

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2462

1968

SUBCOMMITTEE ASSIGNMENTS

DEPARTMENT OF ADMINISTRATION: Borer, Sackett  
DEPARTMENT OF COMMERCE: Sassara  
DEPARTMENT OF ECONOMIC DEVELOPMENT: Strandberg, Haugen, Sassara  
DEPARTMENT OF FISH AND GAME: Haugen, Sassara, Borer  
DEPARTMENT OF HEALTH AND WELFARE: Borer, Ray, Haugen  
DEPARTMENT OF HIGHWAYS: Haugen, Sassara, Borer  
DEPARTMENT OF LABOR: Ray  
DEPARTMENT OF LAW: Miller  
DEPARTMENT OF MILITARY AFFAIRS: Sackett  
DEPARTMENT OF NATURAL RESOURCES: Sackett, Borer  
DEPARTMENT OF PUBLIC SAFETY: Strandberg  
DEPARTMENT OF PUBLIC WORKS: Strandberg, Sackett, Ray  
DEPARTMENT OF REVENUE: Borer  
UNIVERSITY OF ALASKA: Miller, Ray  
OFFICE OF THE GOVERNOR: Miller, Strandberg  
COURT SYSTEM: Committee of the Whole

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EXECUTIVE BRANCH

OFFICE OF THE GOVERNOR

DEPARTMENT OF ADMINISTRATION

DEPARTMENT OF COMMERCE

DEPARTMENT OF ECONOMIC DEVELOPMENT

DEPARTMENT OF EDUCATION

DEPARTMENT OF FISH AND GAME

DEPARTMENT OF HEALTH AND WELFARE

DEPARTMENT OF HIGHWAYS

DEPARTMENT OF LABOR

DEPARTMENT OF LAW

DEPARTMENT OF MILITARY AFFAIRS

DEPARTMENT OF NATURAL RESOURCES

DEPARTMENT OF PUBLIC SAFETY

DEPARTMENT OF PUBLIC WORKS

DEPARTMENT OF REVENUE

UNIVERSITY OF ALASKA

JUDICIAL BRANCH

*Legislature*

JOINT FINANCE COMMITTEE MEETING

January 22, 1968

2:20 p.m.

**Present:** All members of the House and Senate Finance Committees were present.

**General Meeting:** Mr. Robert Ward, commissioner of the Department of Administration; Mr. Richard Freer, director of the Division of Budget and Management; Mr. George Morrison, commissioner of the Department of Revenue, and Mr. Tom Kelly, commissioner of the Department of Natural Resources, were present, with Representative Harold Strandberg conducting the meeting.

Mr. Strandberg announced that, as in the past, Senator Vance Phillips, chairman of the Senate Finance Committee, will alternate as chairman of the joint meetings. He then went on to explain the procedures to be followed during the meetings. All questions would be directed through the chairman, with members of the Finance committees having priority in submitting questions. He further advised that this preliminary meeting will be only on Revenue Sources forecast for the period 1967 to 1973. Ordinarily this information is presented with the budget. He stated that questions from anyone as to budget figures will be out of order as they have not presented the budget and such questions will be ruled out of order. He also reminded them that the only ones who can overrule the Chair are members of the committee.

Mr. Strandberg asked Mr. Ward to make a preliminary statement. Mr. Ward explained that the report is prepared by

his department from information provided by the various revenue collecting departments; such as, Revenue, Natural Resources and Public Works. These figures are reviewed, discussions are held with the departments concerned and figures revised as additional information is presented. He further explained that the document has been prepared in two parts: the first part explaining the sources of the revenue, the amounts actually collected on a per unit basis, shared revenues and how shared, with a general descriptive section of how they arrived at the estimate. The second portion shows the actual breakdown and the forecast for the next 5 years. He further stated that about the only dissimilarity between this document and those presented in the past is on page 47 where they show a new item of the Disaster Relief Fund. They kept this separate from the general revenues and placed it with the miscellaneous in order for it to be easier for the legislators to review. Estimates for future use are traditionally conservative and this document is no exception.

The upwa. revision for estimated fiscal year 1968 of \$96,818,700 to \$106,848,200 in total unrestricted revenue is primarily in the area of royalties from state land lease sales. Mr. Kelly noted that \$9 million was from the sale already held, and that the projected figure for the sale in March is \$3 million, which is included in the projection. Mr. Ward pointed out that the flood disaster had lowered other figures, such as stat. income tax.

Oil Lease  
Sales

Mr. Strandberg asked for any questions. Mr. Blodgett asked if the revenue estimate was based on anticipated oil lease sales. It was stated that it was to some degree. In reply to a question by Mr. Blodgett regarding the date of the proposed state land lease sale in the Bristol Bay area, Mr. Kelly replied that it will be held March 26. Mr. Strandberg asked if it was definite and Mr. Kelly advised that it was and that notices have already gone out. There was discussion relative to the effect of this on the fishing in this area. It was explained that the matter has been discussed very thoroughly with the Department of Fish and Game to be sure that all stipulations to afford protection to the fisheries would be included in the proposal. Upon questioning as to whether there have been any objections from the people in that area, Mr. Kelly advised that his office had received none, but he did not know about Fish and Game. In reply to a question by Mr. Ray as to when the decision had been made to hold this sale, Mr. Kelly advised that preliminary action had been taken prior to the time he came to Alaska; however, after meetings with Fish and Game personnel and biologists the actual decision to hold the sale in March was made in December. After Mr. Kerttula pointed out that the fishermen in Bristol Bay were violently opposed to this sale, Mr. Kelly explained to the committees that the area for sale is far north of the area that is of concern to the fishermen.

Mr. Strandberg stated that the joint Finance Committees would go into this specific problem in the near future

with representatives of the departments of Fish and Game and Natural Resources.

In answer to a question by Senator Begich concerning the dip in the estimated revenue to \$103,335,300 for FY 1969, Mr. Ward explained that the main reason for the increase of \$10,000,000 in FY 1968 was due to the bonus oil sales, and without any scheduled for 1969, the estimate was lowered accordingly.

Bond  
Sales

Upon questions relative to revenues derived from bond sales, the Department of Revenue and Department of Administration were requested to check this out and advise the committees as soon as possible.

It was then decided to go to the section of the revenue estimates and review by line item. Mr. Morrison, commissioner of the Department of Revenue, was asked to explain any questions raised by the committees or other legislators.

101  
Alcoholic  
Beverage  
Excise Tax

Revenues from this source were computed from the net taxes per gallon comparable to 1963-67. The rate of increase was projected: 3.5% for liquor; 4% for wine, and 3.5% for beer. In reply to a question on why the drop in the revised estimate, Mr. Morrison replied that after the original estimate was prepared they received actual figures for July, August and September and found it a little below the forecast and the revised figure was arrived at accordingly. In reply to a question by Mr. Miller, Mr. Morrison explained that the flood disaster had nothing to do with this revised figure.

102  
Cigarette  
Tax

Mr. Morrison explained that this figure is based on monthly collections. Last year's estimate was based on a growth factor of 3%. However, the flood disaster caused the report from the Fairbanks area to be late and, although it caused additional pressure on the analysis, it gave him time for a better estimate and a new growth factor of 2.3% was used.

104  
Insurance  
Premium  
Tax

This information is submitted by the Department of Commerce, according to Mr. Morrison, and he did not have back up material to explain. Mr. Strandberg requested that Mr. Ward get this information and present it to the committees later.

105  
Alaska Business  
License  
Tax

Mr. Morrison stated that they have anticipated a small growth factor in this area. They had overestimated last year due to accelerated activity in the Anchorage area due to the earthquake reconstruction. No drop in business licenses is forecast.

106  
Individual  
Income Tax

Mr. Morrison explained that the estimates are based upon existing rates of tax on individuals and are net after refund. A review of the first 4 months of 1967-68 showed an increase; however, the flood disaster will have a definite impact on this revenue and the estimate shows a slight decline. In reply to questioning by Senator Begich and Mr. Borer on whether the poor fishing season as well as the flood disaster is included in the decrease of \$104,000, Mr. Morrison stated that he would like to have

his work sheets as it is difficult to recall exact figures for over 100 items.

Mr. Strandberg stated that during the special session for flood disaster both Finance committees had requested Administration to report on the exact situation as of the time they came into regular session. In reply to a question on whether rebates have been taken into consideration in the estimate, Mr. Morrison replied that they had and that they consider both the loss factor and the impetus due to the recovery factor, comparing the two to come up with a net figure.

107  
Fiduciary  
Income  
Tax

Mr. Morrison stated that in the age group of 65 and over, Alaska has a smaller percentage than other states. It seems that these older persons tend to dispose of their holdings and move elsewhere, making this a minor and unstable source of revenue. When questioned on the estimated \$18,000 which had been reduced to \$12,000, Mr. Morrison replied that on the basis of information during the first 4 months of the fiscal year they could see this figure could not be reached and it was reduced accordingly.

108  
Corporation  
Income Tax

Mr. Morrison explained that the first 4 months showed a slight increase; however, the flood in Fairbanks will have a definite impact on this figure and the revised estimate reflects this. The projection for future years shows an increase due to reconstruction activity in the Fairbanks area similar to that evidenced after the Anchorage earthquake.

Mr. Strandberg questioned why this figure is so low compared to personal income tax figures. Mr. Morrison said he could not give a quick answer on this, but would make a complete report to the committees on this subject. Mr. Borer asked if it was possible to do some kind of report on the income of the firms that have multiple-state operations as compared to the single-state operations. Mr. Strandberg said he felt there had been enough questions raised on this subject of the corporation tax collection being out of line in comparison to the net income tax collection that he wanted the Department of Revenue to be prepared to answer questions on this in later meetings with the finance committees. He said they should be prepared to give an in-depth review on this subject and Mr. Morrison assured him that he would be prepared to report to the committees on this.

Meeting recessed for ten minutes.

Present: All members of House and Senate Finance Committees.

Mr. Strandberg announced that we will have answers to the above questions later, so will go on to the next item.

109  
Mines and  
Mining Tax

Senator Thomas asked, with the exception of gold, if there isn't enough mining going on to show some increase in this revenue. Mr. Morrison replied that this tax is based on net income from mining operations starting at \$40,000. Projection is that it will remain substantially the same in the future as now; however, increased competition in the coal industry may decrease profits. There was some discussion on just what materials are considered in this category and it was explained that coal, gold and platinum

are considered. Other products, such as sand and gravel are included under other items.

107  
Inheritance  
Tax

Mr. Morrison explained that this tax is in the same category as Fiduciary Income Tax. In discussion it was felt that the state laws covering this item are too lax and there are too many loop holes. It was felt that a review of the existing laws should be made.

112  
Raw Fish  
Tax

Mr. Ward requested that this item be deferred as he would like to have a representative from the Department of Fish and Game present when it is discussed.

115  
Oil and Gas  
Production  
Tax

Mr. Kelly, commissioner of the Department of Natural Resources, explained that the oil and gas production tax is 1% of the gross value at the well head, after deduction of Federal and State royalties. The basis for the revenue estimate is the current field posted price of crude oil, less pipeline amortization charges and transportation. Mr. Kelly explained that the figures cannot be more realistic at this time because posted prices will vary from area to area and sometimes within the same field. He cited the Swanson River field as an example. He pointed out that off-shore production is a different situation. At the present there is no definite point of sale so the general procedure is to allow the field price to govern, less the cost of transportation to a point of sale.

He said they have asked all operators and producers of off-shore fields to keep an analysis of how they are determining their posted field prices--price per barrel, etc. Mr. Kelly said once his office gets all of this data together, they will be able to establish what a good fixed price will be. Mr. Strandberg asked when this would be available and Mr. Kelly said sometime during the session.

Mr. Brady asked why the sharp reduction in estimate for 1968 and wondered if production was down that much. Mr. Kelly stated that was not the case--the additional estimates were made prior to the time these fields came on stream. Platforms, wells, etc., were not ready initially so they had to make these forecasts based on primary recovery. Reductions shown in future years were based on normal decline in production and current known production without consideration of new discoveries.

Senator Begich wanted to know the date these figures were compiled. Mr. Kelly replied in September. Discussion followed relative to the new discoveries in October and December. Senator Begich asked that Mr. Kelly bring in new figures to update these figures and Mr. Kelly said they would be on a monthly basis. Discussion followed relative to the use of gas or water injection for pressure and it was not known which method will be used. It was noted that there are other areas in the document on revenue sources where revenues from oil and gas are shown. It was requested that Mr. Kelly prepare a full report to the committee and present it later in the session. Mr.

Strandberg stated that as these figures became available they would go into the other areas in the revenue estimates relating to oil.

Revenue  
From State  
Lands

Mr. Strandberg requested that they proceed to revenue from State Lands and, as he wished to cover as many as possible in the remaining time, he asked that they not discuss each one in detail; however, if there were any questions, they would be answered.

618  
Coal Lease  
Rental

Senator Smith asked if these were just on State lands and received an affirmative reply.

620  
Coal  
Royalty

Mr. Strandberg asked what the rate on this item is. Mr. Kelly replied that he did not know and would have to check it out.

621  
Sale of  
State Gravel

No questions.

632  
Land Lease  
Rentals

No questions.

633  
Mineral Lease  
Rentals

Upon question by Senator Smith if this included all minerals, Mr. Kelly replied that it is a composite. Mr. Stevens asked what is not associated with oil and gas and asked that it be broken out for use by the Legislature. Mr. Kelly was requested to furnish this information to the Committee and they will see that all members of the Legislature receive copies.

Senator Phillips suggested that monthly information relative to increases in oil and gas and other minerals be published in Land Lines so that not only the Legislature but also the public can be currently informed.

Mr. Strandberg asked if there were any further questions on Item 633. There were none.

Adjournment: It was announced that a continuation of the Joint Finance Committee Meeting will be held tomorrow, January 23, at 9:00 a.m. Meeting adjourned at 4:30 p.m.

JOINT FINANCE COMMITTEES  
January 23, 1968  
9:00 a.m.

Present: All House members except Messrs. Haugen, Sassara and Ray, and all Senate members except Senator Engstrom. Also present were Robert W. Ward, Commissioner, Department of Administration, Thomas E. Kelly, Commissioner, Department of Natural Resources, George A. Morrison, Commissioner, Department of Revenue, and Richard W. Freer, Department of Administration.

General Meeting: Chairman Strandberg called the meeting to order. He mentioned that the information presented on estimated revenues before yesterday's adjournment was based on preliminary review, and that Mr. Kelly would go back to his department for secondary review which would be presented at a subsequent hearing.

Mineral Lease Rental: 633  
The discussion on Code 633 continued with Mr. Strandberg asking what the estimate on native land claims on rentals was and whether this had been taken into consideration. Mr. Kelly said yes. Senator Blodgett asked whether any thought had been given to getting Naval Petroleum Reserves released. Mr. Kelly said he had spoken with naval officials in Washington, and they had been noncommittal, and that although the Navy had plans for drilling four new wells he doubted that they would.

Messrs. Haugen, Ray and Sassara arrived at this time.

Sale of State Lands: 634  
In answer to a question by Mr. Strandberg, Mr. Kelly said that this is not a projected increase because the areas selected for sale are within borough-designated areas and in view of this the state receives the funds. He said that this is a

static projection of income of other lands and that this also is predicated on what happens so far as the land claims are concerned.

Mr. Strandberg commented that this figure is not very optimistic as far as state lands. He asked if this would hold through 1973. Mr. Kelly replied that it would depend on needs. He said that certainly a change in needs or demand would radically change matters, but that he felt care and wisdom in land selection was very important and that the state shouldn't go all out on land selection. Senator Blodgett asked where the state stands on the progressive scale of 25 years which was granted for land selection. Mr. Kelly said that it would be considered behind schedule if it was apportioned in that manner. He said 18 million acres had been selected, 8 million acres are tentatively approved, and patents issued to 5.4 million acres. Mr. Kelly said he expects it to be necessary to apply for an extension. Senator Blodgett asked whether he expected an extension to be granted. Mr. Kelly said that he thought the federal government would take the position that on the basis by which the lands had been selected, projected growth and progress, and also the fact that the state would lose federal highways matching funds if selection were made at random they would grant the extension. Mr. Sackett asked how much would be selected out of the total amount that can be selected. Mr. Kelly replied that it would be based on need and growth and progress and would depend on the capability of management. Senator Blodgett said he wanted it understood that his attitude was not to just select randomly

Sale of  
State  
Resources:  
635

and thoughtlessly, that he wanted it done methodically. Mr. Kelly began speaking of timber and gravel resources but corrected it to merely timber resources in Code 635. (The portion of the discussion dealing with gravel has been deleted from the minutes.) Mr. Strandberg asked if there was a reason for the cutback in the estimate. Mr. Kelly said that he would have to check specifically. Mr. Strandberg requested details on this \$108,000 projection for F.Y. 1969.

Bonuses  
from  
Mineral  
Leases:  
636

Mr. Strandberg asked how much was in the bank of the figure shown. Mr. Kelly said all of it but \$3,000,000. He said that one sale is planned in this fiscal year. In answer to a question by Mr. Sassara, Mr. Kelly said most areas where the state had derived large bonuses had been used up for the immediate future, and used the Gulf of Alaska as an example of an area that is strictly "wildcat" areas and pointed out that until production is established there would be no bonuses such as last July's sale. Mr. Sassara asked if Prince William Sound was state land, to which Mr. Kelly said no, it was federal land. In answer to Mr. Sassara's question regarding rental, Mr. Kelly said it was \$1.00 per acre per year. Mr. Borer inquired why there had been such a cut for the last four years ahead. Mr. Strandberg suggested that Mr. Kelly would be unable to adequately answer that off hand, and requested that he (Mr. Kelly) contact those who had come up with the estimate and inform the committee of the reason for cutting back. Mr. Strandberg asked if the estimates were based on any new discoveries for the future, and Mr. Kelly said no, they were based only on the present and any new discoveries would change the picture. Senator Blodgett asked about

the "isolated blocks" in the Gulf of Alaska to be offered for sale, asking specifically how isolated they are and what constitutes a block. Mr. Kelly said that by block he meant an area without gaps. There are 350,000 acres total in 311 separate tracts and they are divided into two areas -- about 175,000 acres per segment would be put up. Senator Blodgett asked if they were broken down so that the state would own a section adjacent to a section sold. Mr. Kelly said no, it was not checkerboarded, as he felt it was not conducive to attracting industry. There was some discussion on various related points. Mr. Strandberg asked if it would be a fair statement to say that for the 68-69 fiscal year, Mr. Kelly would be fairly confident about the figures, but into 1970 to 1972 based on new discoveries the figures would be more likely subject to change. Mr. Kelly said yes, that the given figures are not based on any new discoveries, that they are static figures. Commissioner Ward of the Department of Administration commented on the fact that last year's figure from the Department of Natural Resources had been adjusted by the Department of Administration because of expecting new discoveries, but since last year have discovered that apparently the oil companies are not interested in exploratory work at this time but are more interested in developing already made finds, so the figures were adjusted. Discussion followed on checkerboarding, and whether or not Alaska did or did not do checkerboarding. Mr. Kelly said that to his knowledge, assuming that everyone was using the same definition for checkerboarding, Alaska never had. The meeting adjourned at 10 a.m.

2:30 p.m.

All members of Senate and House Finance Committees were present with the exception of Senators Haagland and Smith. Senator Smith had been excused. Also present were Mr. Robert Ward, commissioner of the Department of Administration; Mr. Richard Freer, director of the Division of Budget & Management, Department of Administration; and Mr. George Morrison, commissioner of the Department of Revenue.

Mr. Strandberg stated that as Mr. Kelly had not yet arrived to continue discussions on Code 633, they would go to Code 130, Fuel Tax as there had been some difficulty in this area and particularly with Item 133, Water Craft Fuel Tax.

33  
Water Craft  
Fuel Tax

Mr. Strandberg asked Mr. Morrison if, since he has been in the department, he has had a chance to look into this problem. Mr. Morrison replied that he has not. Mr. Morrison explained that the person he did have assigned to this function also handled income tax refunds and did not have the time necessary to devote to this area. Also, this person has now gone to Anchorage. He stated they are actively trying to recruit someone for the position, but to date have not been able to fill the position. He could not give a definite date when he thought it would be filled.

Discussion then followed relative to the way the tax is collected and refunds made. It was pointed out that the

tax is not collected at the time of purchase, if the gas is delivered for watercraft. It was suggested that it may be more beneficial to the State to have the consumer pay the tax at the time of purchase and then apply for refund. There is always the question of whether the fuel sold is for operation of the water craft or other purposes.

Mr. Ray arrived at this time.

Senator Blodgett stated that this matter has been kicking around for the past ten years. He felt that the increase in revenue from this source had been very minor in 10 years and suggested that the present law be repealed and that he has a bill in now for that purpose. This money is needed for Water & Harbor projects in other parts of the state not now being fulfilled, according to Senator Blodgett. Senator Phillips stated that he has made quite a study of the problem and has found that approximately 30% of the fuel purchased is claimed for other than water craft fuel. He felt the ratio is more like 95% - 5%, and thought the total tax should be collected and refunds requested. He stated that this would help offset some of the loss of revenue from boats using floats for temporary tie-up and not having to pay docking fees. Senator Blodgett said that the state was not collecting any tax from the rig tenders in Cook Inlet and he wanted the Committee to know what the status of the rig tenders in Anchorage is. Mr. Morrison was requested to get this information to the Committees.

Off Highway  
Tax

Mr. Strandberg asked if everyone was familiar with the Off-

Highway Tax. In reply to a question by Mr. Ray, it was stated that the Highway Tax is 5¢ and the Water Craft is 3¢.

Technical  
Staffing for  
Dept. of Rev.

Discussion was held regarding technical staffing for the Department of Revenue. Mr. Kerttula suggested that the Finance Committee look into the matter and take into consideration these technical people. Mr. Ray brought out that they had increased the Revenue budget by \$100,000 to provide for special tax collectors. In reply to a question by Mr. Strandberg on when Mr. Morrison thought he would be able to have the position of auditor filled, Mr. Morrison replied that he has a request in to Division of Personnel and feels that they will have somebody for him by February 1. He further stated that right now he knows that his projections are accurate and they will make the \$675,000 even without the auditor. With an auditor they could increase this figure by \$100,000 when he is trained and can be put into the field. He felt that if the state assesses the tax at the time of purchase and have users apply for their refund, it would be a much surer way of collecting the tax. In reply to a question regarding additional costs involved for staffing under this method, Mr. Morrison replied that he would need an auditor and one or two clerical people, and it would probably be in the neighborhood of \$27,500.

131  
Highway Fuel  
Tax

Mr. Morrison explained that they had charted a table for past years which shows an average of 4% increase in revenue

from this source. Tax for highway motor fuel is 8¢ per gallon and since the proper tax for off-highway use is 2¢, 6¢ per gallon is refundable to the user if refund is applied for within one year of date of purchase. It has been found that the average refunds applied for is about 18% and they use this figure for their projections. In reply to a question on how they check the applications for refund, Mr. Morrison stated that they receive copies of the invoices from the supplier showing use within the one year period and, secondly, the auditors look at the total gallonage used, area and type of equipment and determine whether the claim is in the right area.

Mr. Strandberg questioned whether the new auditor needed would only work on marine fuel. Mr. Morrison stated that it was hard to predict--it would depend upon who he can get and how rapidly he will produce. Mr. Strandberg asked if the Highway Fuel Tax situation was under control and received an affirmative reply.

Mr. Kerttula questioned the large increase in off-highway use. Mr. Morrison stated that he would have to go back and review the rates to see where the most activity is.

Mr. Haugen stated he felt that much of this is caused by the increase in logging with attendant use of equipment on these off-highway roads, citing particularly activity in his own area. He also stated that many of the operators were now applying for their refunds, which they had not done in the past. Mr. Morrison was requested to go back and

find out how they arrived at the figures in the document and advise the Committees.

132  
Aviation  
Fuel Tax

Mr. Morrison explained that the rate for Aviation gasoline is 3¢ per gallon and all other fuels 1-1/2¢ per gallon. He said that 60% of the revenues collected at municipally owned and operated airports are returned to those airports. As most of the airlines have now converted to jets using fuels taxed at 1-1/2¢ and the International carriers operating through the Anchorage International Airport are using custom bonded fuel from which no revenue is derived for the state, there has been a decline in revenue. General discussion followed relative to the anticipated revenues and possibilities of increasing the amount. With regard to the bonded fuel, it was explained that this was a Federal decision and had to be complied with. According to Mr. Morrison, Hawaii is the only state that collects from International carriers. Since several members disagreed, Mr. Morrison was requested to research this matter and find out if it is a fee or a tax. Mr. Sassara asked if there is a precedent for collecting a tax in Seattle for gasoline to be used in flying to Alaska such as is now done with the raw fish tax. Mr. Morrison said there was not; however, perhaps legislation could be enacted for collection of a sales or use tax. Mr. Sassara suggested it would be a good idea for the Attorney General's office to look into this to see if it would be legally

possible. Senator Engstrom also suggested that they look into the price of jet fuel, taxes, etc., which are paid in Seattle, plus any other factors which would be relevant and include in the report.

440, 441,  
442 and 443

No questions re these items.

450-499

Deferred as they were not related to Department of Revenue.

Fairbanks  
Flood Damage  
Report

Mr. Morrison distributed copies of a financial report relative to expenditures for damages incurred in the Fairbanks flood. There was general discussion relative to the amounts shown on the report. Mr. Ward explained that advances were made on the basis of preliminary expenses anticipated through December 31. Advances for anticipated expenditures through June 30, 1968 would again be made as soon as applications are received. So far they have only received one detailed report on this; however, the balance are expected shortly. He noted that the needs will be less than originally thought at the time of the Special Session. Mr. Miller requested that the Committees be given copies of this information as soon as it is received.

270  
Vessel  
Licenses

Mr. Sassara asked if these licenses are sold outside of Alaska. Mr. Morrison stated that the office in Seattle has been closed. Mr. Sassara wanted to know how the fishermen from that area now obtain their licenses--whether they could either write for them or apply at their first port of call in Alaska. Mr. Morrison replied that he was not sure and would check on this.

271 and  
272

Closing of  
Seattle  
Office

No questions.

Mr. Morrison was asked why they closed the Seattle office. He gave a detailed breakdown of monies received and expended through the Seattle office: Collection of taxes credited to the Seattle office was \$557,000 of which \$500,000 was in fishery taxes and Mr. Morrison felt this could just as easily be collected in Juneau. He said \$40,000 was collected in Juneau and credited to the Seattle office, leaving an actual amount collected in Seattle at \$17,000. Expenses for operating the Seattle office were \$50,000, resulting in a net loss to the State of \$33,000. In reply to a question by Senator Blodgett, Mr. Morrison stated that the employee in Seattle had been offered a transfer to the Juneau office and had refused it.

273, 274  
and 275  
Gill Net  
Licenses

In reply to a question on whether licenses may be purchased through the mail and if it is possible to have more than one license, Mr. Morrison replied that you can purchase more than one license; however, he will check the method of purchase out and advise the committees.

276 through  
282

Mr. Simpson asked for an explanation of the 40% shown for the Clam Diggers license and Commercial Fishing licenses. It was explained that 60% of the revenue collected goes into a special fund for the care of Sick and Disabled Fishermen and 40% is paid into the General Fund.

Mr. Ray asked how much it costs the Department of Revenue to handle the issuance of the Clam Diggers licenses.

Mr. Morrison replied that it was only the cost of the forms.

Liquor  
Licenses

290

Mr. Strandberg asked if there were any questions on this section of the revenue estimates. He then asked for an explanation of Club Licenses. Mr. Ray advised that they are licenses to nonprofit fraternal organizations who may dispense alcoholic beverages to members and their families only. Mr. Strandberg asked if the state has any jurisdiction over beverage dispensaries on military bases. Mr. Ray advised that it does not.

Mr. Strandberg advised that the date and time of continuation of the joint session would be announced later. Meeting adjourned at 4:00 p.m.

January 25, 1968

9:00 a.m.

Present:

All members of the House and Senate Finance committees with the exception of Representatives Ray and Miller and Senators Lewis and Engstrom. Mr. Robert Ward and Mr. Richard Freer of the Department of Administration; Mr. George Morrison of the Department of Revenue; Mr. Tom Kelly of the Department of Natural Resources, and Mr. Urban C. Nelson, commissioner of the Department of Fish and Game, were present.

Mr. Strandberg announced that they would continue discussion of Revenue from State Lands.

636  
Bonuses from  
Mineral  
Leases

No questions.

37  
Royalties  
from Mineral  
Products

Mr. Kelly explained that the revised figure for this item is down from the \$7,636,000 to \$6,751,000. It was originally thought that production from the off-shore drilling in Cook Inlet would produce this increase; however, of the 5 or 6 holes, only 2 were producers. Also, in other instances estimates fell short of what was thought would occur. Projection is up again in 1969 as many of the platforms will be partially or fully developed during this time. There again these figures are in the realm of the best estimate possible.

Mr. Strandberg asked what portion of the production is from the state lands and what portion from the off-shore operations. Mr. Kelly stated that he would have to bring a map in order to show this information accurately.

There was considerable technical discussion and questions relative to sizes of the various fields, amount of royalty, rebates, methods of recovery and secondary discoveries, life of a platform and various methods of operation by companies in other areas as well as in Alaska. In reply to a question by Mr. Sassara on whether the state plans to use the "checkerboard" method in future oil and gas lease sales, Mr. Kelly replied that they do not anticipate doing so. He did not feel that it would be in the best interests of the state.

Mr. Ray and Mr. Miller arrived.

Mr. Strandberg requested that Mr. Kelly be prepared to discuss these matters in depth with the committees at a later date. Mr. Kelly stated that his department is now in process of preparing the map referred to earlier and that he will be prepared to answer the various questions at that time for the committees. Mr. Strandberg requested that they also show the proposed method of protecting the State in future discoveries.

638  
Land Lease  
Rentals--  
Tidelands

Senator Blodgett asked if, in these tideland rentals--dock sites, refinery sites, canneries, etc.--there are any administration rules or regulations for use or restrictions on contamination. Mr. Kelly replied that he could not answer specifically, but that there are regulations. Mr. Strandberg requested that he bring this information with the other material requested.

Representative Donald Young came in.

639

Application  
Fees from  
State Lands

Mr. Ray asked why there had been so much revenue from this source in 1967. Mr. Strandberg replied that there was a great influx of simultaneous filings. At the present time under the freeze, there has not been much demand for leasing of public lands. Mr. Ward stated that these figures were based on past experience and forecast demand. 1968 figures are a little higher due to anticipated water resources applications.

709

Revenues from  
Federal lands

Mr. Kelly explained that these figures were primarily from the royalties to the Federal Government, 90% of which are returned to the state and paid into the General Fund, mainly from the Swanson River and Kenai fields. Mr. Strandberg asked if it wouldn't be necessary to combine these figures with those shown under Item 630, and asked if it isn't true that they are almost through on Swanson River field. He asked that Mr. Kelly check this out and bring it with the other requests. In reply to a question regarding the accuracy of these figures, Mr. Kelly stated that he felt they are reasonably accurate. In reply to a question on whether the figures take Indian land claims into account, Mr. Kelly replied that it was just Swanson River, Kenai and the Sterling gas field. In reply to a question by Mr. Simpson regarding when the royalties had started, Mr. Kelly stated in 1962. Mr. Fink quoted figures on royalties paid in Louisiana and asked what they will

be in Alaska. Mr. Kelly replied that he would have to check.

#### Recess

Meeting reconvened at 10:35 a.m. with Mr. Urban C. Nelson, commissioner of the Department of Fish and Game present. Mr. Strandberg stated that they would take up items 112, 113 and 114. He said there had been a forecast for 1968 of \$4,000,000 and the report shows \$1,000,000 less. He asked Mr. Nelson for an explanation. Mr. Nelson replied that he could not specifically reply to the question. He stated that runs of fish go in cycles--some in 5-year cycles such as the reds in the Bristol Bay area and 2-year cycles for the pinks in Southeastern. Usually where there are minor changes in some areas it is offset by a major change in another area. This past year there had been a projection for the Kodiak area and there was nothing there, plus the poor season in Bristol Bay and in Southeastern. Mr. Strandberg stated that evidently the original 1968 estimate anticipated a bad year, but also was down in other areas not anticipated, and wondered about the reason for this. Mr. Ward stated that they had estimated the \$2,034,400, but collections through December 31, 1967 were \$532,000 less which is the main reason for the revised estimate. Mr. Strandberg asked if they could go back and prepare a chart to show where the changes were that resulted

112  
Raw Fish  
Tax

in the loss of \$1 million. He felt the legislators are going to want to know why the forecast is off this much. Mr. Freer stated that they can't give a specific reason but can go back and review pack to determine what prices were used. Mr. Strandberg asked that the information be furnished to the committees.

Mr. Strandberg asked if the pack was figured on a calendar or fiscal year basis. Mr. Nelson replied that it is on calendar year. Mr. Freer explained that when looking at the 1969 pack, the revenue would be reflected in fiscal year 1970.

Mr. Sassara wanted to know how they went about collecting the taxes on floating operations and if they submitted any reports to Fish and Game department. Mr. Morrison stated that it is on the basis of reports furnished by the canneries. They use a 5-year average of wholesale prices and this is the basis of report. He said they also have an auditor who calls on the canneries about three times a year and audits their sales. Mr. Sassara asked if he thought the state was losing any money. Mr. Morrison said that he didn't believe so because of the 5-year formula.

114  
Fish Tax-  
Freezer Ship

Mr. Sassara wanted to know if the estimate is on the 4% tax, how to determine factually the amount of fish they are packing, and how they are reporting to the state. Mr. Morrison stated that he would have to check this out. Mr. Strandberg stated that further questions on this should come up at a later time in Finance Committee meetings.

270-271-272  
Vessel, Troll  
Line and Set  
or Long Line  
Licenses

Mr. Nelson stated that there is no significant change in these unless the Legislature increases the fees. This possibility has not been considered in the projection.

273  
Drift Gill  
Net Licenses

Mr. Sassara wanted to know if a person can apply for these licenses by mail. Mr. Nelson replied in the affirmative and stated that it is being done.

Mr. Sassara asked if a person can get more than one license and was told that he could if he went to a different area and it wasn't caught. In reply to a question from Mr. Sassara on whether it is possible to get one from "outside", Mr. Nelson replied that it could be done by mail.

274  
Set or Stake  
Gill Net  
Licenses

Mr. Strandberg asked if there has been a Court determination on set net areas as to legality. Mr. Nelson stated that there has been some difficulty on this one. When they receive a site from the Department of Natural Resources, they assume that they have fishing rights for the gear. They do have the use of the site, but have no right to use gear unless they have gear license.

275  
Beach or Drag  
Net Licenses

No questions.

276  
Purse Seine  
Licenses

No questions.

277  
Beam Trawl  
Licenses

No questions.

278  
Otter Trawl  
Licenses

No questions.

279  
Shell Fish Pot No questions.  
Licenses

Senator Blodgett came in.

280  
Clam Diggers  
Licenses

In answer to a question by Mr. Ray, Mr. Nelson stated that this is a commercial license only.

281  
Commercial  
Fishing  
Licenses--  
Resident

No questions.

282  
Commercial  
Fishing Li-  
censes--Non-  
Resident

In reply to a question, Mr. Nelson stated that non-resident licenses are about 3 times higher than resident. Senator Blodgett asked if any consideration has been given to increasing resident and nonresident licenses. A court case was cited where it was ruled that the difference between the two licenses should not be unreasonable.

Commercial  
Game

Mr. Strandberg asked if there were any questions on the Code 400 series. Mr. Sassara asked if there were any changes in the regulations. Mr. Nelson replied that there has been one change in that there is now a minimal charge for the big game licensing examination. There may be some other changes, but he was not prepared to answer at this time. He further stated that proceeds from hunting and sports fishing licenses go into the Fish and Game Fund--revenues from other special licenses are paid into the General Fund.

Senator Bradshaw entered.

Fish and  
Game Fund

Mr. Nelson stated that the slight increase in this area shown is based on past experience. The only question would be for Item 416 where there has been a proposal for a considerable increase in fees for certain species. Mr. Strandberg asked how much of an increase in revenue could be expected. Mr. Nelson replied that it probably would be about \$100,000 based on present number of tags issued; however, they will have to look at it again and determine how much the increased fee will suppress hunting.

Mr. Sassara asked why fees collected from commercial licenses can't go into the Fish and Game Fund. Mr. Strandberg replied that they are kept separate for Federal matching funds.

Senator Blodgett stated that he would like to have some figures on the Bristol Bay and Katchamak Bay area--how much of these funds are used for conservation and other resources. Mr. Nelson stated that he could get this information. Further discussion relative to whether the state is getting all the matching funds it should and Mr. Nelson assured the group that it is.

624  
Sea Otter  
Harvest

Mr. Nelson then discussed the coming sale of sea otter pelts to be held next Tuesday, January 30. He stated that after the sale they will be able to give a better projection of anticipated revenues from this source. It has been decided to limit the harvest to 500 skins per year. Mr. Nelson stated that he wanted to make it

very clear to everyone that the sea otter are not in jeopardy through these harvests. Twice before these animals have almost become extinct due to over-harvesting by a foreign country and others. According to Mr. Nelson conservation methods are now being used so that this cannot happen again. In reply to a question, Mr. Nelson replied that sea otter have been transplanted to Washington and British Columbia. In reply to a question by Mr. Sassara relative to chances of black marketing of the skins, Mr. Nelson replied that there is a possibility; however, the state is marking all skins for identification.

730  
Pribilof  
Island Seal

In reply to questions relative to the problems arising from sale of skins, Mr. Nelson stated that there has been a definite problem in this area. Mr. Strandberg requested the Department of Administration to check and give the committees a current report on seal skin sales.

Recess:

Mr. Strandberg announced that they had finished with the review of Fish and Game revenues and the next meeting would be with the Division of Marine Transportation of the Department of Public Works at 3:00 p.m.

Meeting recessed.

AFTER RECESS

Present: Present were Senators Phillips and Brady and Representatives Strandberg, Haugen, Sassara, Borer, and Sackett, of the joint committees. Also present were representatives Banfield, Fink, Hohman, Kerttula, Wiggins, Simpson, and Senator Harris. George McClanahan, Commissioner of Public Works, Robert Ward, Commissioner of Administration, Mr. Freer of Administration, Gregory Mangan and Robert Urquhart of Marine Transportation were present, too.

Meeting: Chairman Strandberg called the meeting to order at 3:00 p.m., to discuss revenue sources in Marine Transportation.

Southeastern Ferry Traffic: 615  
Mr. Urquhart, acting as spokesman for Marine Transportation, said that the Division has come up with a revised 1969 estimate of \$4,100,000. The revision was due to the new Seattle run. Mr. Sassara asked why no increase was shown for 1968, or rather such a minimal increase. Mr. Urquhart said that the original estimate was \$3,500,000 but was raised. Mr. Ward explained this was because the estimate was revised prior to the Seattle run. Mr. Strandberg asked him to submit a detailed memo on the revision to both finance committees. He asked if there were any plans to revise figures for subsequent years. Mr. McClanahan said it would depend on operations in the next month and their analysis, as to whether they would be revised. Mr. Borer asked if this figure took into account additional ferries. Mr. McClanahan said yes, it takes into account additional ferries in the southwest. In the southeast slow growth is anticipated. Additions are anticipated over a two or three-year period. Normal growth is anticipated without additions. ( Mr. McClanahan said this was a

conservative view. From six runs made to Seattle, the gross income was \$174,184 with an average \$29,030 gross income per run. The total operating cost was \$110,174, and the net profit per trip was \$10,668.

Senator Phillips asked about the continuance of the Seattle run. Mr. Mangan said that under the present conditions, it couldn't handle the traffic. Senator Phillips asked which economically would be the best plan. Mr. Mangan said that with one vessel in dry dock and one running the Seattle run once a week, it would be necessary in order to continue the Seattle run to curtail service in Southeast, and they would be in worse shape than before.

Mr. Mangan said the original 1968 budget had been based on expecting a run into Anchorage and then it did not go into Anchorage, and that is the reason for the downward trend in the revised estimate. Mr. Sassara asked if these figures would reflect new ships to be added, and Mr. Urquhart said yes, the projected figures do.

Mr. Kerttula left at this point.

Southeastern Mr. Mangan said this is based on past performance with adjust-  
Ferry ment in 1968. Expected revenue is down from the original forecast,  
Stewards: based on loss of revenue expected because of the Queen of Prince  
616 Rupert being out of service and loss of revenue by the Fairbanks  
flood. Mr. Sassara asked if there was no second revision. Mr.  
Urquhart said no. Mr. Sassara said it didn't add up, the drop  
in the revised figure if you have less passengers you have less  
money into the stewards. It was noted that the Seattle run is  
restricted to 100 passengers, because on a trip over 24 hours

there must be sleeping accommodations, but car and van traffic is not restricted.

Ferry  
Dock  
Fees:  
617

The \$19,000 figure is due to the change in Alaska Steam's method of operation in Ketchikan, said Mr. Urquhart. Mr. Borer requested that a list of costs be submitted as to where the state used private docks and longshoremen and what costs are. Mr. Mangan said it was only in the westward, and that they will furnish the information.

Chilkat  
Ferry  
Stewards:  
628

There were no questions or discussion on Code 628.

Chilkat  
Ferry  
Traffic:  
630

Mr. Mangan said the Chilkat is operating from Valdez to Cordova three times a week and the Tustamena makes the trip once a week. However, right now the Chilkat is in dry dock. When the new 190-foot vessel is completed, the Chilkat will be put on a Homer-Seldovia run. A discussion followed between Mr. Mangan and Mr. Sassara on ferry service into Seldovia. Mr. Strandberg asked if they were remodeling the ferries as they go into dry dock, increasing the car carrying capability. The answer was that the carrying capability for each is being increased by 20 cars. Mr. Strandberg asked that a report be prepared on handling the vans. Mr. Mangan said that the vans are hauled by various types of tractors, and that one can't be expected to meet all criteria. The maximum acceptable height on the ferries is 13'8", and the average tractor is 13'6". A discussion concerning vans and tractor sizes followed. The meeting recessed for 15 minutes at 3:45.

AFTER RECESS

Landing  
Fees:  
601

The meeting reconvened at 4:00. Mr. Tracy Kaldar and Mr. Harry Wakefield, of the Division of Aviation, were present at this time. There was a general statement by Mr. McClanahan on landing fees, collection methods, etc. Mr. Strandberg said that he would like to defer discussion until hearings on the proposed 1¢ a gallon gas tax increase are held. (The bill has been introduced already.) Mr. McClanahan discussed the fact that it should be the users of airports who pay expenses, and that is why he wants the landing fees. He discussed the problems of cost and maintenance and the great need to upgrade these airports. Mr. Strandberg said the 1¢ a gallon tax increase is important, and felt that it was unnecessary to continue further in this discussion at this time.

Other  
Airport  
Charges:  
613

This combines other receipts which previously had been in Code 534, which explains the \$2400 to \$102,000 jump, Mr. McClanahan said.

Cold Bay  
Wharfage  
Fees:  
614

Mr. McClanahan said this is for management of the dock, because of the fuel pumped over the Cold Bay Dock.

Mr. Strandberg said the committees would defer the International Airport Revenue funds until after the bill on the subject was brought up in hearings.

The meeting was adjourned at 4:30 p.m.

# STATE OF ALASKA

## DEPARTMENT OF REVENUE

WALTER J. NICKEL, GOVERNOR

POUCH SA - JUNEAU 99801

January 23, 1968

### FAIRBANKS FLOOD

TOTAL DAMAGE BY FLOOD . . . . . \$67,103,095.00

Personal property \$37,988,844.00

Real property (private sector) 29,114,251.00

TOTAL EXPENDITURES BY STATE (12-31-67) . . . . . \$ 2,964,812.96

Fbks. Flood Relief, Fed. P. L. 875 \$ 707,043.73 (307,043.23)

Fbks. Flood Relief, State Assistance 70,795.03 ( 70,795.03)

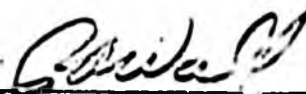
Fbks. Flood Relief, Special Session 2,118,857.30 bal.:7,162,742.70

Governor's donations 7,749.83

Fairbanks Flood P-12 (Study) 60,367.57 bal.:58,964.35

(NOTE: \$34,000 of P-12 is State funded)

TOTAL COST . . . . . \$70,067,907.96



Phil A. Wall  
Systems Analyst



HOUSE FINANCE COMMITTEE MEETING  
January 26, 1968  
2:00p.m.

Present: All members except Mr. Miller who had been exused.

Bill Assignments: Mr. Strandberg called the meeting to order and announced the following bill assignments:

HOUSE BILL NO. 352 (relating to examination fees for guides) -- Mr. Haugen.

HOUSE BILL NO. 371 (relating to the per diem allowance to state officials and employees) -- Mr. Ray.

HOUSE BILL NO. 384 (relating to the time and cost of motor vehicle registration) -- Mr. Sassara.

HOUSE BILL NO. 408 (changing the method of handling certain special funds) -- Mr. Sassara.

HOUSE BILL NO. 409 (amending the penalty for failure to timely pay state fishery taxes) -- Mr. Haugen.

HOUSE BILL NO. 423 (making certain appropriations for claims arising in prior years) -- Mr. Sackett.

HOUSE BILL NO. 424 (appropriating to the Department of Health & Welfare) -- Messrs. Borer, Ray and Haugen.

HOUSE BILL NO. 425 (appropriating to the Department of Highways) -- Mr. Strandberg

HOUSE BILL NO. 426 (appropriating to the Department of Fish & Game) -- Mr. Sassara

HOUSE BILL NO. 427 (appropriating to the Department of Law) -- Miller and Ray.

HOUSE BILL NO. 428 (appropriating to the Alaska Court System) -- Mr. Sassara.

HOUSE BILL NO. 429 (appropriating to the Department of Natural Resources) -- Sackett.

R.O

HOUSE BILL NO. 430 (appropriating to the Department of Education) -- Messrs. Haugen and Ray.

Mr. Strandberg requested that the members start work on these assignments immediately as he would like to see the supplementals reported out next week, if possible.

**Adjournment:** Meeting adjourned at 2:30 p.m.

HOUSE FINANCE MEETING  
SUBCOMMITTEE ON HEALTH & WELFARE  
January 29, 1968  
1:00 p.m.

Present: All subcommittee members (Messrs. Borer, Haugen & Ray) were present, along with J. Scott MacDonald, Commissioner, Department of Health & Welfare, Dick Eakins, Acting Chief of Statistical Services, Stanley P. Harris, Director, Public Welfare, V. L. Iverson, Director, and Lloyd A. Morley, Act. Compt., Division of Administrative Services, Dept. of Health & Welfare, Raymond W. May, Director, and Thomas R. Branton, Administrative Officer, Division of Youth and Adult Authority.

Mr. Borer announced the purpose of the meeting was research on HOUSE BILL NO. 424 (appropriating to the Department of Health and Welfare the sum of \$1,111,600).

424 ADULT PUBLIC ASSISTANCE: \$416,000

Mr. McDonald gave the following breakdown:

1. \$194,045 -- When the patients from Morningside (Oregon) were moved to Alaska, the cost for care of these patients was transferred from the Mental Health Division to Public Welfare.

In answer to a question by Mr. Borer, Mr. McDonald said this meant there was approximately \$201,000 left in Mental Health that would not now be used.

2. \$95,201 -- Mr. McDonald explained to the subcommittee that this is the result of increasing the maximum benefits at the 1967 Special Session from \$110 to \$200 for recipients of Public Welfare.

3. \$126,201 -- Mr. McDonald told the subcommittee that this amount was cut from last year's budget (by both the Governor's Budget Review Committee and the Legislature) for Public Assistance

and this is the amount they need for the balance of the fiscal year. Mr. Eakins said the original amount requested last year was based upon a breakdown of caseload average, and the appropriation was cut below this average. He said for FY-66-67, they had a 12-month caseload of 1800 persons, and their estimate for 67-68 had been 1904, which was holding as an average so far this year. He said the average monthly payment per case was \$77.

GENERAL RELIEF MEDICAL CARE -- \$238,000

Mr. McDonald explained that the \$238,000 deficit was caused by changing from the California Relative Fee Schedule to the regular or usual charges made by physicians. In answer to a question by Mr. Ray, Mr. McDonald said it was impossible to figure an exact figure for this in any case, since Medicare pays a portion of it; however, it took 3 months for the clerical staff to prepare the paperwork before payments could be received from Medicare.

Mr. Iverson displayed a chart for the benefit of the subcommittee which showed graphically where the department had overspent or underspent on a monthly basis.

Mr. Ray asked who had authorized the change from the California fee schedule to the regular charges. Mr. McDonald said that the former commissioner had made this change effective July 1, and he felt that it should have been done. He explained that it would cut administrative expenses in the office, as this California fee schedule was a highly technical paper and it took a great deal of time to correlate the charge from the doctor to the schedule. He said they had discussed this problem with the doctors

serving in the legislature and they agreed that the medical profession would probably go along with a 15% discount on their current charges. This would then lessen the work in the doctors' office, too, as they must have specialized help on preparing statements under the old system. Mr. Harris noted that the California fee schedule had gone up so they would under any circumstances still need another appropriation to finish out the fiscal year.

Mr. Iverson said the California Relative Fee Schedule was very detailed and so the doctors really don't like it because they have to pay a skilled person to pick out the correct price. Then when the invoice comes into the Public Health office, the Public Health doctor must review it, then a specialist in fiscal services reviews it, so he felt the processing under this old system was very costly to the state. Doctor Lesh, the Public Health doctor had told the commissioner that he felt the state would save money and time under the new system. Mr. Eakins said that in a study they had done on this subject, that office calls had gone from \$7.50 to \$8.00 and unit costs (i.e. fees for X-rays, etc.) had gone up approximately \$1.00. so he felt the increase was relatively small. He pointed out that of the \$978,000 budget for General Relief Medical Care, approximately \$500,000 was for hospitalization, so the increase was relatively minor in the area of doctors' fees.

After a brief discussion between subcommittee members and Mr. McDonald, Mr. Borer announced they would continue the discussion after the witnesses could gather more detailed information for the subcommittee.

Meeting adjourned 2:00 p.m.

HOUSE FINANCE COMMITTEE MEETING  
January 30, 1968  
8:30 a.m.

**Present:** All members were present except Mr. Miller and Mr. Sassara. Mr. Sassara was excused as he was testifying before another committee.

**HB 429:** Mr. Sackett moved and asked unanimous consent that HOUSE BILL NO. 429 (appropriating \$192,000 for fire suppression) be considered by the committee at this time. There being no objection, it was so ordered. Mr. Sackett presented information prepared by the Department of Natural Resources explaining the use of the monies required for fire suppression. Mr. Strandberg requested he obtain additional information as soon as it is available on actual costs for 1967. Mr. Ray moved and asked unanimous consent that HOUSE BILL NO. 429 be reported out of committee with a do pass. There being no objection, it was so ordered.

**HB 371:** Mr. Ray moved and asked unanimous consent that HOUSE BILL NO. 371 (changing per diem allowance for state employees) be considered by the committee at this time. There being no objection, it was so ordered. Mr. Ray presented information he had received from the Department of Administration relative to this bill. (Mr. Miller came in.) The letter from the Department of Administration indicated that they are opposed to the bill at this time as they plan to conduct a survey during 1968 of per diem costs and will propose such changes in legislation during the next session as may be indicated by the survey. It was

HB 371:  
cont.

moved that the bill be tabled. Objection was heard.

The motion to table the bill carried: 4-1.

HB 352:

Mr. Haugen moved and asked unanimous consent that HOUSE BILL NO. 352 (examination fees for guides) be considered by the committee at this time. There being no objection, it was so ordered. Mr. Strandberg explained that this bill came out of Resources with an amendment that after the word "pay" remove the "a" and insert the words "an examination." There was no objection. Mr. Haugen then presented the information he had received from the Department of Fish and Game. In reply to a question on whether there is any fee, other than a Business License, which a registered guide must pay, Mr. Haugen stated that there was not. Motion was made that HOUSE BILL NO. 352 be passed out of committee. It was so ordered with 4 signing "no recommendation" and 3 signing "do pass."

HB 430:

Mr. Haugen moved and asked unanimous consent that HOUSE BILL NO. 430 (appropriating \$457,000 to the Department of Education for District School Support) be considered at this time. As there were no objections, it was so ordered. Mr. Haugen presented information he had received from the Department of Education and the Budget Review Committee relative to this bill. (Mr. Sassara came in.) Mr. Haugen moved and asked unanimous consent that HOUSE BILL NO. 430 be reported out of committee with a do pass. There being no objection, it was so ordered.

Mr. Strandberg asked if they were ready to report on this bill. Mr. Miller stated that they were not ready to give a full report as they had not been able to get all the information necessary for a complete report. He asked and received permission to have preliminary discussion relative to this bill. Mr. Miller then passed out copies of a breakdown of planned expenditures of monies appropriated by this bill (copy of breakdown attached). Mr. Miller stated that relative to Item 1(a), the Attorney General's office has avoided bringing this case up as they did not have the case prepared and wanted to see what happened in similar litigation in Louisiana. The Attorney General's office felt they needed more technical information and witnesses before proceeding with the case. Mr. Strandberg questioned what had happened to the monies appropriated last year for special litigation. Mr. Miller said they would check on that. Regarding 1(b), Mr. Miller stated that the Attorney General's office reported that this is a special case which will require bringing in outside witnesses for medical testimony as there is no one in the state qualified to testify in this case. Also, there is a possibility of having a change of venue to Fairbanks from Anchorage which will cost approximately \$11,000. In reply to a question by Mr. Strandberg regarding information pertaining to 1(c), Mr. Miller replied that they were unable to discuss

HB 427:  
cont.

this item with the Attorney General's office. Mr. Strandberg requested that more detailed information be presented on Item 1(c), (d) and (e).

Mr. Miller explained that Item 2 is for rental of space in Nome and Ketchikan. Previously the District Attorneys at these places were in Federal space, gratis, and now must rent space.

Relative to Item 3, Mr. Miller stated that they repeated justification for Item 1 and estimated an increase of the \$3,000 for travel. Mr. Strandberg requested that they go back to the Attorney General's office and ask who he is hiring for this special litigation and how much has been spent in all categories. He asked that Mr. Miller and Mr. Ray keep the committee posted on progress in this area.

Relative to Item 4, the Attorney General's office had advised that this increase was caused by the fact that there are now two offices and costs for telephones for more than one office had not been considered last year. Regarding Item 5, a ruling by the Chief Justice tripled the rate for witness fees. Upon advice that there was not enough money in the budget to cover it, the ruling was withdrawn. If the Attorney General's office receives a supplemental appropriation, the ruling will be reinstated. Mr. Strandberg told Mr. Miller and Mr. Ray that if they run into any difficulty in securing information relative to HB 427, to advise him.

Meeting was recessed until 1:30 p.m.

A B's 97

DEPARTMENT OF LAW SUPPLEMENTAL APPROPRIATION REQUEST

1. Investigation and litigation of following matters:

- (a) Lower Cook Inlet case
- (b) prosecution of Dr. Smith, DDS
- (c) Native Land Claims
- (d) interstate rate cases
- (e) consumer fraud cases

\$70,000

2. Increased rent for Nome and Ketchikan

District Attorney Offices

3,000

3. Travel inside and outside Alaska:

(CASE LOAD) WUNDERLICH.

3,000

4. Telephone--all offices:

JUNEAU DA'S OFFICE NOW OUT OF MONEY, FIRST YEAR THEY HAVE HAD TWO OFFICES.

2,000

5. Witness fees:

2,000

TOTAL \$80,000

Meeting reconvened at 1:30 p.m.

Present:

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

Mr. Strandberg made the following bill assignments:

HOUSE BILL NO. 410 (Pioneers Home Advisory Board)--  
Mr. Sackett

HOUSE BILL NO. 434 (Abolishing Engrs & Architects Registration Fund)-- Mr. Sassara

HOUSE BILL NO. 435 (Abolishing Alaska Aeronautical Revolving Fund)-- Mr. Borer

HOUSE BILL NO. 436 (Abolishing Radio Telephone Fund)--  
Mr. Borer

HOUSE BILL NO. 472 (Legislators Travel Pay)--Mr. Haugen

HB 428

Mr. Sassara moved and asked unanimous consent that HOUSE BILL NO. 428 (Court System Supplemental for \$52,000) be discussed at this time. There being no objection, it was so ordered. Mr. Sassara noted that he had correspondence from Mr. Strandberg, Senator Vance Phillips, the Governor and Chief Justice Nesbett concerning this appropriation, and the major reason that he could see for the dilemma was that the Free Conference Committee cut the appropriation last year by \$131,000 but left in the legislative direction to increase certain services. Mr. Sassara asked for a brief recess so he could verify some figures with Mr. Freer.

Following the recess, he reported to the committee that the \$52,000 had been taken from jury fees to pay for additional personnel (which had been approved by the

Governor) so even though the bill stated that the money was for jury fees, he wanted it understood that these funds had been used for this other purpose and the supplemental was to repay the jury fee fund. It was moved and unanimous consent was asked that HB 428 be reported out with "do pass" recommendation. There being no objection it was so ordered.

HB 435

Mr. Borer moved and asked unanimous consent that HOUSE BILL NO. 435 (abolishing Alaska Aeronautical Revolving Fund) be considered by the committee. There being no objection, it was so ordered. Mr. Borer stated that in a discussion with Mr. Freer, it was explained to him that this fund has been closed for four years and that the Aviation Operating program is financed in the General Fund and the construction program is financed by a combination of General Funds and Bond Construction Funds. It was then moved and unanimous consent was asked that HB 435 be reported out with a "do pass" recommendation. There being no objection, it was so ordered.

Meeting  
Dept. of  
Education

Mr. Strandberg announced that he wanted the Finance Committee to meet with Dr. Hartman from Department of Education concerning schools at Dillingham, Kake, Haines, etc., and also he wanted to hear what he had to say about the recent editorial in the Kodiak Mirror concerning transfer of BIA schools. The meeting was scheduled for 8:30 a.m. on Thursday morning.

HB 410

Mr. Sackett moved and asked unanimous consent that HOUSE BILL NO. 410 (establishing Pioneers' Home Advisory Board) be considered by the committee. There being no objection it was so ordered. Mr. Sackett read a report (in HB 410 bill file) which gave reasons for necessity of this board. There was discussion on the State Affairs proposed amendment to make it mandatory that a medical doctor be a member of this committee. It was moved and unanimous consent was asked that HB 410 be reported out "do pass without State Affairs proposed amendment." There being no objection, it was so ordered.

HB 409

Mr. Haugen moved and asked unanimous consent that HOUSE BILL NO. 409 (amending the penalty for failure to timely pay state fishery taxes) be considered by the committee. There being no objection, it was so ordered. Mr. Haugen presented a report to the committee that he had received from Department of Revenue (see bill file for HB 409). He said the Department of Revenue is not opposed to this legislation, and after some discussion concerning the \$770,000 figure quoted in the report from Revenue, it was moved and unanimous consent was asked that HB 409 be reported out with a "do pass." Objection was heard, then withdrawn, so there being no further objection, HB 409 was reported out of Finance Committee.

Meeting adjourned at 2:30 p.m.

HOUSE FINANCE COMMITTEE MEETING  
January 31, 1968  
8:45 a.m.

General Meeting

Members of the committee met briefly and decided to recess for sub-committee work and re-convene later in the day--time to be announced.

Recessed at 8:55 a.m.

Present:

Meeting reconvened at 1:45 p.m. All members of the committee were present. Mr. Strandberg made the following assignment of bills:

HOUSE BILL NO. 100 (Providing for voters pamphlets) --  
Mr. Haugen

HOUSE BILL NO. 366 (Inaugurating Pilot Food Stamp Program) -- Mr. Sackett and Mr. Ray

HOUSE BILL NO. 407 (Intn'l Airport Revenue Bonds) --  
Mr. Strandberg and Mr. Borer

HOUSE BILL NO. 438 (Relating to forms, registration, and redemption of State G.O. Bonds)--  
Mr. Strandberg and Mr. Borer

HOUSE BILL NO. 480 (Incentive payments to home owners property damaged in Aug. '67 flood)--  
Mr. Miller

General:

Mr. Ray advised the committee that at a meeting of the Labor & Management Committee this morning they discussed in their committee possible preparation of legislation setting up a pay raise for state employees.

Meetings:

Mr. Borer requested a meeting of the committee to discuss HB 424 (supplemental appropriation) with the Department of Health & Welfare personnel. Meeting was set for 8:30 a.m., Monday, February 5.

Mr. Strandberg announced there would be a meeting of the committee at 8:30 a.m., tomorrow, February 1, with Department of Education to discuss state schools.

HB 31 &  
HB 47

Mr. Ray read a communication from the Department of Public Safety setting forth two revisions they would like to have made in HB 31 and HB 47. First, they want applicants for driver's licenses to present proof of age in form of birth certificate or other proof acceptable to the Department; and, second, that the license be encased in plastic. Mr. Ray said he had suggested it be laminated in plastic. Mr. Ray asked that the committee meet with Commissioner Personett or a member of his staff relative to this legislation. Mr. Strandberg stated that the committee would meet with them next week, date and time to be set later. There were no objections.

Meeting was adjourned until 8:30 a.m. tomorrow,  
\_February 1.