

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982

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an 8% increase across the board. They would need an additional \$200,000 to correct some inequities within the grades. This would bring the total to \$1,860,000. This would put them into a three million dollar bracket to fund for next year. All of the salary computations are for existing positions that are in the budget for 66-67. This is not based on positions that were authorized for the 68 budget, which may take an additional 5-6%.

Mr. Carruthers said they conducted a pay study. In the lower groups, the custodial workers, for instance, are paid much less than federal or private. The increases across the board do not correct this situation, but magnify it. There are some inequities in the medium scale also, he said. The commissioners and secretary of state are also included in this pay raise.

Mr. Strandberg asked if the pay bill was necessary.

Couldn't the Dept. of Administration handle this as long as they have the money. Mr. Carruthers said it has never been delegated to the dept. before; the statute would have to be modified to give them the authority.

Mr. Freer said you can still put the money in the General appropriation and come up with a committee substitute for this bill.

It was discussed that the bill from State Affairs asked for a 17% pay raise.

Mr. Ray said that he was in favor of the 8% increase; provided they give the differential between Southeastern and Southcentral. Mr. Strandberg asked for a House Finance Committee substitute bill that complies with the raises they have been discussing. (8% increase and \$200,000 for adjustments.)

Mr. Freer said it would come to \$1,900,000 for the General Fund. It was decided the Dept. of Administration would work on the figures for the pay raise bill and give them to the committee by 4:30 p.m.

Recess:

A recess was called at 12:00 noon.

4:10 p.m.

Present: All members, along with Mr. Fink.

CSHB141: The committee met with Mr. Fink, Chairman of the Judiciary committee to discuss HB 141 and CSHB141. After a lengthy discussion, it was agreed to have Mr. Fink back the next day to make a final decision and by then they will have more information on the funding on CSHB141. Mr. Fink left the meeting at this time.

Natural Resources: It was moved and unanimous consent was asked that the \$99,900
Forestry: deleted by the committee at a previous meeting, be restored and the final figure for Forestry on page 178 of the Budget Document be restored to \$399,900. There being no objection
new Total: it was so ordered.

HB13: It was moved and unanimous consent was asked that \$15,000 be added under Lands, grants & claims to Natural Resources Budget to fund HB 13 (agricultural fairs). An amendment to the motion asking that any funding that would be required for HB13 be brought down the way it is finally passed, and handled next year by supplemental. Amendment was with drawn and main motion failed on a 3-4 vote.

HB271: Mr. Ward, Commissioner, Department of Administration, Mr. Freer, Budget & Management, and Mr. Carruthers, Personnel, appeared before the committee to discuss HB271 and CSHB271, salary raise for state employees.

It was moved and unanimous consent was asked that the percentage (CSHB271) on this bill/be changed to 7% - 11% formula. Mr. Ray objected and substituted 10% - 15%. There was objection, so he substituted 3% - 13%. There was still objection, so the original motion was voted on and carried 6-1.

Legislative Intent; Mr. Ray requested the following legislative intent be included

Legislative in the report: There shall be for all legislative employees
Intent: a pay raise
/ comparable to that given to the state employees, and the
legislature, in second session, will fund this in a supplemental
appropriation.

Court System: It was moved and unanimous consent was asked that \$80,000 be
line itemed for Court System in salary adjustment figure.

Total Salary Adjustment: There being no objection, this was so ordered, and brought the
total on page 257 of the budget document for Salary increases
and adjustments to \$1,803,900.

Adjournment: Meeting adjourned at 5:45 p.m.

HOUSE FINANCE COMMITTEE MEETING

March 31, 1967

3:30 p.m.

- Present: All members were present except Dick Borer.
- HB 85 HB 85 was reported out, no objections.
- HB 271 HB 271 was moved and asked unanimous consent to report it out.
- HB 272 Mr. Carruthers from the Dept. of Administration entered to discuss this bill. Mr. Carruthers said that between the time their executive secretary assured the board that this was what the employees wanted and this legislature session, the State Employees Association came up with increased demands. Mr. Strandberg asked if this was funded. Mr. Carruthers said yes it was, but what the employees want in addition is not funded.
- Mr. Ray made a motion to amend the bill with the Employees Association recommendations and asked for unanimous consent. The motion lost 1-4 by a show of hands.
- HB 272 was reported out with recommendations it pass with attached amendments.
- SB 192 SB 192 was reported out, no objections.
- Messrs. Tom Fink and Ted Stevens entered at this point.
- HB 141 Mr. Fink said they had a proposed package bill. This would raise the District Court Judge's salary to \$2,000 a year more, the Superior Court Judge salary \$2,000 a year more and the Supreme Court Judges \$500 a year more. Gov. Hickel did not think he could sell this to Chief Justice Nesbett. The Governor felt that the Supreme Court judges should receive \$500 more. This would affect three men.
- Mr. Stevens thought they should go along with Mr. Fink's recommendation which was the same as the Governor's.
- HB 141 was reported out of committee with the amendment to

raise the Supreme Court judges salary.

HB 289

HB 289 was reported out with recommendations it do pass with amendments.

ASHA BILL

The ASHA bill was reported out with recommendations it do pass.

SB 90 am

SB 90 am was reported out with do pass recommendation.

Adjournment: The committee recessed at 5:00 p.m.

HOUSE FINANCE COMMITTEE MINUTES

April 2, 1967

10:00 a.m.

The full committee met to consider bills. All members were present.

SB 108: It was moved and unanimous consent was asked to bring up SB 108 for discussion and there were objections. On a show of hands 5-2 the motion passed.

SENATE BILL NO. 108 was reported out of committee.

SB 107: It was moved and asked unanimous consent to bring up SB 107 for discussion. There were no objections.

SENATE BILL NO. 107 was reported out of committee.

SB 45: It was moved and asked unanimous consent to bring up SB 45 for discussion. There were no objections.

SENATE BILL NO. 45 was reported out of committee.

Recess: The committee recessed for Democratic Caucus and plan to meet at 1:00 p.m.

HOUSE FINANCE COMMITTEE MEETING
APRIL 3, 1967

10:15 a.m.

Present: All members, with Mr. Sassara and Mr. Strandberg arriving somewhat late.

HCSSB51 (An Act requiring nonresident hunters to be accompanied by licensed guides.) It was moved and unanimous consent was asked that HCSSB51 be reported out of the committee. There being no objection it was so ordered.

SB169: (An Act relating to the liability of primary packers for taxes; insuring their collection; and providing for an effective date.) It was moved that SB 169 be considered by the committee. No objection so ordered.

Mr. Ron Rettig, Commissioner of Revenue, Mr. Tom Parke, Dept. of Revenue, Mr. Pete Shoup, Canned salmon industry, and Mr. Ed Reasor, Deputy Attorney General were present for this discussion. An amendment was proposed by Mr. Parke, and there was lengthy discussion concerning the amendment, and then further discussion on the bill itself.

Recess: Meeting recessed at 11:45 a.m. so members could attend House session.

HOUSE FINANCE COMMITTEE MEETING
APRIL 4, 1967
10:15 a.m.

Present: All members were present.

General Meeting: The committee discussed several bills, then went into the Legislative Intent report, and spent the next hour reworking it.

Recess: Meeting recessed at 11:00 a.m.

3:00 p.m.

Present: All members

HCSSB94 : This bill was discussed and agreed to report out House CS FOR SB94.

SB121 SENATE BILL NO. 121, SENATE BILL NO. 169 and SENATE BILL NO. 182

SB169 as amended, were discussed by the committee and reported out.
SB182 am

Adjournment: Meeting adjourned at 3:30 p.m.

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HOUSE FINANCE COMMITTEE MEETING
April 5, 1967
8:30 a.m.

Present: All members, along with Mr. Phil Holdsworth, Commissioner of Natural Resources, and Mr. Carroll Jones and Pat Ervine, lobbyists, were present.

SB115 am: (Relating to incentive royalty on oil and gas) There was a long discussion by the committee and the witnesses on this bill concerning the possibility of amending it. A memorandum from Mr. Holdsworth (see bill file) concerning amendments to the bill was presented to the committee. Mr. Strandberg requested Mr. Holdsworth to consult with others on this, and the committee would make its decision later in the day.

SB32: There being no objection the committee reported out SB32.

Recess: Committee recessed at 10:00 a.m. to go into session.

2:15 p.m.

SB115 am: The committee agreed to accept the following amendment:

Page 3, line 15: Add new sentence: The provisions of this subsection do not apply to the Cook Inlet basin.

Page 3, line 16: Add new section to read: Sec. 3. The provisions of this Act shall not apply to leases issued or to valid applications filed prior to the effective date of this Act.

page 3, line 16: Change old Sec. 3 to Sec. 4.

After accepting the above amendment the committee agreed to report out the bill.

Recess: Meeting recessed at 2:45 p.m.

*Denotes figures not agreed upon by CC

CONFERENCE COMMITTEE ON HOUSE BILL NO. 50

GOVERNOR'S OFFICE:

WICHE: After discussion by the committee, the figure of \$67,000 was agreed upon.

* Gov's Employment Advisory Commission: The House has allowed, \$23,300 while the Senate had allowed \$4,000. No agreement could be reached on this figure.

* Contingencies: House allowed \$92,000 and the Senate allowed \$162,000. Senate said reason for the difference was due to adding \$20,000 to fund a full time man on international fisheries problems, and \$50,000 additional needed to finish renovation of 3rd floor. Another \$30,000 additional funds for renovation of mansion. Senate said they had been asked by Governor to put this in the budget, but the House had not received any of this information. No agreement on this, so left open.

* Status of Women Commission: House allowed \$5,000 and Senate \$2,500. Since, they could^{not} agree on final figure, this was left open.

Local Affairs Agency: Final figure on Local Affairs agreed on by CC was \$135,000. (Senate original figure was \$142,600 and House was \$130,000.)

Rural Development: House figure of \$442,700 and \$385,900 for Senate was finally settled on \$437,000.

Human Rights Commission: Figure of \$51,600 as in the House bill was accepted. Senate version was \$53,60 .

* Economic Opportunity: No agreement could be reached on difference of \$109,000 for Senate and \$131,500 for House.

* Alaska Council on Arts: Senate has \$40,000 and House \$77,500 and no agreement could be reached on a figure for this.

DEPARTMENT OF ADMINISTRATION:

- * Department Operations: House asked \$2,007,800, and Senate \$1,891,400 of which no agreement was reached.
- * Retired Employees' Benefits: Agreement on this could not be reached but reason for House figure of \$9,400 over the Senate figure of \$7,600 was due to bill passed covering 5 people in Territorial retirement. No agreement could be reached on this.
(HB 157 am)

- * DEPARTMENT OF LAW: The Conference Committee could not reach an agreement on this figure (House: 1,066,100, and Senate: \$1,030,700) so this was left open.

DEPARTMENT OF REVENUE: The Senate figure under Tax Collection and Receipt of \$1,622,100 was accepted by the committee on the basis of a statement by Senator Phillips that Mr. Rettig had told the Senate Finance that the cut as proposed by the Senate was fine by him.

- * COURT SYSTEM: No agreement on this figure.
- * LEGISLATURE: The committee could not agree on the figure for the Legislature and Legislative Affairs Agency, so this was left open.
- * DEPARTMENT OF EDUCATION: Under General Administration the difference between the House figure of \$793,300, and the Senate figure of \$707,750 was \$85,550. It was noted that \$68,200 was cut from Senate budget for SWIS but this was not taken from House figure. This figure was left open.
Under Board of Education, the Senate had allowed \$3,000 and the House had raised it to \$14,000 to cover HB2. The Senate agreed to the increase and \$14,000 was agreed upon.

State Operated Schools had a difference of House figure of \$12,546,000 and Senate of \$12,628,000. The committee agreed upon the \$12,528,000 figure.

UNIVERSITY OF ALASKA: House has figure of \$8,861,900 and Senate a figure of \$8,395,600 -- difference of \$466,300. No agreement could be reached by the committee.

* DEPARTMENT OF HEALTH & WELFARE: Under Administration it was agreed that the difference between House figure of \$816,100 and \$778,475 for the Senate (\$37,625) was in the SWIS reduction, and this could be straightened out.

Public Welfare was accepted at \$7,237,800 by the committee.

* Public Health had difference of \$90,700 (House asked \$3,705,400 and Senate \$3,615,700), and the committee left this open because they could not reach an agreement.

* Mental Health was also left open. Figures are:

\$4,861,800	House
4,661,800	Senate
<u>200,000</u>	

Youth & Adult Authority. Senate figure of \$3,768,100 was accepted by the committee.

* DEPARTMENT OF LABOR: All figures in this budget agree, except under Enforcement of Labor Laws. The House action was \$447,300 and the Senate was \$411,300. Committee could not agree so this was left open.

* DEPARTMENT OF COMMERCE: Office of the Commissioner under Regulations of Business and Professions, the committee agreed upon a figure of \$120,200. The overall difference between the Senate and the House version of Regulations of Business and

Professions was \$52,600. The House had upgraded the position of Insurance Director from a 22 to a 24. The Senate agreed to go along with this. The House also wanted to add of one more Document Clerk. But the Senate committee would not go along with this. This division was left open.

Regulation of Public Services: The difference in this division is as follows:

\$82,200	House
26,900	Senate
<u>55,300</u>	

The Senate did not allow for the Technical Writer and Clerk-steno, nor did they allow the request for funds on the ACS sale. There was disagreement on the duties of the technical writer. It was the understanding of the Senate that this person was to do work on the sale of ACS, while the House contended his job description did not include anything to do with ACS. It was agreed to leave this open, then have the Commissioner testify on this matter. The Transportation Commission was by the committee for agreed upon/ a total of \$216,800.

The balance of this budget was left open by the committee.

* DEPARTMENT OF MILITARY AFFAIRS: Difference as follows:

\$622,300
<u>584,100</u>
38,200

Mr. Strandberg said the reason for the increase by the House was due to repairs to the armory. No agreement could be reached so this was left open.

* PUBLIC SAFETY: General Administration had difference of:

\$168,000	Senate
149,000	House
19,000	

The \$168,000 was agreed upon by the committee. It was noted that in changing the figures for SWIS, that \$6,500 was deleted from House and \$23,500 from the Senate.

Under Disaster Preparedness House figure was \$3,500 over the Senate. (This was for a 40 KW generator for building in Juneau.) This division was not agreed upon by the committee.

NATURAL RESOURCES: General Administration figure of \$101,600 was approved by both committees.

Management of State Lands figure of \$1,840,500 was agreed upon by the committee.

Development of Mineral Resources figure of \$515,600 was agreed upon by the committee, and the Senate agreed to the letter of legislative intent as written by the House concerning the moving of this division to the University of Alaska.

Promotion & Regulation of Agriculture figure of \$275,000 was agreed upon by the committee, and it was noted that \$13,000 of this was added in to fund the agricultural fair bill (HB 13).

* DEPARTMENT OF FISH AND GAME: General Administration the figure for the office of the Commissioner - \$128,700 - was accepted by the committee.

* Under Division of Administration the House had \$666,700 and the Senate had \$635,500 (\$31,200 difference) and since the committee could not agree, they left this open. (All of General Administration is open with exception of Office of Commissioner.)

* DEPARTMENT OF FISH & GAME, Cont: Commercial Fisheries: the House

reduced its figure as shown in the budget from \$2,436,500 to \$2,430,900 which was deleted from Travel. The overall difference in Commercial Fisheries is as follows:

\$2,430,900	House
<u>2,380,200</u>	Senate
50,700	

Senate members discussed the cut for rent and utilities under contractual services for the Cold Bay facility. It was the understanding of the Senate that this building was not yet built. Mr. Strandberg asked if this was under the ASHA lease agreement for this year, and after researching this, it was agreed it was not under ASHA.

Under Contractual Services, Code 350 (Transportation of things) the Senate also cut this from \$16,100 to \$12,000. Under equipment the Senate cut back from 23,700 to \$21,700, and under commodities, they cut back \$3,800. After much discussion, a figure could not be agreed upon, so it was agreed to leave this division open.

* Division of Game: The House reduced its figure as shown in the budget from \$1,641,900 to \$1,636,500, taking \$5,400 from travel. The difference:

\$1,639,800	Senate
<u>\$1,636,500</u>	House
3,300	

The House members noted they had put in the legislative intent that \$200,000 of this budget would be used under Special Projects. The Senate refused to go along with this, so this division was left open by the committee.

* DEPARTMENT OF ECONOMIC DEVELOPMENT: The committee agreed on the

figure of \$427,000 for Industrial Development.

Alaska Travel figure of \$589,200 was agreed upon by the committee.

* Alaska Centennial had a difference of \$77,000 which was because the House had funded additional money for per capita

DEPARTMENT OF PUBLIC WORKS: General Administration as follows:

\$397,900	House
324,200	Senate
<u>73,700</u>	

Mr. Strandberg noted that the Senate had put \$60,000 in for the Whittier rail ferry in to Capital Improvement and it should be in this budget. Senator Phillips agreed, and so this raised the Senate figure to \$384,200. Mr. Strandberg requested the letter of legislative intent by the House be corrected on this. The House had raised General Administration by \$8,000 to give additional funds for the moving of this department from its present quarters, to possibly, the Goldstein Building. The difference now left between the House and Senate was due to Senate deleting 4 parttime employees. Since the committee could not agree, this was left open.

* Operation and Maintenance of Airports:

\$3,948,700	House
3,749,100	Senate
<u>199,600</u>	

One area of disagreement was the House had funded \$11,600 for a Building Management Specialist (at the request of the Commissioner) due to the number of airports that are being taken over by the state. The Senate disagreed on this point so this was left open. Under Intermediate Airports, the Senate agreed to go along with the position for Yakutat (equipment operator) since it is tied to reimbursable funds. There was a discussion

concerning the \$60,000 allowed for equipment rental for the Department of Highways. The Senate agreed to add this into their Trunk & Secondary figure. Mr. Strandberg said the House had added, under Division of Aviation, a special category called Special Maintenance for Trunk and Secondary, and Intermediate airports, which could only be administered by the Department of Administration. He said they had funded \$125,000 for this purpose. Since the committee could not agree on any of this they decided to leave this portion open.

Central Building Services:

\$678,800	House
661,800	Senate
<u>\$ 17,000</u>	

Mr. Strandberg explained that the House had raised Personal Services by \$15,300 due to the addition of schools being taken over by the state. The Senate agreed to this, and so the figure of \$678,800 was agreed upon for Central Building Services.

* Central Communications Services had following difference:

\$435,100	House
<u>397,900</u>	Senate
37,200	

The House had put in extra funding for police car radios at the request of the Governor. The Senate had made a general overall cut, and had cut \$23,100 in equipment. Since no agreement could be reached, this figure was left open by the committee.

* Marine Transportation: Under Southeastern ferries, the following differences exist:

\$5,051,600	* House
<u>4,871,400</u>	
180,200	

Mr. Strandberg said they had put in \$68,800 for engine repairs under Contractual Services (code 340), and another \$75,000 to keep the ferries running two additional months.

Mr. Strandberg also pointed out that Budget Review had made a \$10,000 error. The Senate agreed to the \$75,000 increase for the additional two months of running the ferries. Mr. Strandberg said they had also added \$36,400 (code 460) for engine parts and supplies (this had been cut out by the Budget Review and the House restored it).

Recess: Committee agreed to a recess, so will continue on Marine Transportation upon return.

3:00 p.m.

* DEPARTMENT OF HIGHWAYS: There was discussion on the Office of Commissioner on the Senate cutting \$21,200 under personal services. Senator Phillips explained that they had deleted the Public Information officer, since he had been told this office had been created in the Governor's office, and they could handle the work there. The House agreed to this cut, and so the figure of \$97,800 was accepted by the committee. Preconstruction was discussed. The House had \$383,800 and the Senate had \$365,200 for a difference of \$18,600. The house explained its increase was the addition of an appraiser as requested by the department. Senator Phillips said he did not go along with all the travel for College Lab.

The college lab program was discussed in some detail, and it was agreed this was needed to conform with BPR regulations. The figure of \$372,300 as originally suggested by the Governor was then accepted by the committee.

Maintenance Division figure of \$52,000 was agreed upon by the committee.

Construction Division, the House had given same as Governor's allowance, and Senate had cut \$1500 out of contractual services. The committee agreed upon the figure of \$234,600 as a total figure for this division.

Administration Division was agreed on for total figure of \$802,000.

* Anchorage District: \$436,600 House
485,500 Senate
11,100

Senator Phillips said the difference was due to the Senate cutting out one permanent accounting clerk, 2 temporary clerk typists, a laborer and store clerk. This was left open.

* Fairbanks District: House cut \$2500 on equipment. Senate deleted one stockhandler and 2 temporary clerks:

\$493,500 House
475,600 Senate
17,900

This was left open.

* Juneau District: \$220,600 House
210,800 Senate
9,800

Senator Phillips said the Senate had cut travel back in this category to the FY 66 level, and had also cut contractual because of the number of telephones per employee. He said they had also made a small cut in commodities. Left open.

* Nome District: \$93,900 House
 90,600 Senate
 3,300

This was a cut by the Senate in travel, and requested by the Senator from that area. This was left open.

* Valdez District: Senate changed its original figure of \$414,900 to \$415,000:

 \$428,100 House
 415,000 Senate
 13,100

Senator Phillips said the Senate had deleted the one parttime laborer which had been changed to a full time laborer, and also one temporary clerk-typist. This was also left open.

MAINTENANCE:

Anchorage District: \$2,671,700 House
 2,652,100 Senate
 19,600

Senator Phillips said the committee had made the cut in this under personal services. This was left open until the whole maintenance budget is considered. (Note: Final figure for Maintenance is adopted on page 12 of minutes.)

Fairbanks District, Juneau District, and Nome District figures for maintenance were discussed by the committee, and left open until final consideration of Maintenance.

Valdez District: \$1,438,000 House
 1,419,000 Senate
 19,000

Senator Phillips said that \$17,000 of this difference was in yellow the/stripping for the highways. He said Fairbanks asked only \$79 a mile, and Valdez had requested \$500, so they had given them \$100. After some discussion on this problem, the total budget for maintenance was before the committee.

MAINTENANCE TOTAL: It was moved, and unanimous consent was asked that the figure of \$1,500,000 be adopted by the committee for the Maintenance budget, and that the difference in the figures as found in the House budget and the Senate budget in the 5 (Anchorage, Fairbanks, Juneau, Nome, and Valdez) districts be divided in the cuts for each area. There was no objection to this motion so the figure was accepted by the committee.

<u>CAPITAL IMPROVEMENTS:</u>	<u>Alaska Court System:</u>	\$8,000	House
		-0-	Senate
		<u>\$8,000</u>	

The Senate agreed to the \$8,000 for the Court System, so this figure was accepted by the committee. (See page 271 of Budget Document.)

Department of Education: There was no disagreement on the total figure of \$362,000 by both committees; however, the disagreement was in the House letter of legislative intent. The House had included Pitkas Point, which the Senate had not. After some lengthy discussion, the committee decided the legislative intent would be worded as follows:

"The Conference Committee requests that Pitkas Point, and Kobuk will be done within this \$362,000 if sufficient funds are available after ^{Stony River,} Ambler and Ekuk are funded. The department is directed to investigate the possibility of ^{the} ASHA program for Ambler and Ekuk."

Natural Resources: Mr. Strandberg called attention to the memorandum received from Mr. Ward requesting ^{House Finance} the committee to include \$70,000 in Natural Resources under this program.

The Senate had not received this memo, but the committee agreed this figure should be included in the budget.

Fish & Game: The Hood Lake Hanger Insulation had been funded by the House under Capital Improvements, but according to Senator Phillips, his committee had funded this under Working Capital. It was explained that working capital fund was not for this purpose, so the committee agreed to put the \$7,000 funding for it in this category. There was to be further research to make sure this was the proper place for it.

<u>Public Works:</u>	\$606,000	House
	406,000	Senate
	<u>200,000</u>	

Mr. Strandberg explained that the House Finance Committee had put \$200,000 into this budget for the ^{Fort} Yukon bulkhead. He said this was very badly needed to save the school. The committee agreed to the \$606,000 figure.

Waters & Harbors Program: This was left to be considered at the end of the budget.

<u>WORKING CAPITAL FUND:</u>	\$6,146,000	House
	6,076,000	Senate
	<u>70,000</u>	

Mr. Strandberg told the committee that they had put in \$70,000 to this budget for a new fire truck at the Anchorage International airport. The committee then agreed to the new total of \$6,146,000.

CAPITAL IMPROVEMENTS, Waters & Harbors: The following figures, after much discussion by the committee, were agreed upon as final figures for Waters & Harbors:

Pelican Float	\$ 17,000
Elfin Cove	27,000
Haines Launching	45,000
Juneau Float	90,000
Ketchikan Float	18,000
Knudson Cove Float	85,000
Hole-in-the-Wall	45,000
Myers Chuck	-0-
Point Baker Float	34,000
Bethel Moorage	55,000
Old Harbor	45,000
Sitka Breakwater	44,000
Juneau Float Plane	40,000
Whittier Launching	10,000
Punter Bay	20,000
Angeon Gridiron	-0-
Wrangell Facility	10,000
Seward Small Boat	40,000
Sitka Crescent Har.	25,000
Big Lake Project	30,000
Engring & Admin.	<u>112,000</u>

Total: \$792,000

The figure of \$792,000 and the above breakdown was accepted by the committee for Waters & Harbors.

Recess: Meeting recessed until 6:30 p.m.

6:45 p.m.

* OFFICE OF THE GOVERNOR.

No agreement could be reached on any of the programs left open, so it was decided to settle it in caucus.

* DEPARTMENT OF ADMINISTRATION.

Department Operations. Commiss. Ward said with the amount given the SWIS system by the legislature, there would be some areas that couldn't be worked in and some alterations to make in other

areas. It would take care of the housekeeping functions in the Dept. of Administration; there would be some reduction in the Dept. of Labor. They would expend as much effort as possible for Health & Welfare, Revenue and the University of Alaska, but there is one program of \$10,000 that they really need. He said the federal government was quite receptive to the SWIS program.

A motion was made to accept the House figure of \$2,007,000.

The vote failed 3-3.

- * Retired Employees' Benefits. Mr. Freer said HB 157 provided a 25% cost of living allowance for 5 people in addition to their retirement. Sen. Phillips said they couldn't fund for anything not yet passed.

DEPARTMENT OF LAW.

The Senate agreed to add \$12,500 to the district attorney's salary in Nome. This included the 6% area allowance for employees in Nome. They could not agree on the other differences.

* COURT SYSTEM.

No agreement was reached on these figures.

* LEGISLATURE.

No agreement was reached on these figures.

DEPARTMENT OF EDUCATION.

Sen. Bradshaw moved to accept the figure of \$785,000 for General Administration. This motion carried unanimously.

* UNIVERSITY OF ALASKA.

Sen. Phillips said the Governor was in agreement the University could get by with this figure. ^(Senate) Mr. Ray said he worked with this budget for three years; if they didn't get the amount requested they wouldn't be able to operate. Mr. Strandberg made a motion

to accept the House figure of \$8,861,900. The motion lost 3-3.

HEALTH AND WELFARE.

The committee could not agree on figures in this area.

LABOR.

Public Service Section. Sen. Bradshaw moved they accept the figure of \$350,000. This was passed unanimously.

* DEPARTMENT OF COMMERCE.

Central Licensing. Senate deleted one clerk steno III position and travel was deleted in number of board meetings per year. Mr. Ray said that people complained that they had to wait so long until they could get before the board to get their licenses. Sen. Bradshaw moved they accept the Governor's figure which was right in the middle of the Senate and House figures. Mr. Strandberg objected. He said the insurance people were promised they would be upgraded. They couldn't agree on the document clerk, technical writer and nurse for Central Licensing positions.

MILITARY AFFAIRS.

Sen. Phillips moved they accept the Governor's figure of \$608,200. This passed unanimously.

PUBLIC SAFETY.

It was passed unanimously to accept the House figure of \$3,060,700.

* FISH & GAME.

Administration. Sen. Haggland said they would give back the two positions the Senate deleted, the librarian and clerk typist. Sen. Phillips objected.

FISH & GAME, Continued: Division of Administration (see page

5 of minutes) the figure of \$650,000 was accepted by the committee.

General Administration figure of \$812,700 was accepted by the committee.

* Commercial Fisheries figure was moved for \$2,405,500, then action was rescinded on this.

* ECONOMIC DEVELOPMENT: A motion was made to accept the additional \$77,000 for the Centennial, but there was objection and motion failed.

PUBLIC WORKS: General Administration: Figure of \$392,200 was accepted by the committee.

Operation & Maintenance of Airports: The committee again discussed the special appropriation for maintenance of trunk, secondary and intermediate airports. The figure of \$100,000 was finally accepted for this Special Project. The \$11,600 for the Specialist (see page 7 of minutes) was deleted, and the \$60,000 for equipment rental accepted.

A total figure of \$3,912,700 for Operation & Maintenance of Airports was accepted by the committee.

Central Communications Services: The figure of \$416,500 was accepted by the committee as the total figure for this division.

Marine Transportation: The figure of \$6,724,000 for Marine Transportation was accepted by the committee.

FISH & GAME: With reference to page 12 of the minutes concerning the Hood Lake Hanger Insulation, Mr. Freer agreed that the \$7,000 for this had been funded in the proper place -- Capital Improvements.

OFFICE OF THE GOVERNOR: After discussion concerning the budget for the office of the Governor, it was agreed that all House figures would be accepted for: Governor's Employment Advisory Commission (\$23,300); Status of Women (\$5,000); Economic Opportunity (\$131,500); and Alaska Council on Arts (\$77,500). On Contingency Fund it was agreed the Senate figure of \$275,000

as recommended by the Senate would be accepted. Senator Phillips gave the following breakdown:

\$30,000	-- Further renovation on mansion
50,000	-- Further 3rd floor renovation
30,000	-- Surface transportation claims
40,000	-- Fund Rural Commission
25,000	-- International fisheries employee

Secretary of State: Total figure of \$239,300 was agreed on by the committee.

DEPARTMENT OF ADMINISTRATION: Under Department Operations the House figure of \$2,007,800 was accepted by the committee. Mr. Ward explained that by adding SWIS back in for Education and Health & Welfare, it would cost \$75,400 federal funds and \$30,600 in general funds.

Retired Employees' Benefits figure of \$9,400 was accepted by the committee.

DEPARTMENT OF LAW: The Senate figure of \$1,030,700 was accepted for the Department of Law by the committee.

ALASKA COURT SYSTEM: Supreme Court was discussed for some time and finally a figure of \$500,000 was agreed upon by the committee. Superior Court: The Senate figure of \$1,178,200 was accepted by the committee.

Magistrate Court: The House figure of \$1,117,200 was accepted by the committee.

The total Alaska Court System figure of \$2,795,400 was accepted by the committee.

DEPARTMENT OF HEALTH & WELFARE: In Administration the only difference between House and Senate figure was the SWIS amount for \$37,625 which was added back in. Total figure for Administration of \$918,700 was accepted by the committee.

DEPARTMENT OF COMMERCE: Regulation of Business and Professions -- it was agreed by the committee to delete the position of the nurse and committee accepted figure of \$565,000 for this division. This left in the technical writer and the clerk, stenographer; also deletes ACS money.

DEPARTMENT OF FISH & GAME: Commercial Fisheries was again up for consideration and final figure of \$2,420,000 was accepted by the committee.

DEPARTMENT OF HEALTH & WELFARE: Program of Mental Health and Public Health were only ones left open in this category, but after much discussion, no decision was made.

Recess: Meeting recessed while committee attended respective caucuses.

AFTER RECESS

HEALTH & WELFARE: Program of Mental Health was reduced by \$100,000 for a total of \$4,761,800 which was accepted by the committee. Public Health figure of \$3,661,400 was accepted by the committee.

UNIVERSITY OF ALASKA: The total figure of \$8,618,900 was adopted by the Committee for the University of Alaska. The House members objected to this cut but agreed to allow it to go in the budget.

LEGISLATURE: After a great deal of discussion concerning the budget for the Legislature and Legislature Affairs Agency, Senator Bradshaw said it was agreed in the Senate that if the Legislature went beyond 60 days next session, that there would be no politics involved in getting a supplemental budget through. The House members did not agree with the decrease in this budget, but agreed to allow it to go into the bill. The figure as accepted was \$857,200 and a total of \$1,068,000 for the Legislature's budget. It was further noted that if the \$857,200 is adopted, this will mean 4 less temporary employees and 1 permanent employee on the Legislative Affairs Agency staff.

DEPARTMENT OF HIGHWAYS: The total for Highways was \$3,262,200 and the cuts (see pages 10, 11 of minutes) were divided among the Anchorage, Fairbanks, Juneau, Nome and Valdez Districts, and the department will determine where it will be.

PUBLIC SAFETY: General Administration It was noted that on page 5 of the minutes, the \$168,000 had been accepted. Later on, the total budget for Public safety was adopted of \$3,060,700 (see page 13 of minutes) which then reduced the General Administration figure to \$149,000.

Meeting adjourned.

1967 SPECIAL SESSION
MINUTES
HOUSE FINANCE COMMITTEE
September 29 - October 4

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HOUSE COMMITTEE CHAIRMEN'S MEETING
September 29, 1967
2:15 p.m.

Mr. Strandberg called the meeting to order and after discussion with the committee chairmen, the group agreed that the Finance Committee would meet with the other committees in the following order:

- ✓ 1. HEALTH, WELFARE & EDUCATION (HOUSE BILLS 1, 2, (3) and 5)
- ✓ 2. STATE AFFAIRS (HOUSE BILLS 8, 13, 14 and ~~16~~)
3. COMMERCE (HOUSE BILLS (4), (9) and (10))
4. LOCAL GOVERNMENT (HOUSE BILL NO. 11)
5. JUDICIARY (HOUSE BILLS 6 and 7)

Mr. Strandberg announced that bills not controversial would be discussed and passed out of committee first, and the controversial measures would be considered last.

Mr. Fink requested that representatives of Small Business Administration and the Office of Emergency Planning be brought to Bureau immediately to testify before the committees. Mr. Homer Davies of SBA was mentioned as the person most qualified to speak for SBA. Mr. Fink felt that the committees needed a somewhat definite federal figure so that the legislature could make its decisions accordingly. Mr. Holm said they had met on numerous occasions in Airbanks without success (of obtaining definite figures) and what information had been acquired from the federal representatives was up to date and in the possession of Mr. Shoemaker, and also the Governor's office. Mr. Strandberg suggested that Mr. Fink confer with the Governor's office before any decision was made in bringing these men to Juneau. He also felt if they were to testify

*HB 16 was assigned following this meeting.

they must arrive no later than tomorrow (Saturday, September 30).

There was discussion on the different opinions on what SBA will do and will not do, and also the difficulty of getting these people to make a definite statement.

Following a brief discussion on the state's responsibilities in relation to the federal assistance, the meeting adjourned at 2:45 p.m.

After Recess
4:00 p.m.

Mr. Strandberg called the meeting to order with all members of the Finance Committee and Health, Welfare & Education Committee present.

HB 1

HOUSE BILL NO. 1 (raising maximum old age assistance payments from \$110 to \$200 a month) was discussed by the two committees. Mr. Pagenkopf from the Department of Health and Welfare answered questions on HB 1. He said that it would cost approximately \$32,000 with a legal maximum of \$150/ ^{a month} and \$70,000 annually with no maximum. In answer to a question by Mrs. Banfield, he said approximately 100 people in the Tanana Valley would receive this increase. Mr. Sassara asked if there was enough money in the present program to fund out this bill if it passed. Mr. Pagenkopf said there was enough to carry it through about February or March.

HB 1
Vote

The Health, Welfare and Education Committee recommended unanimous "do pass" on HB 1. The Finance Committee recommended unanimous "do pass" on HB 1.

HB 2

HOUSE BILL NO. 2 (raising maximum assistance payments to the blind from \$110 to \$200) was discussed briefly. The

HB 2
Vote

Health, Welfare and Education Committee recommended unanimous "do pass" on HB 2. The Finance Committee recommended unanimous "do pass" on HB 2.

HB 5
Roll
Call

HOUSE BILL NO. 5 (raising maximum payments to disabled persons from \$110 to \$200 a month) was discussed briefly, then the Health, Welfare and Education Committee recommended unanimous "do pass", and the Finance Committee did likewise.

HB 3

HOUSE BILL NO. 3 (appropriating \$400,000 from the general fund to match Hill-Harris funds for construction of a hospital in Fairbanks) was discussed by the two committees. Dr. Chapman, Commissioner of Health and Welfare, testified that some information on this bill had just come to his attention which would necessitate a technical amendment. Mr. Strandberg said that he had requested the administration to have any changes in these bills made ~~before~~ they came to the committee; therefore, the committee would recess until HOUSE BILL NO. 3 was corrected.

Recess

After Recess
5:00 p.m.

HB 3
(CS)

Mr. Strandberg called the meeting to order with all members of Health, Welfare and Education Committee and Finance Committee present. A committee substitute had been prepared to replace HOUSE BILL NO. 3 and the CS HB 3 (appropriating to the Department of Health and Welfare for the construction of a hospital in the North Star Borough) was considered before the committees. Dr. Chapman discussed the changes in the bill, saying that the \$400,000 should not be appropriated to the City of Fairbanks, but to the Department of Health and Welfare. He said further that the department is not concerned with how Fairbanks raises the money (the original HB 3 states that the appropriation was contingent on Fairbanks passing a bond issue), they are concerned only with the North Star Borough raising its share of matching funds. There was a discussion on Hill-Harris funds, and Dr. Chapman stated that of the \$2,100,000 available to the state, all but \$105,000 was

presently encumbered. This \$105,000 was being allocated to Fairbanks for its hospital. The other change which was requested by Mr. Gillam, the North Star Borough Chairman, was the availability date of Hill-Harris funds, from 1968 to 1969. He explained that it would be impossible to comply by June 30, 1968, so the committees agreed to this change.

CSHB 3
Roll
Call
Vote

The Health, Welfare and Education Committee agreed to accept the committee substitute and recommended "do pass" with the exception of Mr. Moran who signed "no recommendation". The Finance Committee also agreed to accept the committee substitute and recommended "do pass" with the exception of Messrs. Borer, Sackett and Ray who signed "no recommendation".

Recess

The committees recessed until 7:30 p.m.

After Recess
7:30 p.m.

Mr. Strandberg called the meeting to order with all members of the Finance Committee and the State Affairs Committee present.

HB 8

HOUSE BILL NO. 8 (appropriates \$39,600 from general fund to reimburse contingency fund for National Guard expenses) was discussed briefly by the two committees.^{1/} Mr. Scott and Mr. Kubley, from the Governor's office, and General Necrason, Military Affairs, answered questions concerning the necessity of this appropriation. General Necrason said these were extraordinary expenses incurred by the Guard in assisting the people in the Fairbanks area. They flew many tons of supplies into Fairbanks, and flew rescue missions out of Fairbanks. Mr. Sackett noted that the budget for Military

1/See Appendix, pages 1-6, exhibits 1 & 2.

Affairs for this year was extremely tight and did not provide any extra for an emergency of this scope.

HB 8
Roll
Call
Vote

The State Affairs Committee recommended that HB 8 "do pass" with the exception of Mr. Guess who signed "no recommendation". The Finance Committee recommended that HB 8 "do pass" with the exception of Messrs. Ray and Sassara who signed "no recommendation".

HB 13

HOUSE BILL NO. 13 (providing for a disaster relief fund in the Office of the Governor) was discussed by the State Affairs and Finance Committees.

Amendments were offered to HOUSE BILL NO. 13 as follows:

Page 1, Line 20: After "disaster" insert "as defined in sec. 175"

Page 1, Line 22: After "disaster" insert "as defined in sec. 175"

Page 1, Line 28 and 29: Insert period after "action" and delete balance of material on lines 28 and 29.

It was moved and unanimous consent was asked that the committees accept these amendments. After discussion of the amendments, they were accepted by both committees. Mr. Miller questioned Mr. Stevens concerning line 18 (page 1), and thought the words "each of" should be inserted after the word "for". Mr. Stevens hotly defended this and stated the wording implied a total of \$1,500,000, or \$500,000 could be expended for each of the three provisions in sec. 44.19.171(b) without additional legislative authorization.

Mr. Stevens noted that all previous dedicated funds had

consistently been honored by each legislature, even though they are not bound by the constitution or any statute to do this. He felt for this reason that future legislatures would so honor this particular fund in the same manner.

HB 13 am
Roll
Call
Vote

The State Affairs Committee recommended "do pass" with the exception of Messrs. Guess and Orbeck who signed "no recommendation". The Finance Committee recommended "do pass" on HB 13, as amended, with the exception of Mr. Ray who signed "no recommendation".

HB 14
Vote

HOUSE BILL NO. 14 (appropriating to the Disaster Relief Fund) was discussed briefly by the two committees, then it was moved and unanimous consent was asked that HB 14 be reported out with an unanimous "do pass" recommendation. There being no objection, it was so ordered. The Finance Committee took the same action.

HB 4
Vote

HOUSE BILL NO. 4 (increasing veterans' loan benefits) was before the Finance Committee and the Commerce Committee. It was moved and unanimous consent was asked that HB 4 be reported out with unanimous "do pass". There being no objection, it was so ordered. It was moved and unanimous consent was asked that HB 4 be reported out of Commerce Committee with unanimous "do pass". There was objection, which was then withdrawn, and so the Commerce Committee reported HB 4 with "do pass" recommendation.

HB 11

HOUSE BILL NO. 11 (relating to the use and repayment of loans from the Centennial loan fund) was before the Finance

Committee and Local Government Committee. A technical error was noted, and Mr. Strandberg said that the meeting would adjourn, and the bill should be corrected before it would be considered by the committees.

Adjourn-
Ment

Meeting adjourned.

HOUSE FINANCE COMMITTEE MEETING
September 30, 1967
8:00 a.m.

All members of the Finance Committee were present along with all members of the House Commerce Committee.

HB 9

HOUSE BILL NO. 9 (authorizing payment to city or borough of 12% of repair and construction costs on eligible property to be credited toward real property tax due as a construction and repair incentive for home-owners) was under consideration by the committees.

Mr. Strandberg asked Mr. Kubley (who was representing the Governor's Office) if the administration had figured out the projected picture of this bill. Mr. Kubley replied that no one, to his knowledge, had done this. Mr. Strandberg requested that this be done immediately as it might have some effect on the members attitude in voting.

Assess-
ments

In discussing assessments, it was noted by Mr. Boucher, Mayor of Fairbanks, that the assessment is done according to state law, i.e., 100 per cent valuation.

SBA
Loans

Mr. Stevens, in answer to a question on SBA loans, said that they are receiving daily reports from SBA on a number of loans that have been approved in the Fairbanks area.

FHA
Loans

Mr. Sassara brought up the subject of FHA loans and the fact that property taxes on a FHA loan are put in a reserve account. It was pointed out that the house payment is adjusted according to the yearly tax, so the monthly payment would go down accordingly.

Roll
Call
HB 9

The Commerce Committee recommended "do pass" with the exception of Mr. Fink who signed "no recommendation". The Finance Committee recommended "do pass" with the exception of Mr. Ray who signed "no recommendation".

HB 10

HOUSE BILL NO. 10 (appropriates \$1,400,000 from general fund for payments under the incentive payment to home-owners provisions) was discussed briefly by the Finance & Commerce Committee

Roll
Call
HB 10

It was moved and unanimous consent was asked that HOUSE BILL NO. 10 be reported out of Finance Committee with "do pass" recommendation. There being no objection it was so ordered.

It was moved and unanimous consent was asked that HOUSE BILL NO. 10 be reported out of Commerce Committee with "do pass" recommendation. Objection was heard, and HOUSE BILL NO. 10 was reported out of Commerce Committee with "do pass" with the exception of Mr. Fink who signed "no recommendation".

Meeting recessed.

After Recess
10:15 a.m.

HB 6

HOUSE BILL NO. 6 (provides tax relief for liquor retailers whose stocks were condemned and destroyed by the state by reason of the flood) was discussed jointly by the Finance Committee and the Judiciary Committee. Mr. Rettig, Commissioner of Revenue, explained that without this type of legislation the liquor dealers would be paying the state excise tax twice -- on liquor destroyed by the authorities following the flood, and also for the liquor purchased to replace it. He said it had a negative effect on excise revenue, since these people would be reimbursed on the one hand, but they would turn around and pay it in again when they buy new stock. The following amendment was offered at the suggestion of the Department of Revenue:

Page 1, Line 15: Delete word "state" and insert
in lieu thereof "proper authorities"

There being no objection, the amendment was accepted by both the Finance Committee and the Judiciary Committee.

Roll
Call
HB 6

It was moved and unanimous consent was asked that HOUSE BILL NO. 6 (as amended) be reported out of Judiciary Committee with "do pass". There being no objection, it was so ordered. It was moved and unanimous consent was asked that HOUSE BILL NO. 6 (as amended) be reported out of Finance Committee with "do pass". There being no objection, it was so ordered.

HB 7

HOUSE BILL NO. 7 (provides tax relief for liquor wholesalers and jobbers whose stocks were condemned and destroyed by the state by reason of the flood) was discussed briefly. The following amendment was offered at the suggestion of the Department of Revenue :

Page 1, Line 12: Delete word "state" and insert
in lieu thereof "proper authorities"

There being no objection, the amendment was accepted by both the Finance Committee and the Judiciary Committee.

Roll
Call
HB 7

It was moved and unanimous consent was asked that HOUSE BILL NO. 7 (as amended) be reported out of Judiciary Committee. There being no objection, it was so ordered. It was moved and unanimous consent was asked that HOUSE BILL NO. 7 (as amended) be reported out of the Finance Committee. There being no objection, it was so ordered.

Recess

Meeting recessed

After Recess
2:00 p.m.

Mr. Strandberg called the meeting to order with all members of the Finance Committee present, along with representatives from the Governor's Office, Department of Administration,

HB 12
and
HB 15

Department of Revenue and Department of Law. Mr. Strandberg announced that there would be a general discussion for background purposes on HOUSE BILL NO. 12 (Disaster Relief Tax of \$10 a year on all persons over 19 years of age-employed) and HOUSE BILL NO. 15 (Disaster Severance Tax on Oil and Gas producers for disaster relief) but that the committee would take the bills up for consideration at a later time. He stated the Finance Committee members could ask questions first and then other members of the House could follow with their questions. He said he wanted the administration witnesses to present an analysis of the revenue picture and to explain the fund balance for F.Y. 1968, and the projected figures for F.Y. 68-69. In other words, he said, he wanted to have the administration tell why they feel these two tax measures (HB 12 and HB 15) were necessary. Mr. Ward, Commissioner of Administration, distributed a "Preliminary Analysis of Fund Balances, Revenues & Expenditures, Fiscal Years 1968 to 1972 inclusive". There was also a sheet showing the impact of HOUSE BILL NOS. 12 and 15 from F.Y. 1968 through F. Y. 1972. The appropriation bills, as introduced in the House and Senate, also had been totaled, to show impact of \$7,404,830 on the General Fund. 2/ Mr. Rettig explained that of the approximate \$4,000,000 estimated in income tax losses due to the flood, that \$1,500,000 should be recovered by the construction-related activities brought into the Fairbanks area. Mr. Ward said the raw fish tax collections would be badly affected due to this year's disastrous fishing season. 2/See Appendix, pages 7-10, Exhibit 3.

In answer to a question concerning projected revenue increase due to increased services, Mr. Kubley stated that without the additional tax revenue measures that by the end of FY 1970 the general fund balance would be exhausted. (See sheet as compiled by Department of Administration). He said the oil sale windfall of \$9,500,000 was a bonus, but does not materially affect this projection, and he emphasized again that without the tax increase the balance would be exhausted by 1970. Mr. Strandberg asked if the recent oil sale was reflected in the fund balance of \$100,000,000. Mr. Ward said that it was.

Mr. Ward noted that they expected the raw fish tax would drop \$1,000,000 this year; the state income tax \$4,000,000; ferry revenue was less than had been anticipated; and \$500,000 loss in miscellaneous taxes. He also mentioned the Centennial money, if appropriated, would affect the balance. Mr. Ward said the price tags put on the proposed appropriation bills (page two of report) should be considered (this list does include the Centennial loan of \$1,500,000).

Mr. Ray asked if he meant there would be a shortfall of \$1,000,000 in raw fish taxes. Mr. Ward said this was their estimate. Mr. Haugen quoted figures that indicated this shortfall could be considerably more than the \$1,000,000. Mr. Strandberg asked Mr. Ward if his department was prepared to give an analysis of the major changes from the end of the last session. He said they needed this backup material in writing, and just not verbally. Mr. Ward assured the committee

6

that they would provide this material later today. 3/

Mr. Ward pointed out that in working up the projections on revenue from oil sales with the Department of Natural Resources and the Department of Revenue, that their figures were somewhat more conservative than the figures from the Governor's office. He explained they had not had time to do an "in-depth" study with the oil industry, whereas the Governor had recently conferred with these people. He said this was a very flexible area and debatable as to whose figures are right.

Mr. Sassara questioned the \$31,901,000 deficit in 1972, stating that even with the two proposed tax increases, new oil sales, he couldn't understand such a large deficit.

Mr. Strandberg said that in using past records, they have had these negative balances in projections, but these forecasts are made so far in advance, and so many imponderables that none of the deficits have ever happened. He felt it was impossible to forecast with any accuracy into 1972.

Mr. Ray questioned the collection date on the disaster tax.

Mr. Rettig said it would be in January by the employer, and they would receive it in February.

Mr. Guess asked what percentage was used on income tax projection. Mr. Ward said 9-1/2 per cent on the first year, and eight per cent on the following years. In answer to the same question on raw fish tax, Mr. Ward said these taxes were lumped together. He also noted that these estimates have been traditionally on the conservative side -- and on an historical basis.

3/See appendix, pages 11-13, Exhibit 4.

Mr. Strandberg requested the Department of Administration people to prepare these figures as they were projected for the last session, then show the changes -- a comparison sheet of the two.

In answer to a question on the projected \$4,000,000 loss in state income taxes for this year, Mr. Rettig said his department looked at what was collected last year, what the average income was, and assuming these people claim their losses on their federal taxes, this would be the net effect on collections. He said it was a most unscientific conclusion, but there was no basis to arrive at any other conclusion. He said it was an extremely arbitrary estimate. Mr. Strandberg emphasized he wanted the requested material from the Department of Administration late this afternoon.

Recess

Meeting recessed at 2:45 p.m.

After Recess
3:00 p.m.

Mr. Strandberg called the meeting to order, with members of the Finance Committee present.

HB 15
(SS)
HB 12
(SS)

The Attorney General's Office had redrafted HOUSE BILL NO. 15 (Disaster Severance tax on oil and gas producers for disaster relief, which tax will terminate and be reimposed when the amount in the disaster relief fund reaches determined amounts) and HOUSE BILL NO. 12 (Disaster Relief tax of \$10 a year on all persons over 19 years of age gainfully employed in state) in committee substitute form, and these were then discussed by the committee.

Head
Tax

Mr. Kubley, speaking for the Governor, said that when the

Governor decided there should be a special session, he thought it should be fiscally responsible and pass a tax measure at this time. He (Governor Hickel) studied all types of taxes (state sales tax, excise taxes, income tax, etc.,) and after sounding out people throughout the state he decided to go along with the recommendation of a \$10 head tax. The Governor, according to Mr. Kubley, is hopeful it will be funded out in five years and cut-off at that time. He said in that way each employed person would contribute approximately \$50 to the disaster fund over this five-year period.

Severance
Tax

Mr. Kubley said, in reference to the severance tax of one per cent, that the Governor had not received one single complaint from the industry, so he started calling these people and could find no dissatisfaction with the proposed severance tax. Mr. Sassara noted that on page 2, lines 8, 9 and 10 of CSHB 15 that the sentence: "Either finance committee may require additional information it considers necessary with respect to the money collected under this article." should be omitted as it was redundant. Mr. Snow, of the Attorney General's Office, explained his reasons for inserting this particular sentence; however, it was agreed by the committee that they already had that power so it was deleted. (The same sentence was also deleted from CSHB 12).

Mr. Bailey of the Attorney General's office, in answer to a question, said CSHB 15 was written so that the money derived from it could be used for any purpose.

Mr. Guess asked about contacts made with the oil industry. Mr. Kubley said they were notified that this meeting would be held today in case they cared to come, but no one had showed up for it. Mr. Guess said he thought the way this tax would be administered could be hard on the industry since the tax would fluctuate continually -- stop when the \$7,500,000 point was reached, then start up again when it dipped down.

CSHB 15
Vote

It was moved and unanimous consent was asked that CSHB 15 be accepted by the committee in lieu of HB 15 and that the committee report it out with a unanimous "do pass" recommendation. Objection was heard. All members signed "do pass" with the exception of Messrs. Ray and Sassara who signed "no recommendation".

CSHB 12
Vote

It was moved and unanimous consent was asked that CSHB 12 be accepted by the committee in lieu of HB 12 and that the committee report it out with an unanimous "do pass" recommendation. Objection was heard. All members signed "do pass" with the exception of Messrs. Ray and Sassara who signed "do not pass".

HJR 4
Vote

It was moved and unanimous consent was asked that HJR 4 (Requesting the Alaska Congressional Delegation to introduce legislation to cover Alaska shortfalls in revenue due to the natural disaster of August 14, 1967) be reported out with unanimous "do pass". There being no objection, it was so ordered.

Adjourn-
ment

Meeting adjourned at 9:45 p.m.

HOUSE FINANCE COMMITTEE MEETING
October 1 (Sunday) 1967
4:00 p.m.

Mr. Strandberg called the meeting to order, and all members were present except Mr. Ray who had been excused by the Chairman.

SBA

Mr. Strandberg introduced Mr. Homer Davies, the representative from SBA from the San Francisco office. Mr. Davies has been in charge of all SBA activity in the disaster area, and Mr. Strandberg requested him to bring the committee up to date on what had been accomplished.

Mr. Davies said the report he was presenting to the committee was up to date as of Friday, September 29, 2:00 p.m.^{4/} He said as of that date they had 4,625 interviews and distributed 2,819 sets of applications and of these, 1,847 loan applications had been returned to SBA for processing. He said they had approved 1,057 home loans for a total of 8.4 million dollars. He said 59 applications had been declined which figures 4.4 per cent of applications received. He noted that there were 294 home loan applications pending and 168 business loans for a total of \$19.4 million. He said 1,397 checks had been distributed in the Fairbanks area which represented \$6.5 million. Mr. Davies said this would give the members an idea of the activity in Fairbanks since the disaster in August.

Mr. Strandberg asked Mr. Davies to explain to the committee the guide lines used in granting or declining business and home loans. Mr. Davies said they were the same for business

4/ See Appendix, pages 14-15, Exhibit 5

and home, and that is

(1) eligibility of applicant (must be the owner of the property); and

(2) the ability to repay the loan.

Mr. Miller asked how many refinancing loans had been processed. Mr. Davies replied that between 250 and 300, and for every three approved, one was declined. He said the approval rate will probably be higher as more loans are processed. In answer to a request for the definition of "refinancing", Mr. Davies said this term meant a refinancing of a previous bank loan under SBA as well as an original home loan and could be total or partial. He said further, that all loans from SBA were three per cent, regardless of the type.

Mr. Miller asked how SBA based the decision to accept or reject a loan. Mr. Davies explained that the regulations state that a person may refinance if it creates an undue hardship to pay the SBA loan and his existing loan individually. He said this sometimes is difficult to determine what creates a hardship, and that it was impossible to apply a formula because each case presents a different set of circumstances; therefore, SBA approaches this on a case-by-case basis. The income, the fixed charge, number of dependents, ages of dependents (college-age children adds to the burden), etc., are all considered, and one particular factor may outweigh another, so SBA has found, according to Mr. Davies, that it is impossible to apply

any set formula due to the various circumstances surrounding each case. In answer to a question concerning local bank participation in these loans, Mr. Davies said they have not used the banks very much in the Fairbanks area because they are having physical problems of getting back into business -- records replaced, cleaning, repairs, etc.

In answer to a question by Mr. Miller, Mr. Davies said there were 294 home loans backlogged and 168 business loans backlogged. He said the processors could turn out approximately 35 home loans a day, and 11 business loans. He said the business loans take considerably more time, but also, they have been concentrating on home loans as they felt the urgency was greater. Also, applications for business loans didn't start coming in until the last two weeks, and they expect to be receiving them for the next two months.

In answer to a question by Mr. Miller, Mr. Davies said that \$14.6 million had been loaned, thus far, on business loans, and he felt this figure should mount rather rapidly. He pointed out that many businesses were making only temporary repairs for the winter, and that businesses such as the Northward Building, Traveler's Inn, Fairbanks Inn, etc., haven't come in yet because they haven't been able to fully assess the damages. He said that anyone who needed a business loan and had a real critical problem was given as rapid a service as possible. However, they were putting the

emphasis on home loans because this was the big need -- to get these people under cover.

Mr. Davies said he would like to comment on his personal observation on the activities of SBA in Fairbanks. He felt they had done a reasonably good job in providing funds for Fairbanks, and now the legislature and the governor should do everything possible in helping the economic level, so these people would be able to pay back the many millions of dollars of indebtedness. He noted that Anchorage had been most fortunate in having the oil industry come into being at the time of its disaster and this has been a big boost to the recovery there.

Mr. Fink asked what reasons were used for declining a loan. Mr. Davies said (1) they were not eligible (didn't hold title to the property) and (2) the inability to repay the loan. He said in some cases people actually had the ability to repay but their credit background was such that they were unwilling to pay. With reference to those people who were unable to repay the loan, SBA was working closely with the Red Cross. There were two Red Cross people working right in the SBA office and anyone who was unable to borrow from SBA was taken immediately to the Red Cross, and 59 of these cases have been cared for by Red Cross funds. In answer to a question by Mr. Fink, Mr. Davies said that if people were able to do their own repairs they often times go ahead without borrowing money, because even though the interest is only three per cent, it still has to be repaid. These people are repairing as they go along, out of their own funds. Mr. Davies noted that there was a

great deal of loss in personal property and he thought that a lot of these loans were going for replacement of personal property. If the water rose to three or four feet, a person had enormous loss in personal property -- furniture, appliances, etc., so losses could be very substantial in this area. Mr. Davies said they normally made unsecured loans up to \$1,000, but in the disaster, they have increased the amount to \$3,000, and this type of loan could be processed very rapidly, usually a matter of hours. He said many people are afraid to make extensive repairs until they see if there will be further damage next spring. He felt that many of these people will then come back for larger loans at that time. He said this small loan had been advertised as an interim loan; however, many people who took advantage of it were renters and this would probably be adequate to replace their personal belongings. Mr. Davies discussed briefly the regular revolving loan fund handled by SBA, and noted that Congress has now given them a disaster fund, which they did not have at the time of the earthquake. He said at that time the SBA loans came from the regular fund, which meant that in some cases there was a shortage for those people who qualified to borrow under the regular program because these funds had been used so extensively for the disaster. Mr. Strandberg brought up the subject of refinancing again, and Mr. Davies said under the refinancing loan, they pay

off the other loan and take a first mortgage. He said sometimes it is better to handle it another way, but each case is considered individually, and they do what they consider is best for the individual.

Mr. Miller asked how liberal their policy was on refinancing someone that they had doubts about. Mr. Davies said they were liberal on disaster loans, they always give the disaster victim the benefit of the doubt.

Mr. Davies was asked to give a definition of "economic injury" loans. He said this term was often misunderstood, in fact, he felt it was the most misunderstood program they had. He said these loans are used to pay off contracts, fixed obligations, or in cases where accounts receivable are slow in coming in due to customers inability to pay, they are made so the borrower can pay off his obligations and save embarrassment.

In answer to a question from Mr. Fink concerning advice on when to make repairs, Mr. Davies said SBA did not give advice, this was not its function.

Mr. Davies said they are encouraging those people who are trying to do all of their repairs now to leave a small bill or possibly \$100 in their disbursement account so in the spring if they need more money, then SBA can then just amend the original loan; this saves taking out a new loan and going through all the paper work again.

Mr. Strandberg asked if the President had to declare a disaster before the disaster fund in SBA could be used.

Mr. Davies said it was only necessary in the case of an economic injury loan.

Mr. Borer asked if it was true that A-67 could not qualify for a loan. Mr. Davies said he had discussed this problem with the Senate Finance Committee and that this statement was not necessarily true. He said SBA cannot loan to a local or state governmental entity, but there were ways around this problem. He had specifically requested the A-67 people to hold off making an application until last week because of the complexity of this particular loan. He said he had met last Thursday with Mr. Drohs, the City Manager of Fairbanks, Mr. Ed Strocker, President of A-67, Leo Schlotfeldt of the Pioneers', and representatives of the creditors. He felt by using some imagination the eligibility rules could be worked out. Since the state owns the site and the Pioneers' has a 55-year lease on it, and the A-67 lease reverts to the Pioneers' in January of 1968 (which can be extended for one year), SBA would consider the 55-year lease held by the Pioneers' as a fee ownership, and it would then be possible for the Pioneers' to qualify for the loan. The problem lies in the fact that SBA has no indication that the Pioneers' has the repayment ability for a \$1.5 million dollar loan that SBA would be willing to make. Mr. Davies said if the Pioneers' could work out an operating agreement with the City of Fairbanks and the City of Fairbanks would pay the Pioneers, they could possibly work out a loan over a 15-year period. One problem to date, according to Mr. Davies, was that an application must be submitted, which will be a very involved one.

Mr. Borer questioned Mr. Davies on the possibility of working out a similar agreement with St. Joseph's Hospital. Mr. Davies said it would be possible to make the loan to the Sisters, and again noted that these loans cannot be made to municipalities.

Mr. Miller asked about the possibility of SBA loaning money to the community hospital association. Mr. Davies said no, it does not have eligibility. At this point, Mr. Borer emphasized the fact that Fairbanks would simply have to use vigorous leadership and imagination if they want to clear up some of these problems. Mr. Sassara asked if SBA could use the A-67 site as collateral, and Mr. Davies replied that they could. SBA would then have the right to take over the park and turn it over to someone else to run if the Pioneers should default on its loan. He pointed out that there are many facets of this not yet explored.

Mr. Davies said there were a lot of stumbling blocks on this A-67 loan, but he felt the people of Fairbanks could overcome these things if they get in and work them out. He also pointed out that this would have to be a disaster loan, as A-67 would not qualify for one of the regular SBA loans. There being no further questions, Mr. Strandberg thanked Mr. Davies for appearing before the committee and expressed appreciation for his assistance.

Recess: Meeting recessed until 8:30 p.m.

8:30 p.m.

Mr. Strandberg called the meeting to order, with all members of the Finance Committee and members of the Commerce Committee present.

SENATE BILL NO. 5 (relating to disaster relief for persons who have received state veterans loans) and SENATE BILL NO. 6 (appropriating \$750,000 to the Department of Commerce, Division of Veterans' Affairs) were now being considered by the two committees. Mr. Thomas Civan, Director, Division of Veterans Affairs, appeared before the committees to testify on these two bills.

Mr. Civan pointed out that SENATE BILL NO. 5 was word-for-word

of Chapter 14, SLA 1964 disaster relief. He said this legislation worked very well following the 1964 earthquake. He said, in relation to the Fairbanks disaster, that of all the requests they have had from veterans, most of them have just asked for an extension of time. He said the extension does not require special action of the legislature, but the section on interest does require authorization by the legislature.

In answer to a question by Mr. Sackett, Mr. Givan said they have as yet had no veteran request the department to take over his property (by paying the \$1,000) but as he also pointed out, they didn't as yet have the legislation to do it anyway.

Mr. Fini questioned the amount of damage done to property financed by the Veterans' Affairs, and Mr. Givan said approximately 500,850. He said a man from Juneau and one from Anchorage had gone to Fairbanks to assist in making an assessment of these homes and that to date it ranged from \$435 to \$5,000 per home.

Mr. Getman questioned how they had arrived at the \$1,000 figure in SB 5, Sec. 3, for repossession of the irreparably damaged homes. Mr. Strandberg said it was an arbitrary figure, and that the precedent had been set by the 1964 earthquake legislation.

Mr. Ray questioned Mr. Givan how much it would cost the state to forgive the interest on these loans. Mr. Givan explained that for a maximum of 12 months the Veterans Affairs fund would have to pay out a maximum of \$7,700 to the Teachers' and Public Employees' Retirement Funds if every veteran in the flood area that has a VA loan takes advantage of the deferred payment plan. Mr. Givan clarified that by saying it would be \$7,700 per month or a total of \$92,400 for the year. 5/

5/ See Appendix, pages 16-21, Exhibit 6

In answer to a question concerning SBA loans, Mr. Givan told the committee that any veteran who so chooses may go ahead and get an SBA loan and pay off the VA mortgage. He said that they are advising veterans to do this as they can get SBA money for 3 percent while VA money is 5 percent.

SB 5
Vote

It was moved and unanimous consent was asked that the House Finance Committee recommend unanimous "do pass" on SB 5. There being no objection it was so ordered.

It was moved and unanimous consent was asked that the Commerce Committee recommend unanimous "do pass" on SB 5. Objection was heard, and so the majority of the Commerce Committee recommended "do pass" with Mr. Fink signing "no recommendation".

SB 6

In reference to SENATE BILL NO. 6, Mr. Givan said they had made an appraisal of all loans in the disaster area. He said they arrived at what could be the highest figure and also the lowest figure for each home, and then took an average to come up with the \$750,000 figure. He noted that this included the \$92,400 payment to the retirement funds. He also pointed out that there were some unrecoverable administrative losses that cannot be reimbursed by state funds. Mr. Eborer inquired about an accounting of property that the state would acquire under the \$1,000 provision. Mr. Givan replied that they had no way of knowing what this figure would be.

SB 6
Vote

It was moved and unanimous consent was asked that the House Finance Committee recommend unanimous "do pass" on SENATE BILL NO. 6. There being no objection it was so ordered.

It was moved and unanimous consent was asked that the Commerce Committee recommend unanimous "do pass" on SENATE BILL NO. 6.

Objection was heard, and so the majority of the Commerce Committee recommended "do pass" with Mr. Fink signing "no recommendation."

SB7 &
SB8

The Local Government Committee joined the Finance Committee in discussing SENATE BILL NO. 7 (authorizing the Governor to purchase the bonds of the Nenana School District) and SENATE BILL NO. 8 (appropriating \$300,000 to the Office of the Governor for the purchase of Nenana School District bonds).

Mr. Kubley, as a representative of the Governor's office, said he understood that the Nenana school was yet to be built and they were preparing to put the bonds up for sale. Just before the bond sale the flood came along and so the bonds were taken off the market because they knew they wouldn't sell; however, they still need the school and there is no way they can prove to the bond buyer that they will ever be able to finance these bonds. He said the thinking of the administration was that at a later date the bonds would go up for sale. In the meantime an agreement would be worked out with Nenana to pay this money back to the state. At this point, Mr. Sackett explained that the school building had already been built just prior to the flood. Mr. Salsara asked about assistance for Nenana on shortfalls. Mr. Kubley replied that it is not the same as the North Star Borough. Mr. Salsara inquired as to why the administration took the viewpoint that they would rather purchase the bonds than to make an outright loan or grant to cover the situation. Mr. Brandenburg said that in some cases it is necessary to hold a municipal election to borrow money but by picking up the bonds it is temporary and much faster than loaning them the money. Mr. Miller asked if the state re-peddled these, would the state back them up, and Mr. Borer replied that they would.

Mr. Ray said that during the recent Legislative Council meetings, it was brought out that the building was actually built at the time of the flood, but it was damaged, and he understood that \$30,000 was included in the shortfalls for Nenana.

Mr. Strandberg pointed out that the reason the state is using its credit to buy these bonds is because the city of Nenana no longer has any credit, due to the extensive flood damage.

Mr. Fritz asked for an explanation of the words "with recourse".

Mr. Borer explained that simply defined, it is like co-signing a note, i.e., the state is guaranteeing the bonds.

SB 7
Vote

It was moved and unanimous consent was asked that the Finance Committee report out SB 7 with unanimous "do pass." There being no objection it was so ordered.

It was moved and unanimous consent was asked that Local Government Committee report out SB 7 with unanimous "do pass." There being no objection it was so ordered.

SB 8
Vote

It was moved and unanimous consent was asked that the Finance Committee report out SB 8 with unanimous "do pass." There being no objection it was so ordered.

It was moved and unanimous consent was asked that the Local Government Committee report SB 8 with unanimous "do pass." There being no objection it was so ordered.

SB 11

The Resources Committee joined the Finance Committee to consider SENATE BILL NO. 11 (providing for grants of state land to persons and municipal corporations to replace land which is rendered unusable as a result of natural disaster). After a brief discussion of the committee both the Finance Committee and Resources Committee on a unanimous consent motion voted to report SB 11 out of their respective committees with a unanimous "do pass."

Vote

The Finance Committee and the Labor and Management Committee now considered SENATE BILL NO. 13 (providing additional benefits under the Alaska Employment Security Act). Mr. Thomas Moore, Commissioner of Labor, and Mr. Kubley appeared before the committees to answer questions on SB 13. Mr. Moore distributed copies of a report entitled, "Justification for a Statewide TEUC Program."^{6/}

Mr. Kubley said the administration had done much research and work in trying to find ways to help the disaster area and a way to put this additional money just into that area alone. Unfortunately, according to Mr. Kubley, this could not be done without extending the benefits all over the state. He said the question had been raised as to why they spread it out over the whole state, but if it isn't handled in this manner, then it is simply a welfare program. He pointed out that this is an insurance program against being out of a job so it was decided to use the insurance route rather than to go the welfare route. He told the committees that Mr. Moore had been working several weeks on this and had drafted four different bills, and SB 13 was the one the administration decided was the best.

Mr. Moore explained some of the ramifications of the bill and emphasized that this will not provide for interstate benefits, i.e., those residing outside of the state of Alaska will not be entitled to any benefits from this proposed legislation.

Mr. Brandenburg questioned how this could be done. Mr. Moore explained that the Federal government at the present times does not provide in the federal program for this so the state is free to take what action it wants in this field. He said

^{6/}See Appendix, pages 22-26, Exhibit 7

that in SB 13, page 2, subsec. (b) (8) spells it out as follows:

"(8) the initial claim and weekly continued claims for additional benefits under this section must be filed within the state." (emphasis supplied)

In answer to a question by Mr. Borer, Mr. Strandberg said this type of legislation was not used following the earthquake disaster.

Mr. Moore was questioned on subsec. (b) (4) (SB 13, page 2):

"(4) with respect to the week being claimed the claimant has no rights under any other section of this chapter or under any other federal or state unemployment compensation law;" He said this would cost a maximum of \$1,776,000 from the fund; however, he felt the cost would more than likely run between \$900,000 and \$1,000,000.

Mr. Strandberg asked what the fund balance was after the recent payment.

Mr. Moore said on August 31 it had been \$2,685,455, but after the payment, it was \$18,973,080. Mr. Moore explained that with the current 10.5 percent unemployment rate, the bill would cost \$1,545,000. He said if it goes up to 13 percent, then it would be \$1,776,000.

Mr. Moore said at the present time they have a 22 percent exhaustion rate (people who will be entitled to the new benefits).

Mr. Moore explained that \$23,000,000 is the recommended fund balance, and this figure was arrived at through experience by the Bureau of Employment Security. He said the present employment picture represents a more stable climate than it had previously.

Mr. Borer asked what percentage of this \$1.7 million would go to the Tanana Valley area. Mr. Moore said they figured approximately \$450,000 would go into the disaster area, and the balance would be spread around the state.

In reference to the fund, Mr. Moore stated that the fund could sustain this for a one-year period but they would not recommend it beyond that time. Mr. Strandberg asked what growth there would be in the fund after this. Mr. Moore said in their projections on this, and based on a 10.5 percent current unemployment rate, that by 1970 the state would have a fund balance of \$19,000,000. Mr. Sassara pointed out that if these projected figures worked out, they would still be below the recommended fund balance so he questioned the repayment of the Reed Fund before 1970. Mr. Moore said this prediction was based on a 10.5 percent unemployment rate but last year it was only 8.81 percent so they picked up additional money in the fund. The feeling, according to Mr. Moore, is that they will not reach that high of unemployment rate during this period, but if it happens that would be the fund balance. Mr. Sassara asked why they made the repayment of the fund, and Mr. Moore reminded him that the legislature recommended this action last session. He stated further that he personally felt the fund could take this repayment and he had also recommended that it be done.

Mr. Sassara inquired about plans for raising the payments in the lower brackets, and Mr. Moore noted this would take a great deal of time and much study of the possible effects of this, so this could not be accomplished in this insurance.

It was moved and unanimous consent was asked that SB 13 be

reported out of Finance Committee with unanimous "do pass." Objection was heard, so the majority of the Finance Committee recommended "do pass", and Mr. Borer signed "no recommendation." It was moved and unanimous consent was asked that SB 13 be reported out of Labor & Management Committee with unanimous "do pass." There being no objection it was so ordered.

recess The committees took a brief recess.

10:40 p.m.

CSSE1
&
CSSB2

COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 1 (appropriating for payment to municipalities, boroughs, municipal utilities and school districts for shortfalls in revenue caused by the natural disaster of August 14, 1967) and COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 2 (relating to expenditure and accounting of funds disbursed for shortfalls in revenue caused by the natural disaster of August 14, 1967) were before the Finance and Local Government Committees. Mr. Habley appeared to testify on these bills along with representatives from the Department of Administration and witnesses from the city of Fairbanks and the North Star Borough.

Mr. Habley said the administration was behind the bills as passed by the Senate, and since Mr. Ward's office had done the research on this, he would prefer they give the testimony and answer the questions.

Mr. Stuenkel questioned the \$4.9 million dollar figure as presented by the Governor, and wanted to know why this had been added to \$3 million by the Senate. Mr. Ward said the administration did not compile the figures in the Senate version, that this was done after testimony had been given from the Fairbanks group. He said they had asked for some responsible guidelines so that his

office would understand how the funds were to be used.^{1/} Mr. Strandberg asked why the Governor didn't draft the intent instead of the Senate Finance Committee. Mr. Ward said the Department of Administration felt there was a little too much leeway and since the Senate felt the guidelines should be spelled out, this was presented by the Senate Finance Committee. Mr. Ward emphasized that the governor is supporting the senate's committee substitutes of these two bills. Mr. Strandberg again asked about the drafting of the letter of legislative intent by the Senate and wanted to know if it had been drafted by the administration in concurrence with the Senate. Mr. Ward said his department had drafted the guidelines and then the Senate wrote the letter of legislative intent from these guidelines.^{8/} In answer to a question concerning "written agreement," Mr. Ward said it meant that they will enter into an agreement with the entity asking for disbursement of the funds and this agreement will include the ground rules for the way they are going to operate. Mr. Ward gave an example of an area under PL 875 that the delegation from Fairbanks had indicated the OEP had told them certain items were ineligible for reimbursement. The State hasn't received a copy of this breakdown so it must be thoroughly analyzed, then when an agreement is reached, the city or borough must indicate in the agreement that they have exhausted every avenue under OEP. Mr. Ward seemed to feel that some of these items requested by the Fairbanks group could be obtained under OEP since they had assisted on this during the earthquake but for some unknown reason were not agreeing to do at this particular time.

^{1/}See appendix, pages 27-29, Exhibits 8 & 9.

^{8/}See appendix, page 30, Exhibit 10.

Mr. Strandberg mentioned that many items were turned down following the earthquake by OEP, also, but now there might not be the compulsion to exhaust these avenues because the state is going to pick up the tab. So, Mr. Strandberg stated, he felt the legislature must be assured that Fairbanks has done everything possible to get OEP assistance before they get state money.

Mr. Wally Drohs, City Manager for Fairbanks, gave testimony on the estimated shortfall of revenue and requirement for financial assistance through June 30, 1968.^{9/}

Following a lengthy discussion on the \$136,000 figure for special assessments, Mr. Drohs assured the committees that this category was not eligible for assistance and should not be in there. (However, in later testimony, Mr. Drohs, after conferring with other Fairbanks officials, requested this amount be left in the bill.) Mr. Strandberg noted the late hour and said the committees would go into a more in-depth study of this in the morning.

Mr. Strandberg asked what the schedule of payment would be on the \$3 million dollars. Mr. Drohs stated that April 30, 1969 was the repayment date. Mr. Strandberg questioned the reasoning of appropriating past the next fiscal year and wondered why not appropriate in the next legislature instead of clear through. Mr. Drohs pointed out that the shortfalls were based on a net figure and if they had an increase in the next year, they wouldn't need any of it.

Mr. Strandberg said he still didn't understand the reason for this and asked Mr. Ward why they shouldn't just appropriate through this fiscal year, then re-estimate the shortfalls in the following year and appropriate accordingly. Mr. Ward replied that he

^{9/}See Appendix, pages 31-32, Exhibit 11.

didn't see any appreciable difference one way or the other, but there was a feeling in the Senate Finance Committee that there might not be enough, but this way it would carry them through. Mr. Miller pointed out that since they can't spend any money without documentary evidence the legislature need not worry about them getting anything they were not entitled to and that he felt they should have the maximum they might need. Mr. Ward told the committees that his office needed to know: 1) the maximum figure; and 2) the guidelines so they would know how to disburse the money. Mr. Boucher, Mayor of Fairbanks, reminded the committees that the figures submitted by Mr. Grohs were strictly an estimate.

Adjournment Meeting adjourned at 11:20 p.m.

HOUSE FINANCE COMMITTEE MEETING
October 2, 1967 (Monday)
8:15 a.m.

Mr. Strandberg called the meeting to order with members of the Finance and Local Government Committees present.

CSSB1 &
CSSB2
continued

Mr. Wally Drohs, City Manager of Fairbanks, again testified on CSSB 1 and CSSB 2. He said that the statistics as presented to the committee were strictly guesswork. Mr. Ward said they had arrived at these figures on shortfalls on the basis of what they anticipated their shortfalls to be by June, 1968. He went on to say that he could not see where the appropriation of money in CSSB1 was any great problem because if this passed, the administration would, upon adjournment of the special session, begin intensive study to acquire a good firm figure of what the shortfalls would be. He said he hoped by the time of the next regular session of the legislature, they would have more meaningful figures to present to the legislators. Mr. Drohs interjected the fact that the City of Fairbanks fiscal year is a calendar year which he felt made it somewhat more difficult to predict.

Mr. Miller asked Mr. Drohs about his interpretation of the Senate's letter of intent, with special reference to the section on the special assessment on page 2 of the letter. Mr. Drohs explained that Fairbanks had a number of improvement districts in the low-income end of town and some of the assessments were very high compared to the property values and due to the flood, the assessment would necessarily be less; also, they anticipate many of these people leaving without paying taxes or assessments. So when the time comes to foreclose the city will realize less than the amount owed. By the time they foreclose, they are not sure this will come under the provisions of paragraph (8) in

the Senate letter of intent since this will be two years hence. Mr. Miller questioned the projected shortfall and wanted to know if this would be the total need. Mr. Drohs said they have estimated this would be the shortfall they will need until June, 1968.

Mr. Strandberg inquired about the provision under (9) of the letter of intent concerning equipment not replaced by OEP and not repairable, that may be replaced under this program. He wanted to know if the city planned to replace the lost equipment with new equipment. Mr. Ward said when they first drafted the guidelines they had not included (9) but they put it in because there were areas where equipment is either of such vintage and not repairable (parts not available, obsolete, etc.,) that the city would have to buy a new piece of equipment. Mr. Strandberg asked how much they were talking about -- pointing out they could be replacing old equipment that was worn out anyway with a brand new piece. Mr. Ward said that the total premise of this whole thing was to repair and replace to pre-disaster standards. Mr. Strandberg said he felt this could be a real trouble spot, and asked for an example in dollars and cents. The General Manager for the utilities for the City of Fairbanks testified that the electronic equipment was not eligible for OEP money but some of these things cost several hundreds of dollars apiece and it would cost more to repair them than to replace them. He noted that their request was in the extraordinary expenses and not in the shortfall.

Mr. Haugen asked if they planned to reduce the assessed value in the area. Mr. Drohs said yes, if a property owner can show where his property has devalued because of the flood they can do

this. The assessor will re-assess the property, and if he agrees the damage is more than \$1,000 then he will advise the taxpayer. He explained that they can get a reassessment on this FY 1967 through December 1967. He said it can only be re-evaluated for the remainder of this year. After the repairs are made to the property, the assessment would go back up again. He said they will give a report to the administration showing how this will be handled.

Mr. C. J. Miller, Comptroller of the Fairbanks utilities, passed out to the members of the committees, copies of a list showing materials, supplies, etc., lost in the flood; and an inter-office memorandum concerning flood-damaged telephone equipment. 10/ Mr. Miller explained that of the \$995,000 shortfall that was estimated by his office (but changed to \$935,000 by the Senate CS) they would only ask for the actual amount, and if this is greater, they would not go over the \$935,000. Rep. Miller asked Mr. Miller why this figure had been reduced by the Senate. Mr. Ward answered for him and explained that as he understood it the Senate had not wanted to go over a total of \$3 million dollars so they took a straight 6 percent cut on all items. Mr. Fink asked if there was a chance some of these expenses would go down. Mr. Miller was doubtful and said he thought they were already starting to show a trend upward. Mr. Fink asked if he thought this would continue to rise. Mr. Miller said their costs are not like sales of goods that go up and down, their rates are pretty well fixed. He said the only area where they have any fluctuation might be in coal or electricity.

Mr. Boucher, Mayor of Fairbanks, noted that in the next 30 days

10/ See appendix, pages 33-34, Exhibit 12.
Also, pages 35-38, Exhibit 13.

they must prepare their budget and he said the money they receive from the state is not to get "fat" on, but just to get back to a normal level, which he feels will be quite a struggle over the next three or four years.

Mr. Gillam, Borough Chairman, testified for the North Star Borough. 11/ He said in the area of shortfalls that this is the area which they are asking for assurance that the revenue from the various taxing entities be maintained at the existing level. They do not really know what the shortfalls will be; they have estimated and they are hopeful that they won't be as much as they had projected them. Mr. Gillam pointed out that this is a backup authorization and they won't get any more than what occurs. He assured the committee he did not want a damn dime more than what was needed.

He explained that the state school foundation money would not be the normal amount because of the drop in student enrollment. Mr. Strandberg asked him to explain why they needed the money even though they don't have the students.

Mr. Gillam said the contracts for teachers were all let in the spring of the year and the majority of these contracts had been issued. They were only able to drop about six staff positions. He said they still have the same amount of buildings to maintain, so the expenses go on regardless of the number of students. He said the enrollment at this date was 6,455 which compares to last year's enrollment of 7,100. He said last year's average daily enrollment was 6,502 as compared to this year's 5,950, which indicated an approximate loss of 600 students, and in

11/ See appendix, page 39, exhibit 14.

turn meant a \$500,000 to \$600,000 loss of revenue from state foundation. He noted that the PL874 funds would of necessity also be lower, but that these figures are constantly changing. Dr. James H. Shoemaker, representing the Fairbanks Citizens' Coordinating Committee, told of the formation of this committee on the University of Alaska campus and that they were acting as an action group and clearing house so that representatives of local government, state government and federal government, Red Cross, etc., could be represented at the meetings.^{12/} It was a general place for sifting information and they have been meeting every day since the disaster, according to Dr. Shoemaker. Both the Governor and the Legislative Council had met with the Citizens' Committee and the representatives of local government. He said the question kept coming up as to what should be done for: 1) the private sector; 2) the public sector; and 3) what measures were needed to assist in stimulating recovery of the overall economy.

Mr. Strandberg asked about putting Fairbanks back to its former status. Dr. Shoemaker said they thought they would put it back to usable condition, but they were still operating under emergency conditions. Mr. Strandberg said that following the earthquake they made temporary repairs but this did not preclude coming back and bringing capital improvements back to the same condition prior to the earthquake. Mr. Sharp said they were only supposed to put the community back into operation. He said in the earthquake the OEP fully restored rather than rebuilt substandard, and that this was cleared with the General Accounting office. Mr. Sharp felt the same effort should be started on this situation, as this would not only cut back on extraordinary

^{12/}See Appendix, pages 40-47, Exhibit 15.

expenses but would get the job done faster. Dr. Shoemaker quoted from the report (see appendix, Exhibit 15) on the assistance of OEP to the public sector, i.e., "It does not deal with the underlying damage to the financial position of local government - due to a decline in revenues accompanied by a substantial rise in necessary local expenditures."

Then with reference to the private sector, Dr. Shoemaker noted that the average loss per family was \$7,000. He said SBA had loaned already between \$50,000,000 and \$70,000,000 which he said was a tremendous debt for a community. He also noted the complete cessation of the cash flow during the flood, then following the flood, there was a very sharp recovery because OEP put out many contracts, which was a temporary stimulant but these jobs are already dwindling out, so a leveling off will again be felt. He also reminded the committees of the 10 to 15 percent loss of population.

Adjournment Meeting adjourned at 5:30 p.m.

HOUSE FINANCE COMMITTEE MEETING
October 2, 1967 (Tuesday)
8:15 a.m.

Mr. Strandberg called the meeting to order with all members of the Finance and Local Government Committees present.

CSSB1
&
CSSB2
Continued

CSSB1 and CSSB2 were again before the two committees. 13/

In answer to a question as to how the utilities had arrived at the projected receipts subsequent to the flood, Mr. Miller (Comptroller) said they were out of business August 14 through into the following week. They had no meter reading, no telephone service, no steam services, so no revenue and they reduced the projection accordingly. Most of the month of September, other utility services were at a very reduced rate, according to Mr. Miller.

CSSB2
vote

It was moved and unanimous consent was asked that CSSB 2 be reported out of Finance Committee with unanimous "do pass." There being no objection it was so ordered.

It was moved and unanimous consent was asked that CSSB 2 be reported out of Local Government Committee with a unanimous "do pass." There being no objection it was so ordered.

CSSB1

Mr. Strandberg asked Mr. Ward if any specific information had come to the attention of the administration since yesterday's meeting. Mr. Ward said a report from the city of Nenana showed its estimated shortfalls should be \$15,400 and extraordinary expenses should be \$26,300 which means they now need approximately \$6,000 more than they had originally requested. Mr. Sackett questioned if the City of Fairbanks came in with more than \$855,000 would they be able to exceed this amount. Mr. Strandberg said no, not without legislative approval since it is a line item amount. Mr. Sassara asked who would write the regulations on CSSB1 and CSSB2. Mr. Ward said he would, and Mr. Sassara

13/ See appendix, page 48, Exhibit 16.

requested that he receive a copy.

CSSB 1
vote

It was moved and unanimous consent was asked that CSSB 1 be reported out of Finance Committee with unanimous "do pass." There being no objection it was so ordered.

It was moved and unanimous consent was asked that CSSB 1 be reported out of Local Government Committee with unanimous "do pass." There being no objection it was so ordered.

CSSB 4

COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 4 (authorizing the Department of Administration to make expenditures to meet extraordinary expenditures of boroughs, cities, municipal utility systems and school districts incurred as a result of the natural disaster of August 14, 1967) was the next bill to be discussed by the Finance and Local Government Committees.

Mr. Boucher, mayor of Fairbanks, testified that some of the extraordinary items (see appendix, pages 31-32) very possibly could be hard to justify in the minds of some legislators; however, he felt that the items of a capital improvement nature and the equipment, which was lost due to flood damage, must all be replaced or repaired. He pointed out that the funding would have to come from the general fund, and since the general fund came from the ad valorem tax base, he could foresee difficulty in funding, due to the decrease in ad valorem taxes. He distributed copies of an item from the Fairbanks News-Miner, dated September 30, concerning the sewage system breakdown in the Westgate section of Fairbanks. ^{14/} He said they estimate it will take \$76,000 to \$96,000 to clean and repair these sewage stations, and they are continuing to negotiate with OEP and the Corps of Engineers, but at this time OEP had ruled out further assistance on this.

^{14/} See Appendix, page 49, Exhibit 17.

With reference to the \$220,000 requested for re-oiling the streets, Mr. Grohs, City Manager of Fairbanks, explained that the streets are oiled six or eight times a year, so this base builds up into quite a layer. Now it has been completely destroyed, and they must start all over again to acquire the hard surface, according to Mr. Grohs, and this will take an extraordinary amount of oil to get the streets back to pre-flood condition.

In answer to a question on the \$200,000 request for rip-rapping the river bank, Mr. Grohs said the OEP will not do the rip-rapping on the river bank in the private sector -- only in the public sector.

A number of questions were asked concerning the replacement of lost or damaged equipment. Mr. Grohs used the example of a machine that was originally purchased for \$6,000, but was worth only \$4,000 at the time it was destroyed in the flood. He said that even though it was only worth \$4,000, it would still take \$6,000 to replace it since they did not use the system in their budget of a replacement schedule. In other words, when the city needs a new piece of equipment, the total amount is put in the budget that year -- it is not budgeted for over a period of time. In answer to a question on why the OEP cleaned and repaired some sewers, Mr. Porter, City Councilman from Fairbanks, gave a description of what was involved in cleaning these sewers, and he said OEP contracted this work out to get it done. He reminded the committees that the administrative guidelines will protect the state from doing anything that OEP will do.

Mr. Strandberg asked what the administration's attitude would be from the standpoint of having a replacement schedule when

they come in for replacement of equipment and where this equipment is depreciated. He wanted to know if the city of Fairbanks would take its own revenue to replace equipment, or will the taxpayers of the state be paying for normal replacement of equipment. Mr. Ward said if it is repairable the state won't reimburse except for the cost of repairs, but the state will replace a new piece of equipment if it isn't repairable. Mr. Sassara asked why they should be reimbursed for more than the residual value. Mr. Ward said if they have it in the budget to replace it then the state won't pick it up. Mr. Sharp went on to explain that this was no different than they used for the earthquake -- if the local government is forced to buy new equipment that they hadn't planned on doing for two or three years, it would take all of their funds. Mr. Sassara suggested a possible lease-purchase agreement, but Mr. Sharp said if they operated on a different kind of budget where they accrued money for replacement, then it would be different, but they don't operate that way. There was a lengthy discussion on the equipment replacement problem, and Mr. Porter summarized the problem by saying the city would be happy to get the equipment regardless of whether or not it was new, just so it replaces what they lost. Mr. Boucher interjected the point that they would have to, for example, expand the fire services and sewer services, and all of this expansion must come out of the general fund. Mr. Grohs, in answer to a question concerning insurance, stated they were self-insured on their equipment, which he said means they are not insured -- they just take a calculated risk. The rip-rapping was again brought up, and Mr. Grohs explained that it had never been done in the private sector (because they

never needed to prior to this flood) but the Corps of Engineers recommended that it be done now -- for protection of the land, but it will not hold back the water.

Attention was directed to the Senate letter of legislative intent, page 2, section (9): "Equipment -- Equipment not replaced by OEP and not repairable may be replaced under this program."

It was noted that this should cover the questions raised by the committee members as to the state picking up the tab on equipment -- only -- when OEP would not do it.

CSSB 3

Mr. C. J. Miller, Comptroller of the Municipal Utilities System for Fairbanks answered questions on the list of materials, supplies and equipment consumed and/or lost in the flood which must be replaced (see appendix, pages 33-34). With reference to the item for \$4,200 for telephone poles, Mr. Miller said they had drifted away and that OEP refuses to replace these because of its policy of restoring only to operating condition, and since these poles were stockpiled, they did not fall into this category. Mr. Borer asked about insurance on this, and Mr. Miller said they had it, but unfortunately did not cover loss of telephone poles in this manner. On the request for \$19,860 to replace telephone equipment, Mr. Borer suggested they lease it, but Mr. Miller said he felt it was not advisable to lease because then the company never gets title to it, or in other words, they pay for it but don't own it. Mr. Miller said he personally felt a lease-purchase arrangement just did not work out well for a small town. Mr. Getman asked if the utilities lost money, and Mr. Miller said no, they had never lost, but they had bought the system from a private ownership and very likely there was a loss then. He said \$250,000 was the average profit for a year,

and in answer to a query, stated that this amount was immediately plowed back into the system. After numerous questions on this subject, Mr. Miller stated unequivocally that they needed the \$100,000 from the state so they could continue to realize the \$250,000 profit which would in turn enable the utilities to maintain the pre-flood level of service. Mr. Sharp added the comment that the utilities had to have this amount to properly service the area. Mr. Ward emphatically stated that Fairbanks needed this \$100,000 to regain its economy; that the utilities were a vital part of the public sector; and this must be considered as an extraordinary expense of the flood.

Under the motor vehicle category, Mr. Miller explained they had a normal fleet of 25 vehicles in continuous use and all but one of these were under water for some time. He said some will be usable but a number of them will not.

Under the \$50,830 asked for replacement of coal, Mr. Strandberg asked if they were requesting replacement of coal used during the flood. Mr. Ward said they did not deduct from this total the portion they would have used during the normal operation and so the state was not reimbursing for this amount. However, because of the breaks in the water line, they had to pump at a much faster rate which in turn used an abnormal amount of coal. He said OEP will replace the coal lost, but that is all.

Mr. Gillam, Borough Chairman, testified briefly for the North Star Borough on the extraordinary expenses. 15/

Recess: Meeting recessed until 1:00 p.m.

15/ See appendix, page 39, Exhibit 14.

1:00 p.m.

Mr. Strandberg called the meeting to order with members of the Finance and Local Government Committees again considering CSSB 3 and CSSB 4.

CSSB 4
amendment

It was moved and unanimous consent was asked that the Finance Committee adopt the following amendment:

Page 1, line 14, delete \$1,200,000 and insert in lieu thereof: \$1,276,000

There being no objection it was so ordered.

It was moved and unanimous consent was asked that the Local Government Committee adopt the above amendment to CSSB 4. There being no objection it was so ordered.

CSSB 4
am H
Vote

It was moved and unanimous consent was asked that CSSB 4 am by H be unanimously reported out of Finance Committee with "do pass." There being no objection it was so ordered.

It was moved and unanimous consent was asked that CSSB 4 am by H be reported out of Local Government Committee with unanimous "do pass." There being no objection it was so ordered.

CSSB 3
amendment

Mr. Getman offered the following amendment to CSSB 3:

Line 26: change \$98,500 to \$50,000

The amendment failed on a roll call by the Local Government Committee -- two yeas, five nays.

amendment

Mr. Ray offered the following amendment to CSSB 3:

Page 1, line 24, delete \$1,052,000 and insert in lieu thereof: \$850,000

The amendment failed on a roll call by the Finance Committee -- one yea and six nays.