

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 86 / 2

2 SCOMM 3 : HOUSE SELECT COMM. ON EDUCATION 1976

1 purpose of the fund, shall be held in trust.

2 \* Sec. 3. This Act takes effect immediately in accordance with AS 01.-

3 10.070(c).

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SB 518 File  
907-465-4951



Pouch V  
JUNEAU ALASKA  
99801

# Alaska State Legislature House

SELECT COMMITTEE ON EDUCATION

February 2, 1976

*rec 2/6/76  
cc Mr. Guinness  
for review  
K.*

Dr. Robert W. Hiatt  
President  
University of Alaska  
Fairbanks, Alaska 99701

Dear Dr. Hiatt:

Does the University have a position on SB 518? This bill deals with the separate trust fund established for monetary gifts, bequests, and endowments made to the University.

I would appreciate any position statement.

Sincerely,

*Charles H. Parr*  
Charles H. Parr  
Chairman

CHP:jh

Introduced: 1/15/76  
Referred: Finance

1 IN THE SENATE

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

2 SENATE BILL NO. 518

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the functions of the Department  
7 of Revenue regarding monetary gifts to the University  
8 of Alaska; and providing for an effective date."

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

10 \*Section 1. AS 14.40.280 is amended to read:

11 Sec. 14.40.280. ENDOWMENTS AND DONATIONS. All monetary gifts,  
12 bequests or endowments which are made to the university for the pur-  
13 pose of the separate trust fund created under sec. 400 of this chapter  
14 shall be transferred [OTHER THAN STATE APPROPRIATIONS AND FEDERAL  
15 ALLOTMENTS, RECEIVED FOR THE UNIVERSITY EXPANSION PROGRAM OR OTHER USE  
16 SHALL BE TURNED OVER] to the Department of Revenue. The Department of  
17 Revenue shall manage that money in accordance with [SHALL DEPOSIT THEM  
18 IN THE SEPARATE FUND ESTABLISHED AND MAINTAINED UNDER] sec. 400 of  
19 this chapter. Title to and control or possession of [TO] land, [AND]  
20 personal property, and all money other than that transferred to the  
21 Department of Revenue [MONEY], which is devised, bequeathed or given  
22 to the university shall be taken by the university in its corporate  
23 capacity acting by and through the regents or an authorized agent, and  
24 shall be entered in the perpetual inventory of the university.

25 \* Sec. 2. AS 14.40.400(a) is amended to read:

26 (a) The Department of Revenue shall establish a separate fund in  
27 which all money derived from the sale or lease of the lands granted  
28 under the Act of Congress approved January 21, 1929, and in which all  
29 monetary gifts, bequests or endowments made to the university for the

1           purpose of the fund, shall be held in trust.

2           \* Sec. 3. This Act takes effect immediately in accordance with AS 01.-  
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FROM: OFFICE OF THE PRESIDENT

UNIVERSITY



OF ALASKA

TO: Dr. Gruenig

DATE: 2-6-76

Will you kindly review this for  
Dr. Hiatt. It would be nice if you  
could talk to him about it today..

*W*  
*Makes law conform to existing  
practice.*



# Alaska State Legislature House

Pouch V  
JUNEAU ALASKA  
99801

SELECT COMMITTEE ON EDUCATION

February 2, 1976

*rec 2/6/76*

Dr. Robert W. Hiatt  
President  
University of Alaska  
Fairbanks, Alaska 99701

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I would appreciate any position statement.

Sincerely,

*Charles H. Parr*  
Charles H. Parr  
Chairman

CHP: jh

Introduced: 1/15/76  
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10.070(c).

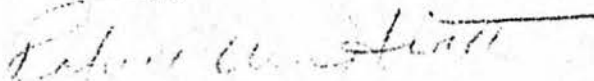
January 20, 1976

Ms. Fran Ulmer  
Legislative Assistant  
to the Governor  
State of Alaska  
Office of the Governor  
Juneau, Alaska 99801

Dear Ms. Ulmer:

The attached Fiscal Note is returned per your instructions. Thank you for keeping us informed of the progress of the drafted legislation regarding monetary gifts to the University. We support the proposed change to 14.40.280.

Sincerely,



Robert W. Hiatt  
President

RWH/mt

cc: Mr. V. Kent Dawson  
Division of Budget & Management

THE LEGISLATURE OF THE STATE OF ALASKA  
FISCAL NOTE  
 Second Session - Ninth Legislature

I. REQUEST  
 Bill No. To be assigned  
 Title: An act relating to the functions of the Department of Revenue, etc.  
 Requested by: Governor Date: \_\_\_\_\_  
 Return Date Requested: \_\_\_\_\_  
 Agency: University of Alaska Program: Endowments and Donations

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

OBJECT	FY 76	FY 77	FY 78	FY 79	FY 80	FY 81
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

B. FUNDING: (Thousands of dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

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

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

IV. ATTACHMENTS

V. DATE: 20 January 1976 PREPARED BY: M. M. Hullinger  
 M.M. Hullinger, Vice President for Finance and Comptroller

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

JAY S. HAMMOND  
GOVERNOR



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

January 12, 1976

*ruw 1/16/76*

Dr. Robert W. Hiatt  
President  
University of Alaska  
101 Bunnell  
Fairbanks, Alaska 99701

Dear President Hiatt:

The Attorney General's office has drafted legislation concerning "An Act relating to the functions of the Department of Revenue regarding monetary gifts to the University of Alaska," for introduction in the Second Session of the Ninth Legislature. Please review this proposal for possible fiscal impact upon your agency and complete the attached Fiscal Note. Return the original to me and two copies to the Division of Budget and Management within one week, if it is at all possible.

For assistance in preparing the Fiscal Note, refer to the preparation instructions issued by the Division of Legislative Finance, or consult your budget analyst. Where no fiscal impact implications are involved, enter "none" in section II and return promptly.

Also, as this bill may have a fiscal impact on the Department of Revenue, I have requested a Fiscal Note from that agency.

Sincerely,

*Fran Ulmer / fu*

Fran Ulmer  
Legislative Assistant  
to the Governor

Enclosures

cc: Kent Dawson  
Division of Budget &  
Management  
w/Enclosures

THE FOLLOWING DOCUMENT(S) MAY NOT FILM  
LEGIBLY BECAUSE OF POOR QUALITY OF THE  
ORIGINAL.

# STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

POUCH K - STATE CAPITOL  
JUNEAU 99811

January 5, 1976

## MEMORANDUM

TO: The Honorable Jay S. Hammond  
Governor

FROM: Avram W. Gross  
Attorney General

RE: Proposed legislation regarding the functions of  
the Department of Revenue on the receipt of  
monetary gifts to the University of Alaska.

Attached is legislation proposed by the Department of  
Revenue restricting the functions of the Department of Revenue on  
the receipt of monetary gifts to the University of Alaska. Here  
is a copy of the transmittal letter:

DEPT

In accordance with AS 24.30.060( ) and the Uniform Rules of the  
Alaska State Legislature, I am transmitting a bill which limits  
the functions of the Department of Revenue with regard to monetary  
gifts received by the University of Alaska.

Some confusion has arisen regarding the functions of the Department  
of Revenue regarding the receipt of monetary gifts made to the  
University of Alaska. AS 24.30.060 appears to require the department  
to receive all monetary gifts regardless of whether the

The Honorable Jay S. Hammond

January 5, 1975

- 2 -

... whether gifts were collected or whether the gifts were intended to be made to the permanent trust fund under AS 14.40.400. Accordingly, this bill would appropriately limit the Department of Revenue's control of University of Alaska monetary gifts to those made specifically for the purpose of the separate trust fund administered by the Department of Revenue under AS 14.40.400.

Sincerely,

Jay S. Hammond  
Governor

Enclosed:

THE PRECEDING DOCUMENT(S) MAY NOT FILM  
LEGIBLY BECAUSE OF POOR QUALITY OF THE  
ORIGINAL.

STATE OF ALASKA  
DEPARTMENT OF REVENUE  
TREASURY DIVISION  
Pouch SB  
Juneau, Alaska 99811  
(907) 465-2350

GENERAL AND STATE PROGRAM FUNDS

MONTHLY INVESTMENT REPORT

January 31, 1976

CONTENTS

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Investment Portfolio Summary	2
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STATE OF ALASKA  
DEPARTMENT OF REVENUE  
TREASURY DIVISION

GENERAL AND STATE PROGRAM FUNDS

FLOW OF FUNDS SUMMARY  
January 31, 1976

At the end of January 1976, the General and Segregated State Program Funds totaled \$458,398,667.06, down from \$478,744,749.09 at the close of the previous month. Operating cash and the level of the General Investment Account totaled \$378,053,927.83 at the end of January. This total represents a decrease of \$20,538,912.78 from the previous month. During the month, \$4,984,857.08 was received from the Federal Highway Administration, \$5,419,910.52 was received from royalty oil production payments, and \$861,250.08 was received from the Federal Bureau of Outdoor Recreation.

Beginning of Month Cash and Invested Funds	\$478,744,749.09
Net Investment Revenue	1,543,237.87
Net Drawdown of Funds for State Expenditures	(18,802,844.16)
End of Month Cash and Invested Funds	\$458,398,667.06

INVESTMENT RETURN

The total realized cash investment return of \$1.5 million for January raises the amount collected over the first seven months of this fiscal year to \$19.0 million.

STATE OF ALASKA  
DEPARTMENT OF REVENUE  
TREASURY DIVISION

GENERAL AND STATE PROGRAM FUNDS

TOTAL INVESTMENT PORTFOLIO AT COST  
January 31, 1976

<u>General and Segregated State Program Funds</u>	<u>Current Month</u>	<u>Prior Month</u>
Cash	\$ 7,314,970.69	\$ 9,665,528.02
Repurchase Agreements	23,900,000.00	18,500,000.00
Bankers' Acceptances	12,968,969.03	
U. S. Treasury Bills	24,297,367.83	27,131,674.49
Certificates of Deposit	228,924,825.35	254,135,100.84
U. S. Notes and Bonds	456,480.75	5,473,685.25
U. S. Agencies	18,517,282.25	23,542,299.75
Alaska Loans	<u>142,018,771.16</u>	<u>140,296,460.74</u>
Total	<u>\$458,398,667.06</u>	<u>\$478,744,749.09</u>

INVESTMENT ACTIVITY

During the month of January, the Treasury Division was a net purchaser of short term investments (\$6.0 million). Total short term investments (less than one year) in the General Investment Account declined by \$18.0 million after netting out purchases, sales, and maturities. The Treasury Division purchased a total of \$13.0 million, sold \$7.0 million, and allowed \$24.0 million to mature.

In January we committed a total of \$184.9 million to 26 repurchase agreements in order to invest overnight cash balances. These one-day investments were at interest rates ranging from 4.37% to 5.15%.

During the month of January, the Treasury Division reduced holdings of intermediate term securities in the Investment Account by a total of \$10.5 million. Reduced holdings in this maturity range appeared warranted on the basis of imminent heavy Treasury borrowing in this area.

## STATE OF ALASKA

DEPARTMENT OF REVENUE  
TREASURY DIVISION

## GENERAL AND STATE PROGRAM FUNDS

STATEMENT OF CONDITION AT COST  
January 31, 1976

<u>General and State Program Funds</u>	<u>Current Month</u>	<u>Prior Month</u>
Operating Cash:		
Cash in Clearing Accounts	\$ 5,257,693.34	\$ 7,628,915.99
Compensating Balances	1,995,000.00	1,995,000.00
Sub-Total	<u>\$ 7,252,693.34</u>	<u>\$ 9,623,915.99</u>
Investment Accounts:		
Cash	\$ 62,277.35	\$ 41,612.03
Repurchase Agreements	23,900,000.00	18,500,000.00
Bankers' Acceptances	12,968,969.03	
U. S. Treasury Bills	24,297,367.83	27,131,674.49
Certificates of Deposit	93,187,706.62	111,290,812.86
U. S. Notes and Bonds		5,017,204.50
U. S. Agencies	10,050,026.00	15,075,043.50
Alaska Deposits	63,312,500.00	70,612,500.00
Sub-Total	<u>\$227,778,846.83</u>	<u>\$247,668,847.38</u>
Loan and Mortgage Programs:		
Agricultural Loans	\$ 624,291.96	\$ 633,884.56
Alaska Housing Finance Corp. Mortgages	19,482,472.50	19,664,592.57
Alaska Housing Finance Corp. Notes	10,423,027.13	9,953,968.97
Alaska Native Corporations	1,000,000.00	1,775,000.00
Bank Loan Incentive	2,250,224.58	2,262,027.63
Commercial Fishing Loans	3,126,706.36	3,195,320.74
Municipal Loans	4,741,337.00	4,747,337.00
Small Business Loans	5,067,795.91	4,577,033.95
Tourism Loans	6,839,787.72	6,852,638.69
Veterans Loans	89,466,744.50	87,638,273.13
Sub-Total	<u>\$143,022,387.66</u>	<u>\$141,300,077.24</u>
Total - Operating Cash, Investment Accounts, and Loan and Mortgage Programs	<u>\$378,053,927.83</u>	<u>\$398,592,840.61</u>

## STATE OF ALASKA

DEPARTMENT OF REVENUE  
TREASURY DIVISION

## GENERAL AND STATE PROGRAM FUNDS

STATEMENT OF CONDITION AT COST  
January 31, 1976

<u>General and State Program Funds</u>	<u>Current Month</u>	<u>Prior Month</u>
Separately Invested Segregated Funds:		
Bond Construction Fund		
Certificates of Deposit	\$ 59,090,000.00	\$ 59,090,000.00
International Airport Funds		
Operating and Trust Accounts		
Certificates of Deposit	\$ 12,331,002.23	\$ 12,138,171.48
Public School Permanent Fund		
U. S. Government Agencies	\$ 6,376,568.75	\$ 6,376,568.75
University of Alaska Permanent Fund		
U. S. Government Agencies	\$ 2,090,687.50	\$ 2,090,687.50
U. S. Treasury Notes	456,480.75	456,480.75
Sub-Total	<u>\$ 2,547,168.25</u>	<u>\$ 2,547,168.25</u>
Total - Separately Invested Segregated Funds	<u>\$ 80,344,739.23</u>	<u>\$ 80,151,908.48</u>
Total - General and State Program Funds	<u>\$458,398,667.06</u>	<u>\$478,744,749.09</u>

## STATE OF ALASKA

DEPARTMENT OF REVENUE  
TREASURY DIVISION

## GENERAL AND STATE PROGRAM FUNDS

SUMMARY OF DEPOSITS IN FINANCIAL INSTITUTIONS  
January 31, 1976

<u>Institution</u>	<u>General Investment Account Deposits</u>		<u>State Program Accounts Deposits</u>
	<u>Short Term</u>	<u>Long Term</u>	
Alaska Bank of Commerce	\$	\$ 4,370,000	\$ 6,150,000
Alaska Federal Savings & Loan, Juneau	2,700,000		
Alaska Federal and State Federal Credit Union	200,000		
Alaska Mutual Savings Bank, Anchorage	440,000	5,582,500	1,000,000
Alaska National Bank, Fairbanks	400,000	2,570,000	2,700,000
Alaska State Bank	150,000	5,430,000	10,190,000
Anchorage Teachers Federal Credit Union	480,000		
Arctic First Federal Savings & Loan, Fairbanks	1,450,000		
B. M. Behrends Bank, Juneau		500,000	4,100,000
First Federal Savings & Loan, Anchorage	2,350,000		
First National Bank of Anchorage		17,630,000	16,300,000
First National Bank of Fairbanks		2,675,000	
First National Bank of Ketchikan		1,445,000	6,500,000
Home Federal Savings & Loan, Anchorage	675,000		
J. McKinley Mutual Savings Bank, Fairbanks	200,000	1,440,000	600,000
National Bank of Alaska, Anchorage		11,550,000	13,450,000
Peoples Bank & Trust, Anchorage		1,075,000	100,000
Sub-Total	<u>\$ 9,045,000</u>	<u>\$54,267,500</u>	<u>\$61,090,000</u>

	<u>Clearing Account</u>	<u>Compensating Balance</u>
Alaska National Bank, Fairbanks	\$	\$ 300,000.00
American Security & Trust Co., Wn., D. C.		25,000.00
B. M. Behrends Bank, Juneau	733,123.79	350,000.00
First National Bank of Anchorage, Juneau	3,144,722.55	610,000.00
National Bank of Alaska, Juneau	1,379,847.00	710,000.00
Sub-Total	<u>\$ 5,257,693.34</u>	<u>\$1,995,000.00</u>

Total - Time Certificates and Cash on  
Deposit in Alaska Financial  
Institutions

\$131,655,193.34

STATE OF ALASKA  
DEPARTMENT OF REVENUE  
TREASURY DIVISION

INDEX TO FINANCIAL INSTITUTIONS

<u>Reference Symbol</u>	<u>Institution</u>	<u>Location</u>
<u>ALASKA COMMERCIAL BANKS</u>		
ABC	Alaska Bank of Commerce	Anchorage
ANB	Alaska National Bank	Fairbanks
ASB	Alaska State Bank	Anchorage & Fairbanks
BMB	B. M. Behrends Bank	Juneau
FNA	First National Bank of Anchorage	Anchorage
FNB	First National Bank of Fairbanks	Fairbanks
FNK	First National Bank of Ketchikan	Ketchikan
NBA	National Bank of Alaska	Anchorage & Cordova
PBT	Peoples Bank & Trust	Anchorage
<u>ALASKA SAVINGS BANKS AND SAVINGS &amp; LOAN ASSOCIATIONS</u>		
AFSL	Alaska Federal Savings & Loan	Juneau
AS	Alaska Mutual Savings Bank	Anchorage
AFFSL	Arctic First Federal Savings & Loan	Fairbanks
FFSL	First Federal Savings & Loan	Anchorage
HFSL	Home Federal Savings & Loan	Anchorage
MMS	Mt. McKinley Mutual Savings Bank	Fairbanks
<u>OTHER BANKS</u>		
BA	Bank of America	San Francisco
BT	Bankers Trust	New York
CM	Chase Manhattan	New York
RNB	Rainier National Bank	Seattle
SP	Security Pacific	Los Angeles
<u>FEDERAL CREDIT UNIONS</u>		
AFSFCU	Alaska Federal and State Federal Credit Union	Anchorage
ATFCU	Anchorage Teachers Federal Credit Union	Anchorage

STATE OF ALASKA  
DEPARTMENT OF REVENUE  
TREASURY DIVISION  
GENERAL AND STATE PROGRAM FUNDS

GENERAL INVESTMENT ACCOUNT DEPOSITS  
January 31, 1976

SHORT TERM

<u>Due Date</u>	<u>Purchase Date</u>	<u>Held By</u>	<u>Amount</u>	<u>Yield</u>
03/08/76	07/01/75	AFSL	\$ 100,000	6.75
03/15/76	03/21/75	AFSL	250,000	6.75
03/22/76	03/26/75	AFSL	300,000	6.75
03/24/76	09/26/75	AFSL	150,000	7.50
03/26/76	03/26/74	AFSL	1,000,000	7.50
03/26/76	07/01/75	AFSL	100,000	6.75
06/02/76	09/26/75	AFSL	100,000	7.50
08/17/76	08/21/75	AFSL	700,000	7.50
02/02/76	05/27/75	AMS	200,000	6.00
02/23/76	05/27/75	AMS	240,000	6.12
02/20/76	05/26/75	ANB	100,000	6.50
03/19/76	06/23/75	ANB	100,000	6.50
03/30/76	12/31/75	ANB	200,000	5.50
02/12/76	11/14/75	AFSL	100,000	6.75
03/12/76	06/12/75	AFSL	150,000	6.75
03/12/76	09/15/75	AFSL	150,000	6.75
03/15/76	03/26/74	AFSL	200,000	6.75
03/15/76	03/20/75	AFSL	150,000	7.50
03/15/76	11/14/75	AFSL	100,000	6.75
03/20/76	04/05/75	AFSL	200,000	7.50
05/07/76	12/09/75	AFSL	157,000	6.75
09/09/76	07/09/74	AFSL	243,000	7.50
03/29/76	07/22/75	ASB	150,000	6.35
02/13/76	05/19/75	FFSL	200,000	6.50
03/11/76	03/17/75	FFSL	500,000	7.50
03/19/76	03/25/75	FFSL	200,000	7.50
03/23/76	09/25/75	FFSL	200,000	7.75
03/25/76	03/26/74	FFSL	750,000	6.75
04/19/76	05/20/74	FFSL	500,000	7.50

## STATE OF ALASKA

DEPARTMENT OF REVENUE  
TREASURY DIVISION

## GENERAL AND STATE PROGRAM FUNDS

GENERAL INVESTMENT ACCOUNT DEPOSITS  
January 31, 1976SHORT TERM

<u>Due Date</u>	<u>Purchase Date</u>	<u>Held By</u>	<u>Amount</u>	<u>Yield</u>
03/22/76	03/23/75	HFSL	\$ 100,000	7.50
03/26/76	03/27/74	HFSL	175,000	6.75
04/07/76	08/01/75	HFSL	200,000	7.50
05/10/76	10/16/75	HFSL	200,000	7.50
02/24/76	02/25/75	MMS	200,000	6.50
02/01/76	10/31/75	ATFCU	150,000	7.50
02/28/76	10/31/75	ATFCU	160,000	7.50
03/31/76	10/31/75	ATFCU	160,000	7.50
09/19/76	09/17/74	AFSFCU	200,000	7.50
		Total	<u>\$ 9,045,000</u>	

LONG TERM

Various	Various	Alaska Banks	<u>\$ 54,267,500</u>	Various
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## STATE OF ALASKA

DEPARTMENT OF REVENUE  
TREASURY DIVISIONGENERAL AND STATE PROGRAM FUNDS  
STATE PROGRAM ACCOUNTS  
January 31, 1976BOND CONSTRUCTION FUNDS  
CERTIFICATES OF DEPOSIT

<u>Due Date</u>	<u>Purchase Date</u>	<u>Held By</u>	<u>Amount</u>	<u>Yield</u>
03/01/76	09/02/75	ABC	\$ 500,000	7.73
03/01/76	09/02/75	ABC	500,000	7.67
03/01/76	09/02/75	ABC	500,000	7.64
03/01/76	09/02/75	ABC	500,000	7.54
03/01/76	09/02/75	ABC	500,000	7.57
08/22/76	08/22/75	ABC	1,000,000	6.60
09/22/77	08/22/74	ABC	1,100,000	6.00
08/22/78	08/22/75	ABC	300,000	6.60
08/22/79	08/22/74	ABC	1,250,000	6.00
08/22/76	08/22/75	AMS	800,000	6.60
08/22/78	08/22/75	AMS	200,000	6.60
08/22/76	08/22/75	ANB	800,000	6.60
08/22/77	08/22/74	ANB	800,000	6.00
08/22/78	08/22/75	ANB	200,000	6.60
08/22/79	08/22/74	ANB	900,000	6.00
03/01/76	09/02/75	ASB	1,000,000	7.51
03/01/76	09/02/75	ASB	1,000,000	7.37
03/01/76	09/02/75	ASB	1,000,000	7.41
03/01/76	09/02/75	ASB	1,000,000	7.46
03/01/76	09/02/75	ASB	500,000	7.32
05/20/76	12/22/75	ASB	4,590,000	6.02
08/22/76	08/22/75	ASB	900,000	6.60
08/22/78	08/22/75	ASB	200,000	6.60
08/22/76	08/22/75	BMB	1,000,000	6.60
08/22/77	08/22/74	BMB	500,000	6.00
08/22/78	08/22/75	BMB	100,000	6.60
08/22/79	08/22/74	BMB	500,000	6.00
04/12/76	10/15/75	FNA	2,500,000	6.55
08/22/76	08/22/75	FNA	3,000,000	6.60
10/08/76	10/15/75	FNA	2,500,000	7.20
10/08/76	10/15/75	FNA	5,000,000	7.40
10/08/76	10/15/75	FNA	2,500,000	7.55
08/22/78	08/22/75	FNA	800,000	6.60

STATE OF ALASKA  
DEPARTMENT OF REVENUE  
TREASURY DIVISION

GENERAL AND STATE PROGRAM FUNDS  
STATE PROGRAM ACCOUNTS  
January 31, 1976

BOND CONSTRUCTION FUNDS  
CERTIFICATES OF DEPOSIT

<u>Due Date</u>	<u>Purchase Date</u>	<u>Held By</u>	<u>Amount</u>	<u>Yield</u>
03/01/76	09/02/75	FNK	\$ 5,000,000	7.50
08/22/76	08/22/75	FNK	500,000	6.60
08/22/77	06/22/74	FNK	400,000	6.60
08/22/78	08/22/75	FNK	100,000	6.60
08/22/79	06/22/74	FNK	500,000	6.00
08/22/76	08/22/75	MMS	400,000	6.60
08/22/78	08/22/75	MMS	200,000	6.60
08/22/76	08/22/75	NBA	3,300,000	6.60
08/22/76	08/22/75	NBA	300,000	6.60
08/22/77	08/22/74	NBA	4,400,000	6.00
08/22/78	08/22/75	NBA	800,000	6.60
08/22/78	08/22/75	NBA	100,000	6.60
08/22/79	08/22/74	NBA	4,550,000	6.00
08/22/79	08/22/74	PBT	100,000	6.00
		Total	<u>\$59,090,000</u>	

STATE OF ALASKA  
DEPARTMENT OF REVENUE  
TREASURY DIVISION

GENERAL AND STATE PROGRAM FUNDS  
STATE PROGRAM ACCOUNTS  
January 31, 1976

<u>Due Date</u>	<u>Purchase Date</u>	<u>Description</u>	<u>Amount</u>	<u>Yield</u>
<u>INTERNATIONAL AIRPORT REVENUE FUND</u>				
Various	Various	Certificates of Deposit	<u>\$12,138,171</u>	Various
<u>PUBLIC SCHOOL PERMANENT FUND</u> <u>U. S. Government Agencies</u>				
10/20/83	10/23/73	Federal Land Bank Bonds	\$ 750,000	7.30
05/01/97	09/25/74	Tennessee Valley Authority Bonds	478,187	8.64
10/01/97	10/27/72	Federal National Mortgage Cap. Debentures	2,511,444	7.30
12/10/97	03/06/74	Federal National Mortgage Association	269,625	8.07
11/01/02	12/21/72	General Services Administration	592,500	7.22
07/01/12	11/10/72	Washington Metropolitan Bonds	<u>799,250</u>	7.32
Total			<u>\$ 5,401,006</u>	
<u>UNIVERSITY OF ALASKA PERMANENT FUND</u> <u>U. S. Government Agencies</u>				
10/20/83	10/23/73	Federal Land Bank Bonds	\$ 250,000	7.30
05/01/97	09/25/74	Tennessee Valley Authority Bonds	434,937	8.66
12/10/97	03/06/74	Federal National Mortgage Association	269,625	8.07
11/01/02	12/21/72	General Services Administration	434,500	7.22
07/01/12	11/08/72	Washington Metropolitan Bonds	<u>701,625</u>	7.29
Sub-Total			<u>\$ 2,090,688</u>	
<u>U. S. Government Notes &amp; Bonds</u>				
02/15/82	03/01/72	U. S. Treasury Notes	<u>\$ 456,480</u>	6.35
Total			<u>\$ 2,547,168</u>	

UNIVERSITY OF ALASKA

Management Letter

December 5, 1975

RAY KOHLER & CO.  
CERTIFIED PUBLIC ACCOUNTANTS  
P. O. BOX 607  
FAIRBANKS, ALASKA 99707

December 5, 1975

Robert W. Hiatt, President, University of Alaska  
M. M. Hullinger, Vice President for Finance  
and Comptroller, University of Alaska  
Board of Regents, University of Alaska

Ladies and Gentlemen:

In connection with our examination of the financial statements of the University of Alaska for the year ended June 30, 1975, we reviewed and tested the University's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. Under these standards the purpose of such evaluation is to establish a basis for reliance thereon in determining the nature, timing, and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management with respect either to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, and that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of the University's system of internal accounting control for the year ended June 30, 1975, which was made for the purpose set forth in the first paragraph above, was not designed for the purpose of expressing an opinion on internal accounting control and it would not necessarily disclose all weaknesses in the system. However, such study and evaluation disclosed the following conditions that we believe merit your attention.

### OVERVIEW

The University's already inadequate financial management system was subjected to additional unusual burdens during the year caused in part by:

- (a) Payroll procedure changes resulting from bargaining unit agreements.
- (b) Retroactive salary changes.
- (c) Partial funding of salary increases.

It appears there has been little or no improvement in timeliness and reliability of financial information. In following sections of this report we have addressed specific conditions we believe to represent significant internal control weaknesses.

While it is not an internal control matter, the management problems created by partial funding of salary increases deserves immediate attention of the Board of Regents to preclude or minimize future similar problems. The problem comes about primarily because the salary increase applies to all personnel whereas the state has made provision for funding only on those salaries paid from state appropriated funds. In many instances the University has entered into contracts with Federal agencies or private firms which require specific performance. The contracts typically provide for reimbursement of specified costs plus an allowance for overhead. The contract may provide that salary increases not be charged to the contract or the maximum recoverable under the contract may effectively preclude coverage of salary increases. Under such conditions the effectiveness of budgeting as a management tool is impaired and those individuals charged with the responsibility of future budgets may feel justified in providing for such contingencies in their budget requests.

During June 1975 Systems and Computer Technology Corp. (SCT) commenced work on development and implementation of an integrated business information system. An additional contract for management of the computer center was executed with that firm. Improved timeliness and reliability of financial information and improvement in many of the areas of internal control weaknesses addressed elsewhere in this letter are dependent on the success of the project jointly undertaken by the University and SCT. We consider this project to warrant close supervision by the Regents so that changes in implementation time schedules and/or failure to meet established goals can receive the attention of the Regents at the earliest possible date.

### NONMANDATORY TRANSFERS

Our management letter of December 5, 1974 expressed our reservations with regard to the practice, by the University, of effecting non-mandatory transfers of unrestricted revenues to other fund groups. In addition to the comments included in that letter, we suggest a periodic review, by the Regents, of the status of transfers previously made to ascertain their continued appropriateness. Examples of accounts which should be reviewed are:

- (1) The automatic transfer (at the direction of the Regents) of income from the State of Alaska Permanent Fund to the Planning Revolving Funds which at June 30, 1975 had unexpended balances in excess of \$1,000,000.
- (2) Annual transfers to "self insurance" reserves which now aggregate \$284,000.
- (3) Other smaller funds established by nonmandatory transfers which have been inactive or have reflected only nominal activity.

#### BUDGETING AND FUND BALANCES CARRIED FORWARD

University accounting records account for a separate fund balance for each responsibility center within the University system. These are carried forward from year to year and charged or credited with each operating year's change in fund balance. Annual budgets are prepared without anticipation of the use of existing fund balances or elimination of fund deficits.

Consideration should be given to the more generally followed method of budgeting which is to include existing balances or deficits as a part of each year's budget. The present method encourages manipulation of the budget as a means of eliminating accumulated deficits. Further, a substantial part of the accumulated deficits is made up of excess charges to the responsibility centers for payroll burden costs and this appears to be particularly inappropriate as a carry-forward item.

#### PLANT FUNDS

The University is currently administering the planning, design and construction of \$39,523,000 of 1974 State of Alaska general obligation bond projects, \$6,500,000 of revenue bonds, the completion of numerous prior year bond projects, and has also presented a proposal to submit to the 1976 State legislature for a new bond issue of \$67,500,000 for University construction projects.

The University has chosen to depart from traditional construction and planning procedures and has embarked upon an innovative system of construction planning, design and construction practices. Because of the magnitude of the expenditures and the long-range cost effects, we believe they warrant particularly close monitoring by responsible officials who have expertise in that specialized area and are without bias except as to the best use of designated public funds.

Our audit review of the construction funds indicates that a larger percentage of the construction dollar is spent for consultants (including architects) than would be the case under conventional construction methods. University personnel with whom we discussed this were of the opinion that the improved quality of buildings and the shortened time frame for completion more than offset the cost of additional consultants.

We have no special expertise with which to evaluate the benefits and costs actually gained or lost by alternative methods and procedures of planning, design and construction and do not address that question. However, the following are specific areas of cost control and internal control procedures which we believe should be strengthened:

- (1) Architects and consultant contracts provide for reimbursement of incurred costs such as travel, lodging, meals, and supplies. Terms of the contracts do not require supporting documentation customarily required for some kinds of reimbursable expenditures (for example - business purpose of entertainment expenses). The contracts do provide for advance approval of certain reimbursable expenditures; however, billings are frequently presented and paid without evidence of the required approvals. Reimbursement requests submitted to the University should be subjected to a comprehensive review at the cognizant administrative level for approval. There is little evidence, with some recent exceptions, that University personnel are reviewing such expenditures for appropriateness or for compliance with the contract terms.
- (2) In connection with the architect's changed responsibilities the University has departed from the AIA Standard form of agreement. The agreement presently used requires revision to clarify certain provisions. These provisions have been discussed with appropriate University personnel. The contracts also provide for a portion of the fee to be based on direct personnel cost times a multiplier of 2.0. Under certain circumstances, based on the architect's overhead, the architect may adjust the multiplier to 2.4. We believe the multiplier should be fixed, without conditions for adjustment.
- (3) We recommend that Internal Audit make an in-depth review of the disbursing function for construction funds. Such review should cover approval and documentation control and procedures. In addition, we suggest that Internal Audit, in participation with a qualified engineering firm, conduct a pilot study of a selected construction project to evaluate the cost effectiveness of the construction program.
- (4) Many projects appear to have been completed but have funds remaining. We recommend that such projects be closed and disposition of the funds be made as appropriate.
- (5) Engagements with consultants and architects are often effectively entered into prior to execution and approval of contract documents. Most consultants and architects engaged on the 1974 Bond projects performed substantial work prior to the November 1974 election. Contracts were executed after the approval of the bond issue. It is a frequent occurrence for professional contracts to be submitted for approval subsequent to commencement of work.

#### ENDOWMENT FUNDS

Prior management letters have mentioned that the University has obligated future funds by financing fixed asset purchases through borrowing from endowment funds. We have also questioned the appropriateness of using endowment funds to "invest" in property of the University. The most recent edition of College and University Business Administration (Page 145) addresses this matter with the following comment:

" . . . Although quasi-endowment funds can be used for any purpose, true endowment funds should not be invested in property of the institution, whether income-producing or not".

#### LOAN FUNDS

With increased availability of funds under more attractive terms (State of Alaska Student Loans, NDEA, EOG, SEOG, etc.) the demand by students for conventional repayable student loans has declined to the point that funds from individuals and organizations for that purpose are under utilized. We suggest the contributors of existing loan funds be so notified with the suggestion the original restrictions be removed and the funds be used for more needed purposes, perhaps in the form of endowments or direct student aid.

#### PURCHASING AND CASH DISBURSEMENTS -

##### NORTHERN REGION

The cash disbursing system presently in use in Fairbanks (for expenditures other than payroll which is discussed elsewhere in this letter) is not functioning efficiently. From the time an invoice is received, elapsed time until payment is frequently six weeks or more. As a result, many items are handled outside the system as "handpays". Handpays bypass certain internal control features of the system. For example, handpays are routinely processed on the basis of a check request, without supporting documentation including invoices, receiving reports, etc. To indicate the extent to which this practice is permitted, substantially all payments by Cooperative Extension Service are processed with only a check request as support. In addition to the bypassing of system controls, the numerous handpays place an additional burden on all departments involved in the disbursing function.

In conjunction with the development and implementation of the business information system earlier mentioned, we suggest an extensive revision of the method of processing documents for final payment. The revision would include a shift in the major control point in the disbursing function. Presently there are two steps in the disbursing function which contribute to the unreasonable time lapse. These are:

- (1) Invoices, upon receipt, are transmitted to the department originating the requisition for goods or services. The invoice is matched with the receiving copy of the purchase order and returned to accounts payable for further processing. Departmental approval of the invoice is the critical control point in the present procedure.

- (2) An unreasonable time lapse is presently experienced between the time batched groups of invoices are transmitted from keypunching to the computer center for automatic check preparation. This problem is directly addressed by the SCT project.

We believe consideration should be given to shifting the critical control point from departmental approval of the invoice to accounts payable audit of supporting documentation. This would be accomplished by eliminating departmental approval of the invoice and including in the documentation transmitted to accounts payable signed copies of the purchase requisition, purchase order and receiving report. Written justification for any departure from prescribed purchasing procedures would be included in the documentation supporting the disbursement.

Additionally, consideration should be given to establishing central receiving at the Fairbanks Campus. At present there are a number of expeditors engaged in arranging local purchases and effecting pickup and delivery of goods. We are informed that most of such goods would be delivered free of charge by vendors if a central receiving point were established. This would further reduce processing time for invoices and provide the improved internal control inherent in central receiving.

#### WAREHOUSE INVENTORY - FAIRBANKS

In our management letter of November 15, 1973 we noted that the warehouse inventory had increased approximately \$150,000 over a three year period. In that letter we made some suggestions designed to keep warehoused inventories at some optimum level. During the year ended June 30, 1974 an actual reduction in inventory was accomplished.

During the year ended June 30, 1975 the inventory increased approximately \$80,000 to \$489,000. Total withdrawals during the year approximated \$330,000 indicating a turnover of some 17 months. This suggests it would be appropriate to review the warehouse operations to:

- (1) Determine optimum level and purchase quantities of various inventory items.
- (2) Dispose of obsolete and overstocked items.
- (3) Analyze cost factors involved in warehousing versus purchase as required of specific slow moving items.

#### CASH RECEIPTS

Written procedures for handling cash received by the various departments of the Northern Region have been prepared and circulated but are not being followed by several departments. In general, deposits are not always submitted daily to the Business Office and several departments were not maintaining proper documentation to support amounts submitted. Deficiencies were also noted regarding refund procedures.

Specifically, Cooperative Extension, Tanana Valley Community College, College of Earth Sciences & Mineral Industry, and the Registrar's office are not depositing cash received on a regular basis. Numerical receipts to support deposits are not consistently used at Cooperative Extension or Tanana Valley Community College. Several areas were observed in which small refunds were made without obtaining proper authorization or signature of payee.

Cash received at Northern Region Business Office is receipted and often filed without adequate supporting documentation. Determining purpose of non-routine receipts is unduly time consuming and often unsatisfactory.

#### BANK RECONCILIATIONS

At year end the principal general and payroll bank accounts had not been reconciled for several months and the balances reflected in the accounting records were materially in error. At your request, our staff completed these reconciliations. Errors noted in the process of reconciliation included unrecorded securities transactions, bank transfers and bank debit and credit advices along with numerous errors and omissions in the recording of various receipts and disbursements. As of this writing, none of the principal accounts have been reconciled beyond June, 1975. The major hold up appears to be the difficulty in running the computer bank reconciliation program. Without these, general ledger personnel are unable to reconcile the various bank accounts.

Regular and timely reconciliation of bank accounts is a universally accepted control procedure. Failure to follow this procedure substantially increases the risk of losses through defalcation and management decisions based on erroneous data.

#### RECONCILIATION OF OTHER ASSET

##### AND LIABILITY ACCOUNTS

A number of asset and liability accounts are maintained to record the University's accountability for various amounts due to or from others, such as payroll taxes, employee insurance and retirement provisions and other miscellaneous items. At any given time the balances in these accounts aggregate several hundred thousand dollars. In most organizations such accounts are reconciled or analyzed on a regular recurring basis, usually monthly. Such analyses and/or reconciliations are required so that errors can be detected on a timely basis and so that items to be collected or paid are effected as required.

Reconciliations and necessary adjustments of such accounts are not being effectively completed by the University. This has resulted in a situation where significant errors can occur without detection and matters requiring collection or other action do not come to the attention of the responsible individual or department.

Attention to these matters on a regular and timely basis can be provided for by priority scheduling of tasks by administrative personnel. However, when the work is allowed to accumulate, its accomplishment is particularly difficult to effect.

GRANTS AND CONTRACTS

In an earlier section of this letter we have discussed the problems in the administration of grants and contracts caused by failure to provide a source of funding for pay increases effected during the year. In addition to these problems, we noted a general deterioration in the timeliness and accuracy of grant accounting records. Examples of items noted were:

- (1) Quarterly reports to the major grantor agencies were delinquent during the year and at year end. Reports for the quarter ended June 30, 1975 were not filed until November and December 1975.
- (2) The University administers two grants from the Kellogg Foundation. These grants require that salary increases be funded by other than foundation funds, a provision that has been ignored in reporting to the agency. One of the grants (the Musk-ox Project) has cumulative deficits exceeding \$60,000 at June 30, 1975 and is presently spending funds at a rate which may substantially increase the deficit. A substantial portion of the other grant (Alaska Native Human Resources Project) has been subcontracted to another organization without formally notifying the foundation. Financial reports to the foundation are restated in such manner that the existence of the subcontract is not disclosed. We are of the opinion the failure to obtain concurrence of the foundation in advance of this change in administration of the funds contributes to an unnecessary and undesirable degree of exposure.
- (3) During the year ended June 30, 1975 many contracts and grants were billed late, contributing to an unnecessarily high "negative cash flow" from such activities. We did observe that the timeliness of billing had improved substantially by year end.
- (4) One contract (Pipeline Archeology funded by Alyeska) was over expended \$119,000 without prior formal notification to Alyeska. Alyeska did fund the excess after registering some dismay; however, the fact that such overrun did not come to the attention of appropriate personnel for timely action is indicative of a serious control weakness.

PAYROLL

It is our observation that problems caused by basic system and procedural deficiencies in the payroll function permeate the entire accounting system and cause particular difficulties in payroll liability and bank account reconciliations. The payroll system is being re-designed by SCT. Until such time that a new payroll system is successfully implemented, many desirable corrective changes in other areas are not likely to be effectively accomplished.

We place a high priority on successful development and implementation of the new system. We believe that all levels of University administration must constructively support the implementation of the procedural changes in order for it to be successful. We realize that union contracts may have some unavoidable negative effects on preferred payroll methods. However, we do not believe administrative policy, in general, should interfere with good accounting control practice concerning payroll.

Business organizations have long accepted positive input data (time sheets, promptly submitted) for generation of payroll checks for all levels and grades of personnel. The lack of such operating discipline causes a significant number of payroll checks to be hand prepared each month. Accounting Services professional personnel have had extraordinary demands upon their time to accommodate the hand pay processing.

We strongly support the elimination of the bi-weekly and monthly payroll system. We feel the dual payment system is an unnecessary burden on effective internal control administration. We commend the Board of Regents for authorizing elimination of the dual system as requested by the administration.

Prompt and accurate payroll preparation is one of the most sensitive functions of any large organization. If strong enforcement of revised procedural requirements, as they may be ultimately established, by all appropriate University administrators is not forthcoming, we are concerned that the success of the new system will be limited.

SOUTHCENTRAL REGIONAL CENTER AND

UNIVERSITY OF ALASKA - ANCHORAGE

The Southcentral Regional Center and the University of Alaska - Anchorage continued to make significant improvements in accounting capability.

Many of the benefits of this improved capability have been lost as a result of delays in receipt of processed data from the computer center in Fairbanks. The resolution of this problem is dependent on the success of the SCT project mentioned earlier in this letter.

The Southcentral Region absorbed unbudgeted losses on grants and contracts during the year in an approximate amount of \$60,000. These losses were the results of the following:

	Amount (Approximate)
(1) Provision for loss on unpaid contract with State of Alaska	\$19,000
(2) Provision for loss on contract which specifically excluded recovery of certain expenses (these expenses were not otherwise provided for)	9,000
(3) Net contract overruns on approximately twenty contracts	<u>32,000</u>
	<u>\$60,000</u>

With regard to item (3) above, personnel at the Southcentral Regional Center attribute these overruns primarily to the unfunded salary increases discussed in a prior section of this letter.

Internal control weaknesses observed during the course of our audit which merit additional attention include:

- (1) Some travel advances continue to be charged directly to an expense account rather than to the appropriate receivable.
- (2) Accounts receivable and student loan detail records are not reconciled to the general ledger control on a regular basis.
- (3) Bid requirements on purchases have not been met in all instances. Personnel in the purchasing department have indicated most such departures were the result of commitments made by individuals without following prescribed purchasing procedures. We were informed such individuals are being notified that they will be personally liable for such commitments in the future. We suggest evidence of compliance with bidding requirements accompany all invoices in excess of \$2,500 being processed for payment. Such evidence would consist of:

- (a) a reference to the bid number;
  - (b) a reference to a state or federal contract; or
  - (c) a copy of the written justification for departure from prescribed procedures.
- (4) In our prior year's management letter we noted that fluctuations in gross profit margins for the bookstore operations suggested the need for a closer management review of the operations and more frequent physical inventories. Our review of the current year's operations indicate this need still exists.
- (5) Agency funds are those received by the University from student organizations and others for which the University acts as custodian or fiscal agent on behalf of the payor. Our examination disclosed that the major student organization at Anchorage had "overdrawn" its account approximately \$40,000. Discussion with Anchorage personnel indicated this deficit is being made up in the 1975-76 budget of the organization; however, the fact that the deficit was permitted to accumulate indicates a significant internal control problem.
- (6) In August 1974 the University made a commitment to acquire equipment costing \$22,500 from proceeds of the 1974 G. O. bond issue. The bond issue was not passed until November, 1974.
- (7) The principles of good internal control require segregation of the payroll function from the personnel department where the size of the organization permits. We do not believe a satisfactory segregation of these activities has been achieved.
- (8) Accounting control over contract activities in the Community Colleges is inadequate. In some instances billings on contracts are recorded on a cash basis. In some instances contract overhead expenses remained unrecorded throughout the year. These deficiencies in accounting control provide situations where major problems may go undetected until it is too late to take corrective measures.

\* \* \* \* \*

The primary purpose of our letter discussing internal control is to enable those individuals responsible for management decisions to give consideration to corrective measures on material weaknesses disclosed by our review. Recognizing this as the purpose of the letter, it should be understood that limiting the content to deficiencies only should not be considered to reflect on management effectiveness. Further, it should be recognized that material control weaknesses may be allowed to continue for a variety of reasons, including:

University of Alaska  
December 5, 1975  
Page 12

- (1) An evaluation of the degree of risk compared to the cost of correction may make correction impractical.
- (2) The lack of acceptable alternatives may make correction impractical.
- (3) The necessity to assemble particular talents or develop procedures may delay corrective action.

We have appreciated the assistance extended us by University personnel during the course of our examination. We shall be pleased to discuss further with you any of the comments or recommendations included above.

Very truly yours,

RAY KOHLER & CO.

*Jean B. Schmitt*  
Jean B. Schmitt, Partner

## RESPONSE TO

1975 Management Letter  
Provided by Ray Kohler & Company

### Overview

We concur the unusual burdens indicated by the Auditors did further impact our already inadequate financial management systems. These factors coupled with nearly a complete turnover in personnel subjected the University to many crises during the year. Often production and decision schedules had to be altered just to cover the basic tasks required of the operating systems and personnel. All of our resources were utilized in trying to remain operational and financially responsible. Development of analytical data for management on a scheduled basis is seriously hampered due to the inability of the financial systems to react to changing demands. Eventually the information is reliable and available in the management format required.

The authorization of funds from the Legislature and the contract for an integrated financial information system was the first indication of some possible relief to this impossible situation. Much effort has been utilized in developing these new systems during FY76 and we welcome Regent support and attention to its undertaking.

### Nonmandatory Transfers

The auditors annually comment on the nonmandatory transfers even though they acknowledge that the transfers made during FY75 conform with generally accepted accounting principles for Colleges and Universities.

We believe the transfers are good business practice and necessary to meet the specific needs of the University. The transfers are detailed in financial reports of the University and no transfers made without authorization by the Regents.

### Budgeting and Fund Balance Carried Forward

We acknowledge the intent of this recommendation and recognize that sound financial management requires the carrying forward of prior year balances. Unfortunately, the time schedules for budget developments, closing the fiscal year financial records and the lack of effective management systems preclude the inclusion of prior year financial data in the current working budget plan. Each cost center manager has the responsibility for the fiscal programs of their area, which includes all prior year, current year and future year operations.

The new financial systems will provide for current financial information to be made more readily available for budget development and financial planning.

### First Funds

Response provided by Dr. Donald Meyer:

thousands of dollars a year in the maintenance and operation costs of a building across 40 years of its life. Therefore, it is felt that extra attention and effort in design has the potential for significant cost effectiveness savings.

Plant Funds, Paragraph #4

(1) The matter of reimbursement of incurred costs such as travel, lodging, meals and supplies for Architects and consultant contracts, because of the detailed checking involved has been of considerable concern to the Planning/Construction Office. Many Architects have asked that the University shift to a per diem reimbursement pattern, a system used by the Alaska Division of Buildings. This system is under study; however, because of the variety of reimbursable items, this is not a simple matter to resolve. Our review of this matter shows only a few instances where additional justification for expenditure is needed. Presently, all contracts require documentation of reimbursables and is checked by three separate individuals before payment. We will reexamine these procedures and in cooperation with the University's Accounting Department will work to improve the handling of this type of expense.

(2) "In connection with the architects changed responsibilities the University has departed from the AIA Standard form of agreement."

It has been necessary for the University to depart from the AIA Standard form of agreement between owner and architect. The role of the architect is somewhat different under Component Subsystems Procedures and the AIA, although working on a contract of this type, has not yet developed a standard form for the Subsystems mode. The contract presently used with architects on Systems Buildings has been checked by Steve Delisio and seems to be working rather effectively. It will however, be given further review. On buildings and remodeling following traditional modes contracts very similar to the AIA Standard form are used. An attempt is made to develop a contract that will facilitate the best design for a project. If the project involves a very complex design then allowances in fee are made to give extra attention to that particular problem. Regarding the overhead multiplier, we now feel we should return to a 2.0 multiplier.

(3) "We recommend that Internal Audit, in participation with disbursing functions for construction funds."

Many of the present disbursing functions have been developed in cooperation with the University's Accounting Office. The Planning/Construction Office welcomes and will cooperate to bring about any improvements in these controls and procedures.

"In addition, we suggest that Internal Audit, in participation with a qualified engineering firm, conduct a pilot study of selected construction projects, to evaluate the cost effectiveness of the construction program."

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projects if there is delay; in those cases proposals and letters of intent must suffice in order to proceed with the work. Certainly we must find ways of finalizing contract documents.

Endowment Funds

The stewardship and care of endowment funds by members of governing boards, including permissible investments is under review nationally. There is a model Act entitled "Uniform Management of Institutional Funds Act" being considered nationally. The prefatory note to that Act is as follows:

"Over the past several years the governing boards of eleemosynary institutions, particularly colleges and universities, have sought to make more effective use of endowment and other investment funds. They and their counsel have wrestled with questions as to permissible investments, delegation of investment authority, and use of the total return concept in investing endowment funds. Studies of the legal authority and responsibility for the management of the funds of an institution have pointed up the uncertain state of the law in most jurisdictions. There is virtually no statutory law regarding trustees or governing boards of eleemosynary institutions, and case law is sparse." ... "They concluded that there was little developed law but that legal impediments which have been thought to deprive managers of their freedom of action appear on analysis to be more legendary than real."

The act further states:

"The 'use, benefit, or purposes' of an institution broadly encompasses all of the activities permitted by its charter or other source of authority."

I believe that the past actions taken by the Regents to use endowment funds as a temporary source of monies to acquire property is appropriate and indicates prudent management. These funds are invested for variable periods to obtain maximum current return and safety of principal, combined with sufficient liquidity to permit flexibility of operations.

Loans

I do not concur with the recommendations of the Auditors as their comments are of a different range in concept. The current economic situation and governmental loan programs have made Federal and State loans more attractive than those available to the University. We should not dissipate the loan principal as the time may come when the average student will not be as affluent as at present and there will be a need for loans to students who cannot meet the Federal and State provisions.

Bank Reconciliations

Timely reconciliation of the principal general and payroll bank accounts has been a problem for several years. During the year under review we had problems with getting accurate and timely data from the banks and fell way behind on our reconciliation schedule. As a result we contracted with the audit firm to assist us in getting our accounts in order. The reconciliations were accomplished through the audit period, but we again fell behind schedule because of:

1. Checks and parts of several months' statements were misplaced by several banks.
2. Some magnetic tapes prepared by the banks for the reconciliation programs were erroneous and all of the data had to be corrected.
3. Recording of payroll handpays and voids was not timely.
4. Failure by an outside keypunch service to encode cancelled checks within the planned time schedule delayed the reconciliation.
5. Problems in running and processing bank reconciliation programs within the computer center.

All but one of the accounts are on a current basis. The one account is unreconciled since August because of insufficient data from the bank. We hope to have the missing data in February and then all accounts will be brought to a current basis. The problems with the computer center have been solved as a result of improved management practices instituted by SCT.

Reconciliation of Other Asset and Liability Accounts

We concur with the comments of the Auditor. High turnover of personnel and the top priority given to getting people paid adversely affected this function of our operations. During the past two months additional efforts have been made to get and keep these accounts current. Our efforts have resulted in a reconciled status for nearly half of the accounts and a plan to get them all current effective with the implementation of the new financial system.

Grants and Contracts

The salary increases for employees funded from unrestricted funds applied to the employees funded from restricted funds has seriously impacted the budget plans for operation of grant and contract funds and the program accomplishments. During FY 1975 the average salary increases amounted to over 21% and the largest percentage was

University Office and confirms that this position was discussed and approved.

Dr. Kings' reply of 1/28/74 approves the requested changes and emphasizes the requirement of reporting to them in the categories as listed on the annual fiscal report. The auditors questioned our reporting procedures, but this was done at the request of the Kellogg Foundation. Since their approved budget included the salaries, benefits and other support costs of the liaison position under those categories in our budget, we are required to report the costs in the same manner.

Copies of the memorandum of agreement with the Alaska Native Foundation, approved as of May, 1974 and Kellogg Foundations acceptance of our financial report dated 2/7/75 were furnished to the auditor and we thought the questions had been resolved.

The late billing of grants and contracts is discussed above and was caused by employee turnover and retroactive application of salary increases. New procedures have been installed in the department including a control card for each award containing all pertinent details as well as a calendar of due dates for all billings and financial reports. The installation of these procedures have resulted in the improved timeline of billing as remarked by the auditors.

The Pipeline Archeology contract was a unique project that required a great amount of flexibility to bring about its accomplishment. The overrun in the contract was due to two factors that were outside the control of the University. The pipeline right of way was uncovering an unusual number of prehistoric native sites requiring an increased number of personnel on this project (including a large percentage of University students) to keep ahead of the pipeline construction and not interfere with its progress. Therefore, the increased cost of the project was initially due to the larger number of people engaged on this project than originally budgeted.

After these salaries were paid, we were advised that the students must be paid at an overtime rate for the excess hours over 40 hours per week, since they were not exempt personnel under the Fair Labor Standards Act. This additional expense then resulted in the total excess costs.

Alaska did express dismay, but they acknowledged the fact that they had requested an increased member dig because of discovering more prehistoric sites than anticipated. The University would have been vulnerable to criticism if it had held up the construction of the pipeline while negotiating each extension of the contract.

We concur with the comments of the Auditors. The problems associated with the current payroll procedures have permeated throughout our financial systems

correct  
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was made to purchase the equipment in August 1974 in order to take advantage of the opportunity and in anticipation of the 1974 GO bond issue.

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7. The segregation of the payroll function from the personnel department has been under review. Considering the problems we have had with payroll the cooperative efforts made available because of the attachment of this operation to the Personnel Office have been very beneficial to both operations. As soon as adequate resources are available changes will be made to better satisfy the internal control requirements.
  8. The staff resources in the central service areas have not been adequate to properly support the outlying community colleges. The development of the Rural Educational Affairs and its related financial support unit will provide coverage for this internal control weakness. In the meantime each service area will provide as much support as they can to assist these fast growing operating areas.

We appreciate the comments and suggestions of the Auditors and will take steps to correct the internal control weakness where the materiality of the deficiency is seriously affecting the operations of the University and resources are available to implement such corrective action.

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58518 - file

Eppendorf -

Make provision what had been mandatory, statute had never been enforced. 3/4 way through year no action only that unrestricted funds be transferred. If money put in permanent fund would be invested and only income used. Donor cannot earmark funds; once given donor loses control. Contract under which donor performs services in return for money are not included under term "gifts"

Hullinger -

Gifts, grants, and contracts all lumped as one term. In FY 75 - \$12,000 in unrestricted gifts; \$10,000 of it for low school. Other \$2000 donor said not to go to permanent fund. List of late gifts, grants, contracts, to Regent at each board meeting. Donor-arguments of their control of gifts, must be in name of donor.

FY 1974 ca. \$600,000 in endowment above land money. Foundation (1 1/2 years old) has little less than \$250,000. Regent several years ago earmarked interest income from Revenue permanent fund for planning research. Div. of funds has to handle land sales. Has there need two endowment funds for interest fund in there.

Brown -

250 repealed (implied) by 250. Trust and agency funds (i.e. gifts, grants) and contracts not into permanent fund. Integrate 250 to mean that restricted gifts to permanent fund may be used as provided by donor; unrestricted gifts to permanent fund could use interest only.

get file George

SB 578 (cont)

Investment of trust funds against future appropriations highly speculative from legal viewpoint.

Last year - buy, option \$15.5 million  
 May not realize effect 1.1 " for program  
 This year - \$7000 contract -

Students 53:421 = 19.16 =  $\frac{114}{5.9}$

D	13	} 17
m	23	
B	5	
	<hr/>	
	41	

329 FT, 197 PT, 412 FTE

Acc 31/137  
 15+ -  
 42 996

\$2.3 million



## NEED FOR GIVING

Your gift to the University of Alaska Foundation is an investment in education — one of the most powerful tools for the survival and continued creativity of man.

A gift to higher education can provide for continued excellence in teaching, research and public service. At the University of Alaska both large and small gifts can be directed to those programs where added financial support is so necessary to progress.

Your gift to higher education can help accomplish these special goals in specific areas:

- Provide scholarships for needy and deserving students at every level.
- Maintain and further research for the benefit of mankind.
- Help to provide new physical facilities for various disciplines.
- Provide funds to bring master teachers with national and international reputations to the campus to present their wisdom to students in the classroom.
- Provide for needed reference and Alaskan works for the University library.
- Provide for gifts of sophisticated teaching materials and equipment necessary to maintain the standard of excellence in teaching.
- Encourage student creativity and initiative by providing prizes for excellence in the respective academic disciplines.
- Maintain the quality of undergraduate work and at the same time build a firm foundation for strengthened graduate programs.
- Provide funds to honor faculty members, students, staff and other deserving individuals.
- Provide for purchase of special Alaskan collections for the University of Alaska Museum.
- Support special programs of the University of Alaska Alumni Association.

## PLANS FOR GIVING

### *Gifts From Income*

Annual gifts from income can aid the University of Alaska and at the same time reduce current income taxes for the donor.

### *Capital Gifts*

Tax advantages often accrue when the individual gives real estate, securities or other property which has appreciated in value. In the case in which the donor prefers to realize a loss, the item of property should be sold and the cash given to the Foundation.

### *Testamentary Trust*

This plan is designed for the donor who wishes to provide for members of his family during their lifetimes and at the same time make a gift of the remainder to the Foundation. This method of giving often produces tax advantages to the survivors named in the estate.

### *Irrevocable Trust*

The irrevocable trust has certain specific advantages. The donor cannot make changes in an irrevocable trust once he has set it up. However, the gift presented by the irrevocable trust (other than tangible personal property) may be deducted from the donor's taxable income in the year in which the trust is created, limited by the extent of the remainder interest which ultimately will pass to the University.

### *Life Income Plans*

These plans provide the donor with a life income with the principal of the gift going to the Foundation at the time of his death.

### *Gift Annuities*

A gift annuity is an agreement between the institution and the donor, whereby the donor contributes a given sum of cash, securities, or other property in return for the payment to him, or to a beneficiary, of a fixed income for life. The principal is released absolutely to the Foundation at the death of the surviving beneficiary.

### *Gifts by Life Insurance*

The donor may benefit the Foundation through a gift of life insurance. Many people who would find it difficult to make a large contribution to the Foundation can realize their desire through gifts of existing insurance or new insurance taken out for this specific purpose.

### *Gift by Bequest*

Regardless of the size of the estate, the bequest is the most popular method of making a large gift to the Foundation. The tax savings may be substantial in the gift by bequest.

## THE UNIVERSITY OF ALASKA FOUNDATION

The University of Alaska Foundation is a non-profit corporation established in 1974 under the laws of the State of Alaska. It operates exclusively for the benefit of the University of Alaska and has been designated by the Board of Regents of the University of Alaska to solicit, receive, hold and manage funds and property on behalf of the University.

Its members and officers bring a wide range of business and professional experience as well as a high degree of motivation and competence in their efforts on behalf of the advancement of the University. The Foundation will be happy to have a qualified representative discuss with you your financial situation and tell you just what could be accomplished for the University and yourself by your gift. This discussion, of course, will put you under no obligation whatever.

For further information, please write:  
University of Alaska Foundation  
P.O. Box 79  
University of Alaska  
Fairbanks, Alaska 99701

SCOMM

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JUNEAU ALASKA  
99811

# Alaska State Legislature

## House

SELECT COMMITTEE ON EDUCATION

(907) 465-4951  
or  
(907) 465-3729

February 18, 1976

Mr. Michael Bradner  
Speaker of the House  
Alaska State Legislature  
Juneau, Alaska 99801

Dear Mr. Bradner:

The Select Committee on Education has had HB 619 under consideration. A Majority of the members of the Committee recommends it Do Pass with attached amendments and recommends it be referred to the Finance Committee.

HB 619 provides for the construction of high school facilities in all villages with more than thirty students. It is the Administration's first-phase answer to the Hootch case.

All costs are estimates, based on 150 square feet per student and \$200 per square foot. The Department of Education considers both costs and locations in the bill as only guidelines for Executive Branch action. Previous rural school construction has consistently exceeded the amounts authorized by bond issue, but the Department of Public Works hopes to cut the \$200 per square foot figure by changing the bidding cycle and stay within the budget.

The Committee considered allocation of funds by regional education attendance area (REAA) rather than by village, but in view of other pending legislation decided to leave the bill in its present form.

Respectfully,

Charles H. Parr  
Chairman

CHP:jah  
Enclosures

A M E N D M E N T

OFFERED IN THE HOUSE:

By: SELECT COMMITTEE ON  
EDUCATION

To: FINANCE HOUSE BILL No. 619

SENATE BILL No. \_\_\_\_\_

PAGE: \_\_\_\_\_

LINE: \_\_\_\_\_

Page 1:

Line 7- delete "\$19,900,000" and insert "\$20,400,000"

Line 14- delete "\$19,900,000" and insert "\$20,400,000"

Line 25- delete "\$19,900,000" and insert "\$20,400,000"

Page 2:

After line 19- insert a new line showing "Northway" in  
the first column and "\$500,000" in the second  
column

Page 3:

Line 8- delete "\$19,900,000" and insert "\$20,400,000"

Line 10- delete "\$19,900,000" and insert "\$20,400,000"

An Act providing for the issuance of general obligation bonds in the amount of \$19,900,000 for the purpose of paying the cost of constructing rural secondary school facilities, e.d."

# COMMITTEE REPORT

2/6/76

HOUSE

FINANCE

Mr. Speaker:

Date \_\_\_\_\_

The ~~Committee~~ on SELECT COMMITTEE ON EDUCATION has had HB 619

under consideration. A Majority of the members of the Committee

( ) recommends it DO PASS

( ) recommends it DO NOT PASS

(X) recommends it DO PASS WITH ATTACHED AMENDMENT(S)

( ) recommends it BE REPLACED WITH CS FOR \_\_\_\_\_ AND THAT

CS FOR \_\_\_\_\_ DO PASS

(X) "and" recommends it BE REFERRED TO THE Finance

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

Introduced: 1/19/76  
Referred: Health, Education &  
Social Services and Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 619

3967

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act providing for the issuance of general obliga-  
7 tion bonds in the amount of \$19,900,000 for the  
8 purpose of paying the cost of constructing rural  
9 secondary school facilities; and providing for an  
10 effective date."

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

12 \* Section 1. For the purpose of paying the cost of constructing rural  
13 secondary school facilities, general obligation bonds of the state in the  
14 principal amount of not more than \$19,900,000 shall be issued and sold.  
15 The full faith, credit and resources of the state are pledged to the payment  
16 of the principal of and interest and redemption premium, if any, on these  
17 bonds. These bonds shall be issued under the provisions of AS 37.15 as  
18 those provisions read at the time of issuance.

19 \* Sec. 2. If the issuance of these bonds is authorized by the qualified  
20 voters of the state, a special fund of the state to be known as the 1976  
21 Rural Secondary School Construction Fund shall be established, to which  
22 shall be credited the proceeds of the sale of the bonds described in sec. 1  
23 of this Act except for the accrued interest and premiums. There is appro-  
24 priated from the 1976 Rural Secondary School Construction Fund to the  
25 Department of Education the amount of \$19,900,000. Unless reallocation  
26 among the projects is determined to be necessary by the governor, the  
27 proceeds of these bonds shall be allocated in accordance with the following  
28 projects and estimates:

29

Location

Amount

1	Manokotak		\$1,300,000	+ 200,000
2	New Stuyahok		900,000	
3	Kongiganak		1,050,000	
4	Akiachak		1,260,000	
5	Kasigluk		1,110,000	
6	Kipnuk		470,000	1,000,000
7	Kwethluk		1,770,000	
8	Napaklak		960,000	
9	Napaskiak		1,020,000	
10	Quinhagak		1,170,000	
11	Tununak		1,080,000	
12	√ Nunapitchuk	43 students	1,290,000	
13	Kalskag		990,000	
14	Ambler		930,000	
15	Noatak		770,000	
16	Stebbins		1,050,000	
17	Pilot Station		1,050,000	
18	Kotlik		1,230,000	
19	Angoon		500,000	
20	Northway		500,000	

\* Sec. 3. If the issuance of these bonds is authorized by the qualified voters of the state, the amount of \$69,650 or as much of that amount as is found necessary is appropriated from the general fund of the state to the state bond committee to carry out the provisions of this Act and to pay expenses incident to the sale and issuance of the bonds authorized in this Act. The amounts expended from the appropriation authorized by this section shall be reimbursed to the general fund from the proceeds of the sale of the bonds authorized by this Act.

\* Sec. 4. The amount withdrawn from the Public Facility Planning Fund for the purpose of advance planning for the improvements financed under

1 this Act shall be reimbursed to the fund from the proceeds of the sale of  
2 bonds authorized by this Act.

3 \* Sec. 5. The question whether the bonds authorized in this Act are to  
4 be issued shall be submitted to the qualified voters of the state at the  
5 next state general election and shall read substantially as follows:

6 Proposition

7 State General Obligation Rural Secondary School Construction

8 Bonds

20,400,000  
\$19,900,000

9 Shall the State of Alaska issue its general obligation bonds in the  
10 principal amount of not more than \$19,900,000 for the purpose of  
11 paying the cost of constructing rural secondary school facilities?

12 Bonds Yes [ ]

13 Bonds No [ ]

14 \* Sec. 6. This Act takes effect immediately in accordance with AS 01.-  
15 10.070(c).

LA01 0018 15.55 LA01 0040 15.59 02/13/76

TO: SANDRA  
FROM NAN

*Confirmation*

PLEASE GIVE FOLLOWING MESSAGE TO CHARLIE PARR.

FURTHER INFO ON 12 SCHOOLS IN 1972 \$16,000,000 BOND AUTHORIZATION (CHAPTER 195) DEPT OF EDU. PREPARED LIST (NOORVIK, TOGIAK, ST. LAWRENCE ISLAND, KIPNOK, KWETHLUK, PRICE OF WALES, ALUKANOK, BETHEL (ELEM. SCHOOL), NELSON ISLAND, ST. MARY'S, NONAPITCHUK, SAND POINT). BOND WAS PASSED "TO THE DEPT OF EDU FOR CONSTRUCTING & EQUIPPING STATE OPERATED SCHOOLS. THE "SPECIFIC USE TO BE DETERMINED BY GOVERNOR"". SOS OBJECTED TO LIST. THEY SENT PRIORITIZED LIST OF THEIR OWN. THE NEW SCHOOLS AUTHORIZED TO BE BUILT WERE BETHEL, NOORVIK, ALUKANOK, ST. MARYS, KIANA, SELAWIK, MT. VILLAGE, EMMONEK, ANIAK, NELSON ISLAND, ST. LAWRENCE ISLAND, PRICE OF WALES . NOT ALL OF THESE WERE FUNDED FROM CHAP. 195. THE FOLLOWING WERE FUNDED OUT OF CHP. 170: KIANA, SELAWICK, MT. VILLAGE, ANIAK & EMMONEK.

I.E. 1972 BOND AUTHORIZATION FUNDED 7 SCHOOLS.

FROM MIKE DAVIS EOM

Moore Business Forms, Inc.

16,000,000

FURTHER INFORMATION ON 12 SCHOOLS IN 1972 BOND AUTHORIZATION (CHAPTER 195)

DEPT OF EDUCATION PREPARED LIST (NOORUK, TOGLAK, ST LAWRENCE ISLAND  
KIPNOK, KWETHLUK, PRINCE OF WALES, ALUK ANOK, BETHEL (ELEMENTARY SCHOOL)  
NELSON ISLAND, ST MARY'S, NUNAPITCHUK, SAND POINT). ~~THE~~ BOND WAS PASSED "TO  
THE DEPT OF ED FOR CONSTRUCTING & EQUIPPING ~~SOME~~ STATE OPERATED SCHOOLS. THE SPECIFIC USE TO BE

SOS OBJECTED TO LIST. THEY SENT PRIORITIZED LIST OF THEIR OWN.

DETERMINED BY GOVERNOR

IN '74 PROJECTS WHICH

THE NEW SCHOOLS AUTHORIZED TO BE BUILT WERE

- BETHEL, NOORUK, ALUK ANOK, ST MARY'S, KIANA, SELAWICK
- MT VILLAGE, EMMONEY, ANIAK, NELSON ISLAND, ST
- LAWENCE ISLAND, (PRINCE OF WALES GRAD)

~~THE~~ NOT ALL OF THESE WERE FUNDED FROM  
CHAP 195 . THE FOLLOWING

WERE FUNDED OUT OF CHAPTER 170:

- KIANA, SELAWICK, MT VILLAGE,
- ANIAK, EMMONEY,

IE  
HE HAD  
THE ~~POWER~~ AUTHORITY  
TO DETERMINE  
THE SITES

IE 1972 BOND  
AUTHORIZATION FUNDED  
7 SCHOOLS

465  
4951



The total amount listed for the projects was much below what it would actually cost to take care of all of them. Mr. Thompson said they would go as far as they could on the money issued through the bond but had estimated the total cost to accomplish all required to be closer to \$11 million.

Rep. Hackney asked if work would be done from within the villages or if it would be contracted out and Mr. Thompson said they were hoping it would be done within the communities. He said they weren't sure because the passage of a bill last year dividing up the unorganized borough said that the land and buildings shall belong to the State but it did not speak to who would do the construction. He said they could go to the Department of Public Works or could make a grant to an REAA Board but there was no legal basis for either.

Rep. Huntington said he was most concerned about the sewer and water act in the bush because if they were to meet the standards it set, more money would have to be found quickly or schools would be closed. He felt it was important to include operation costs and that which was necessary to meet full environmental standards when building a school. Rep. Parr said more detail would be brought out on this question when DPW testified.

Mr. Thompson said that if the grants were given to the REAA's they could reprioritize within their areas and determine where the money should go, to which repairs, etc. first.

Rep. Anderson asked how much it would cost to bring everything needed up to requirement and what the criteria was for determining which projects would be worked on first.

Mr. Thompson answered they had a complete list of needs amounting to approximately \$11 million and this list would be made available to the Committee.

There were no further questions on HB 620 and the Committee went on to HB 619.

Mr. Thompson did not have an opening statement so Chairman Parr began asking him questions from a prepared list.

Two of the villages (Kipnuk & Manokotak) had previously received appropriations but no construction had taken place. Rep. Parr asked if the appropriations being requested in HB 619 would be added to those already allocated. Mr. Thompson said they would be.

Rep. Parr asked about figures set aside for individual schools in very close proximity to each other. Mr. Thompson replied that each site was given a "planning figure" based on the number of students X the required footage per student. It did not mean two village requirements could not be combined into one building, the figures were for total planning purposes only. The plan

would provide secondary schooling for each 30 students but not every location would necessarily have to have grades through the 12th; residents may choose to have facilities for grades only through 10 and have the 11 and 12 graders participate in the boarding program. It would be left to the discretion of the individual villages.

Rep. Parr asked what the process would be if the REAA did not go through. Mr. Thompson replied that the specifications would be given to the Division of Buildings ( a school to house X number of children, etc.) and the conventional process now used would be again used.

Rep. Parr asked about user input. Mr. the responsibility of educational specifications is that of the superintendent of the district. He then usually delegates it to a principal or an outside consultant. A planning committee would be set up in the village; including the school board, parents, students and staff. He did not feel very adequate pre-planning had taken place up until now in most cases. More people would be needed from the DOE to help plan these buildings if the REAA was not put into effect.

Mr. Holden was asked to speak. He spoke to the interface between the school project and the village (sewer and water), and how to develop a planning process to involve local people (whether you have REAA's with grants or with DOE/DPW, etc.). He felt a good job had not been done up to this time in these areas. He said there was no formal State process for doing capital improvements planning. He gave material to the Committee showing a plan the Governor has endorsed which would develop a facilities procurement planning process with the object being to put it in operation by January of 1977. He said that whether we have REAA's or not is not the question since it would take the REAA's a period of time to staff up in order to do educational work. He Briefly outlined present problems they hoped to correct with the Governor's planning process.

Mr. Holden said the number of contractors now is limited but with the advent of the native corporations and their ability to bond contractors there will be more contractors available. Presently contractors are overloaded, causing building costs to rise (because of time and the normal, undisputed contracting charges).

He then outlined what they were going to attempt to do: Each program agency would have its own mission and would develop its spending proposal on behalf of REAA. That proposal would be circulated through a coordinating agency so each agency affected could respond. DPW's job would be to build or make sure the REAA's built according to sets of rules and within the bonded amount. This was termed programmatic planning.

In addition the building agency (PW) is now required to develop a long-term cost analysis of each spending proposal; called life cycle costing. He went on to explain how life cycle costing works.

Mr. Holden said the Governor has sent HB 624 to the Legislature, a bill which will create a revolving fund for capital improvements. Such funds would become available for expenditure against capital improvements projects immediately after the Legislature approved a bond issue to go to the ballot. The fund would enable preliminary design, program planning & site evaluation to proceed prior to the bond vote in order that final design work can be completed prior to the construction season (thereby saving dollars since a construction season is not lost). The fund would be reimbursed from the successful bond sales containing projects on which the funds had been expended. The revolving planning having been reimbursed is then available for program and project planning for the succeeding biennium.

The Committee asked Mr. Holden specific questions on the new plan.

Rep. Ostrosky asked about the present cost per sq. ft. and how it would be affected by the new plan. Mr. Holden responded that by setting up a standard design criteria buildings now built for approximately \$150 to \$190/sq. ft. could be built for from \$95 to \$120/sq. ft. (the University had implemented such a plan and these were the figures proven after several years).

Mr. Holden explained how the process would work with REAA's and there was further input from Committee members on advantages of the new plan and questions on problems which might arise.

At 5:30 the Committee agreed to break until the following Tuesday when the Department of Health & Social Services and DEC would testify on the new regulations from H & SS and the village safe water act. Chairman Parr asked Mr. Holden to be present as well but he will be out of town; another DPW person would be present.



Pouch V  
JUNEAU ALASKA  
99811

# Alaska State Legislature

## House

SELECT COMMITTEE ON EDUCATION

(907) 465-4951  
or  
(907) 465-3729

### MINUTES

February 10, 1976

Present: Parr, Ostrosky, Osterback, Hackney, Davis  
(arrived 4:03) and Sullivan (arrived 4:30)

Absent: Swanson and Wallis (out of town) & Beirne

Testifying: Dr. Frank Pauls, Acting Director of the  
Division of Public Health, Department of  
Health and Social Services

Mr. Sid Heidersdorf, Acting Chief, Environ-  
mental Health Section, Division of Public  
Health

Mr. Jonathan W. Scribner, Director of Division  
Water Programs, Department of Environmental  
Conservation

Dr. Jerry Sargent, Village Safe Water Program,  
Department of Environmental Conservation

Mr. Chris Roust, Facilities Coordinator, DOE

HB 619  
and  
HB 620

Chairman Parr called the meeting to order at 3:10 PM and  
introduced Dr. Frank Pauls.

Dr. Pauls stated that the purpose of his appearance was to  
briefly discuss the regulations that had been enforced in  
reference to the general sanitation of primary and secondary  
schools and also to clarify several points in reference to  
proposed regulations (amending old regulations to bring them  
up to date). These are those that deal with the environmental  
health aspects of the schools: water, waste disposal, fire  
safety, lighting and disease control measures. Major concern  
is prevention. Regulations are those which will help them  
break the chain of infection found in community and rural  
areas. He felt the regulations were not too stringent- were  
based on national standards.

Dr. Pauls introduced Mr. Heidersdorf who stated the regulations  
proposed were advertised and comments had been invited. Instead  
of having the proposed regulations go into effect 30 days after  
public notice, the Division will hold public hearings because  
of the responses received requesting them.

Rep. Hackney asked where the hearings would be held. Mr. Heidersdorf responded, possibly in Anchorage, Fairbanks and Juneau. Four hearings were requested with specific requests for hearings in Fairbanks and Anchorage.

Rep. Hackney asked why hearings would not be held in the bush communities since it affected them more. He suggested three major parts of the state hold hearings and bring people in to them. Mr. Heidersdorf said that suggestion could be explored, that they were open to suggestions and the areas mentioned were not absolutes.

Dr. Pauls clarified that in the Department of Health and Social Services they were concerned with the water that comes from the tap and how it is then handled. The Department of Environmental Conservation established regulations for the water supply systems and waste disposal systems.

Rep. Parr said, then the Department of H & SS insists that water as it comes out of the tap must meet certain specifications but is not responsible for wells or disposal. Mr. Heidersdorf said the regulations do not change the requirements for water but are more specific in some areas. They took a comprehensive set of regulations (from Wash. or Penn.) and modified them for the purposes of discussion. They were definitely open to changes and expect it to be at least another three months before the regs. become final.

Rep. Parr asked what the primary health hazards are to children, particularly in bush areas, which must be considered. Mr. Heidersdorf answered they included any disease transmitted through water and food; hepatitis, bacterial food-borne infections (also found in water), staphylococcal, dysentery, etc.

Dr. Pauls emphasized the importance of adequate water supply in schools to provide adequate hand-washing facilities. He called the human hand the most dangerous instrument; hand to mouth contamination. Proper sanitation of individuals and dishes being most important, and stressed that a personal hygiene program (which students would continue in their homes) must go hand in hand with a clean water supply.

Rep. Osterback felt the hearings should be held after the REAA Boards were elected on February 24 so the input from these people could be considered.

Rep. Ostrosky brought out the point that the new village safe water systems should remain consistent with the school construction; both school and villages should have adequate facilities in order to accomplish health standards being aimed for. She also spoke to the uniform standards; felt they were not useful in some areas because of the diverse environments within the State. She felt the standards should be attuned to the local needs.

Mr. Heidersdorf said some regulations were proposed with the idea of having a starting point, something to discuss. They were faced with the problem of one set of regulations covering communities with higher populations as well as bush communities. He said they felt they could not have two sets of standards but will acknowledge that conditions vary - that is why the exemptions (page 10 of regulations) were added. They had, for example, taken a strong stand that any new school must have water (in order to up-grade). That did not mean necessarily the full compliment of water to provide flush toilets, etc. but at least storage tanks.

Rep. Parr felt that if something was essential to the health and safety of the students it was up to them (DEH) to say so and it was up to the Division of Buildings to say how much it would cost and the legislatures job to decide where the money would come from.

Rep. Osterback asked what they planned to do if a water test proved so poor that they did not have facilities to purify it? Dr. Pauls said it depended on the type of impurification: minerals, bacteriological, etc. If it were minerals the water would have to be treated accordingly and if it were bacetriological, heavy chlorination would be required (or a boiling requirement).

Mr. Scribner testified next on water and sewer systems.

Rep. Parr said it was his understanding that in the fall of 1974 SOS signed an agreement with DEC to conduct an inventory of water and sewer facilities in all rural schools and that upon completion of the inventory SOS was to try to get the money needed to up-grade facilities and if they could not do so the schools would be closed. As far as Rep. Parr could find out, the inventory had not been completed.

Dr. Sargent, with the VSW Program said both he and Mr. Scribner had been concerned with the schools and their relationship with this agreement. Because the transfer of the schools from SOS took place at that time, the money for the position to conduct the survey was not requested by SOS and because the regions which would be administering the schools were not yet staffed, he felt SOS did not wish to go forward with the program; DEC's budget request for the project was not approved so it was never carried out.

Rep. Parr felt that in spite of the change in administering the school program it should have been carried out (the previously signed agreement) since the agreement was signed 8 months before the change with SOS took place.

There was further disucssion on the agreement.

Dr. Sargent said that since the inventory was not done his people did not know, specifically, at this time which schools

did not have adequate water and sewer facilities. A telegram listing 55 schools which required upgrading (at the cost of \$11 million) was referenced but what the list was based on was not known; probably visits by field staff and by PH and upon requests from people at the schools in the villages.

Rep. Parr asked how many villages now have adequate water systems (VSWP). Mr. Scribner said three of the villages with completed VSW facilities, combined with the schools, are Selawic, Alakanuk, and Mulato. Others being worked on are Northway, Chevak, Pitkas Point, Koyukuk and Beaver. These will be combined with schools but were done independently (expected completion this summer).

Dr. Sargent said the VSW Program has taken on the responsibility of keeping (taking) a periodic inventory on the village systems. The information would be available soon and they hoped to eventually be able to monitor each village and bank the data for immediate accessibility.

Rep. Parr asked what the cost was of getting such an inventory (by mid-summer)? Dr. Sargent said they had not separated the inventory from other items being coordinated with VSW, PHS, EPA and the Regional corporations. They said one man with travel, etc. (2-3 years designing system and making contacts) is being funded but it is so complex that it probably would not be completed by the end of the fiscal year, but may be. The exact cost is not known; will depend on how it is finally done and whether they can use existing data.

Rep. Ostrosky asked that since there are three known systems (VSW, EPA Demonstration and PHS System) would it be possible to have an inventory from each of the three so it wouldn't be necessary to do so much traveling. Dr. Sargent said they (the other two) did not have adequate information for their purposes.

Rep. Ostrosky asked if it was feasible to have the legislature or a department to take the responsibility of following up on operation and maintenance. Dr. Sargent said there was money from DEC for VSW projects for this year, but they would need assistance later (a State program, federal and state combined, etc.?) and it had not been resolved how this would be handled in the future. DEC has an interim budget to keep the VSW program going in the meantime. He said training personnel is expensive and more technical than one would imagine.

Rep. Davis asked about the possibility of using REAA (village) people and Dr. Sargent said they definitely would do this; that special personnel should come from the villages (non-profit personnel more likely would be used). Health service organizations are now getting acquainted with villagers and hope to utilize their services.

Rep. Parr made the point that it was important to not duplicate efforts (systems) in the villages. Dr. Sargent said there will be some wasted effort if a project is approved for a village and at another time for a school but they have to weigh the cost of not having facilities, even for the village, during the interium of the added project being approved and developed. They would hope to be able to tie the systems together.

Rep. Parr said as he understood it the Governor's DPW bill would tie all systems (water, elect., etc.) together for construction at one time to save time and money. Dr. Sargent said DPW had not made it clear at this time how DEC would work into this proposal (a clearing house for information?).

Rep. Parr asked if, as proposed, they could close schools if the regulations are not met; what is DEC's position on this? Mr. Scribner answered that if they could not provide safe water for schools it was their position that they be closed, or immediate positive steps be taken to get safe water to them.

Rep. Parr asked how much money was being proposed (how many villages being considered) to do VSW projects in for the coming fiscal year. Mr. Scribner said they were proposing \$1 mil. in this bond issue for VSW programs. This was a small amount designed to carry them through until the information is available and decisions could be made on where to go in the future. Two villages would be considered for this \$1 million; villages had not yet been selected.

Rep. Parr asked for an approximate figure if a complete facility is put in a village. Dr. Sargent said for an average village of 110 people the cost was \$340,000 for full range requirements to be met. Cost increase was expected at the rate of 15-25% per year. This did not mean pipes to the houses, etc. but just a complete central facility.

Dr. Sargent briefly went over the Water Supply Regulations distributed to committee members.

Testifying next was Chris Roust. Rep. Parr stated that Roust had information on the village sites choosen for water and sewer up-grade. All the Committee had been informed of was that this could be done for \$11 million (ref. telegram naming villages) but the Governor's budget called for \$2 million.

Mr. Roust said a coordination of the budget submittal was a last minute effort when DOE took over budgeting process. Mr. Lee Hayes was working for SOS and is now in Mr. Roust's office and had compiled the list of villages from existing information in that office plus input from reports of H&SS and the DEC when problems were indicated as well as from first hand experience. A typical estimate per village installation was \$100,000. They had intended to ask for \$11 million, using this list plus others which would come to their attention, but the Governor cut it to \$2 million and it would be difficult to decide which villages had a

higher priority and should receive the facilities. They would have to go on the basis of the health inspections but did not have specific enough information at this time to make the decision; are trying to get SOS files for additional input.

Mr. Roust said the number of requirements (villages) was for new systems and did not include up-grading existing ones.

Rep. Parr asked what the reasons were for giving the number of 31 students, as opposed to fewer or more, as a school building requirement. Mr. Roust did not have that information; he felt it was an average used for budgetary purposes.

Mr. Roust said their submittal listed burned schools, replacement of. In the original submittal they were listed separately in an Emergency School Fund because of the State's self-insurance policy of \$66,000 per school per year and above that there is a replacement value insurance policy which means they will pay for replacement of buildings as they were built. If a school was built 20 years ago they would only replace it up to that cost but in the 20 year period the (replacement) cost of a facility would be greatly increased because of code up-grades, etc. He felt they might have to add 2% to rebuild a facility. They had asked for an amount of money to be used as a revolving fund for replacing a facility with modern standards to prevent having unhoused students in the interior.\* The three facilities mentioned were used as an example-a basis for funding requirement-in their submittal. However, the Budget Review Committee took out the Emergency School Fund aspect and just funded those three projects; which will probably not require that amount to replace, and if the submittal goes through they will have to ask for a revised program.

There was further discussion on insurance costs and the policy, figures given in the breakdown, on details of the revolving fund mentioned, and the Cost Compensation procedure now used by the University.

Rep. Parr said some of the villages where new high schools are recommended have BIA elementary schools. He asked if a new high school would be separate or attached to the present BIA structure. Mr. Roust said generally it would be a separate structure; usually there isn't enough land at the BIA site and is a different type of construction. If there was a fairly modern facility they would look into it closely.

Rep. Parr asked, besides the 19 schools indicating a range 31 students, if they have a prioritized list to be added if the size of the bond issue was increased. Would they go down the list of 21 to 30 students range? Roust answered affirmatively; no other standards to use at this time.

The meeting adjourned at 5:10 PM

/jah

\* Between bond issues.

## Department of Education Position Paper

### Agency Comments for House Bill #619

House Bill #619 "an Act providing for the issuance of general obligation bonds in the amount of \$19,900,000 for the purpose of paying the cost of constructing rural secondary school facilities; and providing for an effective date.

### Background

With the beginning of Statehood the Department of Education endorsed a secondary school program calling for the creation of Regional Boarding Schools to be located throughout the state. This concept was found to be unsatisfactory and the concept of Area High Schools was adopted. In 1970 many smaller secondary schools were constructed that provided a residential secondary program in villages having fifty (50) to a hundred (100) students.

In 1972 this concept was further developed with the construction of additional Area High Schools throughout the state.

In 1974 this program was further expanded and still more Area High Schools were provided in rural communities wishing residential secondary programs. Some of the schools provided by this program are in the construction process at this time and are scheduled for completion during 1976.

The Hootch Case contends that the state has failed to provide residential secondary educational programs in the Unorganized Borough; that this failure is in effect a denial of the U.S. Constitution's 14th Amendment. In effect that the State has practiced discrimination in the establishment of resident secondary programs. While this case is still in litigation this bill would provide for phase one of a two phase program, that would provide a solution to this contention.

### What the Proposed Legislation Would Do

The proposed legislation would provide secondary school facilities in nineteen communities of the Unorganized Borough which have elementary schools but do not now have secondary schools, thus all communities in the Unorganized Borough with thirty or more secondary students would have access to a residential school program.

These nineteen communities are among those included in the Hootch Case. They represent those communities having thirty or more secondary students.

### Special Problems

The Department of Education recommends that on Page 1, Line 12, Section 1, that the purpose be changed from "of paying the cost of constructing rural secondary school facilities," to read "of paying the cost of acquiring, constructing and equipping rural secondary school facilities." This change would provide for meeting the needs of particular communities where remodeling and equipping an existing facility represent the preponderance of the need.

There is a possibility of problems arising by the establishing specific amounts for each location, page 2, Lines 119, section 2. This is especially true when the effects of Senate Bill #568 (should it pass) are considered. SB #568 provides the most just and equitable system for establishing project costs and the distribution of funds.

DOE Position

The State Board and the Department of Education are committed to the policy of providing secondary programs to all students throughout the state.

The Department of Education supports this proposed legislation as being the most direct method of meeting the resident secondary school facility needs of those communities having thirty (30) or more secondary students.

Other Groups that Have an Interest in the Legislation

Department of Law; Department of Public Works, Alaska Federation of Natives, Rural CAP, Alaska Legal Services, and the Alaska Unorganized Borough School District.



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# Alaska State Legislature House

*SELECT COMMITTEE ON EDUCATION*

(907) 465-4951  
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Tuesday, February 12, 1976

Additional Folder Contents: (HB 619)

Two letters from architects- W.S. Wellenstein & Tom Huntington  
Environmental Conservation Codes; Chapter 80, Drinking Water  
List of 55 villages scheduled for water & sewer up-grade

Juneau, Alaska  
February 4, 1976

Commissioner Francis S. L. Williamson  
Department of Health and Social Services  
State of Alaska  
Pouch H-06F  
Juneau, Alaska 99811

Dear Commissioner Williamson:

At a recent meeting of the Juneau Section of the Alaska Chapter of the AIA, your proposed changes and regulations under Title 7, Schools, was discussed and the members have instructed me to prepare the following comments for your consideration.

These regulations appear to have a profound influence on school construction. These appear to provide much higher standards than required in many areas and could cause a tremendous financial burden on the State or local school districts. In many areas in the bush especially, the remoteness of these may dictate a simple but adequate system. They would not be able to meet these high standards. Some of the systems would require quite a bit of sophistication which would mean a greater demand for technical skills than are presently available. We question some of these regulations which do not appear to take into account the cost of the wastefulness of such mandatory requirements. To point out just a few examples, we offer:

.092B Let us assume that the Alaskan student needs more space in a typical classroom than the rest of the nation but the wording of this paragraph would also cover lecture halls which generally need a minimum of 7 sq. ft. per person and the proposed 25 sq. ft. would appear quite wasteful.

.092E Here we feel that a much better definition of service areas should be given since there may be times when service areas would be more practicably carpeted.

.092F The insect screen requirement in much of the northern areas would be stopped up from freezing and make the ventilation inoperable, at times even collapsing a hood.

.092H Appears to affect all storage rooms and it has been our experience that many of the school administrators request some cold storage areas.

.092I Requires panic hardware and outswinging doors neither of which is generally required in a low occupancy level.

Commissioner Francis S. L. Williamson  
February 4, 1976  
Page 2

.092J We question the requirement of hooks and shelves in toilet rooms. Generally the students are excused from classes for the use of these facilities and do not require hooks or shelves.

.092K We feel is a grossly excessive and energy wasteful requirement. Requiring one-fifth of the area to be in glass is much higher than other existing standards that we know of and would cause a considerable amount of energy loss. Some days in some areas it could cause an undue energy gain which would further tax the mechanical ventilating system. You are in effect requiring one full wall of a classroom to be window. Let us take, for example, a 30' x 25' classroom with 9' ceilings and 3' sill. The window requirement here would be 150 sq. ft. or a 6' x 25' window effectively covering one end of the room.

In the mechanical area, these would in reality require a forced air ventilating system with humidity control and we might add rather high humidity requirements for the colder regions. We feel that by making this mandatory for all situations, the regulation again would result in excessive cost.

With all the challenges that Alaska faces, might it not be better considered to bring up the existing substandard schools rather than institute excessive requirements that are costly to administer, construct and operate.

Sincerely,

Tom Huntington

TITLE 18. ENVIRONMENTAL CONSERVATION

18 AAC 80.010

18 AAC 80.020

CHAPTER 80. DRINKING WATER

SECTION

- 010 Alaska Drinking Water Standards
- 020 Source and Source Protection
- 030 General Practices Required
- 040 Water Treatment and Disinfection
- 050 Sampling and Analysis
- 060 Examination of Water
- 070 Reports and Records
- 080 Compliance
- 090 Public Notice of Noncompliance
- 100 Plan Review
- 110 Penalties
- 120 Maximum Contaminant Concentrations
- 130 Definitions

**DRAFT**  
**OCT. 28, 1975**

18 AAC 80.010. ALASKA DRINKING WATER STANDARDS (a) No person may make available, permit, allow, or cause the use of any water from the distribution system of a public water system which contains contaminants in excess of the "Maximum Contaminant Concentrations" in section 120 of this chapter. The department may waive a requirement for public water systems if such waiver does not affect the health of the consumers.

(b) No person may make available, permit, allow, or cause the use of any water from the distribution system of a public water system which contains fecal contamination, fiberglass, asbestos, metal bits, or other deleterious or foreign material.

(Eff. \_\_/\_\_/\_\_, Register \_\_)

AUTHORITY: AS 46.03.020 (10)(A)  
AS 46.03.020 (10)(C)  
AS 46.03.050  
AS 46.03.070

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*110*  
*100000000*  
*100*  
*100*

18 AAC 80.020. SOURCE AND SOURCE PROTECTION. No person may permit, allow, or cause pollution or contamination to enter a public water system.

(a) Requirements for water wells are as follows:

(1) A well exposed to flooding shall be constructed with provisions for sealing the well or vents when flood waters threaten to contaminate the well.

(2) The surface, ten feet in all directions around the well, shall be sloped to drain away from the well. The department may require an impervious surface, extending at least two feet in all directions from the well.

- (3) A well pit is prohibited.
- (4) Newly constructed or reworked wells shall be flushed of sediment and disinfected by techniques approved by the department before use.
- (5) Drain pipes from a well house to a sewerage system are prohibited.
- (6) All well piping, pumps or other equipment exposed to vehicular traffic shall be protected with curbs, posts, or other barriers.
- (7) Requirements for cased water wells are as follows:
  - (A) All well casings shall have a sanitary seal.
  - (B) A well shall have its casing terminate at least 12 inches above ground level or level of the well house floor.
  - (C) The annular open space outside the well casing shall be filled with a watertight cement grout, sealing clay, bentonite, or equivalent to a minimum depth of ten feet below the ground surface.
  - (D) The well casing shall be sealed off from aquifers containing water of undesirable quality.
- (8) For driven wells, the department may require the annular open space outside the suction line to be filled with a watertight cement grout, sealing clay, bentonite or equivalent to a minimum depth of ten feet below the ground surface.
  - (b) No person may, in the watershed of a surface or subsurface water supply, engage in any activity which may pollute or contaminate that water supply. Prohibited activities may include the discharge of wastewater, either treated or untreated, and the deposition of solid waste.
  - (c) Upon written notice from the department, a person who owns or is responsible for any well abandoned or not in use, any hole, either drilled, augered, or jetted, for the purpose of subsurface exploration or sampling, any cathodic protection well, or any form of excavation which may allow or cause contamination of the groundwater, may be required to seal, protect, or fill up the well, hole, or excavation as directed.
  - (d) No person may construct, install, maintain or operate a surface or subsurface water source unless the separations in Table A, measured horizontally in feet, are maintained. Where the department determines that soil conditions do not provide adequate protection against contamination of the source, greater separation may be required. If the water systems are adequately protected by techniques approved by the department, these distances may be reduced.

TITLE 18. ENVIRONMENTAL CONSERVATION

18 AAC 80.030  
18 AAC 80.050

(e) The department may require a person who owns or operates a public water system serving 100 or more persons to have an approved emergency plan, developed in accordance with guidelines issued by the department. This plan shall contain, but not be limited to, a program for supplying safe drinking water in the event of earthquake, fire, flood, avalanche, landslide, freeze-up, power or equipment outage, pressure loss, source failure, or other disaster which may disrupt water service.

(f) The department may require a person who owns or operates a public water system serving 100 or more persons to submit a system master plan. This plan shall be at a suitable scale and shall show, at least, the correct location, size and type of all pipe, valves, and fire hydrants, and the location of all sources of water, treatment works and pumping facilities.

(In effect before 7/28/59)

AUTHORITY: AS 46.03.020 (10)(A)  
AS 46.03.020 (10)(C)

18 AAC 80.040. WATER TREATMENT AND DISINFECTION. (a) No person may operate, maintain, make available, permit, cause or allow the use of sub-surface water in a public water system without continuous disinfection by techniques approved by the department. The department may waive this requirement for a public water system serving less than 300 persons.

(b) No person may operate, maintain, make available, permit, cause or allow the use of surface water in a public water system without continuous filtration and disinfection by techniques approved by the department.

(c) If chlorination is used for disinfection in a public water system, no person may operate, maintain, make available, permit, cause or allow the use of any water that does not maintain a total chlorine residual of at least 0.1 mg/l throughout the distribution system.

(d) If a public water system is fluoridated, the owner or operator of that water system shall provide fluoride concentrations in the range of 0.9 mg/l to 2.4 mg/l, and as far as practicable, maintain an optimum concentration of 1.2 mg/l.

(In effect before 7/28/59)

AUTHORITY: AS 46.03.020 (10)(C)  
AS 46.03.070

18 AAC 80.050. SAMPLING AND ANALYSIS. A person who owns or operates a public water system shall make, or cause to be made, sampling and analysis of the water at representative points, approved by the department, for water quality parameters at frequencies listed below. The frequencies listed are the minimum required; the department may require an increased frequency or additional monitoring for a contaminant listed in section 120 of this chapter if such contaminant is likely to be present.

(a) Initial sampling and analysis for public water systems shall be performed no later than the dates specified in Table B.

TABLE A - SEPARATIONS  
(Measured horizontally in feet)

Water System	Wastewater Treatment and Disposal Systems Sewage Pump Stations Sewer Line Manholes and Cleanouts	Community Sewer Lines Other Potential or Actual Source of Pollution or Contamination	Private Sewer Lines
Public, serving more than 25 persons	200	200	200
Public, serving 25 or less persons	150	100	75
Private	100	75	25

(In effect before 7/28/59)

AUTHORITY

AS 46.03.020 (10)(A)  
AS 46.03.020 (10)(C)  
AS 46.03.020 (10)(D)  
AS 46.03.050  
AS 46.03.070  
AS 46.03.800  
AS 46.03.810

18 AAC 80.030. GENERAL PRACTICES REQUIRED. (a) No person may construct, install, maintain, permit, cause, or allow a cross connection in a public water system.

(b) The department may require a person to install, maintain and test an approved backflow prevention device on the service line to, or at other locations in, a sewage treatment works, hospital, mortuary, laboratory, food processing facility, irrigation or fire protection system, or other facility determined by the department to have a high potential for cross connections.

(c) The department may require the owner, operator, or other persons responsible for the operation or maintenance of a public water system serving 100 or more persons to be examined and certified by the department to be competent to operate or maintain that system.

(d) The department may require a person who owns or operates a public water system serving 100 or more persons to have an approved comprehensive plan, developed in accordance with guidelines issued by the department. This plan shall contain, but not be limited to, a program to meet projected needs for future population growth, a schedule for conducting sanitary surveys, an inventory of any existing deficiencies, and a schedule to correct deficiencies.