenue Program: Fiscal Services

II. FISCAL DETAIL
Budget Request Unit(s) Affected:
A. EXPENDITURES: (Thousands of dollars)

	OBJECT	FY 72	FY 73	FY 74	FY 75	FY 76	FY 77
100	PERSONAL SERVICES						
200	TRAVEL						
300	CONTRACTUAL						
400	COMMODITIES						
500	EQUIPMENT						
600	LAND & STRUCTURES						
700	GRANTS, CLAIMS, ETC.						
	TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

B. FUNDING: (Thousands of dollars)

GENERAL FUND	-0-					
FEDERAL FUNDS	-0-					
OTHER	-0-					

C. POSITIONS:

PERMANENT/TEMPORARY	0 /	/	/	/	/	/
MAN MONTHS (P./T.)	0 /	/	/	/	/	/

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

See attached memorandum regarding reduction in revenues from Interest on Loans and Repayments on Loans from General Fund.

Approx. loss: (see memo)
Annual - $170,000
Total (thru 1985) - $1,943,267

IV. ATTACHMENTS

See attached memorandum

V. DATE: January 14, 1972 PREPARED BY: Robert D. Stevenson
Robert D. Stevenson
Deputy Commissioner
Department of Revenue

Original: Legislative Finance
cc: Budget and Management
Prime Sponsor (First Legislator Named)

02-001B

STATE
of ALASKA

MEMORANDUM

TO: Robert D. Stevenson
Deputy Commissioner
Department of Revenue

DATE: January 14, 1972

FROM: Paul Sullivan
State Investment Officer

SUBJECT: HB 38 State Loan Foregiveness
Centennial Site Loan

Attached is a copy of the Deed of Trust Note, dated May 1, 1968 concerning the $1,500,000 loan to the City of Fairbanks for the express purpose of allowing the City of Fairbanks to buy the Centennial site in Fairbanks under the provision of Chapter 15, First Special Legislative Session of 1967.

The schedule outlined below indicates the interest payments that have been made to the State to date and the interest and principal that will be owing to the State, pursuant to the date of the trust note.

AMOUNTS PAID TO STATE

Due Date	Interest	Principal
May 1, 1969	$60,000	-0-
May 1, 1970	60,000	-0-
May 1, 1971	60,000	-0-
Totals	$180,000	-0-

AMOUNTS DUE TO STATE

Due Date	Interest	Principal
May 1, 1972	$ 60,000	$ -0-
May 1, 1973	60,000	111,300
May 1, 1974	55,548	115,752
May 1, 1975	50,918	120,382
May 1, 1976	46,102	125,198
May 1, 1977	41,095	130,205
May 1, 1978	35,886	135,414
May 1, 1979	30,470	140,830
May 1, 1980	24,837	146,463
May 1, 1981	18,978	152,322
May 1, 1982	12,885	158,415
May 1, 1983	6,548	163,719
Totals	$443,267	$1,500,000

If House Bill 38am were to pass the loss of income due the State over the remaining twelve years in interest would be $443,267; the loss of principal would be $1,500,000 for a total loss of revenue of $1,943,267.

RDS/llh

DEED OF TRUST NOTE

$1,500,000.00 Fairbanks, Alaska May 1, 1968

FOR VALUE RECEIVED, the City of Fairbanks promises to pay to the order of the STATE OF ALASKA, REPRESENTED BY THE STATE BOND COMMITTEE IN THE CITY OF Juneau, Alaska; One Million Five Hundred Thousand Dollars ($1,500,000.00), with interest from May 1, 1968, at the rate of four per cent per annum on the declining balance until this note is fully paid. Principal and interest are payable as follows:

> Interest on the balance of principal is to be paid on the first day of May in 1969, 1970, 1971, and 1972.
>
> The sum of $171,500 on the first day of May in each of the years 1973 through and including 1982. The remaining balance of principal plus accrued interest shall be paid on the first day of May, 1983.
>
> Payments shall be applied first to interest and secondly to principal.

This note is made for the express purpose of allowing the City of Fairbanks to buy the centennial site at Fairbanks under the provisions of Chapter 15, First Special Legislative Session of 1967.

The terms of an agreement of an even date between the City of Fairbanks and the State of Alaska referring to this loan are incorporated by reference as a part of the terms of this note.

If default is made in the payment of any installment under this note, and if such default is not made good within thirty (30) days following notice of default, the entire and principal sum and accrued interest shall at once become due and payable at the option of the holder of the note. Failure

to exercise this option does not constitute a waiver of the right to exercise the same in the event of any second default.

Remedies of the State of Alaska in the event of default and foreclosure are limited to those remedies set forth in the agreement and deed of trust.

This note is secured by a deed of trust and quitclaim deed covering real and personal property of even date wherein the deed of trust the First National Bank of Fairbanks is named as trustee of the real estate, improvements and personal property situated in the Fairbanks Recording District, State of Alaska. This note is to be construed according to the laws of the State of Alaska.

CITY OF FAIRBANKS

By: H. A. Boucher
H. A. BOUCHER, Mayor

Attest:

Wallis C. Droz
WALLIS C. DROZ, City Clerk

Approved as to form:

Grace Berg Schaible
City Attorney

FAIRBANKS, ALASKA
ALL AMERICA CITY

THE GOLDEN HEART CITY

City of Fairbanks, Alaska

OFFICE OF CITY MANAGER • P.O. BOX 790 456-6421

April 17, 1972

Honorable John Butrovich
Alaska State Senate
Pouch V
Juneau, Alaska 99801

Dear John:

Attached is the information you requested. Please note that we have not as yet made the interest payment of $60,000 due in May of this year. The principal payments were to start in 1973.

If you need any further information, kindly advise.

Very truly yours,

CITY OF FAIRBANKS

W. C. Droz
City Manager

Encl:

WCD/me

Airmail to Alaska is Faster

ALASKALAND

	Interest	Principal	Total Budget
1968		0	150,000
1969	60,000	0	219,284
1970	60,000	0	270,129
1971	60,000	0	185,144
1972	60,000 (not paid)	0	200,000
1973	60,000	111,300	

April 17, 1972

Proposed Budget	Total
	150,000
	279,284
	330,129
	245,144
	260,000
250,000	421,300

RECORDS CERTIFICATION

I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James O. Smith
Signature of Camera Operator

4/4/89
Date

02-519 (REV 8/78)

Introduced: 3/29/72
Referred: Finance

IN THE HOUSE BY THE LOCAL GOVERNMENT COMMITTEE

HOUSE CONCURRENT RESOLUTION NO. 51

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTH LEGISLATURE - SECOND SESSION

Relating to a study of the ramifications of a statewide property tax.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

WHEREAS legislation is pending before the legislature which, if enacted, would levy a real and personal property tax in the state with certain exemptions provided for; and

WHEREAS the proposed legislation further provides for a revenue-sharing program for distribution of the net proceeds of the proposed tax to unorganized boroughs; and

WHEREAS at the present time many questions remain concerning estimates of how much revenue such a tax would create; how much taxable property there is, especially in those areas comprising the unorganized borough; how much it would cost to administer the tax collections and distribution; and additionally, there is a lack of knowledge about the effects of many other aspects of the proposed legislation; and

WHEREAS the only manner in which reasonably accurate information can be garnered concerning these matters is through thorough study and evaluation of the unorganized borough;

BE IT RESOLVED by the Alaska Legislature that the Legislative Budget and Audit Committee is requested to direct and oversee a study of the practical effects of the proposed legislation (HB 597), to be conducted by the Local Affairs Agency, the Department of Revenue, the Department of Administration, and all other appropriate agencies and persons as determined by the committee, and drawing also on the Institute of Social, Economic and

Government Research, University of Alaska; and be it

FURTHER RESOLVED that in addition to directing and coordinating the work of the executive departments involved, the committee shall do everything it considers necessary for the successful, impartial analysis of this legislation, including the holding of public hearings in the unorganized borough; and be

FURTHER RESOLVED that the Legislative Budget and Audit Committee submit its report, including a summary of what the effects of this legislation would be on the unorganized borough, within the first 10 days of the First Session of the Eighth Legislature.

Fiscal Note
HCR 51

STATE OF ALASKA
THE LEGISLATURE
LEGISLATIVE AFFAIRS AGENCY

POUCH Y STATE CAPITOL
JUNEAU, ALASKA 99801

April 14, 1972

MEMORANDUM

TO : Representative George H. Hohman
Chairman, House Finance Committee

FROM : John M. Elliott, Executive Director

SUBJECT: Fiscal implications of HCR 51

In response to your committee's request for a fiscal note for HCR 51, which calls for the Legislative Council to direct a study of the ramifications of a statewide property tax to be conducted by the Local Affairs Agency, the Departments of Revenue and Administration, plus other appropriate agencies and persons, the following estimates of cost have been compiled:

1. The Local Affairs Agency estimates that to properly carry out duties that would necessarily fall upon that agency in connection with the proposed study, the sum of $100,000 (rounded) would be needed. That figure is broken down as follows:

   (a) Mapping Project -- $30,000
   (b) Real Property Appraisal Project -- $35,000
   (c) Personal Property Appraisal Project -- $30,000

2. The Department of Revenue estimates that an amount of $35,000 would be needed to carry out that Department's portion of the study.

3. The Department of Administration reports that no funds would be required by that Department and that Administration's role would be of a minor nature.

4. The Legislative Council is required by the resolution to hold public hearings in the unorganized borough. In discussions with the Chairman of the Local Government Committee, the sponsor of the resolution, the thought was relayed that the Council hold up to a half dozen hearings at locations in the unorganized borough as

determined by the Council. The Council has not discussed what its approach might be should HCR 51 pass, but I would estimate that an additional $15,000 for travel and per diem would be required for the purpose of holding hearings as directed in the resolution.

Copies of correspondence received from the executive departments that would be involved are attached for your information.

JME:hm
Enclosures

MEMORANDUM

State of Alaska

OFFICE OF THE GOVERNOR

TO: John M. Elliott, Executive Director
Legislative Affairs Agency

DATE: April 11, 1972

FROM: Warren W. Wiley
Administrative Assistant
to the Governor

SUBJECT: HCR 51

Noting your request (your letter to Byron Mallott, April 4) for a reply on HCR 51 before April 10, I am enclosing a copy of a memorandum to me from the Local Affairs Agency.

I believe this material will provide the information requested without the necessity for preparing a detailed Fiscal Note. Should you desire otherwise, a Fiscal Note can certainly be prepared.

Enclosure

MEMORANDUM

State of Alaska
OFFICE OF THE GOVERNOR

TO: Warren Wiley
Administrative Assistant
Office of the Governor

THRU: Byron Mallott
Director
Local Affairs Agency

DATE : April 10, 1972

FROM: S. Robert Dozier
State Assessor

SUBJECT: Fiscal Note concerning HCR 51 relating to the Local Affairs Agency

House Concurrent Resolution No. 51 directs various departments and agencies of the State government to co-operate with the Legislative Council in a study of the impact, feasibility and cost of implementing pending legislation which, if enacted, would levy a real and personal property tax within the State with certain exemptions.

In order to properly evaluate HB 597 as opposed to property assessment as administered within organized boroughs and cities and to reasonably estimate the fiscal capacity of each of the boroughs within the Unorganized borough for the distribution formulas as outline in HB 597 - HB 599, the study should include a reasonable estimated number and assessed value of fee owned, patented, and leased lands, structures and improvements.

The scope of the study in which the Local Affairs Agency should be directly involved includes the assemblying of data required to estimate the number and value of taxable property and the cost to the State for implementing and subsequent administration of assessment, tax collection and the revenue-sharing program.

Scope of the Study

1. Mapping Project.

A. Estimate the number and location of fee owned, leased and patented lands situated within each of the several boroughs within the Unorganized borough. This study requires the review of each state and federal agencies to determine the patented and leased lands potentially affected and a review of the recording districts to ascertain the volume of lands that have been sold or parcelized and sold.

B. Construct rough base maps at scales suitable for field use in the appraisal portion of the study both real and personal, and which will be available and used as indexes and for the construction of permanent tax plats if the mapping project is continued.

C. Prepare a written report concerning recommended methods and procedures to be used in the:

1. Property ownership and identification system.

2. Estimated line item cost, analysis and time frame schedule required for the initial mapping project.

3. Estimated cost analysis for providing annually the updating of all tax plats.

2. Appraisal Project; Real Property.

A. Estimate within reasonable limits the potential real property tax base and number of taxable fee owned, patented and leased lands and taxable residential, commercial and industrial structures and improvements.

This study must be conducted in close co-operation with the mapping project, and will involve spot checking, collection and analysis of specific data within various selected areas which will be used for projecting the total valuation estimates.

B. Estimate the real property appraisal contract fee to the Agency and the time frame scheduling required for the initial assessment of real property within each of the several boroughs within the Unorganized Borough.

C. Estimate within reasonable limits the real property assessed valuation and numbers of taxable property according to area and property classification which will be excluded should the exemptions as outlined in Section 43.77.020 of HB 597 be authorized.

3. Appraisal Project; Personal Property.

A. Estimate within reasonable limits the potential personal property tax base and the number of taxable accounts according the major classifications of property within each of the several boroughs within the Unorganized Borough.

This study must be conducted in close co-operation with both the mapping and the real property valuation project. It will involve the spot checking of all available state and federal records, corporate, business license tax, vehicle, boats and vessels, aircraft, and will also involve spot checking collection and auditing of specific data within the various se-

lected areas which will be used for projecting the total valuation estimate.

B. Estimate within reasonable limits the potential personal property tax base which is excluded from the potential tax base should the exemption as outlined in AS 43.77.020 of HB 597 be authorized.

4. Administration Project.

Obtaining specific data concerning the location, classification and valuation of potential taxable property and the initial cost of assembling the data is only the first step of a comprehensive study. The study should involve the cost to the State for the planning, research and design of administrative methods and procedures for implementing modern, well coordinated, computerized property assessment, tax collection, foreclosure, and revenue sharing systems.

A. A survey of modern administrative systems used throughout the United States and Canada.

B. The analysis and modification of these systems adapted to the present and future needs of Alaska.

C. Training of existing and new personnel.

5. Social, Economic and Political Impact.

This portion of the study pertains to the present and future desires of people for public services, the various methods of providing and financing of these services and the part which the legislature should play in assisting the people in planning, financing and administration of these services.

The Local Affairs Agency is vitally interested in the property tax study as outlined in HCR 51 and has compiled cost data figures for the functions in which it may be involved.

The Agency has contacted reliable service companies and has obtained estimated cost data for providing the following services:

1.	Mapping Project	$30,000
2.	Real Property Appraisal Project	35,000
3.	Personal Property Appraisal Project	30,000
	Total Agency Budget Rounded	$100,000

The fourth part of the study is administration. The study conducted by the Department of Revenue in co-operation with the Local Affairs Agency will set up modern assessment and tax collection methods and procedures and provide for the impact portion of the study the costs to the State for implementing and subsequent administration of the property tax.

The Agency in co-operation with the Department of Revenue has received a preliminary estimate from a reliable service agency which indicates that the cost to the State for providing this service will be in the neighborhood of $125,000 to $150,000. The Department of Revenue may have available in the near future a more refined estimated figure.

The fifth part of the study pertaining to the social, economic and political impact appears to be the responsibility of the University of Alaska and the Legislature Affairs Agency. The Local Affairs Agency will, however, be pleased to be consulted in the analysis and recommendations before the final report is submitted.

SRD/ram

STATE OF ALASKA

WILLIAM A. EGAN, GOVERNOR

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER / POUCH S - JUNEAU 99801

April 11, 1972

Mr. John M. Elliott
Executive Director
Legislative Affairs Agency

Re: HCR 51

Dear Mr. Elliott:

Just as a very roundhouse figure we would anticipate that an amount in the neighborhood of $35,000 would fund our portion of this study. This would cover the initial study of the resources necessary to carry out the collection and enforcement function and a cost analysis of such resources. $30,000 of the above would be contractual services which would cover, we hope the cost of retaining a management consulting and tax oriented firm for purposes of systems design and cost study. About $5,000 would be in personal services to fund part time people necessary to do some of the data gathering within the department.

Yours truly,

Eric E. Wohlforth
Commissioner

EEW:jd

STATE
of ALASKA

TO

John M. Elliott
Executive Director
Legislative Affairs Agency

DATE April 6, 1972

FROM M. R. Charney, Director
Division of Budget & Management
Department of Administration

SUBJECT HCR-51 - "Relating to a study of the ramifications of a statewide property tax."

In response to your letter of April 4, 1972, it is felt this Department plays no role other than perhaps advisory in conducting a study of the ramifications of a statewide property tax as proposed in HCR-51.

After discussing this proposed study with the Local Affairs Agency, it was our consensus that it falls within that agency, the Department of Revenue and Legislative Council.

RECORDS CERTIFICATION

I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James O. Smith
Signature of Camera Operator

4/4/89
Date

02-519 (REV 8/78)

"An Act appropriating to the Department of Education, Alaska Higher Educational Facilities Commission; and providing for an effective date."

Committee Report

HOUSE OF REPRESENTATIVES

_____
Date

Mr. Speaker:

The Committee on _____ has had _____ under consideration. A majority of the members of the Committee

/_/ recommends it do pass

/_/ recommends it do not pass

/_/ recommends it do pass with attached amendment(s)

/_/ recommends it be replaced with CS for _____ and that CS for _____ do pass

/_/ (and) recommends it be referred to the _____ committee

/_/ reports it back without recommendation

/_/ (other) _____

MEMBERS SIGNING THE MAJORITY REPORT:

_____ _____ _____

_____ _____ _____

_____ _____ _____

_____ _____ _____

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

_____
CHAIRMAN

Committee Report

HOUSE OF REPRESENTATIVES

_____
Date

Mr. Speaker:

The Committee on _____ has had _____ under consideration. A majority of the members of the Committee

/_/ recommends it do pass

/_/ recommends it do not pass

/_/ recommends it do pass with attached amendment(s)

/_/ recommends it be replaced with CS for _____ and that CS for _____ do pass

/_/ (and) recommends it be referred to the _____ committee

/_/ reports it back without recommendation

/_/ (other) _____

MEMBERS SIGNING THE MAJORITY REPORT:

_____ _____ _____

_____ _____ _____

_____ _____ _____

_____ _____ _____

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

_____
CHAIRMAN

"An Act appropriating to the Department of Education, Alaska Higher Education Facilities Commission; and providing for an effective date."

Committee Report

HOUSE OF REPRESENTATIVES

3/10/71 March 10, 1971
Date

Mr. Speaker:

The Committee on FINANCE has had HB 92 under consideration. A majority of the members of the Committee

/_/ recommends it do pass

/_/ recommends it do not pass

/_/ recommends it do pass with attached amendment(s)

/X/ recommends it be replaced with CS for HB 92 and that CS for HB 92 do pass

/_/ (and) recommends it be referred to the _____ committee

/_/ reports it back without recommendation

/_/ (other) _____

MEMBERS SIGNING THE MAJORITY REPORT:

_____ _____ _____

_____ _____ _____

_____ _____ _____

_____ _____ _____

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

_____
CHAIRMAN

HOUSE JOURNAL

House Finance Committee Report

on

HOUSE BILL NO. 52

The committee has had HOUSE BILL No. 52 under consideration and the majority of the members of the committee recommend that it be replaced with FINANCE COMMITTEE SUBSTITUTE for HOUSE BILL NO. 52 and that FINANCE COMMITTEE SUBSTITUTE for HOUSE BILL NO. 52 do pass. However, the committee wishes to make a statement regarding the bill part of the record.

Contractual Service Payments

Revised cost estimates for contractual services provided by Alaska Methodist University and Sheldon Jackson College are as follows:

	AMU	Sheldon Jackson
(1) tuition and fee reimbursement	$517,027	$ 61,769
(2) per student payments	260.623	52,656
Total	$777,650	$114,425
		$892,075

On the basis of these revised cost estimates, the supplemental is reported out at the $892,100 figure.

Constitutional Issues

The committee is greatly concerned with the constitutional issues surrounding this bill. Testimony and deliberations within the committee have failed to dispel the doubts concerning the constitutionality of Article II, Ch. 230, SLA 1970, Contractual Agreements with Private Institutions of Higher Education. In light of this, the committee has requested of the Attorney General and the Legislative Affairs Agency written opinions on the constitutionality of:

(1) reimbursement to students of full tuition and required fees charged by a private institution less those charges made for similar items at the University of Alaska;

(2) payment of $250 a semester to private educational institutions for each full time equivalent student;

(3) payment to private institutions for duplicate services -- namely courses offered at Alaska Methodist University and Sheldon Jackson College that are also offered at neighboring facilities of the University of Alaska.

[illegible] that responses to the above questions [illegible] Attorney General and the Legislative Affairs Agency [illegible] in time to resolve the constitutional [illegible] action on the supplemental appropriation. However, should this not be the case, the committee [illegible] that the opinions sought will be of use to other

consideration of this Legislature in their deliberations on House Bill No. 52.

The Duplicate Service Issue

House Bill No. 314 represented an attempt by the Finance Committee to prescribe fiscal limits for the purchase of contract services from private institutions of higher education through the establishment of a cut-off date for state support of duplicate educational services. The committee felt - as it does now - that the purchase of contract services should be geared to the provision of subject area and course coverage not provided by neighboring facilities of the University of Alaska.

Now that House Bill No. 314 has been tabled, the committee wishes to express its support for another companion measure, Finance Committee Substitute for House Concurrent Resolution No. 26, which stresses the "need for coordination of all available higher education programs in order to minimize needless duplication of courses and programs" and resolves that the Legislative Council contract with a nationally recognized educational consulting firm to study the problems relating to higher education in the state and to report the findings to the Second Session of this Legislature. Passage of this resolution would assure that the problem of state funding of duplicate educational services would be reviewed prior to the next legislative session.

The Finance Committee is concerned that passage of the supplemental appropriation contained in House Bill No. 52 -- without some formal acknowledgment that it represents only an "intermediate" solution to the problem of financing privately-sponsored higher education in Alaska -- will establish an on-going, open-ended fiscal commitment of the state. A study, such as the one proposed in the resolution, could delineate the problem areas and provide the Legislature with alternate approaches in support of private higher education. With this in mind, the committee requests that Finance Committee Substitute for House Bill No. 52 and Finance Committee Substitute for House Concurrent Resolution No. 26 be considered by the House at the same time.

George Homan, Chairman
House Finance Committee

House Finance Committee Report

on

HOUSE BILL NO. 52

The committee has had HOUSE BILL NO. 52 under consideration and the majority of the members of the committee recommend that it be replaced with COMMITTEE SUBSTITUTE for HOUSE BILL NO. 52 and that COMMITTEE SUBSTITUTE HOUSE BILL NO. 52 do pass. However, the committee wishes to make a brief statement regarding the bill part of the record.

Recently revised cost estimates for contractual services provided by Alaska Methodist University and Sheldon Jackson College are as follows:

		AMU	Sheldon Jackson
(1)	tuition and fee reimbursement	$517,027	$ 61,769
(2)	per student payments	260,623	52,656
	Total	$777,650	$114,425
			$892,075

On the basis of these revised cost estimates, the supplemental is recommended at the $892,100 figure.

George Hohman
Chairman
House Finance Committee

[illegible]

[illegible] Office [illegible] Admin. Adm [illegible] 03 [illegible] 05 for [illegible]

[illegible] House Finance Committee

[illegible] Nathaniel H. Cole

[illegible] 2/10/71 [illegible] 2/10/71

EXPENDITURE DETAIL	FY 71	FY
[illegible]		
[illegible]		
[illegible]	950,000	
[illegible]		
[illegible]		
[illegible]		
[illegible]		
[illegible]		
TOTAL	$ 950,000	$
FUNDING DETAIL		
[illegible]	$	$
[illegible]		
[illegible]		

Does Not Use
Permanent Positions
Temporary Full Time

FISCAL ANALYSIS

See attached.

DATE 2/10/71 SIGNATURE Nathaniel Cole

NAME & TITLE Nathaniel H. Cole, Director, Admin. Services

[illegible]

IN THE HOUSE BY REQUEST

[illegible]

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act appropriation to the Department of Education, Alaska Higher Educational Facilities Commission; and providing for an effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. The sum of $[illegible] is appropriated from the general fund to the Department of Education, Alaska Higher Education Commission, for the purposes of providing scholarship grants and loans under AS 14.43.760 - 14.43.849.

* Sec. 2. This Act takes effect on July 1, 1971.

Introduced sponsors: Lonkevin

Offered: 2/10/71
Referred: Finance

BY THE HEALTH, WELFARE AND
EDUCATION COMMITTEE

IN THE HOUSE

CS FOR HOUSE BILL NO. 52

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act appropriating to the Department of Education, Alaska Higher Educational Facilities Act Commission; and providing for an effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. The sum of $950,000 is appropriated from the general fund to the Department of Education, Alaska Higher Education Facilities Act Commission, for scholarship grants, loans and contractual agreements under AS 14.42.010 - 14.42.090 and AS 14.43.010 - 14.43.120.

* Sec. 2. This Act takes effect on the day after its passage and approval or on the day it becomes law without approval.

[illegible]

[illegible]

[illegible]

[illegible]

The [illegible] "An Act [illegible] to the [illegible] section of [illegible] General [illegible] and providing for an [illegible] date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. The sum of $[illegible] is appropriated from the general fund to the Department of Education, General Administration, for [illegible] unrestricted general grants for contractual support to private institutions of higher education in Alaska under AS [illegible] revision of AS 14.40.050 for the biennial [illegible] June 30, 1977, to be allocated according to the following schedule:

Alaska Pacific University	$750,[illegible]
Sheldon-Jackson College	$200,[illegible]

* Sec. 2. This Act takes effect on the day after its passage and approval or on the day it becomes law without approval.

STATEMENT OF PROGRAM

Supplemental Appropriation

For the Fiscal Year Ending June 30, 1971

AGENCY	Department of Education
PROGRAM	Gen. Administration
ACTIVITY	Scholarship Loans
FUNCTION	

[illegible] provides for higher education scholarship loans and grants and State contractual agreements with accredited [illegible] institutions of higher education.

[illegible] was apparently based only on the projected number of requests for grants and [illegible] under the original provisions of Senate Bill 380. This broadened the original statutes to [illegible] year and also permitted grants to be made in addition to loans. As a [illegible] individual grants and the broadened provisions, the legislature increased the [illegible].

[illegible] section on additional credits was added to the chapter, essentially picking the [illegible] Senate Bill 381 which required the State to enter into contractual supporting [illegible]. The appropriation bill, however, carried no additional funds beyond [illegible], therefore, made no provision for supporting the required contractual [illegible].

[illegible] individual legislators indicate that the legislative intent was to support all pro[illegible] programs has indicated willingness to request a supplemental appropriation to fund [illegible].

[illegible] number for the current fiscal year have been submitted by Alaska Methodist [illegible] based upon actual data for this summer and for the fall semester and projections for [illegible].

[illegible]

STATEMENT OF PROGRAM

[illegible]

[illegible]

For the Fiscal Year Ending June 30, 1971

Agency: Department of [illegible]
Executing Program: General [illegible]
Activity: [illegible]
Function:

CHAPTER 150, SLA 1970
Article 11, Para. #1 and 2
Budget Request Summary

[illegible]	Outside G Fees	Para. #2	Total
[illegible] University			
[illegible]	$ 10,267	$ 25,404	$ 35,630
[illegible]	244,751	103,982	348,733
[illegible]	413,900	100,169	566,069
Subtotal	[illegible]	$230,555	$ 750,433
[illegible]			
[illegible]	75,000	25,000	100,000
[illegible]	75,000	25,000	100,000
Subtotal	$150,000	$ 50,000	$ 200,000
[illegible]	$901,573	$285,555	$ 950,000

[illegible]

[illegible]

[illegible]

A BILL

[illegible] "An Act relating to state reimbursement of [illegible] accredited, privately sponsored institutions of higher education."

[illegible]

[illegible] Section 1. AS 14.40 is amended by adding a section to read:

ARTICLE 11. [illegible]

[illegible] INSTITUTIONS OF HIGHER EDUCATION.

Sec. 14.40.900. CONTRACTUAL AGREEMENTS. The state shall, [illegible] authorized and created under AS 14.40.010 and 14.50.050, enter into contractual agreements with accredited, privately sponsored institutions of higher education in Alaska for the provision of educational services to Alaska residents. Payments under the contractual agreements shall include

(1) full tuition and required fees charged by the institution for each student less charges made for the same items at the University of Alaska or the appropriate community college; and

(2) an amount of $250 a semester for each full-time student and a pro rata amount for each part-time student.

Sec. 14.40.910. EXCEPTIONS. No payment may be made for any course in sectarian religion or partisan politics under a contract [illegible] under sec. 900 of this chapter.

AS 14.40.900

Church vs. State

Some Private Schools May Be Forced to Close By High Court Ruling

Decision Barring Some Aid To Catholics and Others Seen Imperiling Systems

An Impact on the Taxpayer

A WALL STREET JOURNAL News Roundup

More parochial and other private schools will close. Tuition that parents pay at the ones that stay open will rise sharply. And all school taxpayers are likely to get bigger bills as the nation's public school systems try to cope with large enrollments.

Those were the clear implications of yesterday's Supreme Court decision holding unconstitutional the most ambitious state programs yet devised for channeling tax funds to money-starved parochial and other nonpublic elementary and secondary schools.

The decision may have a greater impact on American education than any high court ruling since the 1954 decision banning racial segregation in public schools. Yesterday's decision voided Pennsylvania and Rhode Island laws that Catholic school officials had hoped would be prototypes for the nation.

The decision appeared, in effect, to void similar laws that already have been passed in New Jersey, Connecticut, Ohio and Louisiana. The same kinds of laws were under active consideration by the legislatures of at least nine additional states, according to officials of the National Catholic Educational Association in Washington.

The decision doesn't bar all state and federal aid to nonpublic schools—funds specifically earmarked for such things as textbook loans, bus services, health care and lunches apparently are still permitted—but it voided laws providing two key forms of assistance. In the case of Rhode Island, the law that was ruled unconstitutional provided state funds to supplement the salaries of teachers in nonpublic schools. In Pennsylvania's case, the court ruled against comprehensive state financial aid covering reimbursement for salaries and teaching materials as well as textbooks.

The 'Excessive Entanglement' Doctrine

It's true that a large area of uncertainty remains between the court's earlier decision that upheld limited forms of state aid and the ruling yesterday, in which the court struck down "excessive entanglement" between church and state. Chief Justice Warren E. Burger, in authoring the ruling yesterday, conceded that "candor compels acknowledgement that we can only dimly perceive the lines of demarcation in this extraordinarily sensitive area of constitutional law."

But most Catholic-school and public-school educators interviewed by reporters of The Wall Street Journal yesterday considered that the most effective kind of state aid to private schools—direct assistance for teachers' salaries—was barred by the decision.

Bishop Joseph L. Bernardin, general secretary of the U.S. Catholic Conference, said the decision would have a "serious impact on nonpublic schools (that) cannot be overestimated." He said the organization's lawyers still were studying the decision, and he also emphasized that limited forms of state aid still were available. The conference is a Washington-based organization that speaks for the Catholic Church on national civic and educational issues.

Atendance at Catholic schools, which enroll the great majority of students in nonpublic schools, had been slipping for years, largely due to increased costs that have driven tuition up beyond the means of many parents. Nearly 2,000 schools already have closed.

Enrollment Decline Over 20%

Last fall, there were 4,367,000 students enrolled in 11,352 Catholic elementary and secondary schools, a decline in enrollment of more than 20% from 5,574,000 students in 13,292 schools in the 1965-66 school year. There were more than 45 million pupils in public elementary and secondary schools in the U.S. last year.

In educating nearly 10% of the nation's pre-college students, the Catholic schools have provided a windfall for taxpayers. In states where there is no aid to private schools, the non-Catholic taxpayers pay nothing to educate these children, of course. And even when there is aid, it is much less per pupil than is given to the public school — often because the nuns and priests who staff Catholic schools get far less pay than do public-school teachers. In Pennsylvania, for example, "it costs us $850 to educate a child in the public schools, but we could keep a child in the private school for only $37 a year (in state aid)," says Martin Mullen, chairman of the legislature's house appropriations committee.

Because Pennsylvania's law providing private-school assistance was ruled unconstitutional yesterday, Monsignor Arthur Nace, controller of the archdiocese of Philadelphia, said Catholic schools there have "no other alternative but to raise tuition." The archdiocese recently announced that tuition next fall would be $200 a student, up from $130 this past year, but now, he says, his office will recommend an increase to "possibly $300" a student.

Msgr. Nace says that schools in 36 parishes, about 10% of the archdiocese, are "just making it" with state aid. These 36, he says, are in critical shape. The decision will cost the archdiocese some $8.9 million in state aid, about 15% of next year's $60 million operating budget. "I could ever so mildly describe the Supreme Court's decision as unfortunate," he says. "It's a problem of nightmarish proportions and calls upon Catholics to bear an unbearable burden."

The Pennsylvania Nonpublic Elementary and Secondary Education Act, passed in 1968, authorized public school authorities to "purchase" certain "secular educational services" from nonpublic schools. Under the program, the state reimbursed the nonpublic schools directly for their expenditures for teachers' salaries, textbooks and instructional materials. Some 20% of all 2,140,000 school children in the state are enrolled in nonpublic schools that benefited under the law, and most of the schools were affiliated with the Roman Catholic Church.

Not all, however. The Supreme Court decision is apt to hit some high-cost non-Catholic private schools as hard, or perhaps harder, than it strikes the Catholic schools. The exclusive Episcopal Academy at Merion, a Philadelphia suburb, got $115,000 in state aid last year for its 780 students. Its teachers' relatively high salaries enabled the school to collect more than many Catholic schools where the teachers are nuns. "The money must come from somewhere, and raising tuition is about the only avenue open to us," says James Quinn, headmaster. Tuition now ranges up to $1,750 a student, and he expects to boost it by $150 or so, he says.

Mark Shedd, superintendent of Philadelphia's city schools, termed the Supreme Court decision "a real body blow" and added that the city schools and private schools now are "companions in disaster."

Both the Rhode Island and Pennsylvania laws were carefully drawn with the hope they would pass constitutional muster. But the high court found both in violation of the religion clause of the First Amendment, which says there may be "no law respecting an establishment of religion."

The Rhode Island Salary Supplement Act, enacted in 1969, authorized the state to supplement salaries of teachers of nonreligious subjects in nonpublic elementary schools by paying directly to the teacher an amount up to 15% of his or her current yearly salary. To qualify, a teacher had to use only those teaching materials used in public schools and agree in writing "not to teach a course in religion."

A special three-judge federal district court found that the Rhode Island law benefited persons who taught about 25% of the state's elementary school pupils and that the great majority of such pupils were in Roman Catholic schools. The lower court held that the state program fostered "excessive entanglement" between the state and church, and voided the law. The Supreme Court affirmed the district court.

Brother Stephen O'Hara, assistant superintendent in charge of secondary education for Rhode Island's Catholic schools, says "all parishes will have to look thoroughly at their parochial schools" because of the decision. He says some Catholic schools might be merged to reduce costs, and "probably some lay teachers will have to go."

A "Real Crunch" to Come

Fred Burke, commissioner of education for Rhode Island, says the court decision will have an "enormous impact" on the state's public education system. There now are 150,000 children

in the state's public school system, 40,000 in parochial and private schools. The "real crunch of the state's public school system will come a year from now," he says, when a decline "as high as 20% to 25%" in parochial-school enrollment is likely to take place. The state and local school boards aren't financially equipped to handle the influx of students forced to leave Catholic schools, he says; local property taxes will have to rise, classes will be larger, and proposed school building programs will be revamped, he says, all because of the court's decision.

The court decision cast a legal cloud over pending legislation to help private schools in a number of states. In one, Massachusetts, the decision may hasten the closing of four or five parochial elementary schools in the Boston district, says Paul Tierney, chairman of the Boston Public School Committee, and thus spill 1,500 to 2,000 students into the public school system in September 1972. Mr. Tierney says the hard-pressed public school system, already trying with only partial success to trim its budget, can handle no more than 200 additional students next fall.

Some states plan to push their programs despite the court decision. Illinois Gov. Richard B. Ogilvie expects to sign "in a matter of days" three aid bills passed by the legislature last Tuesday, a spokesman says.

Some Illinois officials think their program is different enough from the Pennsylvania and Rhode Island plans to pass a constitutional test. "The Rhode Island and Pennsylvania programs involved a direct relationship between the states and the parochial schools," says state representative Eugene F. Schlickman of Arlington Heights, "while ours is essentially a parental grant plan." Under it, parents who choose to send their children to nonpublic schools would be eligible for state grants of $48 to $60 a year for each elementary-school child and $60 to $90 a year for each child in high school. "When the grants are approved, the parents would indicate which schools the money is to be paid to," Mr. Schlickman says. "Thus, the state would be merely an agent in paying money to nonpublic schools."

That plan, called a "voucher" system, is a controversial one, and there's no doubt that it will be challenged. But yesterday, Rep. Roman C. Pucinski, (D., Ill.), chairman of the House subcommittee on general education, said that unless some other means is found to help youngsters attending private schools, the voucher system may become inevitable.

The Court Decision

The Supreme Court decision appeared to jeopardize any kind of state aid involving subsidies to religious-school teachers. In the decision, Chief Justice Burger acknowleged that the two states involved had tried to assure that state funds weren't used for religious education, but he concluded that "the cumulative impact of the entire relationship arising under the statutes in each state involves excessive entanglement between government and religion."

The Chief Justice recognized that "our prior holdings do not call for total separation between church and state." But, after reviewing the extent of Catholic Church control of its schools and their teaching staffs, he found that the pair of state laws "gives rise to entangling church-state relationships of the kind the (Constitution) sought to avoid." He said that, while the states can make sure that textbooks don't foster religious training, they cannot similarly make certain that a teacher's "handling of a subject" never touches on "some aspect of faith or morals." The Chief Justice said "we simply recognize that a dedicated religious person, teaching in a school affiliated with his or her faith, will inevitably experience great difficulty in remaining religiously neutral."

Finally, he said such state laws are objectionable because they are continuing programs involving annual appropriations that inevitably "will entail considerable political activity." Ordinary political debate is a healthy thing, he said, but "political division along religious lines was one of the principal evils against which the First Amendment was intended to protect."

According to the National Catholic Educational Association, laws similar to the outlawed "purchase of services" statutes are under active consideration by the legislatures of Maine, Massachusetts, Indiana, Kansas, Missouri, West Virginia and Washington. Four states have enacted laws under which salaries of teachers in nonpublic schools are supplemented with state funds: Rhode Island, Connecticut, Ohio and Louisiana. Similar laws are actively under consideration in Iowa and Texas.

The issue involves a sizable amount of money in Ohio. Gov. John Gilligan has asked in his budget message for $81.8 million for state aid to parochial schools over the next two years, according to an analysis by the Ohio Public Expenditures Council, a tax research organization. The request has been pared by the house of representatives to $65 million, but hasn't been acted on by the state senate.

If state aid—amounting to $35.8 million for the two-year period ending tomorrow—were cut off, "we unquestionably would have to close some schools," Monsignor William A. Hughes, superintendent of Youngstown's Catholic schools, said last year; he declined comment yesterday. "We're awfully shocked by the ruling," says a spokesman for the Cleveland Catholic diocese. "If we lose state aid, undoubtedly some schools in the diocese would not be able to open in September." The court decision set off considerable excitement in the diocese; for awhile, its switchboard was jammed with calls from people concerned about the fate of Cleveland's parochial schools.

In New York, Gov. Nelson A. Rockefeller signed just last week an act that would provide $33 million in assistance to nonpublic schools for "acceptable secular educational services." New York has about 650,000 students in religious elementary and secondary schools, about 725,000 of them in Catholic schools, the remainder in Jewish, nondenominational, Lutheran and Episcopal schools. Under the New York law, the state aid can be used for salaries, instructional materials, texts and administrative expenses. Because it is "pupil-related," involving a grant based on the number of pupils served by a school system, New York officials say privately they hope its constitutionality will be upheld.

New York has already been assisting nonpublic schools with textbook loans and money for some services.

Chief Justice Burger's opinion was joined by Justices Hugo Black, William O. Douglas, John M. Harlan, Potter Stewart and Harry Blackmun. Justice Thurgood Marshall concurred in the Rhode Island case but didn't participate in the Pennsylvania case. Justices Brennan, Douglas and Black wrote separate opinions emphasizing their views that no state aid should go to church-related schools.

The court by a 5-to-4 majority upheld the constitutionality of major portions of the Federal Higher Education Facilities Act, providing construction grants for colleges and universities. Chief Justice Burger's opinion for the majority said the federal program was different from the state programs because, among other reasons, there's less danger that college-age students will be affected by "religious indoctrination."

HOUSE JOURNAL

A L A S K A S T A T E L E G I S L A T U R E

SEVENTH LEGISLATURE - FIRST SESSION

Juneau, Alaska | Monday | April 5, 1971

Eighty-Fifth Day

Pursuant to adjournment, the House was called to order by Speaker Gene Guess at 10:05 a.m.

Roll call showed all members present except Mrs. Chance and Messrs. Ferguson, Fink, Reed, Whittaker and Wright. Mr. Reed had been previously excused from the call of the House today. Mr. E. Miller moved and asked unanimous consent that Mrs. Chance be excused from a call of the House today and that all other absent members be excused on official state business. There being no objection, it was so ordered.

The prayer was offered by the Chaplain, the Reverend Kenneth Smith.

The Chief Clerk certified as to the correctness of the journals for the eighty-second, eighty-third, and eighty-fourth days, April 2, 3 and 4, 1971. Mr. E. Miller moved and asked unanimous consent that the journals be approved. There being no objection, it was so ordered.

MESSAGES FROM THE GOVERNOR

"April 1, 1971

The Honorable Eugene Guess
Speaker of the House
Alaska State Legislature
Capitol Building
Juneau, Alaska 99801

Dear Mr. Speaker:

I have signed the following bills and am transmitting the enrolled and engrossed copies to the Lieutenant Governor's office for permanent filing:

SENATE BILL NO. 10 (CHAPTER 21, SLA 1971) — SB 10
FCCS SCS HOUSE BILL NO. 76 (CHAPTER 22, SLA 1971) — FCCS SCS HB 76

Sincerely,

William A. Egan
Governor"

MESSAGES FROM THE SENATE

A message from the Senate dated April 2, 1971 was read stating the Senate has passed SENATE CONCURRENT RESOLUTION NO. 32 and the same is transmitted herewith for consideration.

A message from the Senate dated April 2, 1971 was read stating the Senate has passed SENATE BILL NO. 104 amended and SENATE BILL NO. 199 amended and the same are transmitted herewith for consideration.

A message from the Senate dated April 2, 1971 was read stating the Senate has passed SENATE BILL NO. 164 and the same is transmitted herewith for consideration.

FIRST READING AND REFERENCE OF SENATE RESOLUTIONS

SCR 32 SENATE CONCURRENT RESOLUTION NO. 32 by Hammond

Urging further restraint of mechanized trophy hunting methods

was read the first time and referred to the Committee on Resources.

FIRST READING AND REFERENCE OF SENATE BILLS

SB 104 am SENATE BILL NO. 104 amended, by the Rules Committee by request of the Governor, entitled:

"An Act relating to geological and geophysical surveys, and providing for an effective date."

was read the first time and referred to the Committees on Resources and Finance.

SB 199 am SENATE BILL NO. 199 amended, by Hensley, entitled:

"An Act relating to special guiding permits; and providing for an effective date."

was read the first time and referred to the Resources Committee.

SB 164 SENATE BILL NO. 164 by Thomas, entitled:

"An Act relating to mediation and negotiation for certain educational personnel."

was read the first time and referred to the Committee on Health, Welfare and Education.

Mrs. Fischer objected.

The question being: "Shall amendment No. 10 be adopted?" HB 311 am
A roll call was requested and appears as follows:

Yeas: 18 - Banfield, Colletta, Degnan, Farrell, Fink, Harris, Haugen, Hohman, Holm, Kerttula, McGill, Meland, Moses, Randolph, Specking, Tillion, Warwick, Wright.

Nays: 19 - Barber, Bowman, Bradner, Ditman, Ferguson, Fischer, Guess, Hillstrand, Huber, McVeigh, E. Miller, M. Miller, Moore, Moran, Naughton, Orbeck, Peratrovich, Rose, Swanson.

Excused: 3 - Chance, Reed, Whittaker.

And so, amendment No. 10 was not adopted.

amendment No. 11 by McVeigh:

On page 2, delete all material beginning with the sentence on line 25 through the first word on line 3, page 3, and insert in lieu thereof following language: (Page 2, line 25, after the period)

"This recommendation is binding on the board unless the board after a hearing provided by the board's regulations determines that the city council or borough assembly acted in an arbitrary or capricious manner, and states in writing its findings as to the capricious or arbitrary aspects of the action of the council or assembly."

Mr. McVeigh moved and asked unanimous consent that amendment No. 11 be adopted. There being no objection, amendment No. 11 was adopted.

Mr. McVeigh moved and asked unanimous consent that HOUSE BILL NO. 311 amended be considered engrossed, advanced to third reading and placed on final passage. There being no objection, it was so ordered.

HOUSE BILL NO. 311 amended was read the third time.

The question being: "Shall HOUSE BILL NO. 311 amended pass the House?" The roll was taken with the following result:

Yeas: 27 - Banfield, Barber, Bowman, Bradner, Degnan, Ditman, Farrell, Ferguson, Fischer, Guess, Hohman, Huber, Kerttula, McGill, McVeigh, Meland, E. Miller, M. Miller, Moore, Moran, Naughton, Orbeck, Randolph, Rose, Swanson, Warwick, Wright.

Nays: 9 - Colletta, Fink, Harris, Haugen, Hillstrand, Holm, Peratrovich, Specking, Tillion.

HB 311 am Excused: 4 - Chance, Moses, Reed, Whittaker.

Mr. Hohman changed his vote from nay to yea.

Mr. Randolph changed his vote from nay to yea.

Mr. Warwick changed his vote from nay to yea.

And so, HOUSE BILL NO. 311 amended passed tl House.

Mr. E. Miller moved and asked unanimous consent that the roll call on the passage of HOUSE BILL NO. 311 amended be considered the roll call on the effective date clause. There being no objection, it was so ordered.

HOUSE BILL NO. 311 amended was referred to the Chief Clerk for engrossment.

Mr. Hohman gave notice of reconsideration of his vote on HOUSE BILL NO. 311 amended on the next legislative day.

Mr. E. Miller moved and asked unanimous consent that the House recess for ten minutes. There being no objection, the House recessed at 11:25 a.m.

AFTER RECESS

The House was called to order at 11:41 a.m.

HB 52 HOUSE BILL NO. 52 (appropriating to the Department of Education, Alaska Higher Educational Facilities Commission; and providing for an effective date) which had been taken from the calendar in second reading and recommitted to the Finance Committee (page 522 of the journal) was read again with the Health, Welfare and Education Committee report (page 206 of the journal), the first Finance Committee report (page 452 of the journal), the second Finance Committee report (page 504 of the journal) and the third Finance Committee report (pages 600 - 602 of the journal).

The Speaker stated that without objection, a memorandum dated April 1, 1971 from Russ Mulder, Deputy Director, Legislative Affairs Agency, to Mr. Hohman, regarding the constitutionality of AS 14.40.900, would be printed in the journal. There being no objection, it was so ordered and the memorandum appears as follows:

"April 1, 1971

M E M O R A N D U M

TO: Representative George Hohman, Chairman
House Finance Committee

FROM: Russ Mulder, Deputy Director

SUBJECT: Constitutionality of AS 14.40.900

In reply to your inquiry as to whether AS 14.40.900 violates Section 1, Article VII of the Alaska Constitution, it is the opinion of this office that it does.

Section 1, Article VII provides in part:

> "The legislature shall by general law establish and maintain a system of public school.... No money shall be paid from public funds for the direct benefit of any religious or other private educational institution." (Emphasis added.)

AS 14.40.900 provided:

> "CONTRACTUAL AGREEMENTS. The state shall, through the Alaska Higher Education Commission which has been authorized and created under AS 14.50.010 and 14.50.080, enter into contractual agreements with accredited, privately sponsored institutions of higher education in Alaska for the provision of educational services to Alaska residents. Payments under the contractual agreements shall include:
>
> (1) full tuition and required fees charged by the institution for each student less charges made for the same items at the University of Alaska or the appropriate community college; and
>
> (2) an amount of $250 a semester for each full-time student and a pro rata amount for each part-time student."

In determining whether Section 1, Article VII is violated by the statute set forth above, primary consideration must be given to the words "direct benefit".

While the Alaska Supreme Court has not dealt specifically with the question raised by AS 14.40.900, it has nevertheless dealt with the "direct benefit" issue in Matthews v. Quinton (362 P2d 932). In the Matthews case the court was confronted by the issue of whether the transportation of school children to nonpublic schools on public school buses was a direct benefit to the school. The court followed what is possibly a minority view and one not supported by the United States Supreme Court, and held that

> "...the furnishing of such transportation at public expense constitutes a direct benefit to the school." (Id. at 941)

In explaining the majority's position, Justice Arend quoted from United States Supreme Court Justice Rutledge's dissent in Everson v. Board of Education of Ewing tp., 1945 (133 NJL. 350, 44 A2d 333)

> "... Without buildings, without equipment, without library, textbooks and other materials, and without transportation to bring teachers and pupils together in such an effective teaching environment, there can be not even the skeleton of what our times require. Hardly can it be maintained that transportation is the least essential of these items, or that it does

HB 52

not in fact aid, encourage, sustain and support, just as they do, the very process which is its purpose to accomplish...."

Under the facts of the Matthews decision it made no difference to the court whether the transportation of nonpublic school children was actually a financial burden to the state or not. What was essential was that the private school was encouraged, sustained and supported by state aid. If the reasoning followed by the court is carried to its logical conclusion, it seems inescapable that Section 1, Article VII of the Alaska Constitution was violated when the state was given the authority to contract with privately sponsored institutions of higher education for the provision of educational services as provided for by AS 14.40.900. Can it be denied that the implementation of AS 14.40.900 would in fact aid, encourage, sustain and support private institutions of higher education? Because of the holding in the Matthews case, the fact that the student is also benefited is inconsequential.

Besides the fact that the Supreme Court of Alaska has spoken on the issue of "direct benefit" under Section 1, Article VII of the state constitution, the minutes of the constitutional convention reveal to some extent what the original drafters intended when Section 1, Article VII was conceived.

In explaining why the Committee on Health, Education and Welfare Provisions used the word "direct", Roland Armstrong stated:

> "... This section gives the education or other departments the right to seek out the children, independent of their religious affiliations, to help them to become a strong and useful part of society wherever it touches health and matters of welfare. We would also point out in the light of letters that have come to this floor relative to the disbursement of funds denominational or other private institutions, this does not prohibit the use of funds in other educational matters, and I am sure that no one on the committee would object to the inclusion of this word as we have given the amendment here to clarify this one statement. Now it reads as has been amended by the Committee, 'No money shall be paid from public funds for the direct benefit of any religious or other private educational institution.' We did this to take any doubt away on the part of this Convention of our motives, and we state that where there are welfare cases for children in homes and when there are indigents in hospitals that we do not wish to interfere with that practice of helping to serve people through those institutions...." Alaska Constitutional Convention Minutes, January 9, 1956, pp. 55-56. (Emphasis added.)

It seems from Mr. Armstrong's statement that the committee and then the convention intended to leave the way open for all school children to receive indirect assistance from the state. But it also appears that by "indirect" aid the members of the constitutional convention meant assistance in matters of health and welfare. It does not seem logical to stretch this expressed intent of the convention to include the state contracting with privately sponsored institutions of higher education for the provision of educational services as provided for in AS 14.40.900. What is envisioned in the statute in question is state assistance

for the maintenance of private educational institutions and not the health and welfare of the students of such institutions." HB 52

Mr. Hohman moved and asked unanimous consent that his recommendation on HOUSE BILL NO. 52 be changed from "do pass" to "no recommendation". There being no objection, it was so ordered.

Mr. Warwick moved and asked unanimous consent that COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 52 (Finance) be adopted in lieu of HOUSE BILL NO. 52. There being no objection, it was so ordered. CSHB 52 (Fin.)

Mr. Warwick moved and asked unanimous consent that COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 52 (Finance) be considered engrossed, advanced to third reading and placed on final passage.

Mr. Hillstrand objected. Mr. Hillstrand withdrew his objection.

Mr. Rose objected.

Mr. Orbeck moved and asked unanimous consent that COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 52 (Finance) be held in the Rules Committee until an opinion from the Attorney General is received.

The Speaker ruled Mr. Orbeck's motion out of order.

The question being: "Shall COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 52 (Finance) be advanced to third reading?" The roll was taken and appears as follows:

Yeas: 32 - Barber, Bowman, Bradner, Chance, Colletta, Degnan, Ditman, Farrell, Ferguson, Fink, Fischer, Guess, Haugen, Hillstrand, Hohman, Huber, Kerttula, McGill, McVeigh, Meland, E. Miller, Moore, Moran, Moses, Naughton, Peratrovich, Randolph, Specking, Swanson, Tillion, Warwick, Wright.

Nays: 6 - Banfield, Harris, Holm, M. Miller, Orbeck, Rose.

Excused: 2 - Reed, Whittaker.

And so, COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 52 (Finance) was advanced to third reading.

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 52 (Finance) was read the third time.

The question being: "Shall COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 52 (Finance) pass the House?" The roll was taken with the following result:

Yeas: 32 - Banfield, Barber, Bowman, Bradner, Chance, Colletta, Degnan, Ditman, Farrell, Ferguson, Fink, Fischer, Guess, Harris, Hillstrand, Huber,

CSHB
52
(Fin.)

Kerttula, McGill, McVeigh, Meland, E. Miller, M. Miller, Moore, Moran, Moses, Naughton, Peratrovich, Randolph, Specking, Swanson, Warwick, Wright.

Nays: 6 - Haugen, Hohman, Holm, Orbeck, Rose, Tillion.

Excused: 2 - Reed, Whittaker.

Mr. Warwick changed his vote from nay to yea.

Mr. Harris changed his vote from nay to yea.

And so, COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 52 (Finance) passed the House.

Mr. E. Miller moved and asked unanimous consent that the roll call on the passage of COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 52 (Finance) be considered the roll call on the effective date clause. There being no objection, it was so ordered.

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 52 (Finance) was referred to the Chief Clerk for engrossment.

Mr. Harris gave notice of reconsideration of his vote on COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 52 (Finance) on the next legislative day.

Mr. E. Miller moved and asked unanimous consent that the House recess until 2:00 p.m. There being no objection, the House recessed at 12:30 p.m.

AFTER RECESS

The House was called to order at 2:04 p.m.

HB 197 HOUSE BILL NO. 197 (relating to discriminatory practices) was read the second time with the Judiciary committee report (page 479 of the Journal).

Mr. Moran moved and asked unanimous consent that COMMITTEE CSHB 197 SUBSTITUTE FOR HOUSE BILL NO. 197 be adopted in lieu of HOUSE BILL NO. 197. There being no objection, COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 197 was adopted.

amendment No. 1 by Harris:

Page 1, line 22: Delete "shall" and insert "may"

Mr. Harris moved and asked unanimous consent that amendment No. 1 be adopted.

Mr. E. Miller objected.

The question being: "Shall amendment No.1 be adopted?" The roll was taken with the following result:

Yeas: 10 - Banfield, Colletta, Harris, Haugen, Holm, Randolph, Rose,

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

POUCH Y STATE CAPITOL
JUNEAU, ALASKA 99801

April 1, 1971

M E M O R A N D U M

TO: Representative George Hohman, Chairman
House Finance Committee

FROM: Russ Mulder, Deputy Director

SUBJECT: Constitutionality of AS 14.40.900.

In reply to your inquiry as to whether AS 14.40.900 violates Section 1, Article VII of the Alaska Constitution, it is the opinion of this office that it does.

Section 1, Article VII provides in part:

> "The legislature shall by general law establish and maintain a system of public school.... No money shall be paid from public funds for the direct benefit of any religious or other private educational institution." (Emphasis added.)

AS 14.40.900 provides:

> "CONTRACTUAL AGREEMENTS. The state shall, through the Alaska Higher Education Commission which has been authorized and created under AS 14.50.010 and 14.50.080, enter into contractual agreements with accredited, privately sponsored institutions of higher education in Alaska for the provision of educational services to Alaska residents. Payments under the contractual agreements shall include
>
> (1) full tuition and required fees charged by the institution for each student less charges made for the same items at the University of Alaska or the appropriate community college; and
>
> (2) an amount of $250 a semester for each full-time student and a pro rata amount for each part-time student."

In determining whether Section 1, Article VII is violated by the statute set forth above, primary consideration must be given to the words "direct benefit".

While the Alaska Supreme Court has not dealt specifically with the question raised by AS 14.40.900, it has nevertheless dealt with the "direct benefit" issue in Matthews v. Quinton (362 P2d 932). In the Matthews case the court was confronted by the issue of whether the transportation of school children to nonpublic schools on public school buses was a direct benefit to the school. The court followed what is possibly a minority view and one not supported by the United States Supreme Court, and held that

> "...the furnishing of such transportation at public expense constitutes a direct benefit to the school." (Id. at 941)

In explaining the majority's position, Justice Arend quoted from United States Supreme Court Justice Rutledge's dissent in Everson v. Board of Education of Ewing Tp., 1945 (133 NJL. 350, 44 A2d 333)

> "... Without buildings, without equipment, without library, textbooks and other materials, and without transportation to bring teachers and pupils together in such an effective teaching environment, there can be not even the skeleton of what our times require. Hardly can it be maintained that transportation is the least essential of these items, or that it does not in fact aid, encourage, sustain and support, just as they do, the very process which is its purpose to accomplish...."

Under the facts of the Matthews decision it made no difference to the court whether the transportation of nonpublic school children was actually a financial burden to the state or not. What was essential was that the private school was encouraged, sustained and supported by state aid. If the reasoning followed by the court is carried to its logical conclusion, it seems inescapable that Section 1, Article VII of the Alaska Constitution was violated when the state was given the authority to contract with privately sponsored institutions of higher education for the provision of educational services as provided for by AS 14.40.900. Can it be denied that the implementation of AS 14.40.900 would in fact aid, encourage, sustain and support private institutions of higher education? Because of the holding in the Matthews case, the fact that the student is also benefited is inconsequential.

Besides the fact that the Supreme Court of Alaska has spoken on the issue of "direct benefit" under Section 1, Article VII of the state constitution, the minutes of the constitutional convention reveal to some extent what the original drafters intended when Section 1, Article VII was conceived.

In explaining why the Committee on Health, Education and Welfare Provisions used the word "direct", Roland Armstrong stated:

> "... This section gives the education or other departments the right to seek out the children, independent of their religious affiliations, to help them to become a strong and useful part of society wherever it touches health and matters of welfare. We would also point out in the light of letters that have come to this floor relative to the disbursement of funds, denominational or other private institutions, this does not prohibit the use of funds in other educational matters, and I am sure that no one on the committee would object to the inclusion of this word as we have given the amendment here to clarify this one statement. Now it reads as has been amended by the Committee, 'No money shall be paid from public funds for the direct benefit of any religious or other private educational institution.' We did this to take any doubt away on the part of this Convention of our motives, and we state that where there are welfare cases for children in homes and when there are indigents in hospitals that we do not wish to interfere with that practice of helping to serve people through those institutions...." Alaska Constitutional Convention Minutes, January 9, 1956, pp. 55-56. (Emphasis added.)

It seems from Mr. Armstrong's statement that the committee and then the convention intended to leave the way open for all school children to receive indirect assistance from the state. But it also appears that by "indirect" aid the members of the constitutional convention meant assistance in matters of health and welfare. It does not seem logical to stretch this expressed intent of the convention to include the state contracting with privately sponsored institutions of higher education for the provision of educational services as provided for in AS 14.40.900. What is envisioned in the statute in question is state assistance for the maintenance of private educational institutions and not the health and welfare of the students of such institutions.

DEPARTMENT OF EDUCATION

			HB 452	CSHB 452
ADMINISTRATION:				
Board of Education:		No change from Governor's Allowance.	$ 30,700	$ 30,700
Office of Commissioner:			185,700	$ 157,600
Decrease: Code 100	($20,000)	Deleted new position of Facilities Specialist; balance in VTO.		
200	(5,400)	Related to deletion of new position; balance is general decrease.		
300	(1,100)	General decrease.		
400	(1,000)	General decrease.		
500	(600)	Related to deletion of new position.		
Total decrease:	($28,100)			
Advisory Commissions:			120,800	106,900
Decrease: Code 200	($12,200)	General decrease.		
300	(1,700)	Decrease Code 380 (by deleting PTPC secretarial services in the field.)		
Total decrease:	($13,900)			
Scholarship Loans:			150,000	250,000
Increase: Code 700	$100,000	To fund HB 599 (relating to increase in amount of loan under scholarship loan program.)		
Planning & Research:			141,900	116,900
Decrease: Code 100	($ 1,300)	VTO.		
200	(700)	General decrease.		
300	(13,000)	Deleted short-term contracts with professionals for research and planning.		
	(10,000)	Eliminated funding for data processing.		
Total decrease:	($25,000)			
Staff Development:			10,000	10,000
No change from Governor's Allowance.				

Department: EDUCATION

Division: General Administration

Program: Scholarship Loans

Expenditures by Object	1969-70 Authorized	Governor's Recommendation	House Allowance	Senate Allowance	1970-71 Legislative Appropriation	Increase (Decrease) over 69-70
PERSONAL SERVICES	$	$	$	$	$	
TRAVEL						
CONTRACTUAL SERVICES						
COMMODITIES						
EQUIPMENT						
LAND AND STRUCTURES						
GRANTS, CLAIMS AND SHARED REVENUE	100,000	150,000	250,000	150,000	250,000	
MISCELLANEOUS						
INTERAGENCY CHARGES						
SUPPLEMENTAL AND/OR OTHER APPROPRIATIONS						
TOTAL	$ 100,000	$ 150,000	$ 250,000	$ 150,000	$ 250,000	$ 150,000

The $100,000 increase in Grants, Claims and Shared Revenue is to fund Chapter 230 SLA 1970 which increases the amount a student can borrow under this program and provides for scholarship grants.

The Legislature's total increase over the Governor's recommendation is $100,000.

Alaska State Legislature

House

JUNEAU ALASKA

MEMORANDUM

TO: Rep. George Hohman, Chairman
House Finance Committee

FROM: J. H. Hogan
Fiscal Analyst

DATE: March 23, 1971

SUBJECT: HB 52 - Higher Education Contractual Agreements
Supplemental Appropriation

The basic objection to HOUSE BILL NO. 52 is that it represents an unresearched and temporary or "stop gap" approach toward solving the problems of rpivate higher education in Alaska. In a letter dated April 21, 1970 to Representative William L. Hensley, Chairman of the Health, Welfare and Education Committee from William R. Wood, President of the University of Alaska, Dr. Wood states "Financial assistance to private higher educational institutions in Alaska should not be confused. Let's find a sound means of providing financial assistance to the private sector that is so badly needed if we are to retain the special opportunities it alone can provide. The contractual approach is one acceptable means. It could take many forms, one being simply a lump sum grant directly by the Legislature, or through the Board of Regents for the production of graduates on a formula basis, such as $2,000 to the institution granting a baccalaureate degree and $1,000 to the institution granting an associate degree ....I would urge the Legislature to give very serious attention to the problem of support for private as well as public institutions of higher learning in Alaska; perhaps not in this session, for the hour is late, but certainly at the very beginning of the next session...."

The House Finance Committee feels that the recommendation of the President of the University of Alaska - namely that the legislature give very serious attention to the problem of support for private higher education in Alaska - has not been followed. This the committee has serious reservations concerning the supplemental appropriation - which by original title and language implied that its purpose was to fund scholarship loans and grants - for the purchase of contract services from two Alaskan institutions of higher education.

The committee's concern with the propriety of HOUSE BILL NO. 52 centers around the following major areas:

Legislative Intent - Contractual Agreements with Privately Sponsored Institutions of Higher Education

As originally introduced, HB 599 would have amended the existing scholarship loan program by raising the maximum scholarship loan from $500 to $750 a year and would have allowed the loans to be used to attend any accredited college or university. A SENATE CS FOR CS FOR HB 599 - the draft that served as the basic document for the Free Conference Committee - further broadened the existing scholarship loan program by creating two types of financial assistance - grants and loans. The CS would have raised the loan limit (and grant limit) from $500 to $750 a year, would have limited grants to sutdents attending Alaskan colleges or universities and would have authorized the expenditure of grant and loan funds on room and board as well as tuition and required fees.

HB 599 was researched by the House Finance Committee [House Finance Committee minutes cover testimony and discussion of the bill on pages 793-799 and pages 1519-1530] and a House Finance CS for HB 599 was reported out. The committee noted the increased funding requirements of HB 599 - - - the Governor's 1970-71 budget contained $150,000 for student loans based upon an estimated 300 student loans at $500 each - - -, put $100,000 additional in the budget, and the budget as approved (Ch. 250 SLA 1970) contained the increased figure of $250,000.

Neither HB 599 as introduced or the engrossed SENATE CS FOR CS FOR HB 599 contained any mention of contractual agreements with privately sponsored institutions of higher education. The concept for contractual agreements came from CS FOR HB 801 introduced by the House Health, Welfare and Education Committee.

HB 801 was researched by the House Finance Committee [House Finance Committee minutes pages 1519-1531 and pages 1571 & 1777] but the committee chose not to act upon the bill and it died in committee. The contents of CS FOR HB 801 found their way into the Free Conference version of HB 599 as a new section added as the final section of the bill, following the definition section.

Constitutionality of Contractual Agreements

Article VII, Section 1 of the Constitution of the State of Alaska states: "The legislature shall by general law establish and maintain a system of public schools open to all children of the State, and may provide for other public educational institutions. Schools and institutions so established shall be free from sectarian control. No money shall be paid from public funds for the direct benefits of any religious or other private educational institution." The language cited would appear to rule out the payment to privately sponsored institutions of higher education in the amount of $250 a semester for each full time equivalent student [Section 14.40.900 (2)]; it would appear to rule out such payments since they are made not to the student but directly to the university to help offset the total

cost of educating each student.

In addition to the apparent prohibition contained in the Alaska Constitution, a federal and a state court have each reached different conclusions regarding the constitutionality of certain statutes providing state aid to private schools. The states of Michigan and Connecticut have both enacted legislation authorizing the purchase of services of lay teachers of secular subjects from non-public schools. Both the Michigan Supreme Court and the U.S. District Court for Connecticut found that a valid legislative purpose was stated but they split on wheither the respective state statutes had a primary effect that neither advanced nor inhibited religion. Both courts were concerned with whether or not the statutes fostered "excessive government entaglement with religion". Thus, the general question of the constitutionality of payments for services provided by private schools may hinge upon an eventual U. S. Supreme Court decision and payments made under similar statutes could be subject to question.

Alaska State Legislature

House

JUNEAU ALASKA

March 26, 1971

John Elliott
Executive Director
Legislative Affairs Agency
Juneau, Alaska

Dear Mr. Elliott:

Chapter 230, SLA 1970, Article 11 provides that the State may enter into contractual agreements with accredited, privately sponsored institutions of higher education for the provision of educational services to Alaska residents. The committee is concerned that some or all of the provisions contained within Article 11 may be unconstitutional. Specifically we are requesting your opinion on the following three points:

A.S. 14.40:900. (1) Provides essentially for reimbursement to the student of full tuition and required fees charged by a private institution less those charges made for similar items at the University of Alaska. The amount contained in the proposed House Finance Committee Substitute for House Bill No. 52 for this purpose totals $578,796. Is this provision for payments to private educational institutions in harmony with Article VII, Section 1 of the Alaska Constitution?

A.S. 14.40.900. (2) Authorizes the payment of $250 a semester to private educational institutions for each full time equivalent student. The amount contained in the proposed House Finance Committee Substitute for House Bill No. 52 for this purpose totals $313,279. Is this provision for payments to private educational institutions in harmony with Article VII, Section 1 of the Alaska Constitution?

Proposed House Finance Committee Substitute for House Bill No. 52 contains an appropriation of $892,075 for payments under certain contractual agreements. It is known to the committee that some of the payments included in this appropriation would be made for duplicate services -- namely courses offered at

Alaska Methodist University and Sheldon Jackson College that are also offered at facilities of the University of Alaska. Is this provision for payments to private educational institutions in harmony with Article VII, Section 1 of the Alaska Constitution? Does the duplication of services in any way affect the validity of legislative purpose in making the appropriation?

The Finance Committee requests a response to the questions posed at your earliest possible convenience.

Sincerely,

George Hohman

George Hohman
Chairman
House Finance Committee

Alaska State Legislature

House

JUNEAU ALASKA

MEMORANDUM

TO: Honorable Genie Chance
Chairman, Health, Welfare & Education Committee

FROM: George Hohman
Chairman, Finance Committee

DATE: March 22, 1971

SUBJECT: HOUSE BILL 314 and HOUSE BILL 52

HB 314 represents an attempt by the Finance Committee to prescribe fiscal limits for the purchase of contract services from private institutions of higher education through the establishment of a cut-off date for support of duplicate services. The committee feels the purchase of contract services should be geared to providing subject area coverage not provided by neighboring state supported institutions. The supplemental appropriation for contractual services, HB 52, does not address itself to this question.

During committee deliberations on HB 314, we were concerned that the phrase restricting payments on duplicate "courses" was perhaps too stringent. Conversely, we felt that substitution of the word "program" would be too broad. This point we felt the Health, Welfare & Education Committee could research and hopefully resolve. Informal suggestions to this effect have been made by several members of the Finance Committee to members of your committee and to you, as Chairman.

In closing, I would again emphasize that the Finance Committee is concerned that passage of the supplemental appropriation, HB 52, without

some acknowledgement that it represents only an "intermediate solution" to the problem of financing privately sponsored higher education in Alaska, will establish an on-going fiscal commitment for the state. It is further envisioned by the committee that this fiscal commitment, if unrestricted, could become substantial within a relatively short space of time. This is why we feel the two pieces of legislation, HB 52 and HB 314, should be considered by the body at the same time.

Alaska State Legislature
House

JUNEAU ALASKA

MEMORANDUM

TO: Rep. J. Wright

FROM: J. H. Hogan
Fiscal Analyst

DATE: March 23, 1971

SUBJECT: AMU Enrollment

Mrs. Brocks, AMU Registrar, gave me the following enrollment figures for AMU main campus and Ft. Richardson extension.

FALL TERM - FTE	UNDERGRADUATE	GRADUATE
Resident	392	30
Non-resident	135	5
	527	35
Spring term - FTE		
Resident	364	38
Non-resident	139	4
	503	42

TO: Rep. George Rehman, Chairman
House Finance Committee

FROM: [illegible]
Fiscal Analyst

DATE: March 25, 1971

SUBJECT: HB 52 - Higher Education Contractual Agreement
Supplemental Appropriation

The basic objection to HOUSE BILL NO. 52 is that it represents an unthoughtful and temporary or "stop gap" approach toward solving the problem of private higher education in Alaska. In a letter dated April 21, 1970 to Representative William L. Hensley, Chairman of the Health, Welfare and Education Committee from William R. Wood, President of the University of Alaska, Dr. Wood states "Financial aid[illegible] to private higher educational institutions in Alaska should not be considered. Let's find a sound means of providing financial assistance to the private sector that is so badly needed if we are to retain the special opportunities it alone can provide. The contractual approach is one acceptable means. It could take many forms, one being simply a lump sum grant directly by the Legislature, or through the Board of Regents for the production of graduates on a formula basis, such as $2,000 to the institution granting a baccalaureate degree and $1,000 to the institution granting an associate degree ..... I would urge the Legislature to give very serious consideration to the feasibility of [illegible] for private as well as public institutions of higher learning in Alaska: because not in this [illegible], for the future [illegible], this could mean at the very beginning of our [illegible]....."

The House Finance Committee feels that the recommendation of the President of the University of Alaska - namely that the Legislature give very serious attention to the problem of support for private higher education in Alaska - has not been followed. This the committee has various reservations concerning the supplemental appropriation - which by original title and language implied that its purpose was to [illegible] scholarship loans and grants - for the purchase of contract services from two Alaskan institutions of higher education.

The committee's concern with the propriety of HOUSE BILL NO. 52 centers around the following major areas: