

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2467

HOUSE FINANCE COMMITTEE

March 11, 1968

2:45 p.m.

Present: All members of the House Finance Committee were present, as well as Mr. Richard Freer and Miss Susie Harris from Budget and Management, and Dr. Hartman and Robert Thomas from the Department of Administration.

Meeting: Mr. Strandberg announced that the purpose of this meeting was for a budget review for the Department of Education. Copies of an analysis of increases and decreases between this year's budget authorization and the request for next year, including program revision, were passed around to all members. Dr. Hartman made some general remarks, explaining the rearrangement of various items in the budget, mentioning, for example, that the Museum is now under Administrative Services.

DEPT. OF
EDUCATION

GENERAL
ADMIN.
State Board
of Education

Mr. Strandberg asked Dr. Hartman to explain the increase in the State Board of Education. Dr. Hartman said the increase (of \$11,100) is mainly due to increased travel, and that there is an addition of one board member. In response to a comment by Mr. Ray, Mr. Freer said that this was mainly a reflection of the transfer of items within the budget; part had been moved over from Vocational Education and part from Vocational Rehabilitation, so that \$8200 of the \$10,200 travel increase is simply a transfer.

Commissioner's
Office

Mr. Strandberg asked if the increase in Code 100 was due to an increase merely in salary. Dr. Hartman said yes, that there were the same number of people, and that the \$9600 increase reflected

step increases. There was an \$800 increase in travel, which was balanced by an \$800 cut in equipment, Dr. Hartman said.

Mr. Strandberg asked if all of the meetings are necessary, to which Dr. Hartman replied yes. He said that 50% of them in one way or another deal with federal programs.

Mr. Ray left at this point, and Mr. Miller entered.

Advisory
Commissions
Code 100

The \$3,000 increase reflects the addition of one temporary part-time secretary. Mr. Strandberg said that Travel seems to be the main item, with an increase of \$11,400. Dr. Hartman said funds had been added from other areas to this item in the budget, and that of the increase, \$4,000 only is new to the budget. The other \$7400 is for Vocational Education and was formerly in their budget. Mr. Strandberg mentioned that federal program receipts are a little higher, and general fund receipts a little down.

Code 300

There is a decrease in Contractual Services from \$23,300 to \$13,700. Code 390 is cut back from \$20,500 to \$7,500. The \$13,000 cut back is a result of transferring funds to program budgets.

Staff
Development

Dr. Hartman said he would like \$6,000 in Staff Development. He said that they could program it somewhere else, but that they do feel there should be a program in which once a year there would be some place they could send professional people for a least a semester. Mr. Strandberg asked where the federal funds would be used if not used here. Dr. Hartman said they would probably be used to place Board members in some small school districts to teach about leadership functions, responsibility, etc. He said they could put more time and effort into work with the larger districts, but felt it was such a small amount. He said it could send people out on sabbatical leave. Asked why this was cut now, Mr. Freer said that it was cut on the basis that it is a new program.

ADMIN.
SERVICES
Director's
Office

Dr. Hartman said that the Department is willing to accept everything they have been given by the Governor's Review Committee, but, he said, he disagrees with the philosophy regarding the central duplicating service.

Mr. Sackett left.

Code 100 There is very little change in Personal Services. The \$8,700 increase reflects the addition of a clerk in the school lunch program, according to Mr. Thomas.

Code 200 Travel has been cut from last year to \$2,800.

Code 300 Mr. Strandberg asked ^{WHAT} the cause of the drop in contractual services from \$142,800 to \$4,700 was. Mr. Thomas said it is in the 900 series. Data processing is now an inter-agency charge. Mr. Strandberg noted a general fund increase from \$8900 to \$24,200. Mr. Borer brought up the subject of the central duplicating service. Dr. Hartman indicated that problems would arise of priority for getting work done, and that work would be impersonal. There was some further comments on this.

Mr. Strandberg left at this time.

Mr. Freer suggested that the Finance Committee set up a hearing dealing with the central duplicating service, not related to a particular department specifically, but just in general. Dr. Hartman requested to speak at the hearing when it comes up.

Mr. Haugen called a recess at 4:15, so that the members could go down on the floor.

AFTER RECESS
4:20

There are no real changes in Personal Services, just the standard personal services increase. Mr. Strandberg asked if the Department still does some of the accounting for smaller school districts, and

Budget &
Accounting
Code 100

Mr. Thomas said no, that they do auditing but would like to do this. There are no changes in Codes 200, 300, and 400. There is a cutback in Code 500, from \$2,000 to \$600.

Purchasing
& Property

Mr. Strandberg asked if there were any new positions in Purchasing and Property. He was answered no, that one had been lost. Code 200 was the same. On Contractual Services, Mr. Thomas was asked what equipment rental was, and answered primarily the Xerox machine. The \$2,000 Governor's allowance for stationery and supplies in Code 400, where \$10,000 had been requested, is related to this central duplicating service, it was stated.

Statist.
Services

There were no questions on Statistical Services.

Secretarial
Services

No questions.

School Lunch
& Milk

In Personal Services there is one additional person. In answer to a question by Mr. Borer, Dr. Hartman said that 874 funds should be put back into supporting this work. This increases the per pupil cost and helps in making application for 874 funds. Mr. Sackett asked if the school lunch program is in all rural state schools. Dr. Hartman said no, that there are Type B programs in 64 rural schools out of 100. In answer to another question by Mr. Sackett, Dr. Hartman explained that the Type E program does not have fresh milk, that it is a nutritional meal but that it does not meet the specifications for a Type A lunch. Mr. Sackett asked if the Department plans to include all of the rural schools at some time. Dr. Hartman said there are 64 schools with the Type B program and 9 with the Type A. Some new programs are being added but he was uncertain of the number. There were some further discussion of the lunch programs in general, with Dr. Hartman saying some school boards do not feel it necessary to have lunch programs.

Transportation This is the administrative end of Transportation. It is at about the same level as last year. Mr. Thomas said this is a case where there is a choice of putting pupil transportation in with the district funds where they have previously been or putting them in the program where they are actually administered. He asked for the opinion of the finance committee. Mr. Strandberg said the committee would like to see what each school unit is getting. Dr. Hartman said that the Board of Education suggested that the bus loading allocation for senior high students be changed from 3 in a seat to 2 in a seat. He said that the cost of this would come to approximately \$90,000. Mr. Ray asked about space available in hazardous areas. Dr. Hartman said they would ask for an Attorney General's opinion on the matter. He stated that any student living inside of a mile and a half is not eligible to ride the bus. The subject was pursued in further discussion. Mr. Strandberg raised a question as to the need for the change from three in a seat to two in a seat.

Historical
Museum

Code 100

The increase here, Mr. Thomas said, reflects the moving from the Scottish Rite Temple to the new museum building. There are also two new positions which have been added to take care of the department. Four positions had been requested, but only two granted. Mr. Ray asked why the illustrator had been cut out.

Messrs. Hangen and Sassara arrived.

Mr. Ray expressed concern over the personnel cutback from the Department request, and discussion followed. Contractual services was the same. Commodities was cut from \$9,100 to \$8,000.

Adjournment

The meeting adjourned at 4:50 p.m.

HOUSE FINANCE COMMITTEE

March 12, 1968

8:30 a.m.

Present: All members of the House Finance Committee were present, as well as Dick Freer from Budget and Management, Commissioner Hartman, Robert Thomas, and Dr. Marsh of the Department of Education.

INSTRUCTIONAL SERVICES

There is a cut in this budget. Dr. Marsh said it doesn't really represent a true picture. There wasn't really anything last year, because it was not set out as a separate unit as it is this year. He said that the Preschool and federal programs are almost all federal funds. Dr. Marsh expressed concern about the cut in Consultant Services from the Department request. (They were cut \$49,000 from the Department request.) He was concerned, he said, because consultant Services is the very heart of the Instructional Services program. He stated that in Code 300 of Consultant Services, materials are out of date. He explained that in 1965 the Department started out with federal funds under Title 5 for strengthening the Department. In the summer of 1966 the Department had asked the Legislature for approximately \$80,000 to do this strengthening project in two years. The Legislature didn't want to come up with that kind of money in two years, and asked that it be extended to four. This budget, he said, is for the fourth year. The \$17,000 cut from the request for contractual services is the only portion cut that really concerns him, he said, because this is for the completion of the final program. The memo from Mr. Ward (See Education file) recommends the reinstatement of this money. Mr. Strandberg raised the question of a freeze on the federal

funds. Dr. Hartman indicated that on capital funds there might be a freeze, but not on operating funds. In response to Mr. Miller's question about federal funds other than 874 funds being endangered, Dr. Hartman said he wasn't concerned, that there they have more latitude in adjusting than in 874 funds.

Director's Office

Mr. Miller asked about the increase in travel. Dr. Marsh said that the state curriculum committee is in this office, and there are nine people in this committee.

Federal Programs
Pre-school & Adult

No questions,

Dr. Marsh said this is largely an upgrading of adult education, particularly up through eighth grade. Dr. Hartman said they had additional funds this year, that they have increased the contribution from approximately \$50,000 to \$126,000 for education so next year because it is not reflected here, he said, they are not sure but they expect \$126,000 to \$128,000, and so will have to get executive approval. Dr. Marsh said that the additional education only goes up through the eighth grade and so for high school general fund money would be needed.

Consultant Services

Dr. Marsh reiterated his earlier statement that this is the one field about which he is concerned.

Certification

In Code 100, the increase is due to salary raise. In Code 300, the reason for the increase requested was that the Department had hoped to get records all on microfilm. Dr. Hartman said this just meant the department would have to proceed at a slightly slower rate, since the request was cut.

Respond. Courses

The only reduction is in salaries and commodities. Dr. Marsh stated that materials and supplies are purchased for wherever there are no elementary schools.

Special
Education

Dr. Marsh explained that Special Education provides training and aid for the handicapped, and he said the program is funded about 3/4 by Title VI, P.L. 89-10 (ESEA) and P.L. 85-926. He said they will be doing some contracting with the University of Alaska during the summer for teacher training programs. They will use the funds, he continued, on a short term basis to improve services to children by improving the abilities of the teachers. They have a consultant in Special Education, broken away from consultant Services because there is a special federal program for this. Dr. Marsh stated that he and the rest of the department are willing to go along with the program as set out now, with, however, the exception of the consultant services item previously mentioned, in which matter they are requesting the reinstatement of \$17,100 in contractual services. The other two areas of most importance, Dr. Marsh said, are marine science and aerospace. Mr. Miller inquired about highway safety programs. Dr. Marsh said they do have a program throughout some schools but they want to bring this program to all schools that want it. He said, however, that you must have a definite approach to how this is taught. The department would work only as a consultant in this program. There was further discussion on driver education programs.

STATE
OPERATED
SCHOOLS

Much of this increase comes in salaries. Dr. Hartman said. There are two reasons for this. There are the regular step increases on the salary scale, and some of the teachers are getting a bachelor's degree plus 18 or a master's degree plus 18 and are getting on another column of the salary schedule. There is an average \$250 to \$300 increase per teacher.

Director's
Office

The cut in the department request here, said Dr. Hartman, was mostly in travel, which was allowed \$7,800, and the request had

Code 200

been for \$19,100. He said the amount of money was to move the division of State Operated Schools to Anchorage, and said this has been under consideration for the past three years. He said about half of the staff is in Anchorage now. Moving this office to Anchorage is, he said, the recommendation of the State Board of Education. He said they can get along on less travel funds, though.

Code 300

In answer to a question by Mr. Borer, Dr. Hartman said that rent will have to be paid in Anchorage, where it is not in Juneau. In answer to a question by Mr. Haugen, Mr. Thomas said that Communications should be less and travel should be less as soon as the office is closer to the areas being served. There was a question raised on how the space the office now occupies in Juneau will be used, to which Dr. Hartman said it is not up to the Department of Education. In response to a question by Mr. Borer, Mr. Thomas said that the people in Anchorage now are being housed in the McKay Building and some on Elmendorf Air Force Base. It was stated that the Department can live with the cuts in codes 400 and 500.

Rural
Schools

The revised Governor's allowance for personal services in Rural Schools brings the figure from the original allowance of \$4,144,000 to \$4,283,500. Dr. Hartman stated that this does not give any latitude for new requests, and that it just covers requests that have been received to this date. (The Department request was for \$4,503,000.) Mr. Sackett requested more detail on this.

The committee recessed until 1:30 p.m.

HOUSE FINANCE COMMITTEE MEETING

March 12, 1968

1:30 p.m.

Present: All members of the House Finance Committee were in attendance.

The Department of Military Affairs was represented by

Military
Affairs
Budget
Review

Major General C. F. Necrason, Adjutant General; Brigadier
General Kenneth M. Taylor, Assistant Adjutant General (Air);

James Isbell, Director, Alaska Disaster Office; and Colonel

Glen Byington, Fiscal Officer. The purpose of the meeting

was to review the budget of the Department of Military

Affairs.

Tag &
Armories

Contractual
Services
(300)

Mr. Strandberg stated this budget had been reviewed earlier by the Senate Finance Committee and the Governor's review committee. Mr. Strandberg asked General Necrason if there had been any changes. General Necrason indicated a change in Contractual Services, under rents and utilities, which was originally increased by the Governor to \$16,200 (see Memorandum from Dept. of Administration, dated 2/7/68 in Military Affairs file). The Senate Finance Committee has reduced this sum to \$15,500. (Page 35 of Budget Request.)

Mr. Strandberg asked if there were any other changes proposed by the Senate. General Necrason stated that it has been recommended the Civil Air Patrol be raised from \$35,000 to \$45,000. The amount authorized in 67-68 was \$45,000. Necrason said he understood an additional \$5,000 was being considered recently, since the last search operation.

Civil Air
Patrol

Therefore, the CAP would be raised to a total of \$50,000. Necrason stated that \$15,000 of that sum would be used for the purchase of communications equipment. Strandberg asked if this was the CAP deal at Anchorage, and Necrason indicated that it was. Mr. Sassara asked General Necrason to confirm that the total amount authorized by the Senate was \$50,000, and Necrason stated that was his understanding.

Mr. Strandberg asked if there were any other changes, and if there were just those two: one for rent and the other for central communications? Necrason replied in the affirmative.

Mr. Sassara asked if there were any additional monies for the hiring of maintenance help. He said four or five thousand dollars would cover the cost of a part time maintenance man. General Taylor replied by saying the Civil Air Patrol had originally requested \$70,000, which was cut by the Governor's review committee to \$35,000. The Senate Review added \$10,000 and now he understands it has been raised another \$5,000.

Mr. Strandberg asked if there were any questions on this budget. He said it was the same as the budget prepared last year with exceptions as prepared by the Governor and submitted by the Governor.

Mr. Ray asked if there is a possibility the CAP would build a hangar down here. General Necrason said they had been given the National Guard hangar down here for their exclusive use. Mr. Miller asked the status of the Guard

armory expansions. General Necrason stated there were plans to increase the size of the armory with federal funds, but that it was currently only in the planning stage as no funds have been allocated yet. Mr. Miller asked if a maintenance shop had been planned for Fairbanks, and Necrason stated this is now under construction in Fairbanks. The construction started last fall after the flood and it will be completed in the summer. The money has been allocated for the one at Anchorage and it is now out for bid.

Mr. Strandberg stated the committee will rely on the Senate review of this budget request, and Mr. Sassara said he will not rely on the Senate review. Mr. Sassara asked why the CAP had been moved into the Military Affairs Department. General Necrason said it was moved at the recommendation of the Department of Commerce. The CAP would make a good contribution at a time of any disaster in the state. He also said, in answer to Mr. Sassara, that he believes the basic reason it was moved was that the headquarters of both departments is in Anchorage, and under one department there would exist better coordination between them, and together they would have better access to the Air Force. Mr. Sassara said they had come to him and wanted four or five thousand dollars for the Anchorage squadron. He said there was no one watching the hangar and there should be someone hired for building maintenance, record keeping,

etc. He suggested perhaps an older man could be hired for this for four or five thousand dollars. Mr. Sassara wondered if this item could have been included in the original \$70,000 request of the Civil Air Patrol. General Necrason said he had talked to Carter several times about this and would call him on his return to Anchorage. Mr. Sassara agreed that he should, and said, "or call Bud Brown".

Mr. Ray inquired if there is any connotation that these people are a part of the military and have the privileges extended to the military.

(Mr. LaRocca of the News-Miner entered the meeting.)

In answer to Mr. Ray, General Necrason answered that they are extended all privileges that can be extended, but regulations do not permit the extending of all privileges, such as base exchange privilege. He did state they can ride military airplanes.

Mr. Stranberg asked if there were any further questions, and Mr. Sassara said he would like to look further at the budget, and inquired about the amount in the travel allowance. General Isbell stated it was cut back to the same amount as 67-68. He had planned field trips to meet with the 85 city and area Civil Defense directors.

Mr. Borer inquired of the status of the Cordova hospital which was lost by fire. General Isbell said it was not likely it would be replaced because Alaska isn't authorized disaster hospitals. Mr. Strandberg explained to

the witnesses that under the provisions of disaster legislation recently passed they are automatically authorized up to \$5,000 without any action by the legislature. This money is from the Governor's contingency fund. General Isbell said he had been told this money wasn't available, and in answer to Mr. Sassara's question of whom had told him this, he replied, "Frankly, they didn't tell me. My administrator talked to the administrator in the Public Safety Department." Mr. Sassara said that was the wrong person to talk to. Mr. Strandberg said again that money was put into the fund to cover future disasters. If justified by the Governor, then the Governor automatically has \$5,000 without legislative appropriation. He also stated to the witnesses that this act was not in existence last year.

(Lael Morgan of Jessen's Weekly entered the meeting.)

Mr. Sassara said that if they are going to have a disaster office he wants to be sure they have travel money.

Mr. Sassara asked what property they would pay 40¢ a square foot for (Rents & Utilities), and General Isbell replied they are now occupying state-owned property on East 5th Avenue in Anchorage, and a warehouse. They are proposing to move. Mr. Sassara questioned the reason for the move, and General Isbell replied that the two buildings do not have adequate office space, they freeze every winter

Disaster
Office

Contractual
Services
(300)

and the heating bills are high. He indicated that it costs more than \$3,000 for heating. Mr. Strandberg said if there were any further questions on this item the committee would communicate with the department witnesses.

In answer to a question regarding office space on Tudor Road, General Isbell said he has recommended against it because it would ruin the warehouse and would take the Disaster Office three or four miles from the other state offices.

Adjournment: The meeting adjourned at 1:50 p.m. Mr. Strandberg announced a 7:30 p.m. meeting with Education at 7:30 p.m.

After Recess
7:30 p.m.

Present: All members were present except Messrs. Haugen and Borer who were in a subcommittee meeting, and Mr. Sassara. Also present were Dick Freer, and Commissioner Hartman and Bob Thomas.

Rural
Schools
Code 200

Mr. Strandberg asked Mr. Freer why the travel had been cut. Mr. Freer said that about \$22,000 was related to travel for the Division of Buildings which is in a 900 expenditure code for next year. The rest of the cut was related to prior year's expenditures and general holding back on travel. The Governor's allowance had cut travel from \$47,200 this year to \$10,000. They are requesting the reinstatement of \$15,000, however, to bring this figure up to \$25,000, Mr. Freer said. Dr. Hartman said this is quite satisfactory.

Code 300

The revised Governor's allowance on this is \$627,000, which was the original department request.

Code 400

Regarding commodities, Dr. Hartman said he thinks the figure is low but says he can't justify any more. People in Rural Schools think it is low, and he said he is a little uneasy about the cut, but can't justify more. He wanted the record to state his uneasiness about this. Mr. Sackett asked how the cut in code 470 is justified. Dr. Hartman said the supplies can be supplemented with Title 1 funds and if they run short, monies can be moved from other items in Code 400 to supplement further. Mr. Strandberg said if there were insufficient funds they would just have to request a supplement next year. Mr. Ray asked about the \$28,000 for the Soup Program. Dr. Hartman said this is funded by Title I. All the state needs to purchase is the soup itself for these type B lunches. USDA furnishes the rest. Mr. Ray then inquired about the lunch program in code 490, and Dr. Hartman explained that this is for Type A lunches for 9 schools, and that the 430 money

is for Type B lunches for 64 schools. Dr. Hartman said that for these Type A lunches, the State receives 15¢ per lunch. The cost per year per pupil is \$125.00. He explained that different charges are made to students for these lunches, depending on the area in which they live (e.g. 10¢ per lunch in Fort Yukon, 40¢ to 45¢ per lunch at Adak), He said that the different charges are based on the economic level of the community. Type B lunches have no cost to the pupil. Mr. Sackett pointed out that contrary to what had been earlier said, Russian Mission is included in the lunch program. Mr. Ray expressed dissatisfaction with the system of charging different costs for the Type A lunches, and recommended a more unified cost. Mr. Ray brought up the subject of school transportation again. Mr. Sackett pointed out that Cantwell does have a Type B lunch program, contrary to what had been stated earlier. Mr. Ray suggested that there is an analogy between the differing costs for Type A school lunches and the transportation problem. There was slight discussion on the matter.

Equipment

There is a cut in equipment from \$114,700 to \$25,000. Dr. Hartman said this is an area in which the equipment either could be or could get along without being replaced. \$31,000 of this equipment figure is for teacherages. Much of the equipment should be replaced but it is not entirely necessary. Mr. Strandberg said that probably the large appropriation for this year is the reason the Budget Review Committee cut the allowance for next year. Mr. Freer said that was on the basis of the heavy expenditure for this year that the Review Committee cut back. Next year, he said, it may be necessary to increase it again. Mr. Strandberg asked if the classroom furniture money was mainly for replacements, and was

answered yes. He asked about new furniture for new schools, and Dr. Hartman said that generally there is extra furniture in some places, and also that oftentimes funds are included in appropriations for building that cover the furniture needed in a school. Mr. Sackett asked with regard to custodial work how the cutback would affect the maintenance of these schools. Dr. Hartman said that a comprehensive detail has been worked out on this and that the Department is satisfied that the custodial job can be done with the funds provided. Dr. Hartman said he would like it recorded that he feels the Department has no latitude in personal services for teachers in schools that may come in between now and August, but he said at this time he feels the Department 's adequately covered. Mr. Strandberg asked Mr. Freer to explain maintenance costs. Mr. Freer said that all of the money that the Department of Education is going to pay over to the Division of Buildings has been placed in the 900 codes. He said that \$445,000 which was previously budgeted in personal services is now in this 900 category. He said there is \$94,400 to continue maintenance for ASHA programs. In answer to a question by Mr. Strandberg, Mr. Freer said this is money paid to the Division of Buildings, not to ASHA. They are just ASHA built facilities. Mr. Freer said that the rental part of maintenance is under the 300's, and the balance in the 900's.

On base
Schools
Code 100

Under Personal Services, Mr. Strandberg noted they were requesting \$69,400 for new positions, and got \$30,700. Mr. Freer said that approximately \$160,000 relates to salary increases for state employees. Dr. Hartman said about 65% of these teachers are staying on. Regarding the positions deleted from the request for Kodiak and Adak, Dr. Hartman said that they need a minimum

of one cook and three kitchen helpers for each . There hasn't been enough allowed to cover these, and he said 8 new positions are really needed. (Out of the 12 requested, 6 were granted.) Mr. Strandberg asked if this had been taken up with Budget Review. Mr. Freer said he didn't remember it. Dr. Hartman remarked that they expect receipts coming into these programs to offset much of the expense. He expects Adak to be self-sustaining, and said he feels very strongly about this. He explained that the lunch program there came about because there was a cafeteria facility provided in the school and the parents were requesting it, but that the students do live close enough to go home for lunch.

Mr. Ray asked about the \$110,000 for On-Base maintenance. Dr. Hartman said that this goes to the Division of Buildings to maintain these buildings. The cost goes into 874 entitlement. The State recovers reasonably well - from 90 to 95%.

Code 200

The revised Governor's allowance adds \$10,000 to their original allowance of \$6,000 bringing it up to \$16,000.

Code 300

Mr. Freer said the cut reflects money going to Division of Buildings. This is at the 66-67 level now, and Mr. Freer said he felt it reasonable. Dr. Hartman said that Mr. Armstrong said that they need a minimum of \$10,000 in Code 380, which the Governor's allowance completely cut. (sex education) This was for programs such as

Code 400

This was dropped to \$359,000 by the Review Committee. Mr. Freer said that \$51,000 in the current year goes to Division of Buildings. Dr. Hartman said this is one of the areas in which they requested an increase but didn't get anywhere. The original request for 450 was \$58,500, and they were allowed \$5,000. Dr. Hartman said that wouldn't even be sufficient to take care of Eielson, alone, and he felt that \$58,500 is justified. There was slight discussion on furnishing the custodial supplies which ended with Mr. Strandberg

directing Dr. Hartman and Mr. Thomas to find out what the Division of Buildings would be providing to see what funds would be needed if they are not supplying such items as toilet paper, soap, etc.

Equipment

The revised Governor's allowance provides for an increase from the original allowance to \$52,000.

There followed a discussion on 874 funds with reference to cost per pupil to the schools and to the effect of a cut on 874 funds.

Regional Schools

Dr. Hartman said that two years ago this was a very high operating per student unit so the 874 entitlement will be very high for FY 69.

There was a discussion on a gymnasium for the Beltz school.

Code 100

No questions.

Code 200

The Governor's revised allowance raises Travel to \$16,000.

Code 300

Mr. Freer said the Governor's revised allowance raises Contractual Services to \$148,500.

Code 400

The Department request was allowed by the Governor's Committee.

Code 500

No questions.

Federal Programs

This is administration primarily. Mr. Strandberg made the comment that if this money (ESEA Title I federal funds) is not received, it's not spent, and Dr. Hartman concurred.

It was brought out that under code 470, some of these funds can be used in other programs where there have been cuts.

DISTRICT SCHOOL SUPPORT

There was a discussion on non-resident tuition, and the payment to districts for students in unorganized borough. The discussion followed the lines of the payment to the districts and the need for a system that is more fair to the districts, as those with large non-resident student body are losing money they deserve. Mr. Strandberg asked for recommendations on remedying this and requested that a memorandum explaining Mr. Thomas' recommendation be prepared.

HOUSE FINANCE COMMITTEE MEETING
March 13, 1968
8:45 a.m.

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

Mr. Strandberg opened the meeting and announced that the committee would consider for introduction a bill relating to the pay plan for certain state employees. After a brief discussion of the proposed bill, Mr. Strandberg moved and asked unanimous consent that the Finance Committee introduce the proposed pay plan bill. There being no objection, it was so ordered. Mr. Strandberg stated the bill would be introduced without a committee report.

Recess: The committee recessed briefly while awaiting representatives from Department of Education.

9:00 a.m.

Budget
Review
Department
of
Education

(Cont.)

District
School

Dr. Cliff Hartman, Commissioner of Education, Mr. Robert Thomas, Director, Administrative Services, and Mr. Dick Freer, Budget and Management, were present to continue budget review for Department of Education.

Mr. Strandberg asked Dr. Hartman to give a brief statement on the District School Support section of the budget.

Dr. Hartman told the committee that enrollment in district schools has risen from 50,000 to approximately 55,000 students for the coming year and this is the reason for most of the increase in the foundation program. The increase in pupil transportation, according to Dr. Hartman, is partially due to new contracts being written. He said one-third of these contracts are renewed on a three-year basis. The reason for the three-year award is so that the contractor has some assurance that he will be in business for that period of time. On Teachers' Retirement, Dr. Hartman said this was well set out in the statutes, no flexibility, and the increase from \$825,600 (FY67-68) to \$1,040,000 for this year was due to normal increase in salaries, size of staff, etc. He said on public school foundation, they did not budget for the proposed Anchorage kindergarten, but if it should go through, it would mean another \$450,000. He said they would put this in under a supplemental next year since it would be May before the decision is made. Mr. Sassara asked how much would lapse in this area, and Dr. Hartman told him that they had to ask for a supplemental in this so not likely there would be any lapse. He said the reason for the supplemental was because Anchorage had about 1000 more students than had

originally been predicted. Dr. Hartman explained to the committee that this growth factor is extremely difficult to predict, and Mr. Strandberg noted that the statute is written so that they have to come in with a supplemental if this figure is off.

Pupil Transportation

Dr. Hartman added to his earlier remarks on pupil transportation and said that of the approximately 3500 student increase in this area, that at least one-half would need bus transportation so this too is contributing to the rise in this appropriation. Dr. Hartman mentioned the proposal of the possibility of increasing this amount in order that high school students could sit two to a seat instead of the present three. Mr. Strandberg allowed as how the little ones could share with the big ones and the committee agreed this was a luxury that could be bypassed at this time.

Non-Resident Tuition

Dr. Hartman said that Nenana (47%), Wrangell (39%) and Petersburg (29%) are the towns hardest hit by this tuition formula. He felt this was the reason for most of Nenana's problems and they are working on a way to solve it.

In answer to a question by Mr. Sackett, Dr. Hartman assured him that if students in Minto decide to attend school/ⁱⁿFairbanks that this non-resident tuition will cover them. He said there should be sufficient funds to cover this unless a large number applied and then they would come in with a supplemental.

Mr. Borer brought up the subject of Tyonek paying their share for schools. Dr. Hartman told him there was no way of telling what their contribution was, and Mr. Strandberg directed him to check on this and find out and report to the committee.

Mr. Strandberg said they are going to set up a meeting on the whole problem of small districts.

Johnson-
O'Malley

Dr. Hartman stated that this is direct school support from Johnson O'Malley aid to the various districts for special programs. No questions.

Juveniles in
Detention

The original \$270,700 requested by the Department was cut to \$68,600 by Dr. Hartman and he told the committee that he may have cut it too much, but it was the result of a conversation he had had with Dr. John Chapman, former Commissioner of Health and Welfare. Dr. Chapman had told him he did not feel they would have a great number of students this year. Later, in talking with Mr. Lauber, Deputy Commissioner of Health and Welfare, it was indicated by him that there would be a larger number of students than originally planned on. He said that since they have no additional information to justify Mr. Lauber's statement, he did not feel he could request an increase. Dr. Hartman said this would be done on a contract basis with the Anchorage school district and 't could also be limited by classroom space. Mr. Sassara pointed out that they are required by law to educate these children. Dr. Hartman was asked to check further on this and notify the committee of his findings.

Sabbatical
leave

Only a brief discussion on this and no questions.

Vocational
Education

Dr. Hartman said there was no change in the total budget except in federal MDTA funds. Mr. Borer queried the \$22,500 (page 48, Budget request book) for program in fishing. Dr. Hartman said this would be used on a request basis so he was unable to say just where or how it would be used. Mr. Strandberg told him to find out just who is going to be taught how to fish, and put it in the form of a memo to the committee.

Dr. Hartman explained at some length on how MDTA funds could not be spent on any program unless it was approved by the Department

MDTA

of Labor. He said Labor makes a survey and then determines where the need is the greatest. Mr. Strandberg noted they had spent \$900,000 in FY 67-68 and he would like to see some results from this program. Dr. Hartman said he would furnish the committee with a copy of the report on the MDTA in Alaska. Mr. Ray left the meeting.

State Libraries

It was noted that State Libraries previously had 9 employees, and were allowed 3 new ones, for a total of 12 for FY68-69. Mr. Borer referred to page 93 of the Budget Request book, and asked if the federal funds are applied through the state. Dr. Hartman replied in the affirmative. Mr. Borer asked the status of these funds at the present time, and Mr. Thomas told him that the money was there awaiting applications.

Vocational Rehab

Mr. Borer questioned Dr. Hartman on the liaison between Health and Welfare and the Vocational Rehabilitation people. Dr. Hartman said it was very good both with Youth and Adult Authority and the Division of Health. Dr. Hartman told the committee that the Director of Vocational Rehabilitation has been working for over a year now on trying to get additional federal funds. It seems that a state with small population such as Alaska is at a disadvantage in getting its share of these funds but they were hopeful that more would be forthcoming.

SouthCentral Project

Mr. Strandberg reminded Dr. Hartman that the Finance Committee had unsuccessfully tried to discontinue this program last year because of the big jump in general fund money for it. Dr. Hartman said they are now trying to phase this out.

Statewide Planning

Dr. Hartman said this was 100% federally funded and that it would run for another year. The purpose of the program is to catalog

the number of disabled within the state and prepare a program for those needing rehabilitation, either due to mental or physical disabilities. He said once this project is completed, then the Department of Health and Welfare will maintain a register of these people so they will know where the help is needed. Mr. Strandberg asked if this was another one of the federal programs that start out with 100 percent funds, then drops rapidly so that the state ends up picking up the tab. Dr. Hartman said he had checked this out before applying for this program and that it would be dropped when the federal funds ran out. Mr. Borer asked if this tied in, in any way, with the bill that is before the legislature on a case registry, and Hartman agreed that it did; he had discussed this with others and there is a possibility that they can get the formula revised on this program to include the one in the proposed legislation, but until this is worked out there is no way to get federal funds for it.

Alaska
Psychi. Inst.

Mr. Freer was asked if the program for vocational rehabilitation under this appropriation could possibly be a duplication of other programs. Mr. Freer said he would look into it and report back to the committee.

Workshop &
Facilities

Mr. Strandberg noted that this was also a new program, and Mr. Borer pointed out that it was quite similar to one in Health and Welfare budget. Mr. Strandberg directed Mr. Freer to check on this one, too, and inform the committee, as he wanted no overlapping of these programs.

Disability
Determinations

Mr. Strandberg wanted to know what would happen to all the employees that would be hired for all of these new programs. Dr. Hartman said the director would be hired on contract and terminated when the programs were completed. Dr. Hartman told the committee that under the program of Disability Determinations that his department works with Employment Security, and if they have someone who needs rehabilitating, ESC provides the funds and this section does the rehabilitation.

Mr. Ray returned to the meeting.

Deleted
Programs

Mr. Thomas was asked about the Title I, Rural Schools, being deleted, and he said this was now included in the state operated schools.

There were no further questions on this review.

Mr. Strandberg said they would recess until 1:30 at which time Public Safety would be closed out. Mr. Haugen and Mr. Borer had arranged for a subcommittee meeting with Fish and Game at 10:00 a.m. and would not be reporting for roll call in the House.

HOUSE FINANCE COMMITTEE MEETING
March 13, 1968
1:55 p.m.

Present:

All members of the House Finance Committee were present except Messrs. Borer and Haugen who were excused. Also present was Mr. Richard W. Freer, Director of the Division of Management, Department of the Administration.

DEPARTMENT
PUBLIC SAFETY

Mr. Strandberg called the meeting to order for the purpose of closing the budget of the Department of Public Safety. He called the members attention to a memorandum addressed to him as chairman of the committee from Mr. Mel J. Personett, Commissioner of Public Safety, setting forth costs for additional troopers. (See Public Safety file.)

Commissioner's
Office

Mr. Miller moved and asked unanimous consent that the total figure of \$78,500 be accepted for the Commissioner's office. No objection, so ordered.

Management
Services

The entire function of the Management Services program has been transferred to a new division entitled Technical Services. There were no questions concerning this item.

Rescue & Relief

Mr. Freer explained the amount for this item, \$5,500, is at the 1967-68 level, and \$3,050 was spent for Rescue and Relief of Lost Persons last year. Mr. Miller moved and asked unanimous consent that the sum of \$5500 be

accepted for this item. Mr. Sassara objected, and asked what liability the state might incur under this program. Mr. Strandberg asked Mr. Dean of Legislative Affairs to determine the answer to Mr. Sassara's question. Mr. Sassara removed his objection. There being no objection, it was so ordered.

General
Administration

Mr. Miller moved and asked unanimous consent that the total figure of \$84,000 be allowed for General Administration of the Department of Public Safety. No objection, so ordered.

Messrs. Sackett and Miller left the meeting.

Messrs. Borer and Haugen entered the meeting.

Technical
Services

The Division of Technical Services is new, and was created as a result of reorganization of the Department. Mr. Freer explained the commissioner of the department had originally requested a total of 126 new positions which were meant to enable the department to fully implement its programs. These positions were disallowed by budget review. Mr. Strandberg added that costs for a move from the present quarters had also been included in the original request, but that the department has now abandoned the idea of such a move. Mr. Haugen moved and asked unanimous consent that the amount of \$182,600 be allowed for Personal Services. No objection, so ordered. Mr. Freer explained that the employees in this new division had been transferred from the former division of Management Services.

Personal
Services
(100)

Mr. Haugen moved and asked unanimous consent that

Travel
(200)

the sum of \$6,000 be allowed for travel for Technical Services, and there being no objection, it was so ordered.

Contractual Services
(300)

Mr. Strandberg stated the rent included under this item is sufficient to meet the present needs in the space presently occupied. Mr. Haugen moved the sum of \$10,600 be allowed for Contractual Services, and there being no objection, it was so ordered.

Commodities
(400)

Mr. Borer moved and asked unanimous consent that the sum of \$5,100 be allowed for Commodities. There being no objection, it was so ordered.

Equipment
(500)

Mr. Freer stated the department request was based upon the requested new positions, which were not allowed. Mr. Haugen moved and asked unanimous consent that the sum of \$500 be allowed for Equipment, and there being no objection, it was so ordered.

Inter-Agency Charges
(900)

Mr. Strandberg stated there had been no change in this item from the governor's recommendation, and consists of the following: Central Duplicating, \$2,500; and services by the Division of Data Processing:

HSIS Highway Safety Act	\$35,000
Criminal Justice	10,000
ADIS - General	11,000

for a total of \$58,500. Mr. Haugen moved and asked unanimous consent that this item be allowed in the sum of \$58,500. There being no objection, it was so ordered.

Mr. Haugen moved and asked that the total sum of

\$263,500 be allowed for Technical Services. There being no objection, it was so ordered.

Fire Prevention

The committee next considered the item of fire prevention. Mr. Strandberg stated that no question was raised by Mr. Personett on this item, and the sum allowed by the budget review committee is approximately the same as that appropriated last year. Mr. Haugen moved and asked unanimous consent that the sum of \$121,200 be allowed for Fire Protection. There being no objection, it was so ordered.

Mr. Ray asked if troopers are qualified to work on marijuana cases, and was told by Mr. Strandberg that this matter could be discussed later when the matter of the troopers came up.

Disaster Office

This office has been transferred to the Department of Military Affairs.

Division Headquarters

Mr. Freer said the headquarters' office of the State police is in Juneau. Mr. Strandberg said that when the budget was prepared it included the full complement of men so that the department could fully implement its program. The new positions were not approved by budget review. Three positions have been transferred from headquarters to the Technical Services Division. Mr. Haugen moved and asked unanimous consent that the sum of \$249,000 be allowed for Division Headquarters. There being no objection, it was so ordered. The sum of \$249,000

includes \$6,600 allowed by budget review committee for Personal Services (100); the sum of \$8,500 requested by the Governor for plastic licenses, (Item 320, Printing and Advertising, Commodities); and the sum of \$600 (as requested by the Governor) for Equipment (500) for the new authorized position, for a total addition of \$15,700 to the original budget review allowance of \$233,300.

Mr. Ray asked if a trooper had been allowed for the Governor. Mr. Strandberg stated that no letter of request on this subject had been received from the Governor's office. Mr. Strandberg stated the committee does not necessarily go along with all requests made by a commissioner.

Mr. Strandberg referred to the memorandum, dated March 11, 1968, directed to him as committee chairman, from Mr. Personett, Commissioner of the Department of Public Safety, regarding the department's request for additional troopers. (See Public Safety file). Mr. Freer explained, when asked by Mr. Strandberg for the administration's recommendation, that Mr. Personett has recommended these three troopers work out of Juneau: one of the troopers will be in the new station at Petersburg, one will be used to augment the present staff at Ketchikan, and one trooper will be promoted to sergeant and will be stationed at Ketchikan. This will increase the cost over and above the budget review by \$17,800 for the Southeast

Division. Mr. Ray stated that he does not necessarily agree with the commissioner. Mr. Borer asked if Petersburg now has a trooper, and when he determined that Petersburg does not have a trooper, he asked if they want one. Mr. Haugen stated that Petersburg definitely wants a trooper and had previously been promised one, but as yet they do not have a trooper. He feels every community of over 2,000 should have a trooper. He discovered the trooper which had been promised to Petersburg in Fairbanks last year for the Centennial. He feels a trooper in Petersburg could serve Kake, too. Mr. Borer suggested that the trooper in Petersburg be on a contractual basis, where the city pays some of the amount. Mr. Haugen stated he will urge the Petersburg city council to do this. He said he had been promoting this idea for years. The present police force in Petersburg patrols only within the city limits, and he feels that the new logging operation at Kake will promote additional problems, and a trooper for the Petersburg-Kake area is needed. In answer to a question from Mr. Ray, he said Petersburg was not trying to take a trooper from Juneau, but that there had been talk about having a trooper in Petersburg for years.

There ensued a discussion relating to the troopers stationed at Juneau. Mr. Strandberg inquired of Mr. Freer how the department intended to meet the needs at Juneau if transfers were made out of Juneau. Mr. Freer stated

Southeastern
Division

that the department request in the memorandum of March 11, 1966, relates to new positions next year, and instead of putting these men in Juneau they will go to Petersburg and Ketchikan. This increase will give Ketchikan a sergeant, a corporal and three troopers. Mr. Strandberg suggested that the Petersburg trooper be added, but that the other two positions requested not be approved. Mr. Freer stated the Petersburg position would add \$9,000 to the budget: Personal Services, \$300; Travel \$500; Contractual Services \$4,300; and \$3,900 for a vehicle under Equipment. Therefore, the sum allowed for the Southeastern Region is \$428,900 including the amount for the new trooper at Petersburg. Mr. Haugen moved and asked unanimous consent that the amount allowed for the Southeastern Region be \$428,900. There being no objection, it was so ordered. Mr. Borer moved the committee instruct the Commissioner of Public Safety in a letter of legislative intent to work out contractual arrangement with the City of Petersburg for the payment of the new trooper. Mr. Haugen supplemented the motion by stating that the committee will direct the Department of Public Safety to activate the Petersburg office no later than July 1, 1968. There being no objection, it was so ordered.

LEGISLATIVE
INTENT

Mr. Strandberg stated that two new troopers are to be assigned to Juneau, and suggested that the committee urge the department not to assign these men to roving patrol. Mr. Ray said the department would use the men as it saw fit, anyway. Mr. Strandberg agreed.

Southcentral
Division

Mr. Freer stated that out of 43 positions requested by the department, budget review allowed 8 new positions (7 uniformed troopers and one radio dispatcher). Five of these men were to be assigned to Anchorage, where there is the greatest need, one to roving patrol, and one to Kenai. However, Mr. Personett stated in his testimony before the committee on March 9, 1968, that he intends to use four of these men in Anchorage, one in Bethel (Aniak), one on the Aleutian chain (Cold Bay), and one in Kenai. He set out the added request for the cost of these positions in his memorandum of March 11, 1968. \$19,000 additional is requested for the Cold Bay position, \$5,600 additional for the Bethel-Aniak position, and \$3,300 additional for the Kenai position. Mr. Freer stated that the greater sum for Cold Bay includes the moving costs and the cost of a trailer for housing. Mr. Freer stated that this new arrangement takes the services of three troopers away from Anchorage, though they will be working from the Anchorage office. It does mean that existing employees in Anchorage would not have to take time to service Cold Bay, Aniak and Kenai. Mr. Strandberg moved and asked unanimous consent

that the total sum of \$1,292,500 (which is \$1,264,600 allowed by budget review plus \$27,900 additional requested by Mr. Personett for the three troopers at Kenai, Cold Bay and Aniak) be allowed for the Southcentral Region, and there being no objection, it was so ordered.

Mr. Borer moved the committee instruct the Commissioner of Public Safety in a letter of legislative intent to arrange with Greater Anchorage Borough for a contractual agreement for the payment of the troopers, and thus provide additional police protection for Anchorage.

Mr. Personett's memorandum of March 11, 1968, requested additional sums for the proposed addition of two troopers to be stationed at Fort Yukon and Barrow, as follows:

Fort Yukon:	Personal Services	\$11,600
	Travel	400
	Contractual Services	2,950
	Commodities	750
	Equipment	1,800
Barrow:	Personal Services	23,200
	Travel	800
	Contractual Services	5,900
	Commodities	1,500
	Equipment	3,600

Mr. Freer stated that if quarters are found for the troopers in Barrow and Fort Yukon the additional funds requested will be spent. The troopers will be taken out of Fairbanks. Mr. Strandberg questioned the Personal Services item for Barrow at \$23,200. The committee agreed to extend to Public Safety the additional total sum of

LEGISLATIVE
INTENT

Northwestern
Region

\$30,000 for Fort Yukon and Barrow, which increases the total allowance for the Northwestern region to \$829,400. The sum of \$30,000 which is added to the Northwestern region is a compromise figure to that submitted by the Commissioner of the Department of Public Safety. The committee questioned the amount requested for personal services for the Barrow trooper. Mr. Strandberg stated that this additional \$30,000 would be clarified in the letter of legislative intent.

Mr. Borer moved and asked unanimous consent that the amount of \$829,400 be allowed for the Northwestern Region, and there being no objection, it was so ordered.

The committee recessed until 7:30 p.m.

LEGISLATIVE
INTENT

SS:

HOUSE FINANCE COMMITTEE MEETING

March 13, 1968

7:30 p.m.

Present:

All members of the House Finance Committee were present except Mr. Ray, who had been excused, and Mr. Sassara. Also present were Melvin L. Cook, deputy commissioner; Tracy D. Kaldor, administrative director; Harry A. Wakefield, Jr., director of Aviation, Department of Public Works; Mr. Jerry Kempton of the Federal Aviation Agency; Richard W. Freeman, director, and Gene Smith of the Division of Budget & Management, Department of Administration.

DEPARTMENT
OF PUBLIC
WORKS

Division of
Aviation

Budget
Review

Mr. Strandberg opened the meeting and said the committee wished to discuss the total average aviation program based on the state's participation, plus the federal matching funds that we must have to implement the program. The committee would like to know just where the state stands as far as allotments are concerned and the federal program. Whether we have used up federal funds available and if there are any discretionary funds available. He stated that the bond issue bill has not been received in the House Finance Committee yet, but the committee would like to know how much money is going to be required so the state doesn't get caught short as it did two years ago.

Mr. Strandberg then introduced Mr. Kempton who is the director of Aviation for the Federal Aviation Agency. Mr. Strandberg asked Mr. Kempton to explain to the committee about federal participation and discretionary funds.

Mr. Kempton said that the bond issue passed two years ago was two years late and that the state had the two year apportionment sitting there because they didn't have the

matching funds to use it. With that two year delay the state was not able to get any discretionary funds for Fiscal 68. Now all the money that was laying there is under allocation and the state will receive \$1.5 million in discretionary funds because the matching money is there. He stated that the FAA would be submitting the program for Alaska projects the first of next week, and that program will use up all but a little bit of the funds from the last bond issue. He reminded the committee that the FAAP (Federal Aid to Airport Program) had been extended four years and has one year to go. The program was for \$75 million per year for all states and found it covered only about one quarter of the needs. It is anticipated that the program will be larger. He warned that as far as discretionary funds are concerned, Alaska is battling with all the other states for this money and must have the matching funds and firm projects programmed to get this money. He briefly listed some of the projects which are already committed and those for which requests are being submitted. He said consideration is being given to a program in aviation similar to the highway program -- a trust fund type of operation -- to increase funds available. This would be set up by a head tax or additional fuel tax. It is estimated that this will provide in the neighborhood of four times the present \$75 million now being provided. He also stated that most of the projects started last year are really moving along.

Mr. Strandberg asked about the new program. Mr. Kempton said that the Department of Transportation is supposed to come out with their recommendations about April 1. The projection right now is that it will be similar to the highway program and that it will also cover navigational aids. He said if you build airports without safety aids you are only doing one-half of the job. He said the FAA thinks this is going to be a much better program.

Mr. Strandberg asked where Alaska stands under this new projection. Mr. Kempton replied that Transportation hasn't released the recommendations yet and he was not at liberty to disclose any information.

Mr. Strandberg asked if there was any chance of being worse off with the new program. Mr. Kempton replied that he didn't have any idea--it would be based on area and/or population.

Mr. Strandberg noted that Alaska had come out well on the highway program, but if it is based on user program the state would be in tough shape.

Mr. Wakefield stated that Alaska has been so high under the present program that he didn't see how the federal could reverse their position too much. He felt the worst thing would be that the state would not be able to match the ratio. Mr. Strandberg asked if the ratio had been set and Mr. Kempton replied that he hadn't heard yet. He said that it was recognized that smaller areas would not be able to carry the load and he thought there would still be a matching deal.

Mr. Strandberg asked if it was fairly certain that the program will go through. Mr. Kempton replied that there is a bill in as it will take legislation and was sure it will be coming out this session.

Discussion followed on getting the bond issue before the voters and possibility of not having matching funds available.

Mr. Kempton said that funds are authorized for Fiscal '70 and the state request would have to come in next year.

In reply to a question by Mr. Strandberg on whether it could wait until after the election, Mr. Kempton said yes.

Mr. Strandberg said that what he was worried about was putting a bond issue before the voters and then having the program changed and not having enough money to cover the state's share.

Senators V. Phillips and Haggland joined the meeting.

Mr. Kempton said the \$8 million he had heard mentioned would be enough to cover the present program.

Mr. Strandberg said that it was hard to get the Legislature to pass a bond issue based on something which had not passed the Congress yet. Mr. Wakefield said that the bill is in committee in Congress; however, he has not seen a copy of the bill yet.

Mr. Sassara joined the meeting.

Mr. Wakefield stated that the \$8 million will carry the state for 3 years with the present \$3.9 million --about \$12 million in federal money. Mr. Strandberg asked if this would take care of the discretionary money. Mr. Wakefield said no, it will take about \$10 million to take care of the discretionary. He stated that a 5 year program would require about \$13 million.

Mr. Strandberg said that we provide enough money in the bond issue to take care of discretionary funds as well as the federal program funding.

Mr. Cook said that the figure is based on funding secondary airports out of the aviation fuel tax. Previously these airports have been funded under FAAP. Mr. Strandberg said there is not enough money from the aviation fuel tax to take care of maintenance, let alone any capital improvements. Mr. Cook said that revenue is now \$750,000 and that is increasing every year.

Mr. Strandberg said that we are trying to come to some conclusions, because the whole program is tied in with FAA, as to what the level of the bond issue should be to put before the voters. Then we will have to tell the Legislature what you intend to construct with the bond money. If the department wants to eliminate the construction of the smaller airports out of FAAP money, then it will have to be added to the bond issue. We will have to write it in because there is no way to get money into the fund for maintenance--it will just have to come out of the General Fund.

Mr. Strandberg asked that the committee be furnished with this year's schedule showing the total money needed to fund FAAP, plus discretionary money, plus any possible construction the department wishes to do outside of the FAAP program.

Mr. Wakefield said they had a list prepared. Mr. Strandberg requested that copies be furnished for the committee.

Mr. Wakefield then read the list of projects for Fiscal 69 and said copies would be provided. In reply to a question by Mr. Strandberg on whether these projects have been gone over with the FAA, Mr. Wakefield said yes.

Discussion ensued regarding the secondary airports which the department planned to eliminate from FAAP. It was felt by the department that they would be able to construct airports which will meet the needs of these various areas, but would not have to meet the higher standards required by projects funded under FAAP.

Mr. Strandberg asked about proposed projects beyond 1969 F.Y. in view of the proposed bond issue. Mr. Wakefield then read the list of projects proposed for F.Y. 1970.

There was a short discussion on priorities, which will depend on the outcome of the bond issue. Mr. Wakefield then read the list of projects proposed for 1971 F.Y.

It was pointed out that anticipated discretionary funds had been included in these figures. It was stated that there is no way of knowing whether discretionary funds would be available and they should not be included.

Mr. Strandberg said to advise the committee what the department will get in FAAP funds and let the committee do the figuring on estimated discretionary funds that may be available. He also mentioned their estimated figure of \$750,000 a year for capital improvements for the smaller airports and said there was no way to finance this out of the aviation fuel tax--it would just mean that they would have to go to the General Fund for the other things this tax is now paying for.

Mr. Wakefield said that the money for these capital improvements at the smaller fields would have to come from someplace as they are badly needed and it would probably be safer to include it in the bond issue.

Mr. Strandberg noted that there was \$1.9 million in the budget for capital improvements--he felt that this amount will be reduced and included in the bond issue. He reiterated that capital improvements just can't be funded from the General Fund as it can't stand it. At least they should have it out there so the Finance committees can make the decision on whether to include it in the bond issue or go along with their proposal. He stated that the state is having a hard time getting a tax increase on aviation fuel to get rid of the landing fee charge.

Mr. Wakefield said they felt that the department has a good program but said it could change slightly because conditions do not remain the same for a three year period. The program has been coordinated very closely with other agencies.

Mr. Strandberg asked where Ketchikan is on the program.

Mr. Wakefield said that hopefully 68-69. He said the economic feasibility study backs them up and that this airport will do a lot toward getting Southeastern off floats and on wheels. He said that a hearing had been held in Ketchikan in February and there was some opposition from Metlakatla, however there was little knowledgeable opposition, mostly sentimental.

Mr. Sassara asked if the FAA has established minimums for the Ketchikan airport. Mr. Wakefield replied that they could not establish minimums until they definitely locate the airport. He anticipated that the minimums would be similar to Juneau in that they will be high at first and then come down. He also said in comparison, the proposed site at Ketchikan would have a better approach than Boeing Field in Seattle.

Discussion ensued relative to the Wrangell and Petersburg airports. Mr. Kempton said that the Wrangell project was included in the program which will be sent to Washington the first of next week. Petersburg is about a year behind Wrangell--Mr. Cook said that it is included in the F.Y. '72 program.

In reply to a question regarding operation of these airports in Southeastern, Mr. Wakefield mentioned that there are three alternatives: 1. A maintenance contract with the city; 2. Lease the airport to the city--similar to the way the airport at Sitka is being handled; and 3. Remain completely under state operation and maintenance. He said he would go over these in more detail with Mr. Haugen at his convenience.

Mr. Kerttula joined the meeting.

Mr. Miller asked about the airport at Chalkyitsik as he had understood it was supposed to be in the program this year. Mr. Kempton said that it had been included for FAAP funds but could not stand up to other projects--there were three times as many requests as there was money.

Mr. Miller asked about other small airports which have "soft" landing strips and wanted to know if necessary work on these airports would be considered as construction projects or repair (he mentioned Venetie, Tetlin and Northway). Mr. Wakefield replied that he didn't know as he did not know the condition of the fields. Mr. Sackett mentioned that he could name about 20 more that were in similar shape. There was further discussion on standards for construction by the FAA and the possibility of the state building satisfactory airports in the smaller areas which will be cheaper to build.

Mr. Strandberg requested that the committee be furnished copies of the list of projects.

Mr. Freer said that the committee would be furnished the back up material that Aviation had provided Administration to come up with the \$8 million for the proposed bond issue. This information had been included in a letter dated February 2 to Governor Hickel and a copy of it would be furnished. He then read a listing of figures based on the 60-40 ratio to carry the program through 1971.

Mr. Strandberg noted that this was only taking care of \$1 million in discretionary funds and asked what was a reasonable figure to expect. Mr. Kempton said that last year it was \$1.5 million and the state stands a good chance of receiving that amount again.

There was some discussion relative to municipally owned airports and requests by them for federal monies and discretionary funds. Mr. Wakefield said that the requests for these funds have to come through the state and that

they would have to be based on long range planning because it would not be possible to include them in a request at the last minute. He said that all requests by municipalities would receive full consideration for inclusion in the programs.

Mr. Strandberg said he wanted copies of the capital improvement program.

Mr. Strandberg brought out that FAAP funds cannot be used for maintenance, but asked if FAA did not require certain standards of maintenance. Mr. Wakefield replied that it was necessary and that every month the Division of Aviation receives an inspection report from FAA with their findings. Deficiencies are corrected and it is very rare that there are any repeats in the reports.

Mr. Sassara asked if the final phase for Wrangell was in Fiscal '70, and what the state would have. The answer was yes and that there would be a 5,000 foot gravel surface strip -- the next phase is scheduled for '71--increase to 7200' and would include hard surface with lighting and navigational aids. Discussion on the Petersburg airport brought out that a different type of construction had been necessary there and one of the reasons it was a year behind Wrangell is that it has to "set" for a longer period of time. In reply to a question by Mr. Strandberg relative to the Bethel airport, Mr. Kempton said that FAA has a request for aid for the first phase on this airport.

Mr. Kerttula left the meeting.

Mr. Strandberg briefly discussed the close out money for projects which are not finished up and asked Mr. Kempton how they were coming along on that. Mr. Kempton said pretty well--that money normally goes into the discretionary fund and they are picking up the backlog.

Mr. Strandberg said they wanted to get into the maintenance portion of the Aviation budget and reminded the department that the Chairman and Vice Chairman of the Senate Finance committee was sitting in on the discussion and all requests made by the House Finance Committee should also be furnished to the Senate Finance Committee.

Mr. Wakefield advised the committee that he had had a meeting with Mr. Brown (FAA) and his staff regarding the contract with FAA in remote sites. They have agreed to furnish power where they can and to do maintenance on roads to the navigational aids, etc. Mr. Wakefield stated that the equipment in these areas are in a deplorable condition. He cited Bettles as an example and said there were 16 vehicles there and one man--it takes all the man's time to keep the vehicles in operating condition and leaves no time to do the maintenance necessary. He said that there would be improved maintenance of the fields and equipment if the state would authorize another man at 6 to 9 of these sites. Mr. Brown will have a formal proposal on this matter on Friday which Mr. Wakefield will get down to the committee before the committee considers these things. There is a possibility that FAA will furnish additional money if the state will go along with these extra people--no additional cost to the state and there would be much better

maintenance at these airports. He said that this came up so suddenly that he was not prepared to make a formal statement at this time but would have something down to show what it can do by the first of the week.

Mr. Strandberg asked if the FAA will fund the additional personnel to get the additional work. Mr. Wakefield replied that they will give us a contract that won't cost the state additional money.

Mr. Miller said he thought that the legislature had authorized a special fund last year for airport maintenance.

Mr. Freer stated that \$100,000 had been set up in reserve in Administration for use if needed. He stated that no requests have come in for any of this money. Upon questioning on why they haven't used any of this money if they are so short of maintenance money. Mr. Kaldor said that it had been the understanding of the department that the money was only to be used if the department went "broke" in operational funds.

Mr. Strandberg said the department would be in trouble if they didn't use this money and then come in requesting two or three times as much for maintenance. Mr. Borer reminded the committee that there is still one-third of the year for which this money was authorized and that it will undoubtedly be used. Discussion followed on possible areas where maintenance is sorely needed and the funds can be utilized.

Mr. Wakefield mentioned several airports and type of maintenance required. He mentioned that several of the carriers

have gone from the 180 type planes to the twin Otters and jets which require greater field maintenance. He explained that this is one of the major reasons in the increased request for additional maintenance money and that the equipment now at these fields is just too old and in too poor shape to do the job.

Mr. Strandberg asked what they had requested. Mr. Wakefield said the biggest request was for new equipment. One item was taken out as Fish & Game had moved two trailers into King Salmon and relieved the housing situation there.

Mr. Hohman entered the meeting.

Mr. Strandberg said that last year there had been so many complaints regarding the maintenance of the airfields and asked if it was the same this year. Mr. Wakefield stated that there are some on the smaller airports but not on the larger ones.

Mr. Strandberg said that it is hoped to get a 1¢ raise in the aviation gas tax and get rid of the landing fee. He stated that all of the carriers have endorsed this proposal with the exception of Northwest. It is hoped that the state will realize more money from the tax than they have received from the landing fees.

Discussion was held on maintenance of small airports by communities. It was brought out that few of these people have had any experience in this line and without proper training it was difficult for the community to perform the job.

Mr. Sassara asked what the experience has been in collecting the landing fees. Mr. Wakefield said that the fees are coming in very good. In reply to a question on how the department verifies these receipts, Mr. Kaldor stated that the airport manager at the various fields submits a monthly report.

Mr. Strandberg remarked on the parking fees and felt that they were discriminatory against the regular users of an airport.

Discussion ensued regarding bonded fuel. Mr. Cook stated that he felt that taxes could be collected on this fuel. Mr. Strandberg said that there is a court decision on that matter and a tax cannot be collected. Mr. Wakefield said that the Attorney General has stated that it is questionable on whether we can tax bonded fuel.

Mr. Strandberg explained that the 1-1/2¢ per gallon flowage fee had been set up several years ago when a revenue bond issue was being prepared. The carriers had agreed to this as a service charge for use of the airport and funds so collected were to be used for airport improvements. There is some question on whether the carriers have to pay this charge.

Mr. Strandberg said there would be a 10 minute recess. Recessed at 9:10 p.m.

Mr. Strandberg reconvened the meeting at 9:20 and said they would discuss the maintenance problems. He asked Mr. Freer if the state had ever bonded for equipment.

Mr. Freer said no--it has always been paid by direct appropriation. Mr. Strandberg said that the money was put in a working capital fund for replacement of equipment on the basis of so much each year. Mr. Freer said it was set up on basis of a five year period originally.

Mr. Wakefield said that almost all the equipment is old and worn out and is so expensive to maintain. He felt that it is important to come up with an orderly program for purchase of new equipment--the question is just what an orderly program would be. It would have to be on a priority basis and consideration given with regard to the newer type of aircraft being used. He stated that are in real need of fire-fighting equipment at Cold Bay. He said Cold Bay rates second in use in the entire state. Discussion centered on needed equipment at various areas throughout the state. Mr. Strandberg asked if equipment was the main problem as far as maintenance was concerned. Mr. Wakefield said that it was one of the major areas, but that fuel is another critical area. He stated that the amounts requested for fuel have fluctuated as they have been able to scrounge from other areas.

It was also brought out that there are many of the state airports--there are a total of approximately 400--where it is impossible to maintain in the winter with the resources that are available.

Discussion returned to the Working Capital Fund which is handled by the Department of Highways. In response to a question about purchase of new equipment through this source, Mr. Kaldor advised the committee that Public Works has never

received any new equipment through the Department of Highways, Public Works has always had to buy the equipment, turn it over to Highways and then use it under a rental agreement based on depreciation. They operate under two different types of rental agreement--wet and dry. Wet rental is where Highways furnishes maintenance, fuel and oil for the equipment--dry rental the using agency furnishes the maintenance, fuel and oil.

Mr. Strandberg asked if it was possible to get any of the needed equipment through surplus, possibly through the Federal Aviation Agency. It was explained that formerly it was possible, but that any equipment surplus to the FAA has to be used for airports. Mr. Kempton said that they had turned some surplus equipment over to Highways and that department had in turn had sold it as surplus and FAA had not been able to straighten out their records and have to account for this equipment to GSA. However, the commissioner of highways has now promised that any equipment they can get from FAA will not be sold. Mr. Wakefield said he felt they would still be getting old equipment which would require large expenditures to maintain. Mr. Kempton stated that occasionally there are good pieces of equipment available on surplus. Mr. Wakefield did not feel this would be the answer to the problem. Mr. Strandberg stated that he had looked over the budget and that the General Fund couldn't stand it. Mr. Wakefield said that some of the equipment has higher priority and it should be gone over item by item and start on an orderly

purchase of new equipment or they are going to be in worse shape.

Mr. Strandberg mentioned one job where highways had sent 4 trucks into an area and at the end of 10 days only one was still running. It didn't seem to him that we had come very far in eight years toward training people to maintain the equipment.

Mr. Wakefield admitted that this is a problem area; however, the division was able to bring in some of their people from outlying areas to get together with the National Guard in Anchorage where they were given training in maintaining the type of equipment used in their area. Mr. Wakefield felt this was a step in the right direction.

Mr. Strandberg recessed the meeting until 9:00 tomorrow morning. Recessed at 9:35 p.m.

HOUSE FINANCE COMMITTEE

March 14, 1968

9:00 a.m.

Present: All members of the House Finance Committee were present except Mr. Sassara who was excused. Also present was Senator Blodgett of the Senate Finance Committee. Messrs. Freer and Smith of Budget and Management were present along with Melvin L. Cook, Deputy Commissioner of Public Works; Tracy D. Kaldor, Administrative Director of Public Works; Larry A. Wakefield, Jr., Director of Aviation, and Jerry Kempton of the Federal Aviation Agency.

PUBLIC WORKS
DIVISION OF AVIATION

General Admin:

Personal Services
Code 100

Travel
Code 200

Mr. Strandberg asked if the positions zeroed out were the ones transferred down here, and Mr. Wakefield said they were. Mr. Kaldor said the position of Accountant I zeroed out was a reclassified position and it was a mistake to be taken out of the budget. Mr. Wakefield said it is going to be extremely difficult not to have any accounting help but that they would see how it works out next year. He indicated that he was already finding that he needs somebody. Mr. Strandberg said he didn't think it is a good idea to do it. Mr. Freer said they are recommending the reclassified position to be put back. Mr. Strandberg requested that a copy of the letter be furnished the committee. Mr. Strandberg asked what the cut here is. Mr. Freer said it is just a general cut in outside travel. Mr. Wakefield said that outside travel has been cut all the way through the budget. It is not something, he said, that you can ever say is absolutely necessary, but really the only way to keep up on the latest techniques and developments is to attend these outside technical meetings. Mr. Ray noted that the Airport Operators Council Int'l Conference has been left in.

Mr. Strandberg requested Mr. Freer to review travel allowed for auditing functions out of Juneau along with the reclassification.

Contractual
Services
Code 300

Mr. Wakefield said they could live with this, with the exception of the cut in Code 330, which is for rents and utilities. The Governor's Review Committee allowed \$36,000, and the actual lease itself is \$39,500 per year. Mr. Freer said that there was enough of a total increase to pick up the additional money. Mr. Wakefield said that the narrative justification for Code 360 is misprinted, that the automobile is \$720 and the Xerox machine is what the \$2,400 is for. Therefore, he said, the \$1200 is not sufficient. It was pointed out that apparently the Xerox machine was rented this year without any budgetary provision. Mr. Strandberg suggested that funds could be found within the total for this rental. Mr. Sackett asked whether the airport directory is finished, and was answered no.

Commodities
Code 400
Equipment
Code 500

No changes.

The position of Clerk in the supply unit was removed, so the desk, chair, and legal file requested for this position are also removed. Mr. Strandberg directed Mr. Freer to take note of this if the position is reinstated.

Airport
Operations

Mr. Strandberg asked what had been done at Yakutat that positions were deleted. Mr. Freer said that the Department of Highways took over. In addition, he continued in response to further questioning by Mr. Strandberg, there is about a \$4,000 reduction in temporary help and overtime.

Personal
Services
(100)

Mr. Strandberg mentioned that last year it had been felt that this was a tight budget. Mr. Wakefield said it is an area where no one can tell how much is going to be required and it is based on past experience--about what will be required in line with increased responsibility.

Mr. Freer stated that the total for funding current positions is shown on page 69--\$623,500--and on page 70 shows the increase for new positions--\$57,000.

In reply to a question by Mr. Strandberg on what the total for Airport Operations is, Mr. Freer stated that last year it was \$1,745,700 which included \$100,000 in a separate reserve fund; this year the \$100,000 is not set out separately and the total is \$1,957,600 or an increase of approximately \$212,000.

There was some discussion regarding specific positions at various locations. Mr. Blodgett questioned the removal of two positions from the Nome area. Mr. Freer explained that these two positions had been transferred to Highways. Mr. Blodgett said he had checked Highways budget and no increase is shown for personnel there. Mr. Strandberg requested that Mr. Freer check to see that the additional people are in the Highway budget to take care of these positions. Mr. Freer said he was sure they were in, but he would double check on it.

Mr. Blodgett also questioned the number of months allowed for temporary help in the Central and Northwestern area and why it had been reduced . It was explained that the budget is flexible enough so that if additional time is needed it will be covered.

Travel
(200)

No questions on this item.

Contractual
Services
(300)

Mr. Strandberg stated that the committee would take a good hard look at this item. He noted that the department had requested \$111,000 in code 330 for electricity, etc. He felt this item could get us into trouble as they had only been authorized \$54,800 for the current year. The review committee had allowed \$85,000. Mr. Wakefield said he thought they could live with the \$85,000. In reply to a question on how the department justified the requested increase, Mr. Kaldor stated that the bills were running higher than anticipated. Mr. Blodgett brought up the increased request under communications and suggested that there be more use of the teletype. Mr. Kaldor said that teletypes are only located in Anchorage and Fairbanks. Discussion then reverted to the increased utility costs. Mr. Strandberg requested Mr. Freer to check out costs in this area through March 1st and advise the committee of his findings.

Mr. Sassara joined the meeting.

Discussion then went to code 360, equipment rental. Mr. Wakefield reiterated that the equipment is in poor shape and needs replacing. Mr. Blodgett brought out that he feels the allowance is too lean in this area. Mr. Strandberg said he had a question mark on this item also. Mr. Freer thought that in the overall allowance for this code it would be sufficient. Mr. Strandberg requested that Mr. Freer check out code 360 and advise the committee how this is running. Mr. Blodgett also questioned code 390 and Mr. Strandberg asked Mr. Freer to check that out with the other items. He suggested that the special fund might be used to advantage in this area.

In reply to a question by Mr. Sassara on how many airports the state had picked up in the past couple of years, he was told the 18 intermediate airports, plus Cold Bay. Mr. Blodgett noted that the Cold Bay airport is operating in the black at the present time due to the Vietnam situation, but if that is settled, Cold Bay could very well go into the red. Mr. Kaldor said that investigation of use indicates that there will still be enough traffic through there. Mr. Wakefield started to discuss the proposed apron and taxiway at Cold Bay, but Mr. Strandberg said that would be taken up under the Capital Improvement program.

There was a short discussion relative to training of the people in the smaller communities to maintain their airports.

Commodities
(400)

Mr. Wakefield said that fuel was the major concern in this area. Mr. Freer stated that here again it was felt that there is enough variation in these items to take care of any shortage that might occur here. Mr. Strandberg requested that Mr. Freer check this out on the basis of the information given the committee last night as he felt there might be a problem here.

Equipment
(500)

Mr. Wakefield mentioned that this subject had been quite thoroughly discussed last night and he thought it had been resolved to the point where he thought it was satisfactory for another year. Mr. Strandberg said it was up to the committee to make the policy decision on whether or not to go into the purchase of new equipment. He requested that Mr. Wakefield leave the memorandum with the committee showing priorities and reasons for the priorities.

Mr. Strandberg stated that the equipment is needed, it is just a question of whether we are going to be able to give it to them or not.

Code 600

There was general discussion of the projects listed under this item. It was suggested that some of these might be accomplished out of the \$100,000 reserve fund for maintenance.

Mr. Strandberg called a 10 minute recess at 10:20 a.m.

Mr. Strandberg reconvened the meeting at 10:30 a.m. Mr. Ray and Mr. Sassara were excused. Mr. Strandberg said they would proceed with the budget review and would now take up the Anchorage International Airport.

ANCHORAGE
INTERN'L
AIRPORT

Personal
Services
(100)

Mr. Freer explained that the major change between the current budget and next year is in the maintenance of the terminal as they have changed from force account to contracts. There is an actual reduction in Personal Services, but a large increase in Contractual services. No further questions on this item.

Travel
(200)

There was no particular problem in this area.

Contractual
Services
(300)

The increases in this code were explained as being the result of completion of the new concourse and contracting the janitorial services. It was noted that the old "concourse" area has been completely rented which will result in some revenue. General discussion on the new concourse and advantages of it. It was noted that it will be in operation for approximately 8 months of this next year.

Commodities
(400)

It was noted that the major increase in this item was under 450. It was explained that this is caused by operation of the new concourse and certain amount of refurbishing which will have

to be done to the present terminal. This item also covers materials needed to keep the security and fire-fighting equipment in good shape. There was some discussion relative to plumbing and boiler repair and the trash receptacles. Mr. Kaldor explained that one of the larger increases was under field maintenance - \$24,950 - which had not been included under this code last year.

Equipment
(500)

Mr. Strandberg noted that there was a pretty healthy increase under this item. Mr. Borer asked what the department plans to do with the present sno-go equipment at the airport. Mr. Strandberg suggested that they be returned to highways and fixed up and then sent out to some of the airfields in need of this type of equipment. Mr. Wakefield agreed this would be a good idea, but mentioned that the department would have to rent the equipment from Highways and the equipment rental budget would go up. Mr. Borer also suggested that the present rescue truck be sent out to Cold Bay when the new one is received. It was felt that this would be a good idea.

FAIRBANKS
INTERN'L
AIRPORT
Personal
Services
(100)

It was noted that there is one less position. Mr. Freer said the position had been transferred to Airport Operations. In reply to a question regarding janitorial services at the Fairbanks Airport, it was explained that this service has always been on a contractual basis.

Travel
(200)

There were no particular questions relative to this item. In reply to a question on whether the Fairbanks Airport Manager was under the Anchorage Airport Manager, it was stated that he is under direct supervision of the director.

Contractual
Services
(300)

It was noted that there didn't seem to be any particular problem in this area. Mr. Miller noted that the appearance of the terminal has improved in the last year--mostly the floor. Mr. Wakefield said that the department is considering carpeting the entire terminal. He stated that they have received a proposal from a company to install 5,000 yards of carpeting at \$14 per square yard and maintain it at 95% of new condition. It was felt that this would be a good move and many members of the committee spoke in favor of the idea. It was brought out that it would cost in the area of \$6,000 a month, but present janitorial services are costing the state between \$8,000 and \$9,000 per month. It was brought out that this is commercial carpeting and not the indoor-outdoor type. In reply to a question, it was stated that it would have to go out to bid; however, it is possible that it could be negotiated. In reply to a question on whether the contractor would follow through on his maintenance agreements, it was pointed out that the contractor would have to furnish performance bonds, etc.

Commodities
(400)

No questions on this item.

Equipment
(500)

No questions on this item.

Code 600

There was a short discussion relative to the painting of the terminal building and some question on whether it would be possible to get a good paint job for the amount of money set up in the budget.

ENGINEERING
AND ADMINIS-
TRATION
Personal
Services
(100)

It was explained that during the past year the Division of Aviation has split the Engineering Administration into three functional sections--planning, design and construction--because the section had become too unwieldy. The division now has a small planning sections consisting of two planners and a secretary. When a project moves out of the planning section it goes to design who takes over and does the the site selection and surveys. The design section also does the actual design for smaller projects; however, the larger projects are put out to architectural firms. After approval for federal funds for construction, the project is bid and then is under the supervision of the construction section. There was some discussion relative to the bookkeeping problems as salaries, etc. are charged to the projects. There was considerable discussion relative to the number of positions because the overall authorization for the current year is shown under Construction & Administration and it was difficult to relate to the requests shown for next year.

Travel
(200)

It was noted that all outside travel had been cancelled. Mr. Wakefield felt that the technical people should attend the AOCI meeting in order to keep abreast of new developments.

Contractual
Services
(300)

The major cut in this item was under 360, equipment rental. There was considerable discussion relative to the MTST (typewriter). Mr. Blodgett spoke urging that the division be allowed to retain this equipment and cited the many advantages to the division. He requested that the divisio. give the finance committees a breakdown on the use of it. Mr. Strandberg was also concerned about the air charter

and asked that this be checked out further.

Commodities
(400)

There were no questions on this.

Equipment
(500)

Mr. Wakefield said the area they are hurting most in here is the need for filing cabinets. He explained that on all projects where federal monies are included it is necessary to keep all records for 7 years and they have just absolutely run out of storage space. It was felt by the committee that there must be extra filing cabinets in various state offices that could be turned over to Aviation. Mr. Wakefield said they would investigate this route.

Mr. Kaldor also mentioned that the division is renting levels at the present time. Mr. Strandberg suggested they check with Highways to see if they could get some from there.

CONSTRUCTION
& ADMINIS-
TRATION

There was considerable discussion relative to the staffing of this section. With the exception of one engineer and a secretary, all positions were transferred to design or general administration. It was brought out that the three new positions for this section had been disallowed by the review committee. Mr. Strandberg was not satisfied with the way this section was set up and requested that it be analyzed again.

Mr. Strandberg recessed the meeting at 11:30 a.m.

HOUSE FINANCE COMMITTEE MEETING

March 14, 1968

1:45 p.m.

Present:

All members of the House Finance Committee were present, except Mr. Sassara who was excused. Also present were Representatives Kerttula and Young, and Messrs. Robert Busby and J. F. Hollenrack. The press was represented by Mr. LaRocca and Mrs. Morgan.

HB 507

CSSB 292

The purpose of the meeting was to grant a hearing to Messrs. Busby and Hollenrack on HOUSE BILL NO. 507 and CS FOR SENATE BILL NO. 292 (by the Resources Committee). Both bills are entitled, "An Act to promote and render feasible the production and utilization of small grains in Alaska", and their purpose is to increase small grain production and utilization in Alaska, and to achieve within five years of the passage of the Act an equal stabilization within 15 per cent between the production of small grain in the state and the utilization of the grain. The bills provide that the division of agriculture shall establish and administer a small grain incentive program.

Mr. Busby explained how a committee composed of farmers, who are elected by farmers, and two alternate members function to administer the Agricultural Conservation Program, which is an agency of the U. S. Department of Agriculture, in Alaska. This is a program under which

farmers are entitled to various assistance supported by the U. S. Department of Agriculture, such as in the clearing of land (they are eligible for 40 per cent of cost per acre, but the farmer does not receive the 40 per cent until he has cleared the land and put it into production.) A percentage of the cost is allowed for planting grass seed under this program. Ditching, fire brakes, etc. are cost sharing under the program. A permanent manager is made available to the committee by the U. S. Department of Agriculture without cost to the state. The present manager, Mr. Snodgrass, is willing to take on the management of the proposed state program without cost to the state except for secretarial services and supplies.

Mr. Hollenrack then said that the Resources Committee of the Senate changed House Bill No. 507 when it drew Senate Bill 292 primarily by deleting two paragraphs: (1) Sec. 03.19.070, dealing with the building of the agricultural fund, and (2) Sec. 03.19.080, relating to crop insurance. He stated that CSSB 292, by the Resources Committee, deals primarily with the method of establishing incentive payments. Mr. Miller asked, in viewing the entire program, why the Finance Committee should consider the bill and spend state money for it. Mr. Hollenrack stated that the program would create an agricultural economy in the state, and at the same time would create an incentive for the farmers to grow grain and consumers

to use the grain. Under HB 507, the incentive price paid would be below the Seattle import price. This would shut off the import of Seattle grain, and would give grain growers a stabilized price above the Seattle price. The support payments to the farmers will vary in different districts. Support prices away from districts of consumption would be higher. Mr. Strandberg was told in answer to his question that the present cost of Alaska grain is \$5.00 per ton above the Seattle price. The proposed program provides an incentive to the producer to sell grain at the highest price the market can support. Mr. Hollenrack asked the committee to consider the actual dollar and cent figures of the actual cost to the state and to take into consideration the production of grains at the present time and the anticipated increase in grains as the program goes into effect. He also asked the committee to consider that the money will be returned to the state out of the program. Presently the state uses about 6,500 tons, of which it grows about 1,800 and imports more than 4,500 tons. If the incentive program is enacted, it is anticipated there will be a 50% increase in grain production in 1968. If the legislature appropriates \$120,000 to cover the incentive payments, the return to the state would be \$500,000 in paid back funds. Mr. Busby stated that the state now produces only about 40% of what is consumed in Alaska. In answer to Mr. Strandberg's question as to what makes them think the incentive plan will

work, Mr. Hollenrack said when the Alaska grain price is lowered below the Seattle price no grain will be imported because they will be able to compete with Seattle. Mr. Borer asked if the imports from Seattle were grain concentrates, and Mr. Hollenrack stated they are not. Mr. Strandberg asked if any other state has a similar incentive program for farmers, and Mr. Hollenrack said no. The Alaska bill is based upon the Agricultural Stabilization Program and on several programs which dealt in soy beans and other products throughout the states. The farmers realize their own program has to have flexibility. All of the measures in the bill have been tried and proven in the lower states. No state has a similar program to the one proposed for Alaska. Mr. Strandberg asked if they propose for Alaska, as a state, a program based on a federal plan. Mr. Hollenrack said this was true. Mr. Hollenrack said he felt the entire industry would profit from the plan, because the grain would move from the producer to the feeder, which would bring new industry and general increased activity in related fields. Mr. Strandberg asked if they are basically trying to overcome Seattle competition. Mr. Hollenrack stated the prices were based on Commodity Credit Corporation prices, and are based on support price of Seattle plus 155 per cent of support price. The control in the bill could not exceed 155 per cent of the actual production of an area. Mr. Strandberg asked how much he, for example, could save

by buying under this program, and Mr. Hollenrack said, \$15 per ton. Mr. Hollenrack said the director of the program would set the incentive payment at the minimum. If grain is sold over and above the support price, then 50% is given back to the state. Mr. Strandberg asked why the state should not get the entire sum back, to which Mr. Hollenrack replied that money must be left as an incentive fund for the farmer. Mr. Kerttula stated that the consumer benefits from any program that benefits the farmer. Mr. Strandberg said the only way the consumer would benefit would be if beef produced it at a lower price than the existing prices. Mr. Haugen asked what the price of red meat is now, and was told that in Anchorage it is about 46¢. Mr. Busby said Alaska meat would be better under the grain program as the farmers are not now able to feed grain in large quantities. He added that they are interested in helping farmers who have not been doing well in past years. Farming is almost to the stagnation point in the Fairbanks area and something must be done rapidly. Mr. Haugen asked if the farmers sell beef by the whole carcass, and was told that for the most part there is no meat inspection in the state (except for Anchorage) and the meat cannot be put into the stores without inspection. Mr. Haugen asked if the meat is sold through a middle-man. Mr. Borer asked the extent of the red meat industry up here now, and was told the production is very limited though the exact

figures are not known. Mr. Kerttula said the figures vary but right now there are about 600 head. The Kodiak total herd production would not exceed three to four hundred head. The Aleutian Islands has a real potential in this field. Chirikof Island has about four thousand head, but no way to transport it to market. In answer to a question from Mr. Borer, Mr. Hollenrack said grain is used for other purposes than cattle, and is used for dog feed, chicken feed, horse feed and some dairy feed mostly in the Palmer area. Mr. Kerttula said there are lots of skeleton herds which can be doubled in two years.

Mr. Miller noted that the senate bill has a phase out clause, and asked the witnesses to comment on it. Mr. Hollenrack based his comments upon a letter from which he read. The letter stated in part that the senate bill assumes grain can be produced in Alaska for the same price as Seattle and does not allow for freight rates, and said if the incentive is kept high there should be a few large units at the end of five years.

Mr. Hollenrack said figures prove that this measure will cut production costs by 80 per cent. Mr. Busby said that with the incentive the farmer will not stop at cultivating 320 acres, but will go on to cultivate more land. Mr. Rainwater has stated he is against the senate measure which recommends the five year phase out. Mr. Miller said the senate bill has a declining scale of

incentive and asked the witnesses if they felt the bill would destroy the effectiveness of the program. Mr. Hollenrack said yes, because the director must be able to work with a flexible program. Mr. Miller asked again about the declining scale and phase out in the senate bill, and Hollenrack said that under the house bill (HB 507) the units will be brought into a scale where they are up to producing 320 acres. There will be a 10 per cent estimated savings in shipping costs because the quantity is going to be large. The farmers will be buying in carload lots. Savings will be reflected in land ownership and freight companies will bring down prices because they will have a backhaul.

Mr. Strandberg asked if there is any federal support for farmers in this area. Mr. Busby stated that there are federal support prices, but Alaska farmers are stagnated to such an extent they cannot participate. This program will elevate farmers so they can participate. For the farmer to qualify for federal moneys they must utilize the cleared land.

Mr. Strandberg said he gathers no other individual state has such a program, and that there exists a federal program in this area. He also gathers Alaska farmers cannot participate in the program. He said Alaska would be breaking ground in an entirely new area.

Mr. Busby said that about six thousand acres are

sitting idle in the Fairbanks area right now, and is going back to brush soon.

Representative Young said the farmers in Alaska are faced with different conditions and expenditures than farmers in the South 48, and said the farmers themselves feel the proposed program will work.

Mr. Ray told of questioning beefmen during hearings, and he was told by them that it cost more in feed than what they got out of raising beef, because the grain came from the states and they paid exorbitant freight rates. The beefmen cannot compete with outside meat. Mr. Busby said the Alaska men cannot compete with grain fed cattle unless they have money to do it. Mr. Ray said he understood that Seattle grain plus freight is cheaper than Matanuska Valley grain, and he asked if there was any possibility that Seattle could keep dropping the cost of its grain under the Alaska cost, even with the subsidy. Mr. Hollenrack said this was improbable because Seattle has Commodity Credit Corporation loan support, which controls prices in Seattle.

There was a discussion about the freight rates from Seattle and within Alaska.

Mr. Kerttula said that the federal program might be reduced in Alaska if the state is unwilling to help its farmers.

Mr. Miller asked the witnesses to submit to the committee a letter covering their testimony today, and

asked them to add anything they felt to be pertinent. Representative Young asked the witnesses if they felt the senate bill kills the program, and Mr. Hollenrack replied that they do.

Recess:

The committee recessed at 2:45.

After Recess
3:00 p.m.

Present: All members of the House Finance Committee, along with Mr. Richard Freer and Miss Susie Harris from Budget and Management.

HEALTH &
WELFARE

Mr. Strandberg made a preliminary statement that the subcommittee has gone through the first portion of this budget, and found many serious problems which they have gone over with the Commissioner of Health and Welfare. Dick Borer passed out copies of a summary of additions to the Governor's allowance, and Mr. Strandberg said these had been gone over with the Governor's office and the adjustments have been approved by the Governor's office. The subcommittee is recommending the changes. He further stated that this is one of the two budgets the Governor had requested the House Finance Committee to take a really good look at. Mr. Sassara wanted to make the point that these are really subcommittee recommendations that the Governor's office is willing to accept and asked if a letter from the Governor's office has come over on these changes. Mr. Strandberg said no, but that they were willing to send one.

ADMIN.
Office of
Comm

Mr. Borer moved and asked unanimous consent that the figure \$898,100 be accepted for the Office of the Commissioner. No objection, so ordered.

Admin.
Services

Mr. Borer said that the subcommittee recommends the addition of \$61,600 to the Governor's allowance of \$677,500. The added cost is for added positions plus reclassifications in Fiscal Services. The additional personnel are necessary to overcome the work backlog. \$54,500 of the money is for Personnel and \$7,100 for reclassifications.

Admin.
Services
(increase)

Mr. Borer moved and asked unanimous consent that the figure \$739,100 be accepted for Administrative Services. No objection, so ordered.

(increase)

Mr. Borer moved and asked unanimous consent that the figure \$1,637,200 be accepted as a total figure for Administration. No objection, so ordered.

MENTAL
HEALTH

Admin.

Mr. Borer moved and asked unanimous consent that the Governor's allowance of \$77,800 be accepted for Administration. No objection, so ordered.

Community
Mental Health
Services

(increase)

Mr. Borer said the subcommittee recommends the addition of \$49,900 to the Governor's allowance of \$310,500. \$40,000 of this is for Personal Services, to reinstate 1/2 of the vacancy factor taken (\$80,000) to allow continued recruitment. \$5,000 is needed if the \$40,000 in Personal Services is reinstated to increase travel for personnel on an itinerant basis. If Kodiak and Ketchikan are funded, Contractual Services will have to be raised \$4,900. Mr. Borer moved and asked unanimous consent that the figure \$360,400 be accepted for Community Mental Health Services. No objection, so ordered.

Hospital
Nursing
Home

(Decrease)

Mr. Borer indicated that in this area the subcommittee disagreed with Commissioner McDonald. He said that the subcommittee feels that Contractual Services ought to be cut back to \$400,000 from \$429,800. The Commissioner agreed to only a \$1,000 cut back. Mr. Borer stated that everything else had been given the Department, and he moved and asked unanimous consent that the figure \$430,800 be accepted for Hospital and Nursing Home Care. Mr. Miller objected, and asked if this was the area the members received a number of wires on. Mr. Strandberg said it was not. Mr. Miller removed objection, so the figure \$430,800 was accepted.

Institutional
Services

Mr. Borer said that the subcommittee recommends adding \$191,400 to the Governor's allowance for API. \$110,000 is to reinstate part of the vacancy factor taken to allow filling critical positions. \$22,300 is to allocate time for two maintenance mechanics to provide maintenance services for McLaughlin Youth Center. \$2,000 is to allocate time for four existing positions in support of McLaughlin Youth Center. \$9,000 was added in Travel to meet necessary patient travel. \$26,000 was added in Contractual Services, the largest portion going to provide electric power, gas, and water for McLaughlin Youth Center, and the remainder for costs within API and for Professional fees and services to McLaughlin Youth Center inmates. There is an increase in Commodities, \$14,300 of which is for food, \$3,600 for professional supplies, and \$4,200 for other supplies. Mr. Borer moved and asked unanimous consent that the figure \$2,485,400 be accepted for Alaska Psychiatric Institute. No objection, so ordered.

API
(increase)
Harborview
Memorial
Hospital

(increase)

Mr. Borer said that the subcommittee recommends the addition of \$28,000 in Personal Services to provide for one pharmacist and another contract physician. He stated that there is no way to get a doctor to Valdez for \$16,000, so part of the \$28,000 is to raise the salary of one doctor to \$25,000. The additional pharmacist is also necessary in order to qualify for Medicare. Mr. Borer moved and asked unanimous consent that the figure \$1,536,400 be accepted for Harborview Memorial Hospital. No objection, so ordered. Mr. Borer moved and asked unanimous consent that the figure \$4,111,800 be accepted for Institutional Services Total. Mr. Ray objected, and moved that the figure \$4,001,800 be accepted, saying that the vacancy figure ~~is~~ was too high. The motion failed on a 1-6 committee vote, and so the figure \$4,111,800 was accepted. Mr. Strandberg said the committee would write a letter of intent saying there could be no transfer of personnel

LEGIS.
INTENT

from API. Mr. Borer objected, and Mr. Strandberg amended saying there could be transfers within API and Harborview within Personal Services only.

Mr. Borer moved and asked unanimous consent that the figure \$4,980,800 be accepted as a total for Mental Health. No objection, so ordered.

(increase)

PUBLIC WELFARE Program Admin.

Mr. Borer moved and asked unanimous consent

\$1,421,900. for Program Administration be accepted. No objection, so ordered.

Mr. Borer said that the Subcommittee is recommending the addition of \$192,300 for Nursing Home \$394,900 for Grant Assistance, \$329,600 for General Relief Medical and \$253,800 for the Juvenile

Adult Public Assistance (increase)

Code, in Public Welfare. Mr. Borer moved and asked unanimous consent that the figure \$2,986,300 (an increase of \$587,200 over the Governor's allowance) for Adult Public Assistance. No objection, so ordered.

APDC

This code was skipped temporarily.

Food Stamp

Mr. Borer moved and asked unanimous consent that the figure \$246,300 be accepted for the Food Stamp Program. No objection, so ordered.

General Relief Assistance

Mr. Borer moved and asked unanimous consent that the figure \$185,000 be accepted (an addition of \$7,000 to the Governor's allowance). No objection, so ordered.

Gen. Relief Medical (increase)

The subcommittee recommended the addition of \$329,600 to General Relief Medical. Due to the increased medical and hospital costs throughout the country, a deficit of \$329,600 is anticipated, which is the recommended addition. Mr. Ray moved and asked unanimous consent that the figure \$1,239,000 be accepted for General Relief Medical. No objection, so ordered.

The Governor's allowance does not meet the amount required due to the case load. Therefore, the subcommittee recommended the addition of \$253,800 to the Governor's allowance. Mr. Borer moved and asked unanimous consent that the figure \$1,053,000 be accepted for the

Juv. Code
(increase)
aid to
families with
Dependent
Children
Children
(increase)

Juvenile Code. Mr. Ray objected. Mr. Ray removed his objection, so the figure \$1,053,800 was accepted by the committee.

Mr. Ray brought up the subject of the different costs to people boarding students from the Department of Health and Welfare and the Department of Education. He asked that this be looked into and reported to the committee.

It was determined, with reference to HB 356, that half of the \$728,000 additional funds for Aid to Families with Dependent

LEG. INTENT

Children be appropriated this year, with a letter of Legislative Intent to raise it again next year by the same amount.

Mr. Borer moved and asked unanimous consent that the figure \$2,614,400 (an addition of \$364,000) be accepted. No objection, so ordered.

Mr. Borer moved and asked unanimous consent that the figure \$9,745,900 be accepted as a total for Public Welfare. No objection, so ordered.

YOUTH AND
ADULT
AUTHORITY

Mr. Borer said that the problem here is that the Division lost \$60,000 worth of equipment and materials. Mr. Strandberg asked if they didn't agree that if they got the building ^{replaced that was} destroyed in the fire at the Adult Conservation Camp that they could get by all right, and Mr. Freer said that they had. They were only allowed \$5,000 in equipment. Mr. Borer recommended raising the \$5,000 to \$20,000 for equipment. Mr. Freer said that the additional \$80,000 recommended by the subcommittee to replace the building that was destroyed by fire should be in Capital Improvements. Mr. Haugen moved and asked unanimous consent that \$100,000 to replace the building at the Adult Conservation Camp and equipment be placed under Capital Improvements. No objection, so ordered.

Capital
Improvement
Budget

in. Mr. Borer moved and asked unanimous consent that the figure \$646,900 for Administration be accepted. No objection, so ordered.

Care of
Prisoners

\$388,100 is for the Juneau State Jail. There was some discussion, and Mr. Ray said that it may be ready next fall. The committee decided to leave the money in the budget, with a letter of legislative intent that the money the money is not to be used unless the Juneau State Jail is completed. Mr. Borer moved and asked unanimous consent that the figure \$2,626,600 be accepted for Care of Prisoners. No objection, so ordered.

LEG. INTENT

Care of
Juveniles

There is to be a letter of legislative intent that there is a possibility of a supplement. The capacity of the ~~Alaska Youth~~ ^{McLaughlin Youth} ~~Center~~ ^{Center} is 150. There are now 59 youth outside and 92 inside, which will just fill it up. Mr. Borer moved and asked unanimous consent that the figure \$1,852,800 be accepted for Care of Juveniles. No objection, so ordered.

LEG. INTENT

Mr. Borer moved and asked unanimous consent that a final figure for Youth and Adult Authority of \$5,126,300 be accepted. No objection, so ordered.

Adjournment The meeting adjourned at 4:20 p.m..

HOUSE FINANCE COMMITTEE MEETING

March 15, 1968

9:00 a.m.

Present:

All members of the House Finance Committee were present except Mr. Ray. Also present were Representative Hohman, and the following representatives of Ernst & Ernst: Mr. Jay Burnett, Manager of the Anchorage office; Mr. Wayne Pickering, of the Northwest Management Services Division, based in Seattle; and Dr. John Cook, an expert on public finance and taxation for Ernst and Ernst.

Mr. Burnett explained that his firm has been asked by the Commissioner of the Department of Revenue to submit a proposal for a tax study in the State of Alaska. Mr. Strandberg asked the witnesses how they believe such a revenue study should be performed. Dr. Cook explained that the Alaska study would be done in much the same way as the one performed by their firm for West Virginia, which he feels is an exact analogy to Alaska, where industry has declined and new industry is needed. New industry increases budget needs. The tax study involves a study of every tax in the state, of how much it is bringing in, how much it is costing, the exact burden on the taxpayer. It is an analysis of each tax, of what industry is paying, what percentage of it is net profit, of the capacity to pay, etc., of who is paying among individuals. The findings are given to various committees in the legislature.

In West Virginia they found the tax structure was regressive, and the burden was upon the lower income bracket. Industry was not paying its share. Dr. Cook stated that the firm of Ernst & Ernst gives data only; they do not determine what should be done. He said he has knowledge that 45 per cent of the tax revenues come from income tax in Alaska, and 40% of our people are under the age of 18. Their tax study is primarily an analysis which gives the legislature concrete information with respect to future taxing and for readjustment of the tax structure. Mr. Strandberg questioned the statement that 45 per cent of the tax revenues come from income tax, and Dr. Cook replied that as of 6/30/67, 45 per cent was from general income tax.

Mr. Sassara asked how much the study would cost and how long it would take. Dr. Cook replied it would cost between \$125,000 and \$150,000, and it would take them a half a year. Mr. Sassara asked if the contract were let to them if they would have the information by the end of January, 1969. Mr. Pickering said they could, but that they would have to start as soon as possible. It would take two or three people six or seven months. Mr. Strandberg suggested that they might cut down on cost by availing themselves of statistical material collected by the Legislative Council. Mr. Burnett said their firm has determined that much information is in fact available,