



JOINT FINANCE COMMITTEE MEETING
February 1, 1968
8:30 a.m.

Present: All members of the House and Senate Finance Committees were present with the exception of Senators Lewis, Blodgett and Engstrom who were excused for other meetings. Senator Vance Phillips conducted the meeting. Also present were Dr. Clifford R. Hartman, commissioner of the Department of Education, and Mr. Robert Thomas, director of Administrative Services, Department of Education.

General: Dr. Hartman advised the committee that there are three distressed school districts which have been brought to their attention that are short of funds to completely cover their budget. These are Dillingham, Yakutat and Hydaburg. Dillingham will be short approximately \$42,000; Yakutat, \$11,000, and Hydaburg, \$8,000, for operating expenses.

Hydaburg Hydaburg added a kindergarten class and have one too many teachers. They only had 42 students through the first semester, which would allow 3 teachers and they have 4 under contract. They would have to have 46 students to receive necessary additional funds to cover. The monies received by these small districts doesn't give the necessary latitude, particularly if a family, with possibly 6 children, moves out, the public school foundation funds are cut back. The larger schools usually don't have this problem.

Yakutat

Dr. Hartman said that Yakutat is in somewhat the same position--not in having too many teachers--but submission of a poor budget and poor fiscal management. They will be short in different areas--the school lunch program is short between 3 and 4 thousand dollars. However, they dismissed their superintendent and this will help some as they have not replaced him and one of the other teachers is acting in the superintendent capacity. Mr. Strandberg asked if there is any possibility of continued liability against the school district and they will have to pay off his contract. Dr. Hartman stated that they did not buy up his contract, they just fired him. He can bring suit against them, but understood that there were underlying factors involved in their decision to release him and he possibly would not want to due to damage to his personal reputation. However, if he did bring suit and won the case, the district would be liable for his salary for the balance of the year.

Dillingham

Dr. Hartman stated that Dillingham has a major problem as the city agreed to provide \$75,000 toward support of the school district and has only been able to come up with between \$25,00 and \$30,000. During the school years of 65-66 and 66-67 they had been able to provide about \$33,000 through local effort and it was felt at the time that it was not a good idea for them to attempt to double this amount. It appears they will be short between \$30,000 and \$40,000 depending upon income.

Mr. Ray asked what percentage of the school funds come from the borough. Dr. Hartman advised that it was all city as there is no borough at Dillingham.

Representative Banfield came in.

General

Dr. Hartman said that they had forwarded to the Finance Committee the best solution they have been able to come up with, and that is to fund the program completely, including the short-fall and withhold that from the foundation funds and for the next 3 years withhold 1/3 of the foundation fund payments. This would work the same as loaning the money on an interest free basis.

Senator Waugaman came in.

In reply to a question by Mr. Sassara, Dr. Hartman said the money could be repaid by cutting back on services such as custodial, secretarial help and buying less books. They can't hire less teachers under the public school foundation program. In answer to a question by Mr. Sassara, Dr. Hartman said they could hold on teachers salaries as they are now above the minimum salaries. The solution they have come up with may not be the best answer to the problem, but it is the best one they have at this time. Mr. Strandberg asked if there was any other avenue open. Dr. Hartman replied that there was not. Mr. Strandberg asked if this was the only approach to be taken other than taking action by the Legislature. Dr. Hartman replied in the affirmative.

Mr. Sackett left.

Mr. Strandberg asked if Dr. Hartman felt that these problems are just at these three isolated cases or if there are other areas that may be in trouble later on. Dr. Hartman stated that there could be, but they have not been brought to their attention. He pointed out to the Committee that in these small schools the loss of students really eats into the foundation funds as this is what the fund is based on. Mr. Strandberg asked what percentage of the program is paid by the state. Dr. Hartman replied that in some of the larger districts it is about 55% and in some, smaller districts, it is 100%. He said that at Yakutat and Hydaburg it is 100% and Dillingham is about 90%, so the problem area there is only 10% of their total budget.

In reply to a question by Mr. Miller, Dr. Hartman stated that some of the districts pay minimum salaries, but most of them pay over scale.

Mr. Strandberg stated that they shouldn't forget there are two different functions for schools; one, operation and the other is construction. Construction in some cases has been locally supported.

Mr. Sassara stated that the state should take a good hard look at the foundation program and make necessary adjustments in it. Dr. Hartman stated that the ADM allotment should be raised as all expenses outside of salaries have increased. The districts are spending, on an average, 50% more than when the foundation went into effect in 1964.

Mr. Sackett returned.

In reply to a question by Mr. Sassara, Dr. Hartman said they would submit proposals to the Legislature to take care of possible deficits if requested to do so. He felt that a raise in the ADM allotment should be considered.

Mr. Borer suggested that in several of these districts that are supported by 90-100% state funds; somehow through the fiscal section the Department of Education could review their budgets and find out their status before they are in trouble, especially in places like Dillingham. Dr. Hartman stated that they could "watch-dog" by sending someone out and do their budget work and this has been considered. He said they would have to watch it on a monthly basis, but they could not do it with the staff they now have.

Mr. Hohman came in.

Dr. Hartman stated that they are trying to stress local autonomy as far as schools are concerned.

In reply to a question on whether the Department of Education taking over the accounting for these schools to get this straightened out would cause any ill will between the school boards and the Department, Mr. Thomas replied that he was sure it could be worked out. Dr. Hartman suggested that this is a problem that could be worked out by Local Affairs and the department. Mr. Strandberg stated that he wasn't too optimistic that Local Affairs would be able to solve this.

In answer to a question by Senator Smith, Dr. Hartman stated that they are not anxious to operate any more schools, but did think it could be operated more effectively from a state level. Senator Smith asked if it would be possible for the department to come up with a legislative proposal on this. Dr. Hartman thought it would mean changing the statute regarding second and third class cities.

Messrs. Moses and Bradner came in.

Mr. Ray stated that he disagreed with the state taking over these schools as he believed this was a function of local government, but thought maybe the "watch-dog" approach would be okay. Dr. Hartman stated that the problem of "watch-dogging" it was that unless you have the authority to cut the budget, you have no control. They can make recommendations, but without budget authority the recommendations will not necessarily be followed. Mr. Ray agreed that there could be remedial legislation.

Mr. Young came in.

Mr. Ray suggested that possibly Yakutat could make up some of their deficit with money from the liquor store there. Mr. Thomas stated that they have tried several times to meet with the City Council in Yakutat, but so far have not been able to get together with them. Mr. Strandberg mentioned that many of these school districts have a more or less stable economy with little increase or decrease in enrollment, but asked about some of these areas where the timber industry brings in a lot

of students. Dr. Hartman stated that this could be a problem and Kake is one of them. It is a problem they are studying.

Dr. Hartman stated that he would like to go into the capital improvement problem. He stated that tobacco tax funds in the amount of \$1.5 million are distributed to the school districts. He mentioned that Pelican received \$4,000 and Hydaburg and Klawock each received \$5,000. He stated that the Department is submitting a new formula and, if the superintendents of the larger school districts agree to this, the total increase to the small districts will range from 100% to 148%. This would cause a decrease for Anchorage of approximately 10%, Fairbanks 9%, Juneau and Ketchikan 6%. It means that it won't be very popular with some of the larger districts; however, it was superintendents of some of these larger districts that suggested it.

Mr. Strandberg asked if this had been looked at from the legal standpoint as some of these districts may have borrowed against the tobacco tax. Dr. Hartman said that as far as he knew, none of the larger districts have borrowed any money from this fund.

Senator Smith stated that he would like to renew his request for the Commissioner to come back with some kind of legislation for the state to take over these nominal schools. Senator Phillips suggested that they go through the entire school program before requesting such legislation as there are going to be many more problem areas.

Mr. Haugen discussed the problem they are anticipating in the Kake area with the impending timber development in that area. They had met with the Federal people and they were too conservative in the number of students, so the amount received, about \$60,000, was inadequate. He wanted to know if there wasn't some way the state could assure these people of a building program. Upon the suggestion that they dissolve from a first class city, Mr. Strandberg warned that any first class city which has any bonded indebtedness cannot dissolve.

Mr. Ray left.

Dr. Hartman stated that a review of the tobacco tax or and increase in the cigarette tax will help this situation. Dr. Hartman advised the Committee that there will be a state meeting of school superintendents in Juneau next week. Mr. Haugen suggested that it would be a good idea if a committee from the Legislature meet with this group to find out just what problems there are and how the Legislature can assist them. Dr. Hartman stated that they would be most happy to have them there. It had been arranged that the Health & Welfare and Local Government committees meet with the school executives--meeting to be held at 3:00 p.m., Wednesday, February 7. Members of the Finance committees are welcome to attend.

Mr. Powell came in and Senator Waugaman left the meeting.

Mr. Sassara asked that the committee discuss the editorial which had appeared in the Kodiak Mirror on January 26, 1968, relative to BIA schools (copy in Education file). Mr. Strandberg suggested that rather than go into that at this time, it would be better to discuss the Haines school situation and asked Dr. Hartman to brief the committee on this matter. There was no objection.

Dr. Hartman explained that the Haines district did not dissolve and continues to operate as an independent school district. When the Attorney General's office examined the law it was found that the school board did not have tax levying or collecting authority. The old independent school district was then disincorporated and the city of Haines is now under contract with the state to take care of the students outside the city. Port Chilkoot pays tuition to the city and there has been no change in program, staffing and no change in funds.

Dr. Beirne arrived.

Mr. Thomas brought up that the present contract would expire on May 31, which will carry them through this school year. Dr. Hartman stated that the contract can then be renewed without any difficulty. In discussion relative to borough status in the Haines area, it was brought out that they have turned down the second-class type of borough and it was understood that a new petition is being circulated now to become a third-class borough.

Mr. Strandberg stated that they would have to recess the meeting and asked when they could meet with Education again. As Dr. Hartman has to be out of town for a few days, a meeting was scheduled for 2:00 p.m., Monday, February 5.

Meeting recessed.

HOUSE FINANCE COMMITTEE MEETING
February 1, 1968
2:00 p.m.

Present: All members were present, and Mr. Strandberg made the following bill assignments:

HOUSE BILL NO. 431 (abolishing the Relief Fund) -- Mr. Borer

HOUSE BILL NO. 432 (relating to contributions required by the Federal Insurance Contributions Act)--Mr. Sackett

HOUSE BILL NO. 433 (abolishing special mental health fund recoveries from patients); -- Mr. Borer

HOUSE BILL NO. 383 (providing for a college expense deduction in the state income tax) -- Mr. Ray

SENATE BILL NO. 185 am (relating to big game tags for musk oxen) -- Mr. Miller

HOUSE BILL NO. 459 (relating to bonds as legal investments) -- Messrs. Strandberg and Borer

HOUSE BILL NO. 65 (Fire Advisory Board) -- Mr. Haugen

HOUSE BILL NO. 87 (transfer of motor vehicles) -- Mr. Sassara

HOUSE BILL NO. 169 (partially exempting certain vehicles from annual license tax) -- Messrs. Miller and Sassara

HB 424: Following assignments of bills, Mr. Strandberg announced that the full committee would discuss HOUSE BILL NO. 424 (Health & Welfare supplement for \$1,111,600). Mr. Borer distributed a memorandum from J. Scott McDonald, Commissioner, which contained an analysis of the supplemental request. (See bill file for copy of this letter.)

Morningside-
API

The \$400 differential between costs in maintaining patients in Morningside versus API was noted, and Mr. Ray said he

no recollection of the committee ever being told that this would occur.

The committee agreed that the \$95,409 needed for covering the raise in the maximum was justified; however, they felt there was an error in either the maximum figure (\$77 to \$79) or in the number of recipients. Mr. Borer said Mr. McDonald was aware of this and would correct this.

The \$152,700 (\$126,206 of which comes from the General Fund) needed for the Adult Assistance program was discussed, and Mr. Strandberg pointed out that this had traditionally been held down because it was wiser to come up with a supplemental than to give this division anything extra as they would spend it in other programs if they didn't need it for public assistance. He asked Mr. Borer to do a chart similar to what he and Mr. Haugen and Mr. Ray prepared last year in showing how the cut was done on projection of case loads. He wanted to see if the people from Health and Welfare had been consistent with statements they had made to the committee last year.

In answer to a question by Mr. Ray, Mr. Borer pointed out that part of the \$416,000 requested under Adult Public Assistance was caused by the transfer of these patients from Morningside to API, and that approximately \$200,000 of the \$416,000 was in Mental Health and could not be transferred from Mental Health to Public Welfare, and the Department had chosen to handle it in this way, but it actually inflated the supplemental by \$200,000.

General Re-
lief Medical
Care

In discussing the \$238,000 deficit in this program, Mr. Borer reminded the committee of the testimony given last year that the reason they (Health & Welfare) needed less money was because Medicare would be paying over \$200,000. Now, according to Mr. Borer, it has been discovered that Health & Welfare had already received this money and for this reason, their request for 67-68 was not large enough to cover for the year. The increased costs in hospitalization and the change in method of payments to physicians was also included in this supplemental. There was quite a heated discussion on the lack of controls being used on spending in the Department of Health and Welfare, and Mr. Borer said he felt that the Department of Administration should assume some responsibility for this since it is this department that computes the monthly spending and balances. Mr. Strandberg said the committee would discuss this with Administration and see what they have to say. Mr. Strandberg felt any agency of state government should be able to present to the committee an analysis and explanation of increased costs and have it prepared before, rather than the committee hear about it the following year in the form of a supplemental.

Juvenile
Code

There was discussion by the committee on the increase from \$100 per month for juveniles to \$120. It was noted that in last year's budget book the figure was \$85, so actually there was a \$35 increase instead of the \$20 claimed in Mr. McDonald's letter. After a lengthy discussion of the Health and Welfare supplemental, Mr. Strandberg told

the committee they would have a thorough discussion of this before reporting it out of committee and that the full committee would again review this in depth on Monday, February 5.

Meeting adjourned at 3:30 p.m.

HOUSE FINANCE COMMITTEE MEETING
February 2, 1968
9:00 a.m.

Present: Mr. Haugen called the meeting to order with all members present except Mr. Strandberg who was attending another meeting.

HB 426

Mr. Sassara moved and asked unanimous consent that HB 426 (supplemental for bounties) be considered by the committee. After a brief discussion by the committee, it was decided to refer the bill back to the subcommittee for further study. Mr. Sassara read the letter (in bill file for HB 426) from Mr. McRae, Acting Commissioner, and felt that the committee should have more information before making any decision on this bill.

HB 408

Mr. Sassara moved and asked unanimous consent that HB 408 (changing the method of handling certain special funds) be considered by the committee. There being no objection, it was so ordered. Mr. Sassara read a letter from Mr. Robert Ward, commissioner of the Department of Administration, (see bill file for HB 408) explaining the purpose of the proposed bill. Mr. Sassara then moved and asked unanimous consent that HB 408 be reported out of committee with a "do pass" recommendation. There being no objection, it was so ordered.

Mr. Strandberg arrived at this time.

Mr. Strandberg told the committee that the New York Life Insurance representatives would be meeting with the State Affairs (House) Committee on Tuesday, February 6, and he

the Finance Committee should attend this meeting or
arrange one with these people as he had many questions
to ask them and he was sure other members did too.

Meeting recessed at 9:30 a.m.

3:30 p.m.

Present: All members were present except Messrs. Sackett and Miller who had been excused.

HB 431: Mr. Borer moved and asked unanimous consent that HOUSE BILL NO. 431 (abolishing the relief fund) be considered by the committee. There being no objection it was so ordered. Mr. Borer explained the reason for this was a bookkeeping-type change, and read the Governor's letter (see bill file for HB431). It was moved and unanimous consent was asked that HB 431 be reported out of committee with a "Do pass" recommendation. There being no objection it was so ordered.

HB 433: Mr. Borer moved and asked unanimous consent that HOUSE BILL NO. 433 (abolishing the special mental health fund recoveries from patients) be considered by the committee. There being no objection it was so ordered. Mr. Borer read the Governor's letter of explanation (see bill file for HB433). It was then moved and unanimous consent was asked that HB433 be reported out of committee with a "do pass" recommendation. There being no objection, it was so ordered.

Adjournment: Meeting adjourned until 9 a.m., Saturday, February 3.

HOUSE FINANCE COMMITTEE MEETING
February 3, 1968
9:00 a.m.

Members of the committee met briefly and adjourned for subcommittee work.

Next meeting to be held Monday, February 5, with House Health, Welfare and Education Committee for Hearing on HOUSE BILL NO. 305, An Act creating an Office of Mental Retardation.

HOUSE FINANCE COMMITTEE MEETING
February 5, 1968
1:30 p.m.

Present: All members of the House Finance Committee with the exception of Messrs. Sassara, Ray and Sackett, who were excused. Also in attendance were all members of the House Health, Welfare and Education Committee.

HB 305
Mental
Retardation

Mr. Strandberg opened the meeting with a brief statement that the Hearing had been requested to consider possible amendments and changes to HOUSE BILL NO. 305 (An Act creating the Office of Mental Retardation). Mrs. Banfield, chairman of the House Health, Welfare and Education Committee stated that Mr. Ernest Polley and Mr. Gordon Cavnar would speak to the group explaining reasons for requesting the proposed amendments and changes to the bill.

Mr. Polley spoke regarding the necessity of setting up an office with a coordinator and secretary in order to centralize and coordinate state-wide work in the field of mental retardation and in order to receive Federal financial assistance. He cited figures which indicate approximately 3% of the United States population are in this mentally retarded category. Based on this percentage, it would mean that there are approximately 7500 persons of all age groups in Alaska so afflicted. At the present time about 1,000 of these persons are in schools or institutions receiving education and care, and they feel that another 1,000 could be placed. Of the remaining 5,000 the conjecture is that about 3,000 are working and earning to the best of their ability.

This leaves 2,000 that are unaccounted for in Alaska. He cited further figures relating to present costs and anticipated costs of caring for these people. Under questioning by Mr. Strandberg on whether it was necessary to have this office in order to receive Federal funds, Mr. Polley replied that he could not give a definite answer on this; however, it was felt that the office would be the only way in which we could be sure that the state would receive the full amount available.

(Mr. Polley will submit a brief covering specifically the items covered in his talk for filing with HB 305.)

Messrs. Sassara and Ray came in.

In reply to a question on the number of persons now being cared for at Valdez ^{and API,} there are about 150. Mr. Polley stated that neither Harborview at Valdez, nor API in Anchorage are presently being used to full capacity due to lack of some facilities and shortage of staff to operate.

Mr. Cavnar then appeared before the group to explain the amendments and changes which were being requested. However, he only had a working draft of the amendments and changes and it was not possible to correlate the information with the existing bill. It was suggested by the Finance Committee that they review the bill as it now stands and redraft it for further consideration. Mr. Strandberg asked that they furnish immediately the information regarding changes desired so that they may be considered in preparing the redraft.

Mr. Lewis Ridle, Mrs. Kay Lynch, Mrs. Donald Thurston and Mr. John Moore also spoke briefly to the group urging legislation setting up the office of mental retardation and a citizens Advisory Council.

The following persons requested copies of the bill after it is redrafted:

Mr. Gordon Cavnar
RR #1, Box 1367
Juneau

Mr. Lewis Ridle
RR #1, Box 2104-A
Juneau

Mrs. Kay Lynch
P.O. Box 167
Douglas, Alaska

Mrs. Donald Thurston
2524 Ingra Street
Anchorage (99504)

Mr. John Moore
P.O. Box 1071
Juneau

Mr. Ernest Polley
326-6th Street
Juneau

OR
Pouch F
c/o Special Education
Juneau

Meeting adjourned at 2:15 p.m.

JOINT FINANCE COMMITTEE MEETING
February 5, 1968
3:10 p.m.

Present: All members of the Senate Finance Committee were present and all members of the House Finance Committee, except John Sackett, who was excused. Also present were Representatives Balone, Banfield, Beirne, Fritz, Hohman, Kerttula, McGill, Metcalf, Moran, Wiggins, Wright and Young; and Senators Begich, Bradshaw and Engstrom. Dr. Clifford R. Hartman, Commissioner, and Robert L. Thomas, director of Administrative Services, both of the Department of Education, and members of the press were present, too.

Meeting: Chairman Strandberg called the meeting to order at 3:10 p.m., for a joint finance committee meeting on Education. Mr. Strandberg said that this would be a continuation of the meeting with the Department and the committees last week. Since then the cutback in 874 money has appeared, and Mr. Strandberg asked if the Commissioner would be in a position to discuss this at the present time. Dr. Hartman said there was no great assurance that these funds would be recovered any more than before. This is a matter between the Administration and Congress, and appears to be an effort on the part of the President to carry out a resolution in which Congress in joint approval directed the Administration to cut back on spending as there are insufficient funds to carry on the Vietnam war and domestic needs. This cutback, he continued, is more destructive to Alaska than to any other state, due to the high ratio of Federal funds in District 1 schools. Approximately 5/7 of Alaska funds for State schools are from 874

874
Funds

receipts. Dr. Hartman said that there is an indication that if the President's surtax is approved by Congress, this 80% reduction in 874 funds would be recovered in part or in whole. Senator Phillips asked approximately how long this might be, and Dr. Hartman said there was not even any assurance of recovering the funds at all. Mr. Strandberg asked Dr. Hartman if he had had any opportunity to investigate the cut and examine its effect. Dr. Hartman said that it would reduce the State's cash flow, that of the \$7 million normally received in February, only \$5 million would be received this month, so there is an immediate effect on the cash flow. He continued, speaking of FY 1968, that the State must either cut back on programs or reduce operating expenses by that amount and then for FY '69 there would be a slight impact as a result of the 1968 reduction in 874 funds of \$220,000. Foundation support will have to pick up half of 20% of the loss.

In answer to a question by Senator Blodgett, Dr. Hartman said that as the budget is reduced for the operation of District 1 schools, it also reduces cost per pupil to operate these schools and the State would not recover as much in federal funds then for pupil funds later. Dr. Haggland asked if these funds are also cut for BIA, to which Dr. Hartman replied no. There followed some discussion on Johnson-O'Malley schools, and whether or not they would be effected. Dr. Hartman said they were not part of the cut, to the Department's knowledge. Mr. Thomas made the point that although the Johnson-O'Malley funds would not be cut, they would feel the impact of the 874 cut in these schools. Mr. Miller asked if there were no recovery of the cut,

if it would be the State or the boroughs who absorb it. Dr. Hartman said it would be the boroughs who made up the additional funds.

Reference to the political meaning of the cut and surtax was made. Mr. Strandberg requested that the Commissioner prepare a memo for both committees on estimates of amounts involved in the cut. Senator Begich inquired whether or not the two Alaska senators had been contacted on this matter. Dr. Hartman said that before his Chicago trip, he had advised the Governor's office to do so. He mentioned the fact that only 34 senators had voted against the cut, since so few states are vitally affected. Mr. Strandberg said word must be gotten out to the districts on how they will be affected by this cut. Mr. Ray asked if the disaster head tax could be partially used to aid these schools, and Mr. Strandberg said that it would naturally be.

Former BIA
Schools at
Kodiak

Mr. Strandberg brought up the subject of the editorial in the Kodiak Mirror regarding the state takeover of BIA schools, and asked if Dr. Hartman was prepared to comment on it now. Dr. Hartman said there were many errors in the editorial. He first mentioned that the editorial indicated that the BIA turned the schools over directly to the Kodiak Borough School District. This is not necessarily true. Most of the schools were Johnson-O'Malley schools. The second error is in discussing the dormitories in Kodiak, according to Dr. Hartman. The BIA had bids out, rejected them and bids went out a second time, but a contract was not awarded because funds have been frozen. Mr. Strandberg asked Dr. Hartman to prepare a memo on this. Senator Blodgett asked Dr. Hartman to verify on what premise

these funds were frozen. Dr. Hartman said he suspected this came from the federal level. Senator Blodgett asked if dormitories had been interjected into plans. Hartman said they need to wait. Mr. Strandberg asked with reference to regional high schools how negotiations with the Federal government were progressing. Dr. Hartman said not very well. They have been unable to secure more than a statement that meets and qualifies for legislative intent in regional high school program. Mr. Strandberg asked if the only commitment from BIA was for Bethel, and Dr. Hartman answered yes. Mr. Strandberg then asked about other areas, and what kind of position was being taken. Dr. Hartman said the BIA prefers to see a regional high school in Fairbanks before one at Bethel. A discussion on regional high schools in cities or rural areas followed, in which Dr. Hartman said that the position being taken (consistent with that of Secretary of the Interior Udall's special assistant who was in Alaska) favored regional high schools in the cities. Mr. Miller asked what the position of the Department of Education was with reference to the TCA report made last year. Dr. Hartman said the Department feels it wise to establish smaller area schools parallel to the development of regional high schools which would provide, hopefully, dormitory space for 40 to 60 students in some of the smaller areas. He further stated that the Department feels it should look into the area around and bring in at least ninth and tenth grade students with the option for 11th and 12th graders going on to larger regional high schools. Mr. Miller asked if the Department had, then, adopted the philosophy of the TCA report. Dr. Hartman said not 100%. The Department advocates developing

area schools as well as the regional high schools. Some discussion ensued as to why Bethel was the only definite new development, with Dr. Hartman saying that the large number of students in the Bethel area warranted the school there, and a commitment had already been made to them, but that by recommendation of the Governor's Committee, others are not now being built. The point was made that Dr. Hartman is speaking for the Board of Education, but that their decisions were based upon his recommendations. Senator Smith urged that the legislature determine which route they feel should be followed, and should do it soon.

Senator Engstrom said that he realizes in considering secondary schools that the nearness of schools to the people is considered, and also economic impact on people. He inquired what the State Board considers the economic impact. Dr. Hartman said he suspects it would be negligible unless other kinds of state agencies and other kinds of action enter into the picture. Dr. Hartman mentioned that the BIA is not keeping up with school needs due to the faster growth in number of students than anticipated and the lack of funds.

Mr. Young commented on the fact that areas with little need for schools are being given schools in place of those with great need, and that this should be remedied.

Mr. Strandberg requested that Dr. Hartman find out if it is possible for a BIA official to come up from Washington to testify so that accurate conclusions about BIA schools can be drawn. There was again discussion on regional high schools, and a discussion followed on the boarding of students in private homes while they are attending schools, rather than dormitories.

Funds paying for these students come from the Federal government. The appropriation for these students has been upped for next year, so at least they are available through 1970. Dr. Hartman told Mr. Strandberg that the next Board of Education meeting in Juneau would be February 13, 14 and 15. The meeting was adjourned until 8:30 a.m., February 6.

JOINT FINANCE COMMITTEE MEETING

February 6, 1968

8:30 a.m.

Present: Mr. Strandberg called the joint meeting to order, with all members of the House Finance Committee present, and Senators Vance Phillips and Lewis present from the Senate Finance Committee. The other Senate members had been excused from the meeting to attend other committee meetings. Dr. Hartman, commissioner of Education, and Robert Thomas, director of Administrative services, Department of Education, and Mr. Ray Tinjum, superintendent of Dillingham schools, were also present.

Education Meeting
(cont)

The discussion on 874 funds being cut was again before the committees. Mr. Strandberg asked Dr. Hartman to explain to the committees what happened in Congress to the 874 funds. Dr. Hartman said the education budget had been reduced by the President's budget, then in Congress, the Senate had asked for \$450,000,000 and the House for \$400,000,000. The final appropriation was \$416,000,000 and of this amount \$390,000,000 has been made available, with the balance being withheld. Dr. Hartman explained that in the case of a serious disaster somewhere in the United States, they have a reserve and this is the reason for not allotting the total appropriation. Mr. Strandberg felt there had been some confusion on this cut being the same as the in highways. He wanted it understood that the cut in highway funds was an administrative decision, while the cut in education funds had been made by Congress and there is no way to restore this cut unless it is done by a supplemental appropriation. In the highway cut, he explained, there is always the chance they can restore it, but this is not

possible when the cut is made by Congress. Dr. Hartman pointed out that in the past Alaska has received preferential treatment on 874 funds. He said they have received 100% entitlement on on-base schools, and 50% on district schools, and they are now exploring the possibility of giving up the preferential treatment to see if they can obtain more money by another percentage base.

Senator Begich entered the meeting at this time.

In answer to a question by Mr. Strandberg, Dr. Hartman told the committees there was no way to recover this money short of a supplemental from Congress, or a possible juggling of percentages on the on-base and district schools. Dr. Hartman gave a brief description of how the entitlement is received in two payments. He said the first payment which was 75% has been reduced to 50%, then in February after final certification on where students live, they receive the other 25%. He said they will have to put in a real "pitch" to receive the 75% now, but if they do receive it, then the cash flow will not be affected this year. He reminded the committees that this could be even less in case of a natural disaster.

Mr. Balone entered the meeting at this time.

Mr. Thomas distributed a chart to the members, showing a breakdown on district schools of the ADM, bonded indebtedness, etc. Mr. Borer pointed out that the bonded indebtedness on the chart was incorrect for Cordova. Mr. Thomas explained that they could not get up-to-date figures, but that the Department of Administration was gathering this information for them. Mr. Strandberg said the figures on bonding, as presented, were absolutely useless and that he felt Local

Affairs was supposed to keep this record. Mr. Miller asked about the short term notes, and Mr. Strandberg said they should also be included in the total bonded indebtedness, since ultimately the whole bond issue would be sold. He said when they returned with a corrected set of figures, they should include everything. Dr. Hartman felt that the list was useful to show the very small schools, such as Kake, Hydaburg, etc., in terms of their bonded indebtedness in relation to whether they should continue on as district schools or whether they should become state schools. Mr. Strandberg said they would continue with this aspect when the information was updated.

Mr. Ray Tinjum, superintendent of Dillingham school system, was introduced to the committee and asked to give a brief resume' of the financial problems now being encountered in his area. Mr. Tinjum said the total budget for this year was \$265,000 for an enrollment of 310 pupils. He said Dillingham's share was \$77,000, which was a sizeable increase over what they have been giving. To date, the city has given the school system \$38,000, and he estimated they would receive another \$12,000 by June 30, which leave a balance of \$27,000 which they will be unable to pay. He said the school can "pinch pennies" on small things, but they would still need between \$20,000 and \$25,000 to finish out the school year. He said that now with the cut in 874 funds that this problem could arise again next year. In answer to a question by Mr. Ray, Mr. Tinjum said the base pay for teachers is \$7,500; however, with increments it averages about \$8,500.

In answer to a question by Mr. Lewis, Mr. Tinjum said that music, art, and guidance would be the first programs dropped.

He said they would borrow money before they would cut back on teachers and break contracts. He said that textbooks are desperately needed, that in some instances they have books dating back to 1938, and science books that are 15 years out of date. He said in this day and age that any book over five years old was useless. Mr. Strandberg asked if school support came from the 2% sales tax. Mr. Tinjum said it was designated for that purpose, but it was not enough and that due to the disastrous fishing season, people were behind in their property tax.

Senator Phillips asked what the fishing industry contributed to the tax collections. Mr. Tinjum said there was only one cannery, so not very much.

In answer to a question by Mr. Ray, Mr. Tinjum said that half of the children live outside the city limits. Dr. Hartman said they receive foundation support so it does not cost the city of Dillingham anything to educate these children from outside the city. Mr. Haugen noted that this does not include funds for capital improvements.

Dr. Hartman brought up the administration plan for advancing the foundation funds with one-third payment spread out over the next three years. Mr. Tinjum was asked if this would be a palatable solution and he thought it was.

Mr. Strandberg asked if the delinquent taxes would be paid if there is a decent fishing year or would it be lost. Mr. Tinjum said they have no enforcement, so it was unlikely the delinquent taxes would ever be collected.

Mr. Borer asked how much they have in delinquent taxes and if they could obtain a list of delinquent taxpayers. Mr. Tinjum said yes, he could get it immediately from the city clerk.

The subject of a use tax versus a sales tax was discussed, and Mr. Miller pointed out that a use tax had recently been ruled unconstitutional by the United States Supreme Court. It was pointed out that many people in the Dillingham area live in Wood River (outside of the city and approximately five miles from Dillingham), including the former and present mayor of Dillingham.

Mr. Strandberg asked if Dr. Hartman's suggested remedy for the Dillingham schools needed legislation. Dr. Hartman said it did and that he had presented it in the form of a letter. Mr. Strandberg requested the staff to draft this into a bill for the committee.

Mr. Strandberg told Mr. Tinjum he would like him to return at 1:30 p.m. to discuss the boarding school situation at Dillingham.

Recess: Meeting recessed at 9:50 a.m.

JOINT FINANCE COMMITTEE MEETING
February 6, 1968
1:30 p.m.

Present: All members of the House Finance Committee were present with the exception of Mr. Ray and Mr. Sackett, who were excused. Senators V. Phillips and Brady of the Senate Finance Committee were present, with balance of the committee excused. Also present were Representatives Balone and Hohman, Dr. Clifford R. Hartman, commissioner of the Department of Education, and Mr. Ray Tinjum, superintendent of Dillingham schools.

**Boarding
School at
Dillingham**

Chairman Strandberg opened the meeting at 1:30 p.m. and announced that the purpose of the meeting was to gather facts, ideas and recommendations relating to establishment of a small boarding school in the Dillingham area at the Catholic Mission. He asked Dr. Hartman to present the information.

Dr. Hartman explained that what they are essentially interested in doing is to make a boarding facility available for approximately 40 to 50 children. There is a good sized building which needs some renovating to meet health standards but this would not be prohibitive. The Mission is located about 3 miles from the school and some of the children would have to be bussed in. The Department is primarily interested in the students who have graduated from the elementary schools in the area and provide them with secondary schooling or up through the 10th grade. There is a wood frame building with a seating capacity for approximately 50; good kitchen facilities, and an excellent water supply. The school there is

capable of holding 30-40 children. There are two housing units which are in good shape and another one which could be fixed up. He stated that Mr. Tinjum would be able to answer most any questions the committee would like to ask. Mr. Strandberg asked how many students the facility would be able to handle. Mr. Tinjum said between 30-50 without any problem. In reply to a question regarding possible cost of purchase and renovation, Mr. Tinjum stated that he understood the purchase price was \$150,000 and it had been estimated that it would take this amount for renovation; however, he didn't feel that it should cost that much for the renovation. He did feel, however, that even if it did cost the \$300,000 for the facility, he would encourage thought along that line. In reply to a question by Mr. Sassara on whether the state hadn't received a letter from Father William Dibb relative to the Mission, Mr. Strandberg replied that it was in the files. Under questioning on whether the city of Dillingham had investigated the possibility of purchasing or leasing the facility, Mr. Tinjum stated that he did not believe they had gone into it.

There was considerable discussion on why Dillingham and Wood River did not become one city with a common council. It appears that there is considerable friction between the two communities and, even though this move has been discussed, they have not been able to accomplish it. Senator Phillips questioned the classification of the two communities and was told that Dillingham is a second class city and Wood River is fourth class. Senator Phillips believed that the Legislature could, by act, remove the classification of one of

the cities and make them one city. He was advised that there is a decision pending before the Court now regarding the boundaries--filed by the Boundary Commission. It has been before the Court for several years.

Mr. Strandberg asked if the conflict between the two communities was affecting the school program. Mr. Tinjum said that it was. They can't sit as one council and can take no positive action. In reply to a question by Mr. Strandberg on whether it would be necessary to be asking for financial assistance if the two cities had been able to get together, Mr. Tinjum stated that he felt it would have helped, although he didn't think it would have solved the entire financial problem.

Mr. Ray entered the meeting at this time.

Mr. Sassara said he would like to have Larry Montgomery, director of the Local Affairs Agency, meet with the committee in order to question him regarding bonding capacity of the two cities and their bonded indebtedness.

Discussion centered on the number of students that could be taken care of if the additional school was provided for the area. Mr. Tinjum stated the students are there, the only question is whether they could force them to attend the school; however, he doubted very much whether this would be a problem. Dr. Hartman stated that they have no assurance from the BIA that they would provide funds for a small school of this type. There was general discussion on the funds used to operate the schools.

Mr. Strandberg stated that as he understood it, the city had not been able to collect taxes from the residents and that this had contributed to the shortage of funds. He asked, if the city had been able to collect the taxes, would they be in this same position. Mr. Tinjum said that they would not and added that they had initiated the sales tax to assist in securing additional revenue, but it had not been as successful as hoped.

Mr. Borer asked if there was anything in the law which would prevent the school from borrowing the necessary money needed on the basis of anticipated revenue. It was pointed out that the schools could not borrow the money, it would have to be the city or the borough. Mr. Borer wanted to know why, if the city has the authority to borrow and the authority to pledge anticipated revenues to repay the loan, the state should have to furnish the money.

Mr. Moses came in at this time.

Mr. Tinjum said he understood that if they went that route, it would be necessary to repay the money within a year, which would leave the budget so dry they would not be able to do anything. Mr. Borer stated that he was sure that there was a bank of account in the area where the money could be borrowed and repaid over a longer period of time. Mr. Tinjum said that he knew they could borrow the money, but didn't want to do it. They would rather get the money from the state and repay it over a period of 3 or 4 years because of the interest factor. Mr. Strandberg asked if he meant they wanted the General Fund to put up the money and get interest free funds from the state. Mr. Tinjum replied in the affirmative.

In reply to a question by Mr. Strandberg, Mr. Tinjum said that he had come to Juneau for another purpose and had been asked to appear before the committee. Dr. Hartman stated that he had asked Mr. Tinjum to accompany him. Mr. Tinjum stated further that he did not represent either the city or the school board. He was presenting his personal views. Mr. Strandberg explained that the questions were not aimed at Mr. Tinjum personally, but that the committee is holding these hearings because there is a statewide problem in school financing and Dillingham is not an isolated case. By hearing all the testimony the committee is trying to see if there is something that can be done on an over-all basis.

In reply to a question on whether passage of Senate Bill No. 88 (relating to school administrators under Public School Foundation Program) would remedy the problem, Mr. Tinjum said that he doubted if it would remedy it, but it would help.

In reply to a statement by Mr. Tinjum that it was his understanding that it is the state's responsibility to see that every child has an equal opportunity for education, Senator Phillips stated that it is in the Constitution that educational facilities be provided, but it does not say that the state is responsible for fiscal mismanagement. The state collects monies for educational purposes which is divided up among all schools in the state. It is the people and the community who have the responsibility of using this money for the education of their children.

17

Discussion followed relative to duties and responsibilities of the Legislative Council in the meetings with the school districts. It was pointed out that the Council has no power to direct activities of the school districts, all they can do is recommend possible solutions.

Mr. Strandberg stated that the reason they required factual data regarding the management, operation and maintenance costs for these schools is that they have to have the facts when presenting bills of this type to the Legislature as a whole. If the committee does not have the necessary information, it is almost impossible to get legislation through.

Recess: Meeting recessed until 3:00 p.m.

3:00 p.m.

Present: All members of the House Finance Committee were present, except Mr. Sackett, who was excused. Members of the Senate Finance Committee were excused as it was necessary that they attend another meeting.

Education:
Dillingham,
etc. (cont)

The meeting was called to order by Mr. Strandberg. He said the committee would like to go back and discuss the Dillingham boarding school further. (There is a report on file from the Catholic priest, Father Dibb, relative to this property.) Dr. Hartman stated that the state needs to explore the ways to establish smaller boarding units in such places as Dillingham, Tok and Bristol Bay. A plan is now being developed for the Tok area, to be presented to the BIA to see if they would be interested or receptive to this type of program. The

Department is using Tok as a pilot program.

Dr. Hartman stated that there are two possibilities at Dillingham: (1) For the city council to purchase this property, put it into shape and operate it with state assistance as a designated center for area rural secondary education, and (2) by direct appropriation to purchase it--the state would own it and have the school district operate and administer the boarding home program.

In reply to a question relative to purchasing the property through ASHA, Mr. Sassara read a letter from ASHA relative to this property. (Copy on file.)

In reply to a question by Mr. Ray, it was stated that the boarding home would house high school students only. There was general discussion on the number of students in the area and the number now in the high school. Mr. Tinjum said there are between 109 and 112, and Dr. Hartman stated they could handle another 40 to 50 students. In reply to a question regarding how much it would cost the state to finance this dormitory and how much would be available from 874 funds, it was explained that 874 funds can be used for the educational program only and would not help on the dormitory program. The state would be expected to fund the dormitory costs, either with help from the City or assistance from the Johnson-O'Malley funds. However, there is no assurance that the Johnson-O'Malley funds will be available. This is the reason for the pilot program at Tok. General discussion ensued on cost per pupil to operate the additional school facilities and dormitory. Dr. Hartman

said that if Johnson-O'Malley funds are not available, it isn't known where the money would come from to operate. He did not feel that the State should go for all of it and felt that the parents and BIA should help.

Mr. Ray said that he thought the bonds for the regional high schools were to take the operation of these schools from BIA and that they were more than willing to step aside and help out--if the state had the high schools, they would provide dormitories. Dr. Hartman said that the BIA doesn't recognize 150 students as a good high school and feels the minimum is 500 students and have accepted 300; however, they did assist with the Beltz school in Nome and it is only 150.

Mr. Strandberg briefly reviewed the possibilities and suggestions made and stated that he felt the purchase of the facility and operation by the city of Dillingham would be the best answer, and asked if the matter had been approached with this point of view. Mr. Tinjum said they would not be able to for at least another year. Mr. Strandberg felt the state should not get into this at this time and then find that the program is only supported by 50% or 60% of the people involved. Dr. Hartman said he felt that the city council should contact the Department and give an indication of their feelings and request participation on the part of the Department.

Mr. Sassara asked if Dillingham had a city manager, and Mr. Tinjum stated that they did. Mr. Sassara then said that he thought the Dillingham city manager, Larry Montgomery, director of Local Affairs, and someone from the

BIA should be requested to meet with the committee on these problems.

In reply to a question by Mr. Miller, Dr. Hartman stated that additional sites where programs of this type could be used would be in Valdez, Cordova and Glennallen, and also potential sites at Fort Yukon and Tanana. It would bring in students from a radius of 50 to 75 miles.

Mr. Strandberg requested that Dr. Hartman contact the BIA and set up a meeting with someone in that agency that has authority to speak for them to resolve this problem.

The BIA philosophy is to send these students to larger areas such as Chemawa (Oregon), Mt. Edgecumbe, Fairbanks or Anchorage. Dr. Hartman stated that in conversations with students at the University of Alaska just recently, the concensus among the rural students there was that at least up through the 10th grade they would much prefer attending schools closer to their homes. They don't mind going 50 - 100 miles, but aren't happy if they are too far away.

Discussion was held on how to approach the BIA with a request to meet with their officials. Mr. Strandberg thought it would be stronger if the letter requesting the meeting came from the Governor's office and requested that Dr. Hartman discuss it with the Governor.

Dr. Frisbee spoke to the group as a member of the Phi Delta Kappa in Anchorage which has a strong committee for the education of natives and offered their assistance in any way possible. Mr. Strandberg asked that he convey the invitation from the Joint Finance Committee to send anyone that would

care to meet with the committee.

Mr. Strandberg said that state resources will not support dormitory facilities, plus a construction program--the state is willing to go along into the construction, but can't support the dormitories. The BIA said they will assist by (1) location of the schools, and (2) make a request to Congress immediately to provide the facilities. Now they have pushed this to 1970. No bond issue exists as it is tied to action on the part of the BIA and they have not been willing to act. Mr. Strandberg said if the state could get the BIA people here and get a definite answer, then they could go from there. He said if they were successful in getting the BIA here, they wanted Dr. Frisbee's group represented. Mr. Ray asked if the state didn't have a written agreement with the BIA before the Legislature put together the bond issue. If that is in the records, they had better go back and let BIA know they aren't doing their job. Mr. Strandberg said that they will search the records on that.

Dr. Hartman said that all they had received was that BIA would program and receive funds for the dormitory at Bethel in 1970. (Senator Blodgett came in.) In reply to a question on whether the Legislature made the request that this item be entered in the budget, it was stated it has been for three years now. Dr. Hartman said that with BIA commitments in other states, they just don't place Bethel that high on their priority list. Dr. Hartman stated that in meeting with the native people, they would all prefer having the small area schools where the children would be closer to home. This concept is apparently the one which is favored by the majority of the committee.

In reply to a question regarding why Barrow has not gone ahead with the construction of a 4-year high school, Dr. Hartman did not know, but it was felt that a possibility is shortage of funds.

Dr. Hartman stated that they receive more communications requesting construction of high schools closer to home for these rural children than on any other subject.

Mr. Haugen asked if any information is available on how the Canadian Arctic handles this problem. It was stated that they have gone to the small rural school concept for many years. This is also true in Greenland and in the Scandinavian countries and has been found to work out very well.

Mr. Strandberg said he was very much interested in the State School Board meeting and asked when it was to be held here in Juneau. Dr. Hartman stated that it begins next Tuesday, February 13 through the 15th.

Meeting adjourned until tomorrow at 8:30 a.m.

HOUSE FINANCE COMMITTEE MEETING

February 7, 1968

8:30 a.m.

Present: All members of the House Finance Committee were present except Mr. Sackett who was excused.

HB 87

It was moved and unanimous consent was asked that HOUSE BILL NO. 87 (transfer of motor vehicles) be considered by the committee. There being no objection it was so ordered. Mr. Sassara gave a brief description of the purpose of this bill and stated he was not in complete accord with the bill. He moved that it be passed out with a "do pass" recommendation, then amended his motion to say "without recommendation." Mr. Ray objected and HB 87 was released with "no recommendation", except for Mr. Ray who signed "do pass."

HB 220

Mr. Ray moved and asked unanimous consent that HOUSE BILL NO. 220 (relating to teachers' retirement) be considered by the committee. There being no objection it was so ordered. After a brief discussion on the purpose of the bill it was decided to have further research and possibly come out with a committee substitute. Mr. Ray said the estimated cost on HB 220 would be between \$1,500 and \$2,000 a year, but had no cost figure for the retroactive portion of the bill.

HB 169

Mr. Miller moved and asked unanimous consent that HOUSE BILL NO. 169 (partially exempting certain vehicles from the annual license tax) be considered by the committee. There being no objection it was so ordered. It was suggested that Mr. Kerttula appear before the committee on this bill since he had displayed an interest in it, so the bill will be held until

Bill
Assign-
ments

this can be arranged.

Mr. Strandberg made the following bill assignments:

HOUSE BILL NO. 488 (concerning hunting and fishing licenses for disabled veterans) -- Mr. Haugen.

HOUSE BILL NO. 500 (appropriating \$200,000 to the Department of Revenue for tax study) -- Messrs. Borer, Ray and Haugen.

SENATE BILL NO. 183 (directing secretary of state to conduct poll of people of state regarding pre-registration) -- Mr. Miller.

SENATE BILL NO. 202 am (creating a Board of Welding Examiners) -- Mr. Sassara.

SENATE BILL NO. 263 (relating to the filing fee for corporate annual reports) -- Mr. Haugen.

Recess: Meeting recessed at 9:20 a.m., and will meet again at 3:00 p.m. with Borough Chairmen.

HOUSE FINANCE COMMITTEE MEETING

February 7, 1968

3:00 p.m.

Present: All members of the House Finance Committee were present except Mr. Sackett who was excused. Senator Vance Phillips of the Senate Finance Committee was also present.

Mr. Strandberg opened the meeting and stated that the meeting was being held at the request of the State Borough Chairmen who are meeting in Juneau this week.

Myrton Charney, chairman of the Greater Juneau Borough, introduced the borough chairmen and representatives of the various boroughs present: George Navarre, chairman of the Kenai Peninsula Borough (Kenai); Richard Pace, mayor of Seldovia and member of the Kenai Peninsula Borough Assembly; Donald E. King, chairman of the Gateway Borough (Ketchikan); Victor D. Carlson, attorney for the Greater Anchorage Area Borough; James Nordale, attorney for the Kenai Peninsula Borough; G. S. Best, chairman of the Kodiak Island Borough; Billy G. Berrier, attorney for the Greater Juneau Borough; Thomas R. Stein, chairman of the Greater Sitka Borough; and Don Berry, director of the Alaska Municipal League.

Mr. Charney said that they wished to discuss five bills being considered by the Legislature which will have direct bearing on the boroughs: The bills to be discussed were HB 375 by Mr. King; SB 47, HB 482 and 483 by Mr. Best, and SB 154 by Mr. Navarre.

HB 375

Mr. King said he would like to speak on HOUSE BILL NO. 375 (relating to state reimbursement of municipalities for loss of revenues because of tax exemptions). It is felt that the tax exemptions granted by the state under the Tax Incentive

Act has been a real burden to the municipalities and to the boroughs. There is a strong feeling by the borough chairmen that the boroughs should be reimbursed for this loss of revenue in some way and urged passage of HB 375.

There was considerable discussion regarding the effect the Tax Incentive Act had had on the different areas. Mr. King spoke specifically on the 10-year moratorium which had been granted to the Ketchikan Pulp Mill and the hardships created in the Ketchikan Borough with the influx of people requiring additional school facilities, hospital and other services. Mr. Berry distributed copies of a letter he had prepared setting forth the Alaska Municipal League's support for passage of HB 375 (copy in HB 375 file). The general feeling was that any new tax incentive legislation--the present Tax Incentive Act expires July 1, 1968--should be on a state level and should not apply to local governments unless so covered by the Constitution. Other tax exemptions granted, such as to senior citizens, etc., should be reimbursed by state to local governments. Regarding the tax exemption for senior citizens, Mr. Strandberg asked if they had any figures on what this will cost the state for reimbursement to the local governments. Mr. Berry stated that it would have to be figured on millage levied in the various areas. He will research this and as the information becomes available, he will forward it to the committee. Mr. Miller suggested that rather than enact this bill, why not write the "pay back" legislation into the proposed new Tax Incentive Act. The general feeling was that the group would rather have the separate legislation.

There was some discussion on whether the boroughs' reaction would be the same if granting the tax exemption would mean the difference between whether an industry would locate in a particular area. There was no definite answer to this question. Mr. Strandberg stated that most industries desire the tax exemption as they want a period of time to write off some of their investment. There has been a tendency in the past to get industry into an area and then go after them to pay more than their share of taxes. This is one of the major factors to be considered.

SB 47

Mr. Best spoke regarding SENATE BILL NO. 47 (changing the average daily membership allotment in the Public School Foundation Program). He stated that they were definitely for this legislation and would actually like to see an increase over the \$20 now in the bill. In reply to a question by Mr. Strandberg, it was stated that the bill will cost approximately \$1.1 million. There was discussion relative to the differential between some of the areas. It was felt by some that there is not as much difference in costs between some of the districts as the bill would indicate. The change in differential between the different areas as reflected in the state employees' pay raise last year was cited. It was suggested that some review along this line would be in order. Mr. Strandberg told the group that it would be late in the session before this bill would be taken up. There is only so much money available to go around.

HB 482 &
HB 483

Mr. Best spoke to the Committee relative to HOUSE BILL NO. 482 (authorizing a four-year program of grants-in-aid to organized boroughs for the construction of new school

buildings and facilities) and HOUSE BILL NO. 483 (appropriating for a four-year program of grants-in-aid for the construction of new school buildings and facilities in organized boroughs). Mr. Best stated that at the present time there is no capital improvement bill within the state to provide for upgrading schools. He stated that schools inherited from the state and the BIA are badly in need of capital improvements. In reply to a question by Mr. Strandberg on the bonding capacity for Kodiak, Mr. Best said that he couldn't answer in dollars and with the market the way it is, he was not sure they had any. Mr. Strandberg stated that funds are just not available out of the General Fund for such capital improvements. There is not enough money in the General Fund for state capital improvements and any monies for school construction, even if the Legislature was willing, would have to come out of bonding authority. There was general discussion regarding possible sources of revenue.

Mr. Strandberg advised the group that the Finance committees have been having almost continuous hearings with the Department of Education trying to get the whole picture to see if they can't come up with a solution. He cited a precedent set by airport construction based on the bond issue which included the provision that the state would match local subdivision matching money in the Federal program. Mr. Strandberg then asked what the reaction would be to a state-wide sales tax for school construction with no exemptions.

Considerable discussion followed relative to the possibility of it being used for other purposes and for rebate to those areas already having a sales tax.

Mr. Kerttula stated that there are three areas open for study: (1) Corporate tax area could be revamped; (2) area in the oil industries, and (3) the statewide sales tax.

SB 154

Mr. Navarre spoke regarding SENATE BILL NO. 154 (authorizing the payment of local special assessments on state properties). He felt that it was important that this bill receive consideration. The cost figure is variable and felt it would be of benefit to the state capital improvement program. It would also guarantee certain servicing required in municipalities. Mr. Berry said that he had sent out questionnaires to all areas and to date has only received 16 replies. He was unprepared to give the committee any figures on cost to the state.

Mr. Strandberg announced there would be a House Committee meeting at 8:30 a.m. tomorrow, February 8.

Meeting was adjourned.

JOINT FINANCE COMMITTEES

February 8, 1968

2:10 p.m.

Present: All members of the House Finance Committee were present except Messrs. Miller, Sackett, and Sassara, who were excused. Senators Phillips, Brady, and Blodgett of the Senate Finance Committee were present. Also present were Mr. Balone, Dr. Hartman, Commissioner of Education, and Mr. Ed Glotfelty, City Manager, and Mr. Fred Crane, District Attorney, for the City of Nome.

Meeting: Chairman Strandberg called the meeting to order at 2:10 p.m. for a joint meeting of the Finance Committees, at the request of the City of Nome. The purpose of the meeting was to inform the committees of the progress Nome is making in coming up with one million dollars to be matched by two million dollars from the state for the regional high school in Nome.

Nome City
Manager -
Schools

Mr. Glotfelty stated that the City is negotiating for E.D.A. funds to meet its requirement of funds, and feels relatively confident that this request for a grant will be obliged. The intended construction will be for vocational classrooms for the proposed new wing of Beltz school. Mr. Strandberg asked whether bond counsel had been consulted, as he had some question whether obtaining the funds from a federal grant would satisfy technically the requirements of the act. Mr. Glotfelty replied that the City had discussed this with their bond counsel. Mr. Glotfelty expressed some concern that the two million dollars set aside for Nome if the necessary funds are raised might be transferred to another regional school, per provision of the act should Nome fail to come up with the funds. He wanted to assure the committees that Nome is working on obtaining these funds.

Mr. Strandberg asked at what stage the City was, and Mr. Glotfelty replied that the proposal had been made to E. D. A. in Washington, but that was as far as things had progressed. Mr. Strandberg asked if Nome had any other way of coming up with the necessary funds. Mr. Glotfelty said that they have \$100,000 available from the tobacco tax, but that was the extent of their funds. Mr. Ray asked how long he expected it would take to raise the funds. He replied that they expected it to be raised before the end of this session. There followed a discussion on the poor situation of the Nome school and the need for improvement.

Mr. Crane made the point, in response to a question by Mr. Strandberg, that Mr. Glotfelty had just returned recently from talks with E.D.A. officials in Washington. Mr. Glotfelty again reiterated his confidence at receiving the grant. He had talked to a number of people in Washington. Mr. Glotfelty discussed the improvements now being worked on in Nome, to show how Nome is working at self-improvement.

Senator Blodgett asked exactly what had been definitely committed to Nome, and after some discussion, the answer was nothing.

Mr. Strandberg asked Dr. Hartman if he knew of any discussion to transfer the funds, and he replied no. Mr. Strandberg asked if Mr. Glotfelty thought it would be necessary to have an Attorney General's opinion on the correctness of having the grant make up the City's contribution, but apparently he did not feel it necessary. Mr. Strandberg thanked Mr. Glotfelty and Mr. Crane for informing the committees and adjourned the meeting at 2:30 p.m.

HOUSE FINANCE COMMITTEE MEETING
February 13, 1968
8:30 a.m.

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

Bill assignments: HOUSE BILL NO. 414 (Appropriation, Alaska Native Housing) -- Messrs. Strandberg and Ray.
HOUSE BILL NO. 458 (Abolishing Boiler Fund) -- Mr. Haugen.
HOUSE BILL NO. 425 (Supplemental - Highways) -- Re-assigned: Mr. Sackett.

Mr. Strandberg announced the committee would meet again at 10 a.m., and continue on bill assignments.

Meeting recessed at 9:00 a.m.

10:00 a.m.

Mr. Strandberg continued with bill assignments as follows:

Bill Assignments: SENATE BILL NO. 88 (School administrators - PSF) Mr. Ray.
CSSB 125 (Fiscal notes) -- Messrs. Borer and Haugen.
SENATE BILL 138 (Pioneers' Home Advisory Board) - Mr. Miller.
CSSB NO. 181 (Criteria for establishing reg. high schools) - hold for hearing with BIA.
SENATE BILL NO. 203 (ballots - bond issue elections) - hold until discussion with Senate Finance Chairman.
HOUSE BILL NO. 442 (Public school attendance areas) -- not assigned.
HOUSE BILL NO. 457 (Abolish agricultural pest fund) - Mr. Sackett.

recess: Meeting recessed at 10:30 a.m.

4:45 p.m.

HOUSE BILL NO. 393 (grants for construction in rural villages)
Messrs. Miller and Ray.

Meeting adjourned at 5:00 p.m.

HOUSE FINANCE COMMITTEE MEETING
February 14, 1968
8:30 a.m.

- Present: Chairman Strandberg called the meeting to order with all members present.
- HB488: It was moved and unanimous consent was asked that HOUSE BILL NO. 488 (Disabled vets - fishing and hunting licenses) be considered by the committee. There being no objection it was so ordered. Discussion of this bill centered on the fact that "disabled veteran" was not defined and could mean any veteran receiving a disability pension. Fish and Game reported it could cost the state a maximum loss of \$23,000 a year in fishing and hunting licenses. It was moved that HOUSE BILL 488 be reported out with a "do pass" recommendation, then the motion was withdrawn. It was then moved to return the bill to the subcommittee. No objection, so ordered.
- HB458: It was moved and unanimous consent was asked that HOUSE BILL NO. 458 (abolish Boiler Fund) be considered by the committee. A letter from Mr. Ward was read to the committee by Mr. Haugen. (See bill file) It was moved and unanimous consent was asked that HB 458 be reported out with a "do pass" recommendation. There being no objection it was so ordered.
- SJR 34: It was moved and unanimous consent was asked that SENATE JOINT RESOLUTION NO. 34 (cutting school funds by USOE) be considered by the committee. There being no objection it was so ordered. After a brief discussion, it was moved and unanimous consent was asked that SJR 34 be reported out with a "do pass" recommendation. There being no objection, it was so ordered.

CORRECTION

**THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**

HOUSE FINANCE COMMITTEE MEETING
February 14, 1968
8:30 a.m.

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- HB458: It was moved and unanimous consent was asked that HOUSE BILL NO. 458 (abolish Boiler Fund) be considered by the committee. A letter from Mr. Ward was read to the committee by Mr. Haugen. (See bill file) It was moved and unanimous consent was asked that HB 458 be reported out with a "do pass" recommendation. There being no objection it was so ordered.
- SJR 34: It was moved and unanimous consent was asked that SENATE JOINT RESOLUTION NO. 34 (cutting school funds by USOE) be considered by the committee. There being no objection it was so ordered. After a brief discussion, it was moved and unanimous consent was asked that SJR 34 be reported out with a "do pass" recommendation. There being no objection, it was so ordered.

HB220: It was moved and unanimous consent was asked that HOUSE BILL NO. 220 (teacher's retirement system -- school nurses) be considered by the committee. There being no objection it was so ordered. Mr. Ray moved and asked unanimous consent that the Finance Committee consider COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 220 in lieu of HB 220. There being no objection it was so ordered. Mr. Ray explained the CS was needed because the word "certified" had to be in the bill to make it acceptable to the education people. (See letter in bill file) It was moved and unanimous consent was asked that CSHB220 be reported out with "do pass" recommendation. There being no objection it was so ordered.

HB383: It was moved and unanimous consent was asked that HOUSE BILL NO. 383 (college students -- state income tax) be considered by the committee. There being no objection, it was so ordered. Mr. Ray read a letter from Mr. Morrison, Commissioner, Department of Revenue (see bill file) and Mr. Morrison pointed out problems that they would encounter with the federal government if this bill should pass. After a brief discussion by the committee, it was moved to return the bill to the subcommittee for further study. Objection was heard and motion carried 6-1.

HB366: It was moved and unanimous consent was asked that HOUSE BILL NO. 366 (Food stamp program) be considered by the committee. No objection, so ordered. Mr. Ray read a letter (see bill file) in support of this program. Mr. Ray said he wanted to see this bill amended to include Southeastern Alaska in the program, but Mr. Borer pointed out that Fish and Game predicted a good fishing season for Southeastern this year and wondered if it was necessary. Mr. Ray said this appropriation was for now and the

good fishing season would not help them until next summer. Mr. Miller said he would like to see this program started in the area outside of Fairbanks. Mr. Borer questioned the handling of the federal funds for this program and wanted to know where it could be found in the budget document. Mr. Strandberg said there would be a 10-minute recess while Mr. Stanley Harris, Director, Division of Public Welfare, was contacted to appear before the committee to answer this question along with any others that the committee might have.

Meeting recessed at 9:15 a.m.

9:30 a.m.

Mr. Ray asked Mr. Harris to explain to the committee how the money for this food stamp program was received from the federal government. Mr. Harris said they forward the coupons to the bank and the federal government pays the bank for them. Mr. Strandberg wanted to know why the administrative costs were so high on this program. Mr. Harris explained that setting up the program was expensive because it took a full time person to actually implement it. He said one of the problems they had in Nome was they didn't have anyone for a long time that would push the program, but once they did, the program was then overwhelmingly successful. He said the Federal Food Stamp representative is stationed in Anchorage and he must go into each village and set up a contact with a grocery store before the program can be ready to go. He said with using the welfare workers they have, that half of their time would be used in setting this up, and it would be reimbursable by the federal government. Mr. Strandberg asked if this would lower the welfare appropriation. Mr. Harris felt it would because he said oftentimes, for example, a fisherman who has had a bad year would have to have welfare checks, but with the food stamp

program, he might be able to get along without any welfare or possibly just one or two checks, so he thought in the long run this could lower the cost of the welfare program for the state. Mr. Ray asked if they had the facilities to implement this program in Southeastern for these next few months. Mr. Harris said they have a total program to get rolling between now and July 1 and they hope some of the experience they acquire in Fairbanks and Bethel will help them in other areas. He said they have a limited amount of experience in setting up this program, and one of the problems is they must recruit and train people and cannot do this until this bill is approved. In answer to a question by Mr. Ray, he said if the appropriation were doubled from \$20,000 to \$40,000 this would be the most they could possibly handle in setting this up rapidly and this extra would cover for Southeastern plus other desirable areas in the state. Mr. Ray commented that with four years' experience in this program already, he didn't quite understand why they felt they were inexperienced.

The committee then discussed the impact this appropriation would have on the FY68-69 budget. Mr. Borer was not satisfied with the figures as shown in the pamphlet distributed to the committee. He noted that the pamphlet showed a cost of \$165,000 but the budget request book for FY 68-69 showed \$280,000. Mr. Harris could not explain this discrepancy and was asked to return later today with this information. In answer to a question by Mr. Strandberg, Mr. Harris said that once this program was set up, the administrative cost would decrease with an established program. Mr. Strandberg said they would wait until Mr. Harris could return with an explanation of the \$165,000 figure versus the \$280,000. Also he said he felt the two problems in this program should be explored: (1) how are they going to use it effectively

and in what areas; and (2) if they increase the program with this supplement, what kind of program are they dealing with in the next year's budget.

Mr. Harris said that he thought Nome was a good example of decreasing cost once the program got underway but they simply had to have someone working full time to sell the program. In answer to a question by Mr. Ray, Mr. Harris said they needed the \$20,000 before they could hire personnel to implement the program.

Mr. Strandberg told Mr. Harris to return with the information on what they requested and what the Governor allowed in **the** budget, and also wanted to know if this would result in an increase in next year's budget. In answer to a question by Mr. Miller, Mr. Harris said the program as set out in the FY 68-69 budget would cover the whole state.

Recess: Committee recessed until 1:30 p.m.

1:45 p.m.

Present: All members of the House Finance Committee were present except Messrs. Strandberg and Sassano, who were excused. Also present were Representative Kerttula, and Mr. Stanley P. Harris, Director of the Division of Public Welfare.

HB366
Food Stamp
Program:

Mr. Haugen opened the meeting and said that discussion of HB 366 would continue at this time.

Mr. Ray asked Mr. Harris to explain the percentages of federal participation and the state's share as there seems to be a difference between what is shown in the explanation and that shown in the budget request. Mr. Harris said that it would average out approximately 45% federal participation and 55% state money.

In reply to a question by Mr. Borer on why it was necessary to add 20 people for this program, Mr. Harris said that they did not have anyone available to spend the necessary time on this program. All of the welfare workers are overloaded now without the food stamp program. General discussion followed on amount of time the additional people would spend on the food stamp program and if they would be required to look into other aspects of the welfare program while in various villages. Mr. Harris said that generally 100% of their time would be on the food stamp program; however, if they were in a village and another problem needed attention, the worker would be requested to look into it. Mr. Borer asked how many vacant positions there are in Public Welfare. Mr. Harris replied 21. Mr. Borer asked if they filled these positions, would it be necessary to have the additional 20 for the food stamp program. Mr. Harris stated that the Division of Personnel has advised them that they can fill the positions for the food stamp program because it requires a bachelor's degree

and they don't have this classification in the vacant positions. Mr. Miller asked that someone from the Division of Personnel be asked to appear before the committee and explain why it is necessary to have a bachelor's degree for these positions. It was his feeling that this requirement would require bringing in people from outside the state and was eliminating a lot of people here in the state that could do the job.

Mr. Ray asked if it was correct that as of April 1 to inaugurate the food stamp program in Southeastern Alaska with the requested people, it would cost an additional \$17,650 -- disregarding anything else in addition to the \$20,000 in the supplemental. Mr. Harris answered yes. In reply to a question by Mr. Sackett if they anticipated any problem finding the personnel to start this program by April 1. Mr. Harris said that Personnel has assured them that they can have the required people.

In reply to a question, Mr. Harris said that the vacancies existing were not in the area of a bachelor's degree, they require a master's degree. Mr. Haugen asked how much salary would be paid these people with a bachelor's degree. Mr. Harris said it was set up for \$11,000 annually.

After further discussion relating to cost of the program, several amendments were suggested, but objection was heard. An amendment was offered to change the \$20,000 to \$50,000 with a letter of intent that the Department of Health & Welfare shall inaugurate the food stamp program as of April 1. In reply to questions on where the money would be used if passed as amended, Mr. Harris stated that they would follow the letter of intent as closely as possible where it would be of greatest advantage to the greatest number of people. Mr. Ray cautioned that they would not want all the money to go into one area.

Mr. Haugen asked for a vote of all those in favor of deleting the \$20,000 and replacing it with \$50,000. The motion carried. Mr. Ray moved and asked unanimous consent to report out HB 366 as amended with a "do pass" recommendation. There being no objection it was so ordered. Mr. Ray gave notice of reconsideration of his vote on HB 366. There was no objection.

Mr. Harris left at this time.

HB 169

Mr. Miller moved and asked unanimous consent that HOUSE BILL NO. 169 (exempting certain vehicles from annual license fees) be considered by the committee at this time. Mr. Miller read a letter from the Department of Revenue regarding this bill (copy in HB 169 file). Mr. Kerttula said that he understood that Revenue felt there would be some difficulty in administering this bill. He stated that this bill merely returns to certain resources -- farming, fishing, and mining -- a provision which they had until 3 years ago in that they could purchase licenses at 50% of cost after 6 months. This was about the first of September which coincided with harvest season. He explained that when he originally drafted the bill, the applicant would have to license two vehicles before this would be applicable. There are also weight limitations included in the measure. He explained further that there is a lot of interest in this bill as many farmers have certain vehicles which they use only during the harvest season.

General discussion followed on types of vehicles which would fall into this category; such as, 6 x 6's, flatbeds, dump trucks. Mr. Haugen questioned licensing of logging trucks that merely had to cross state highways. Mr. Kerttula felt that they were using the highways all year even though limited use and would have to be

fully licensed. If they are not used at all on state highways they do not have to be licensed. There was some discussion regarding application to area roads which are only maintained about 3 months out of the year and it is impossible for people to use their vehicles the balance of the time. It was felt by the committee that this would create a real problem of administration and enforcement. Mr. Kerttula advised that all other states have provisions for extra use vehicles and felt it would be to the best interest of the state to have this provision here also. Mr. Miller proposed the bill be amended to read:" On page 1, line 11, delete "who have paid the annual license tax on two vehicles." Page 1, line 13, delete comma after "year," and delete "other." Page 1, line 16, delete "90," insert "180." Mr. Miller moved and asked unanimous consent to report out HB 169 as amended with a "do pass" recommendation. There being no objection it was so ordered. Mr. Ray gave notice of reconsideration of his vote on HB 169 as amended, and asked that it be held over until tomorrow.

SB 263

Mr. Haugen moved and asked unaimous consent that SENATE BILL NO. 263 (filing fee for corporate annual reports) be considered by the committee at this time. There being no objection, it was so ordered. Mr. Haugen read a letter from the Department of Commerce relative to this bill. (See bill file) Mr. Borer moved and asked unaimous consent to report out SB 263 with a "do pass" recommendation. There being no objection, it was so ordered.

SB 185 am

Mr. Miller moved and asked unanimous consent that SENATE BILL NO. 185 am (relating to big game tags for musk oxen) be considered by the committee at this time. There being no objection, it was so ordered. Mr. Miller read a memo explaining the reason for the bill (in SB 185 file). He stated that the bill had come from the

House Resources Committee with all recommending "do pass" with the exception of one member. Mr. Sackett advised the group that he was not going to vote for the bill. He felt that they were just starting to build up the herd. It was for economy and getting an industry started and he was not in favor of the proposed hunt. There was considerable discussion relative to amendments to the bill covering fees for applying for permits to participate in drawing and amount to be charged for the big game tags. Mr. Sackett requested that someone from Fish & Game Department be called to testify before the committee so that they would have more information on this matter.

While they were waiting for a representative from Fish and Game to arrive, Mr. Haugen requested that they continue with other bills.

B 138

Mr. Miller moved and asked unanimous consent that SENATE BILL NO. 138 (creating an advisory board for Alaska Pioneers' Home) be considered by the committee at this time. There being no objection, it was so ordered.

Mr. Sassara entered the meeting at this time.

Mr. Miller explained that not long ago they had considered HB 410 creating a pioneers' advisory board requested by the Governor which would appoint 7 members to the board and which was amended to require that there must be one doctor in the group. The House Finance Committee had not gone along with this. Now a group of senators have introduced this bill doing much the same thing, except that it calls for 5 members on the board instead of 7 and they have to be pioneers. Mr. Miller stated that he frankly preferred the Governor's bill, but as this was a senate bill he

thought it should be amended and passed as a courtesy. There was some discussion on the definition of a "pioneer." Mr. Sassara suggested that they combine the better parts of each bill and prepare a committee substitute. Mr. Sassara moved that SB 138 with the State Affairs committee amendment and HB 410 be referred back to the subcommittee and that the subcommittee draft a House Finance Committee substitute for SB 138. No objection, and it was so ordered.

HB 434

Mr. Sassara moved and asked unanimous consent that HOUSE BILL NO. 434 (abolishing the Engineers and Architects fund) be considered by the committee at this time. There being no objection, it was so ordered. Mr. Sassara explained that this is the only board that still has a separate fund and all this bill would do is eliminate that statute from the books and the money would be carried in the General Fund. The revenues and costs of this are about equal. Revenues would go directly into the General Fund and monies appropriated from the General Fund to cover costs. Mr. Sassara moved and asked unanimous consent that HB 434 be reported out with a "do pass" recommendation. Objection was heard and then withdrawn. HB 434 was ordered out with a "do pass" recommendation. A 10 minute recess was called.

3:25 p.m.

SB 185 am
ht.

Mr. Haugen called the meeting back to order, with Mr. Cartwright from the Game Division of Fish and Game appearing to testify on SENATE BILL NO. 185. Mr. Haugen asked why they have to harvest 30 musk oxen. Mr. Cartwright explained that the Fish and Wildlife Service made an estimate that has been in effect for some years that 750 animals are about all these islands can hold. When there is a surplus, they have gone for experiments, transplants, and now for hunting. He said the animals that would be taken through hunting would be animals that would not be useful for other purposes. He said the mature bulls are too difficult to transplant and for this same reason they do not use them for experimental purposes. He said they contribute nothing to the breeding of musk oxen and they use the forage which could be better used for the younger animals. Mr. Borer asked why the department opposed the high tag fee and Mr. Cartwright explained that it necessarily limits the hunt to one segment of the population because of the high price tag. He also pointed out the fact that though the musk oxen are now very strange animals, after a few years it won't be such a trophy, and the tags might become extremely difficult to sell. Mr. Miller commented that if that should become the case, then they could lower the price at that time. Mr. Borer felt that since the island is in such a remote location that it would cost a great deal for anyone to get there so this would limit it anyway to those few who could afford the transportation. In answer to a question by Mr. Borer, Mr. Cartwright said the only other location where musk oxen are hunted

is in Canada, and only Natives may hunt them. Mr. Strandberg asked why they leave the bulls there in the first place and allow them to become old. Mr. Cartwright said it is so difficult and expensive to remove adult bulls (due to their enormous size) that they remove only calves. In answer to a question by Mr. Borer, he said about 5% to 10% of the herd are calves. It was decided by the committee that SB 185 would be redrafted in the form of a committee substitute and come before the committee for final consideration tomorrow.

HB 480

It was moved and unanimous consent was asked that HOUSE BILL NO. 480 (incentive payments to home owners damaged in August 1967 flood) be considered by the committee. There being no objection, it was so ordered. Mr. Miller reported to the committee that according to ASHA figures this bill would cost the state \$127,715 (See bill file for other figures concerning this). Mr. Borer disputed this figure and questioned Mr. Miller on the Department of Administration's findings on this. After a brief discussion by the committee, Mr. Strandberg asked Mr. Miller to consult with Mr. Ward on this since he administers the program. It was moved that the bill be returned to the subcommittee for further study. There being no objection, it was so ordered.

HB 438

It was moved and unanimous consent was asked that HOUSE BILL NO. 438 (relating to forms, registration and redemption of general obligation bonds) be considered by the committee. There being no objection it was so ordered. Mr. Borer explained the purpose of the bill (see bill file for letter) and answered numerous questions. It was moved and unanimous consent was asked that HB 438 be reported out with a "do pass" recommendation. Objection was heard, and Mr. Sassara stated he was not satisfied with the

explanation of the bill and said he would like someone from the administration to come in and explain why this bill is necessary. Mr. Borer said he would obtain more information and if this did not satisfy Mr. Sassara, then he agreed that they should bring in bond counsel to go into it with the committee. Meeting adjourned at 4:15 p.m.

HOUSE FINANCE COMMITTEE MEETING
February 15, 1968
8:30 a.m.

Present: Mr. Haugen called the meeting to order with all members present except Mr. Strandberg who had been excused to attend another meeting. Mr. Miller was also excused. Mr. Kleppen, Director of Personnel for Health & Welfare was present to discuss HOUSE BILL NO. 366 (Food Stamp Program) with the committee. Mr. Haugen asked what the reason was for requiring a master's degree of a person working on the food stamp program. Mr. Kleppen said this was not necessary but one of the requirements was a bachelor's; however, they are working on a program that will call for Eligibility Aides I and II. The I's would require an 8th grade education and the II's would need a high school diploma. He said they were working with Department of Administration on this since it is this department that actually writes the classifications.

Mr. Haugen said the concern was over the number of people needed to run the program and that the administrative cost being so out of line. He felt a welfare worker could supervise people in the villages and get away from plane fares for flying them into these areas so much, along with cutting down on high salaries. Mr. Kleppen said there were several Welfare Workers II that were scheduled to work on this but it is also his hope that they will only be working on a supervisory basis.

Mr. Ray suggested they use school teachers or postmasters in the villages, and Mr. Sackett pointed out that this had been very successful in the ASCAP program.

Mr. Borer noted that this was somewhat in conflict with what they were told yesterday by Mr. Harris -- as he understood it

the welfare workers were necessary in order to collect the 62 1/2% federal funds. He asked if this was a federal requirement and the basis for hiring people with degrees. Mr. Kleppen said the plan of using Eligibility Aides was worked out with Mr. Harris, Director of the Division of Public Welfare, and he was sure that if this was contrary to federal requirements, he would have said something.

Mr. Haugen asked what the salary was for a Welfare Worker I, and Mr. Kleppen told him it was a starting salary of \$647 a month. There being no further questions, Mr. Kleppen left the meeting at this time.

TB
Hearing

Mr. Lawrence J. Sullivan, Executive Director of the Alaska Tuberculosis Association appeared before the committee. A brief recess was called while awaiting the Health, Welfare and Education Committee.

Mr. Haugen opened the meeting again at 9:15. In addition to the members present earlier, Mr. Miller was present, along with Representatives Banfield and Hohman, and Mrs. Akiyama, a member of the board of Alaska Tuberculosis Association.

Mr. Sullivan gave a presentation on TB control in Alaska, showing the work being done and the State's part in continuing to improve health conditions. The first part of his report was devoted to different methods of control, and emphasized the work which has been done and its success in controlling TB. The second part of his report was to inform the members of the change of position the state must now take to continue the fight against TB. Due to a change in federal policy, the Health and Welfare Department rather than requesting grants for separate diseases, must ask for a block grant, and a council set up by the state will distribute

to the various associations the funds they feel are required. Mr. Sullivan wanted to make the point that TB in Alaska is not yet licked, and that it is important that there are adequate funds for TB control granted. Mr. Sassara indicated concern that the Council, appointed last summer to disburse the monies, has not yet met, and that even though the current federal program does not end until June, 1970, if arrangements are not made soon to get the money and determine how it will be disbursed, there will be a lapse in time in which funds for the various disease control programs will not be available. Mr. Borer pointed out, in response to Mr. Sassara's suggestion for a supplemental, that it would be appropriate to discuss the matter with Health and Welfare officials before making a judgment, and that they may be working on this matter already.

The meeting was adjourned at 9:45.

3:00 p.m.

Present: Mr. Strandberg called the meeting to order with all members present.

HB438 It was moved and unanimous consent was asked that HOUSE BILL NO. 438 (relating to the forms, registration and redemption of GO bonds) be considered by the committee. There being no objection it was so ordered. It was moved and unanimous consent was asked that HB 438 be reported out do pass. Mr. Sassara objected and said he would sign "no recommendation." The others signed "do pass."

HB169 It was moved and unanimous consent was asked that HOUSE BILL NO. 169 be considered by the committee (exempting certain vehicles from the annual license tax). There being no objection it was so ordered. Mr. Strandberg pointed out various points he did not like in the amendment as accepted by the committee the previous day (see page 112 of minutes). Mr. Kertulla returned to testify again on the bill. A committee substitute that had been prepared earlier was then considered by the committee. It was moved and unanimous consent was asked that CS FOR HB169 be adopted in lieu of HB169. There being no objection it was so ordered, and agreed to report the CS out with a "do pass" recommendation.

SB 138 It was moved and unanimous consent was asked that the committee consider SENATE BILL NO. 138 (Pioneers Advisory Board). No objection so ordered. After a brief discussion it was decided that Mr. Kubley of the Governor's office was needed to answer questions on proposed changes to the bill. While awaiting his arrival the committee proceeded on to other business.

HB 27 It was moved and unanimous consent was asked that the committee consider HOUSE BILL NO. 27 (notification of Dept. of Revenue of transfer of title for vehicles.) No objection so ordered.

Mr. Sassara read a letter from Dept. of Revenue concerning this bill (see bill file) which was not favorable to its passage. Mr. Ray felt that this was not necessarily the case and a long discussion ensued on ways that could solve the problem. Mr. Strandberg then noted that the bill had not yet gone to Judiciary and could not see how Finance could consider until the legal part of it had been studied. At this point, Mr. Ray decided to withdraw the bill for consideration, so it was referred back to the sub-committee.

SB185 am It was moved and unanimous consent was asked that SENATE BILL NO. 185 am (musk oxen) be considered by the committee. No objection so ordered. It was moved and unanimous consent was asked that HOUSE CS FOR SB 185 be adopted in lieu of SENATE BILL 185 am. There being no objection and it was then moved and unanimous consent was asked that HOUSE CS FOR SB 185 be reported out with a "do pass" recommendation. There being no objection it was so ordered.

SB138 Mr. Kubley from the Governor's office arrived and so SENATE BILL NO. 138 was again before the Finance Committee. Mr. Miller pointed out that the Governor's bill had put the Pioneer Advisory Board in Health and Welfare and questioned the wisdom of this. Mr. Kubley said this was an error, they wanted it in Department of Administration. He also said the provisions for per diem, etc., should also be included, so the bill was returned to the staff for a committee substitute to incorporate these changes.

The committee discussed briefly with Mr. Kubley HOUSE BILL NO. 407 and HOUSE BILL NO. 459 and Mr. Kubley was asked to contact Mr. Sharrock, Commissioner, Department of Commerce, and arrange a meeting for 9 a.m. tomorrow with the committee to discuss these bills.

Meeting adjourned 4:15 p.m.

HOUSE FINANCE COMMITTEE MEETING
February 16, 1968
8:30 a.m.

HB459 Present: All members were present except Mr. Strandberg who had another meeting, and Mr. Sackett who was excused. Also present were Commissioners Ward, Sharrock and Morrison, to testify on HOUSE BILL NO. 459 (relating to bonds as legal investments). Mr. Sharrock made an opening statement on the purpose of the bill and Mr. Morrison also made a few remarks. Mr. Morrison said that if a small bond issue of a political subdivision goes to market and they are unable to sell it this will give the state the discretion of buying the bonds and then when the state markets them, they are marketing a seasoned bond. He said the bill also covers the state problem of marketing a revenue bond during a high market. Mr. Sassara said he didn't realize this covered political subdivisions and Mr. Morrison said he was mistaken on that point.

Mr. Sassara asked if the state would bid on all revenue bonds, and Mr. Sharrock said no, he thought it would be used as kind of a last resort and they would fall back on this if the rates are too high. He said if they know the market conditions are such that they just don't want to go to market at that particular time then they will use this.

Mr. Sharrock pointed out that this should have been drafted as two separate bills -- Section 1,37.15.500 should be in one bill and the balance should be put in another. Mr. Miller questioned the (a) and (b) sections and Mr. Sharrock said they were referring in (a) to official state treasury and in (b) to funds in other funds such as teachers' retirement, etc.

Mr. Borer, in answer to a question by Mr. Sassara, said he thought the bill was abhorrent. He wanted to know if the bond buyers didn't want to buy the bonds if it would be prudent for the state to buy them. Mr. Sharrock said he felt that it would strengthen the state's position in the bond market -- that the buyers would feel that if the state were willing to buy their own bonds, they would have more faith in the state. He said this particular legislation would be limited because of the limitation of funds of the state to buy bonds and he thought there would be times when the state could not buy any, or if they did, it would only be a small amount. He said if the state isn't willing to buy its own bonds, then maybe the market will question buying them.

Mr. Sassara brought up the sale of the airport revenue bonds in 1961 and the fact that this issue was rejected because the carriers refused to sign long-term leases. Now that the airport activity is so great, he felt these bonds probably could be sold on the market; however, the market is worse and the money is tight now, and he thought the state might have to resort to buying these bonds if this legislation passes. Mr. Sassara thought it would be better for the state to go ahead and buy the bonds and finance the airport project, then to depend on marketing them. Mr. Haugen announced this hearing would continue at 1:30 p.m., and that they had a witness waiting to testify on another bill.

The committee had agreed to listen to testimony from Lt. Earl Hibpshman from Anchorage concerning HOUSE BILL NO. 31 (drivers' license -- plastic coated). He told the committee that he felt there was a great need for this legislation, and that it would be helpful for law enforcement in the field of bad checks, forgery and illegal purchase of alcoholic beverages. He pointed out how easy it was for a person to acquire three or four driver's licenses and thought with the picture attached, this would make it more difficult. He said it would be of assistance to merchants in cashing checks and also prevent juveniles from purchasing liquor. Mr. Sassara said he thought the licenses for juveniles were pink and for adults were green, so he couldn't understand why anyone would have trouble distinguishing between the two. Lt. Hibpshman said the important part of the license would be the picture. Mr. Miller noted that it would also prevent a 21-year old from loaning his license to a 19-year old to use for identification. Mr. Sassara said his major objection was that it put the state in the identification business. Lt. Hibpshman said they have suggested that this legislation be opened up to include non-drivers so they would be able to also have this kind of identification card.

There being no further questions from the committee, the meeting recessed at 10 a.m.

AFTER RECESS

1:40 p.m.

Present:

All members of the House Finance Committee were present except Mr. Sackett, who was excused. Also present were Mr. George Morrison, Commissioner of Revenue, and Mr. Sharrock, Commissioner of Commerce.

Chairman Strandberg opened the meeting with Messrs. Morrison and Sharrock to discuss HB's 459 and 407. Mr. Strandberg made the comment that HB 459 was to have been "deep sixed" but discussion on it continued. Mr. Strandberg expressed very definite disapproval of the bill, and Mr. Borer reiterated the disapproval he had expressed before recess. The bill provides that if underwriters can't be found for the bonds, the state will buy them, which Messrs. Strandberg and Borer expressed definite opinions against. Mr. Sharrock made the comment that if this bill does not go through, the bond people will not be very happy. They (the bond people) have added all measures they could to make the bill stronger, he said.

HB 459

Mr. Strandberg said that he would want to start out by striking the first section. Mr. Borer said the next two sections should be struck. (That being the entire bill.) Regarding Section two, item c, Mr. Strandberg said this was all right for general obligation bonds, but ridiculous for revenue bonds. There was discussion on roll-over of bonds. As a result of an attorney general's opinion, legislation passed last year regarding roll-over of bonds is being used contrary to the intent of the Legislature. Mr. Borer requested that Mr. Sharrock furnish the committee with a copy

of that opinion. Mr. Strandberg commented that since this was not the legislative intent of the measure, that it should be corrected by further legislation. Mr. Sharrock stated that the reason that the present legislation has been requested is to eliminate and meet problems of emergency situations when the market is bad and they don't want to sell bond anticipation notices. In response to comments from Mr. Borer on the imprudence of a blank authorization such as is provided in this bill Mr. Sharrock said that the intent of the legislation is not to use it except for real emergency situations. Mr. Strandberg pointed out, however, that the problem of the committee and the legislature is not necessarily intent of the people working now, but that it is necessary to look at what would happen if people decided to change the policies now in existence. Mr. Strandberg said that the committee had not been convinced that this legislation is needed. Mr. Sassara said that he admits the problem imposed by this bill, but can also see the other side. Mr. Strandberg said that in case of emergency, a direct appropriation would be a better measure than this proposal. Mr. Borer asked Mr. Sharrock why Alaska's bond counsel had been changed. Mr. Sharrock said that it was merely because it was felt that a western firm would be more understanding of Alaska's needs and problems than an eastern firm.

There was no further discussion on HB 459, and the bill was returned to the files.

Mr. Borer said that page one of HB 407, lines 22 through 28, did not make any sense to him. There was discussion on the

changes and general agreement that the section was not well worded. Mr. Strandberg asked Mr. Sharrock if there was a memo from bond counsel on why each of the changes had been made, and replied no. Mr. Sharrock explained that the bond counsel had made the changes but had not drafted the bill. Mr. Strandberg asked if bond counsel had seen the final draft of the bill, and Mr. Sharrock said they had not. Mr. Sharrock said that the bill had been designed for several reasons. One was to bring legislation up to date. Another reason was to strengthen the legislation from the standpoint of investors and have wording such that when bond counsel signs on the back of a bond it is salable and can recommend it. The third reason he gave was to make sure there would be no problems later on. Mr. Strandberg said this bill won't be given the "deep six", that the bond people are anxious to get this bill out. He said it is important to get the bond people here to talk, and asked Mr. Sharrock when they could get down.

Mr. Borer asked, regarding section 7, (beginning with page 4, line 27) whether this precludes an interest rate which, if redeemed at a premium in advance of maturity, would result in above 6% effective rate.

As there were so many areas of the bill being questioned and that were felt to need reworking, Mr. Strandberg suggested that the committee begin at the beginning of the bill and note changes to be made or questions to be cleared up. On the first page, the language in section 2, as Mr. Borer had earlier noted, needs to be cleared up. Discussion then began

on page 2, section 4. Mr. Borer asked Mr. Sharrock about putting moneys into the Bond Redemption Fund, and Mr. Sharrock said that was in the original act. In response to a question by Mr. Borer, Mr. Sharrock said that it was the trustee who invested the bond redemption fund. Discussion on the new provision for investment of moneys (starting with line 24, page 2) followed. Various members expressed the opinion that this was giving the bond committee a carte blanche. (Whereas the original act provided for investment in direct obligation bonds of the U. S., the new legislation would make no restrictions on the bond committee's investment.) Mr. Sharrock said the reason for this provision is that the investment could draw greater interest if invested somewhere other than in U. S. direct obligations. There was a great deal more discussion on this section. There was question whether according to the way the bill was written, redemption funds could be invested. Mr. Borer wanted to be sure it was made definite that the funds could be invested. This was emphasized as a very important point. Mr. Borer brought up the question why the moneys in Sec. 4 were being handled differently, with the one interest (page 3, lines 4 and 5) going into the construction fund, and the other (page 2, lines 4 and 5) into the bond redemption fund, when it is the same money. Mr. Sassara explained that although it is the same money, the interest is different. Mr. Strandberg asked Mr. Sharrock if he had thought of any possible underwriters for the bonds, to which Mr. Sharrock replied no, although he expects Alaska's new bond counsel to underwrite some. Question was raised regarding the need to add the words "and facilities for" on page 3, line 18.

The committee moved on to page 4, where Mr. Borer raised the same objection to lines 2 and 3 as he had to lines 24 and 25 of page 2; that is, that this provided a carte blanche for the Committee.

The point was made that as far as bond underwriters went, they probably would have preferred the old act to this new legislation. Discussion then followed on the interest rates discussed earlier. Moving on to page 5, Mr. Sharrock discussed the possibility of changing the 6% per annum (first paragraph) to 7% per annum. On page 6, the question was raised about the advisability of the use of the word "desirable" in line 6. Mr. Strandberg mentioned that a great many things could be thought desirable, depending upon definition, which would not be otherwise advisable. He wanted to know why that language was being used. At this point Mr. Strandberg said that the staff would make up a list of questions for the bond counsel in San Francisco, and wire it down, and a conference call could be arranged for answers, as there were so many different points which needed clarification.

On page 8, the question was raised why the section from the bottom of page 8 on was omitted. Mr. Sharrock said the fund was set up earlier in Section 5, page 3. Mr. Borer asked about the statement on lines 22-25 on page 9, ". . . the amount of any premium which might be paid to effect the redemption of the outstanding bonds being refunded shall not be considered in determining such effective rate of interest." This having been omitted, Mr. Borer wanted to know if this is now going to be considered.

Mr. Strandberg referred to page 10. There followed some discussion on selling bonds at lower than par. On page 11, the same question arose as had come up during the discussion on HB 459. The committee plans to delete much of the added section, leaving the banks, etc., but taking out the part about legal investments. Mr. Strandberg said they will go over in committee and outline the questions for bond counsel and arrange for a conference call. The committee recessed at 3:05 p.m. for 20 minutes.