

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967 - 1982 2472

I can understand your position, but here with the state, this is a federal problem. It is not a state problem. Now, what the state has done basically is say we'll go for \$50,000,000 - Now, there's no certain - in fact, it's more certain that Udall will not be back there than that he will be back there after next November. About the only gamble on this thing if the state wants to gamble, will be to gamble that Udall will be out of there and the administration will give a better look at this and we'll get a whole new ball game. But, I don't think that anybody believes that's right. If the state can come up with something that is acceptable to the state - and the state has to represent all the people, not just a portion of the people. Now, in coming up with this the state decides that it's worth \$50,000,000 and it's worth not making any land selections in vast areas of the state, and to concentrate our own selections in the area of least native claims, it's worth setting up a corporation like this to be then under state control, not federal, if it's worth all these things to get the land freeze lifted. To me the only thing in this whole bill that the state has^{is} to lift the land freeze. There's nothing else. Otherwise it's purely and simply a federal problem, except that the state is associated as a third party because when we got statehood the Congress of the United States gave us a hundred and some odd million acres in an effort to support statehood for all the people, not just the native people, and the tide and submerged lands are lands that have been historically held in trust for the future state. When the state comes into the union they automatically get those lands. The provision of the 90% royalty was another provision put in to assist not only the native people but all the people. I'm sure Congress is going to be forced by this to come up with a reasonable

settlement on this thing, but for the state to participate any further than it is doing here, I don't think that it would be acceptable to general public. It might be acceptable, I don't blame the attorneys for the native people for trying to get all they want, but there are some things on this that I don't think the state would go any farther on.

MR. JACKSON: If the state wanted to make this cost of assisting the villages a personal charge on the revenue, I'd have no great objection if that would satisfy the committee. The problem is the state only has the resources to go in and assist the natives in getting an early resolution to this problem and an early resolution at the federal level is of interest to the state as well as to the natives.

MR. STRANDBERG: What do you think of the proposition that if the state did assist them that that money would be returned to the state from any funds provided by the federal act to assist in the delineation of these areas.

MR. JACKSON: I'd have no objection to that. The important thing is that only the state has the money in the treasury that is available for such purpose, and I think it would make a tremendous difference in the speed of the federal settlement.

MR. GROH: You indicate, Mr. Chairman, that the question of the six month limitation, that the freeze be lifted within 6 months, is a non-negotiable item of the bill, and the administration, Mr. Edwards, has indicated the same. Now, let's analyze and try to communicate the reason used as to why that requirement is there. The state admits in the bill itself that for 18 months it is not going to make any selections other than in the rail belt area

which is perhaps a real concession, so for 18 months there's not going to be any state selections in this area other than in the rail belt, and if that's so, if every one agrees to that, why can't we modify this bill to say that if the native people do go to the Secretary of the Interior along with the state and lift the freeze within the railbelt in 6 months and in the rest of the state within 18 months, then this royalty would apply, rather than saying as we have here that they have to lift the freeze within the whole state in six months.

MR. STRANDBERG: The Governor wants to have Udall lift that land freeze by October 10. To do that, they've made a lot of these concessions. Frankly, I'm told that that's one phase of it that is not negotiable. He wants that land freeze lifted. Now, for the native people to say that they'll go to Udall and say that they want that land freeze lifted - they haven't any more control than we have. There's no assurance that he'll do it no matter who goes and asks. This is one of the conditions - otherwise there's absolutely no reason for the bill. I feel this way, that if that provision is going to be stricken, I feel that the administration would say let's deep six the bill.

MR. EDWARDS: Just one comment, sort of to reply to Mr. Jackson's statement. The bill/^{that} was drafted by the task force and it was sent to Congress and also submitted to the administration, was I believe drafted by Mr. Jackson, Mr. Conner, and Mr. Groh. When the state received it, Attorney General Boyko then went through the bill in a very short time, with a great deal of pressure on him and a lot of other work, and submitted the bill that the Governor introduced, and in that bill there was a six month limitation, and this is something the Governor has been avid about, and it was in the bill.

when he introduced it, and the bill that was introduced by the Governor he still stands behind. The bill he introduced is the bill he is submitting to the Legislature. As I indicated last night the problems that have risen through legislative staff and through the third floor, ~~in~~ Wally Kubley and the Governor personally, it is apparent that this bill as written, as submitted, will not pass the Legislature, and the Governor wants to see a bill pass the Legislature, and for that reason they tried to get everyone together to work out a compromise which would, and this draft which has been prepared is what we believe is a compromise that would pass.

MR. WRIGHT: Can I ask someone to explain to me why the state is so set on demanding that the so called freeze be lifted on lands that don't affect the state at all? In other words, we all agree - I've talked to everybody right up to the top, and everybody agrees that the state wants . . . it doesn't hinder or affect the state in any way, the freeze being maintained on lands outside that rail belt section, so why are we at an impasse - what logical reason or answer can I get for the impasse - on demanding that the freeze be lifted over the entire state when it doesn't affect the state in any way except in the rail belt area?

MR. STRANDBERG: That was one of the provisions for putting the bill in to start with. There's two points that I feel are not negotiable here. One is on the ceilings on the revenue and the other the land freeze.

MR. MILLER: Mr. Chairman, I asked a question a long time ago and never got an answer. With the exception of the temporary withdrawal provisions, and the state assistance for selection of lands, what other points of this bill do you consider unacceptable.

MR. JACKSON: I'd like to have some reasonable assurance that the sources of revenue now in the bill are ~~it~~ likely to be bringing in a million dollars a year within at least 10 years.

MR. EDWARDS: Mr. Chairman, that point we discussed and Mr. Jackson was there, and we specifically covered this point as to whether or not the time limitation would bring in the amount of money, and we said that we were willing to go to 75 years if it was felt that 75 years was more likely to have some relation to \$50,000,000, and Mr. Conner and Mr. Jackson sat right there and said no, if we can't get it in 50 years we just won't realize it and there's no need to make this thing any longer. Now all of a sudden we have a different story.

MR. JACKSON: Not the time limitation . . .

Mr. Strandberg stated at this point ~~that~~ that the meeting ~~would be adjourned~~ would be adjourned on land claims until further work had been done on the bill, and that the committee was recessed until 8:30.

HOUSE FINANCE COMMITTEE MEETING

April 3, 1968

8:45 a.m.

Present: All members of the House Finance Committee, except Mr. Sassara. Also present were Representative Pete Cessnun of the House Commerce Committee; Robert Annis, Juneau attorney; Mr. Hunt Gruening, vice president of SE Alaska Airlines; Mr. Dean Goodwin of Goodwin Air Service; Mr. Kenneth Loken of Channel Flying, Inc.; and Mr. Livingston of Livingston Copters.

HB 689

Mr. Strandberg said that a hearing had been requested to present evidence relative to House Bill No. 689 (relating to regulation and certification of air carriers). He asked Mr. Gruening if he would like to present his views to the committee.

Mr. Gruening replied that he would prefer to have those present who were in favor of the measure to talk first. When no one else would take the floor, Mr. Gruening asked if he presented his case first, would he be able to present a rebuttal. He was assured that he could.

Mr. Gruening stated that he was appearing before the committee in opposition to Section 3 of House Bill 689. He felt that section 3 amends the present law and is contrary to the public interest and would remove the last vestiges of the purpose of the air taxi operators. It is the concern of the scheduled air carriers that this section will allow the air taxi operators to compete with scheduled airlines by permitting them to operate at any time--to operate directly ahead of a scheduled carrier, picking up passengers and cargo and causing a hardship

on the scheduled carriers. He also noted that the limitation on gross weight of 5,000 had been deleted and with the new type aircraft now available carrying up to 12,000 pounds and 21 passengers it could be even more detrimental to the scheduled airlines. He felt this was not in the public interest as it will ultimately cause a decline in scheduled airline service by scheduled carriers.

Mr. Gruening then distributed a chart to members of the committee showing passenger traffic for 1967 on the Juneau/Haines/Skagway route and the Juneau/Sitka route and the flight schedules. (Chart in bill file.) He also stated that he had prepared a short statement which, although it primarily applies to Southeastern Alaska because of the short hauls involved, it also applies to other areas in the state that are susceptible to air taxi competition. He then read the prepared statement to the committee (Mr. Gruening stated that a copy of his statement will be sent to the Finance Committee for placement in the bill file.).

Mr. Sassara and Dr. Bierne joined the meeting. Also,

Mr. George Sharrock, commissioner of Commerce, came in. Mr. Gruening stated that if the scheduled air carriers are going to continue to supply adequate and frequent schedules and purchase new equipment for improved service to the public, the scheduled airlines are going to have to have some protection of their schedules from the air taxi operators and felt this is what has been deleted from the law.

Mr. Gruening then read wires from Reeve Airlines and Kodiak Airways opposing Section 3 of HB 689. It was his under-

standing that wires would be received from other scheduled carriers; such as, Wien and Northern Consolidated (merged) and Western Alaska. He stated that all scheduled airlines are against section 3 of the bill.

There was considerable discussion on why there had not been a hearing in the Commerce Committee on this bill. Mr. Annis asked permission to speak to the committee, which was granted. Mr. Annis stated that he learned that the bill was going to be considered by the Commerce Committee quite by accident. He stated that the bill was introduced on March 14--he found this out when he picked up copies of bills and journals on the 15th. Mr. Annis said he finally contacted Mr. Cessnun on the evening of the 18th and was told that the bill was to be considered by the Commerce Committee the following morning at 8 o'clock. Mr. Annis attended the meeting and stated briefly at that meeting the same information that Mr. Gruening had given the Finance Committee today, and had asked for time to get word to the certificated carriers so they could testify. He stated that he had been assured there would be a hearing in the Finance Committee in about 5 days. He had never been notified and no hearing had been held.

Mr. Cessnun explained some of the problems that had been involved in preparing this legislation. He mentioned that the bill had been requested by the Third Floor.

Mr. Strandberg requested that Mr. Cessnun let the Finance Committee know which portions of the bill are required by the Administration. He stated that the bill is now in Finance Committee and something has to be done. He stated that if the air taxi operators want to be heard, they should present

their views. He had thought the bill was pretty well straightened out, but the committee wants to be fair and get all sides before acting on the bill. He also cautioned that time is getting short.

In reply to a question on why it couldn't be sent back to the Commerce Committee with a request that that committee take care of it, Mr. Strandberg said that the time involved would be too great. He asked if there was some way that a compromise could be worked out. He stated that there are many areas in Alaska that have to rely upon the air taxi operators and the bill would benefit these areas; however, the bill may be too broad and hoped that an acceptable substitute can be worked out. He also stated that there is a lot of feeling that the regulations covering air taxi service should be broadened. He felt the scheduled carriers and air taxi operators should be able to come up with a compromise.

Mr. Strandberg excused himself from the meeting as he had another appointment.

Mr. Gruening stated that the present law was a compromise and section 3 was put in the act to broaden the authority of the air taxi operators. The amended section 3 in HB 689 virtually removes all restrictions on air taxi operators. He said that in his statement to the committee he had tried to show that unless you have some regulations covering air taxi operations, it is not in the public interest unless you get in some kind of a load factor.

Various suggestions were made on how the bill could be re-written, none of which were acceptable.

Discussion ensued between Mr. Cessnun and Mr. Gruening relative to services provided by the air taxi operators and the scheduled carriers.

As it became apparent that no agreement was going to be reached easily, Mr. Haugen suggested that the scheduled carrier representatives and air taxi operators meet and attempt to get together on the bill, and that they could submit their request to the committee later.

Recess: Meeting recessed at 9:15 a.m.

HOUSE FINANCE COMMITTEE MEETING
April 4, 1968
9:00 a.m.

Present: All members of the House Finance Committee. Also present were Kent Edwards, deputy attorney general, Barry Jackson, attorney and Phil Holdsworth.

HB 672

Mr. Ray moved and asked unanimous consent that Finance Committee Substitute for House Bill No. 672 (providing for state contribution and action to encourage and facilitate final settlement of Alaska native land claims by the federal government) be considered by the committee. No objection, so ordered.

Mr. Strandberg stated that this bill has been reviewed thoroughly by the committee and meets with the approval of the members. He said that whether the bill does anything will mean a lot of people getting together and coming to an agreement. He stated that the bill is in rough form and it has to be made up, printed, and it is wanted on the Floor this afternoon. He suggested that the committee take a few minutes to briefly review the changes.

Mr. Jackson said that he would read rapidly through the changes, all of which had been agreed to during the review yesterday:

Page 2, lines 27 and 28, amended wording.

Page 5, corrected a typographical error.

Page 8, top of page changes language and strikes some.

Page 8, line 17, changes to references, strikes a couple of words.

Page 8, line 27, makes a change.

Page 9, last line amended and strikes first line on page 10.

Page 10, top of page, change title to "Trust."

Page 10, line 5, (a) "Trust "

Page 10, line 12, insert (b)

Page 10, line 27, corrects typographical error--
should be "members."

Page 11, line 11, 100 changed to 50.

Page 12, line 19, cleans up language and strikes balance
of line through "continental shelf."

Page 13, line 12, Mr. Jackson said it had been agreed
to leave this at 100 years.

Page 14, amendments to lines 1, 4 and 15.

Page 15, line 23, additional section reference to 180
is added just before 340 already in
there.

Mr. Jackson stated that completed the changes.

Mr. Sassara moved and asked unanimous consent that Finance
Committee Substitute for House Bill No. 672 be reported out
of committee with a "do pass" recommendation. No objections.
The bill was reported out with 5 "do pass" and 2 "no recom-
mendation."

Messrs. Edwards, Jackson and Holdsworth left the
meeting.

Mr. Ray moved and asked unanimous consent that Senate Con-
current Resolution No. 9 (leasing space from ASHA) be con-
sidered by the committee and that it be reported out with
a "do pass" recommendation.

Mr. Borer moved and asked unanimous consent to amend Mr. Ray's
motion to "do not pass." Objection was heard. Mr. Borer
stated that he felt this was an invasion of private property
rights. The chairman called for a vote. The original motion

passed and was reported out of committee with 6 "do pass" and 1 "no recommendation."

SCSCSHB 272

Mr. Ernie Lahn, executive secretary for the Alaska State Employees' Association asked and was given permission to speak to the committee relative to SCSCSHB 272 (relating to Public Employees' Retirement System).

Mr. Lahn said that on the original bill it was proposed that the contribution formula be set up so that the state or employer would contribute 60% and the employee 40% into the retirement fund. This method of establishing contributions is considered not proper from the actuaries point of view and they were against setting it up like that. The actuaries recommended instead that the contribution be at a fixed percentage of the payroll--the state contributing 7% of the gross payroll and the employee contributing 3-1/2% of his gross pay. This formula was incorporated into the Senate Committee Substitute. Mr. Lahn then explained the benefit formula as set up under the retirement system. An employee will receive 1% of the 5 highest years earnings multiplied by the number of years of service; for service in excess of 10 years up to 20 years he will receive 1-1/4% multiplied by the number of years of service; and over 20 years will receive 1-1/2% for each year of creditable service, so the employee has a growing scale of benefits to recognize longevity and, for the first time, an employee can reach 50% of his salary in retirement benefits. This retirement benefit amount is above and beyond the benefits he will receive from Social Security which he has also been contributing to.

Mr. Lahn continued that an employee contributes 3-1/2% of his salary to P.E.R.S. and 4.4%, up to \$7200 of gross, for Social Security--actually putting in 7.7% of his salary into retirement and Social Security. The state's contribution is 10.277%.

Mr. Lahn said this all boils down to the employee paying 1/3 of the cost and the state paying 2/3 of the cost. The additional cost to the state under this bill will be \$606,000.

Mr. Lahn also stated that an employee will now be eligible for a deferred vested retirement benefit if employment is terminated on or after he reaches the age of 40--down from the original 50--if he has credited service of 8 years or more of service and does not withdraw the balance of his account..

Mr. Lahn left the meeting.

HCR 43

It was moved and unanimous consent asked that House Concurrent Resolution No. 43 (leasing of space from ASHA) be considered by the committee. No objections, so ordered.

In reply to a question by Mr. Sassara on whether Dillingham had been included in the resolution, Mr. Strandberg said that all the committee had to do was to amend it by adding a section with the description and by debate on the Floor let the Legislature decide what they want to do. (Mr. Strandberg requested that Mr. Ward be contacted to prepare the amendment to this measure.) There was some discussion relative to ASHA purchasing the building at Dillingham and turning it over to the state for a school or the state leasing it. In reply to a question by Mr. Sackett, Mr. Strandberg stated that it should go through ASHA as he did not feel we knew enough about it to make a direct appropriation.

Mr. Miller moved and asked unanimous consent that House Concurrent Resolution 43, as amended by the Finance Committee, be reported out of committee with a "do pass" recommendation. No objections, so ordered.

Mr. Strandberg noted that the air taxi operator bill was still in front of the committee. He noted that apparently the scheduled carriers and air taxi operators have not yet reached a compromise--if they didn't come up with one soon, the committee would go ahead and make a compromise for them.

Representative Banfield and Mr. Cutler joined the meeting.

HB 651

Mrs. Banfield spoke in favor of including the death benefit clause in the fishermen's fund and second injury fund. She cited the example of loss of lives among the native fishermen and others who do not carry any insurance of any kind and this would be of real benefit to their families. She stated that^{of} the increase in fees for resident and nonresident fishermen, 60% goes into the fishermen's fund and 40% into the general fund and would be able to take care of this cost. (Mr. Strandberg requested that Commissioner Moore of the Department of Labor be called over to the meeting.)

Mr. Cutler spoke to the committee relative to CSHB 651 (relating to payment of workmen's compensation in cases of injury when combined with a pre-existing condition). He stated that the council had worked with the Department of Labor and labor and management and all were in agreement on the contents of the measure. An error had been made in preparation of the original bill and that was the reason for the committee sub-

stitute. He thought that as long as there is sufficient money in the Second Injury Fund to cover this bill, it is possible it should not have been referred to the Finance Committee. Mr. Strandberg assured him that any time state funds or funds the state has responsibility for are involved that the measure must come through the Finance Committee. Mr. Cutler continued that the Fund is adequate to take care of the cost of the bill and the bill will have no effect on workmen's compensation--the only effect is providing additional opportunity for hiring more handicapped people.

There was discussion relative to when the second injury fund payments applied and it was explained that if a person has been injured and handicapped and returns to work and is injured again increasing the handicap, the second injury fund is used. The example was used of an employer hiring a man with one arm and through an accident on the job, the man loses his other arm causing him to be 100% disabled. The employer or insurance carrier would be liable for all compensation payable under the Act, but the employer or carrier would be reimbursed from the second injury fund for all compensation payments subsequent to those payable for the first 104 weeks of disability.

Discussion ensued on insurance rate increases and cancellation of policies after claims for compensation.

Mr. Cutler and Mrs. Banfield left the meeting.

It was moved and unanimous consent asked that CSHB 651 be reported out of committee with a "do pass" recommendation. No. objection, so ordered.

Recess:

Mr. Strandberg recessed the meeting until 1:30 p.m.
Meeting recessed at 10:00 a.m.

HOUSE FINANCE COMMITTEE MEETING

April 5, 1968

10:10 a.m.

Present: All members of the House Finance Committee except Messrs. Ray and Sassara who were excused.

Mr. Strandberg opened the meeting and announced that the committee would consider several bills.

HB 594

It was moved and unanimous consent asked that House Bill 594 (relating to legal costs of needy persons) be considered by the committee and that it be reported out as replaced by the Judiciary Committee Committee Substitute with a "do pass" recommendation. No objections, so ordered.

HB 568

It was moved and unanimous consent asked that House Bill 568 (appropriating \$50,000 to Dept. of Safety) be considered and that it be reported back without recommendation. No objections, so ordered.

Mr. Jackson, attorney, joined the meeting briefly.

HB 661

It was moved and unanimous consent asked that House Bill 661 (providing for the disqualification, suspension, removal from office, retirement and censure of justices and judges, and providing for a Commission on Judicial Qualifications) be considered by the committee. No objections, so ordered. Mr. Strandberg stated that this bill implements the Commission on Judicial Qualifications and that it goes with CSHJR 74 (amending the Constitution--justices and judges).

It was moved and unanimous consent asked that HB 661 be reported back without recommendation. No objections, so ordered.

SB 374

It was moved and unanimous consent asked that SB 374 (relating

to use of money credited to Alaska under Sec. 903 of the Social Security Act, as amended) be considered by the committee and reported out with a "do pass" recommendation. No objections, so ordered.

SB 148 am It was moved and unanimous consent asked that SB 148 am (authorizing relocation payments to persons displaced by highway construction) be considered by the committee. No objection, so ordered.

Mr. Haugen noted that similar legislation had been introduced a couple of years ago, but that at that time the Department of Highways had been opposed to it. Mr. Strandberg read a memo from the Department of Highways to the Governor's office with a suggested amendment to the bill: "After end of sentence on line 14 add new sentences:

"These relocation payments shall not exceed \$200 in the case of an individual or family or \$3,000 in the case of a business concern (including the operation of a farm) or a nonprofit organization. In the latter cases if the business concern or organization moves more than 50 miles, the amount shall not exceed the cost of moving 50 miles."

There was no opposition to this amendment and it was moved and unanimous consent asked that Senate Bill 148, as amended by the Finance Committee, be reported out of committee with a "do pass" recommendation. No objections, so ordered.

Mr. Strandberg noted that HB 689 (regulations/certification of air carriers) is still to be considered. Mr. Sharrock is discussing this bill with the Governor for recommendations. Mr. Strandberg also stated that he had heard from Mr. Gruening and that Mr. Gruening had said that a compromise had been reached between the scheduled air carriers and the air taxi operators. Mr. Strandberg cautioned that the bill must be

HOUSE FINANCE COMMITTEE MEETING

April 8, 1968

9:00 a.m.

Present: All members of the House Finance Committee except Messrs. Borer and Sassara, who were excused. Also present were Representative Pete Cessnun, Mr. Pete Johnson and Mr. Lloyd Roundtree. Mr. Johnson and Mr. Roundtree were appearing before the committee on behalf of the air taxi operators. Mr. Ernie Lahn, executive secretary for the Alaska State Employees Association was also present.

HB 689

Mr. Strandberg stated that because the committee did not have all members present, no action could be taken on House Bill 689 (relating to regulation and certification of air carrier), but the committee would like to discuss the proposed amendment to the bill. He stated that Alaska Coastal was opposed to the original bill and that he had received wires from Reeve and a couple of others against the original bill, but nothing from Western or Northern Consolidated. It was his understanding that a compromise had been worked out between the scheduled carriers and the air taxi operators, but apparently this was not so. Mr. Strandberg then read the proposed amendment which had been submitted to him. He suggested that the population figure of "750" be struck and made "1,000 or more within a 25 miles radius and the hours changed from "3" to "1". In reply to a question by Mr. Ray on whether the local carriers had been notified of the hearing, Mr. Strandberg said no that this is a subcommittee meeting as these people wanted to testify and that the committee would get in contact with the other carriers when there is a full committee.

Mr. Johnson explained to the committee that the bulk of his business is between Ketchikan and Annette. He stated that this is only about a 15 minute flight and could be termed as a "commuter service." He felt the population restriction within the 25 mile radius, time and weight restrictions would adversely affect his operations. He also mentioned the inability to quote a definite price for service to customers.

Mr. Cessnun said that there had been some discussion that the request of the air taxi operators would affect the FAAP money for the state. He stated that this was not so. There was further discussion on public convenience and the service by the air taxi operators in this line. Mr. Ray brought out the necessity for scheduled service in relation to public convenience.

Mr. Haugen asked Mr. Roundtree how the amendment as proposed would affect his operation. Mr. Roundtree stated that the majority of his operations were into areas that were not to scheduled points; however, he was quite often requested to serve several of Coastal's scheduled stops because they were unable to go into the area because of time limitation or other factors. He mentioned specifically Kake and Point Alexander. The weight restriction affected him most and he wanted to see that raised. Mr. Roundtree stated that as traffic demands the air taxi operator should be able to go to larger aircraft and with the weight restriction will be unable to do so.

Mr. Johnson discussed the operations of the air taxi operators

in other states and the use of them by scheduled airlines to complement the scheduled airline service into smaller areas not economically feasible for the large carrier to operate.

Mr. Ray stated that the way he read the amendment, both points served would have to have a population of 750 or more and asked if that didn't solve the problem. It was felt that the wording was not clear enough. Mr. Miller asked if this point was more clearly defined would the amendment be acceptable. The answer was affirmative, but they still objected to the time and weight restrictions.

Discussion ensued on the increase in tariffs which have been put in effect and the hardship on the public. The committee pointed out that this is a matter the Legislature has no control over and this would have to be protested to CAB by the customers.

Mr. Strandberg said they consider raising the population center to 1,000, cut the time from 3 hours to 1 hour and raise the weight limitation to an acceptable figure. He stated that when the full committee is available the bill will be discussed further and they will try to come up with something that will be acceptable to both the scheduled carriers and the air taxi operators.

Recess: Mr. Strandberg recessed the meeting and said that he will have to let the members of the committee know the time.

Meeting recessed at 9:45 a.m.

2: 30 p.m.

Present:

All the members of the House Finance Committee were present except Messrs. Miller, Borer and Sassara, who were excused.

HB 576

The chairman called the meeting to order for the purpose of considering bills. Mr. Ray moved and asked unanimous consent that HOUSE BILL NO. 576 (relating to State Personnel Act) be considered by the committee. There was an objection, and on a vote of the motion, the motion failed.

HB 708

Mr. Strandberg moved and asked unanimous consent that the committee consider HOUSE BILL NO. 708 (appropriation, Legislative Affairs Agency). There being no objection, so ordered. Mr. Ray moved and asked unanimous consent that the committee report the bill out with a "do pass" recommendation. There being no objection, it was so ordered.

SB 388

Mr. Strandberg moved and asked unanimous consent that the committee consider SENATE BILL NO. 388 (beam trawl, otter trawl and scollop dredge licenses). No objection, so ordered. Mr. Haugen moved and asked unanimous consent that the committee report the bill out of committee with a "do pass" recommendation. There was an objection, and on a vote of the motion it passed 3 to 1. (Messrs. Haugen, Sackett and Ray signed "do pass", and Mr. Strandberg and Mr. Miller (who entered later) signed "no recommendation.")

SB 396

Mr. Strandberg moved and asked unanimous consent that the committee consider SENATE BILL NO. 396 (sale of land to shore fisheries). No objection, so ordered. Mr. Haugen moved and

asked unanimous consent that the committee report the bill out with a "do pass" recommendation. Mr. Ray objected. On a vote of the motion, it passed by a vote of 3 to 1. All members present signed the majority report of "do pass", except Mr. Ray, who signed "no recommendation". (Mr. Miller signed the majority report of "do pass".)

Recess:

The committee recessed its meeting at 2:55 p.m.

AFTER RECESS

5:15 p.m.

HB 689

A motion was made and unanimously approved to further discuss HOUSE BILL NO. 689 (relating to regulation and certification of air carriers). Mr. Miller, after the committee had had limited discussion on the bill, moved and asked unanimous consent that it be passed out of committee with no recommendation. There was a final committee report of 4 no recommendation and 2 do pass, with Mr. Borer absent and excused.

Mr. Holm entered the meeting. The committee recessed for a call of the house.

HOUSE FINANCE COMMITTEE MEETING

April 9, 1968

9:10 a.m.

Present: All members of the House Finance Committee except Mr. Borer and Mr. Ray who were excused. Also present was Representative John Holm.

HB 384

Mr. Strandberg opened the meeting and stated that Mr. Holm would like to discuss House Bill 384 (relating to the time and cost of motor vehicle registration) with the committee.

Mr. Holm told the committee that one of the main features of HB 384 was that it changed the date that new license plates may be placed on a vehicle from February 15 to January 1. In reply to a question on why the statute said February 15, Mr. Holm replied that originally because there was a special fiscal year for license plates as March 31 was theoretically the end of winter. A great majority of the people in Alaska put their cars in storage during the winter months and took them out about that time. He stated that Alaska was the only state in the Union that prohibited putting on the new license plates after January 1. He also felt that it had made it worse when they extended the deadline for displaying the new plates until May 31.

There was discussion relative to the reason for the May 31 date based on employment being seasonal. There was also considerable discussion relative to the expiration date of vehicle registration on March 1 and the committee could see no relation between that date and others in the Act.

It was brought out that there are many complaints by persons buying a new car the first of the year and having to buy

plates for the previous year for a 6 week period. Mr. Holm felt it was morally wrong that a person has to buy last year's license plates for use in the present year.

In reply to a question on what the change in date from February 15 to January 1 would cost the state, Mr. Holm stated the amount the state would have collected on previous year plates during the 6-week period they could not display new plates. He added than many people illegally drive their cars with out of state plates to avoid buying "old" plates. He felt it would save the state some money in spreading the time in which people would purchase new plates.

In reply to a question on when the Department of Revenue could start selling the new plates, Mr. Holm said that it was a department policy and if plates are available they could start selling them in December, but the statute doesn't allow you to display them on your car until February 15 the way it is now.

Discussion ensued relative to Section 3 which changes the date vehicle licenses may be purchased for one-half the annual fee from after November 30 to after September 30, actually allowing a person to operate their vehicle for eight months with a half fee license plate.

Mr. Strandberg assured Mr. Holm that the committee would go over the bill and would act on it.

Mr. Holm left the meeting.

Recess: Mr. Strandberg said that the committee would recess until after lunch.

Meeting recessed at 9:20 a.m.

HOUSE FINANCE COMMITTEE MEETING

April 9, 1968

2:00 p.m.

Present: All members of the House Finance Committee except Mr. Ray, who was excused.

SB 285 am It was moved and unanimous consent asked that Senate Bill 285 am (appropriating to Dept. of Revenue for review with recommendations re state tax structure) be considered by the committee and reported out with a "do pass" recommendation. No objections, so ordered.

HB 384 It was moved and unanimous consent asked that House Bill 384 (relating to the time and cost of motor vehicle registration) be considered by the committee. No objections, so ordered.

There was a short discussion relative to Mr. Holm's testimony this morning. The main objection to the bill was Section 3. It was finally agreed that the committee would report the bill out of committee with the following amendment:

"Delete all material after line 24."

Mr. Miller moved and asked unanimous consent that House Bill 384 be reported out of committee with a "do pass" recommendation, as amended. Objection heard. On a call for a vote there were 4 "report it back without recommendation" and 2 "do pass with amendment." So ordered.

HB 327 It was moved and unanimous consent asked that House Bill 327 (relating to regulation of laboratories, blood banks and their personnel) be considered by the committee. No objection, so ordered.

It was moved and unanimous consent asked that HB 327 be reported

out of committee with a "do pass" recommendation. Objection. On call for a vote the bill was reported out of committee with 5 "no recommendation" and 1 "do pass."

Mr. Wallington of the Department of Natural Resources joined the meeting.

CSSB 292

Mr. Strandberg told Mr. Wallington that the committee wanted to discuss CSSB 292 (small grains) with him. Mr. Strandberg stated that the committee did not want to amend the bill and hoped that the Committee Substitute is the way the Administration wanted the bill. He asked Mr. Wallington how the department planned to implement the program and that it was his understanding that the present bill is the one the department worked out with the Senate.

Mr. Wallington told the committee that the director of Agriculture will determine how many acres of small grains were grown last year and will allot acreage under the incentive program on this basis. Any person who wishes to grow small grains may apply for participation in the program and payments to the applicants will be based on production over and above production costs. Mr. Wallington did not feel that there would be too much expense to the program this year as the farmers will have to prepare the acreage, acquire the machinery, etc., and it will be next year before the program really gets underway.

It was brought out that this is a test program and results will determine whether it is continued. In reply to a question on how much he thought it would cost the state this year, Mr. Wallington stated that he felt \$75,000 would be rock bottom. In reply to a question by Mr. Sackett on how many other states

have a similar program, Mr. Wallington said he didn't believe any other state did (this does not include the federal program); however, it was brought out that there were some areas that had programs of this type.

Mr. Wallington was asked if, from a practical standpoint, the program had a chance of succeeding. Mr. Wallington stated that his personal view was that it would double in cost and we would have nothing to show for it. In reply to a direct question on how the director of Agriculture felt about it, Mr. Wallington said he thought the director was on the fence--the program may be of some advantage to some of the cattle feeders and chicken farmers, but he did not think the farmers were going to make any money on it. However, the director of Agriculture does feel it is worth the risk. Mr. Wallington also stated that he felt it would have some effect on transportation costs and this would be of help. Mr. Wallington also mentioned that if this program goes through, there would probably be a request for additional money in the Agriculture Loan Fund for the applicants to buy machinery.

(Mr. Wallington left the meeting.)

Mr. Miller moved and asked unanimous consent that CSSB 292 be reported out of committee with a "do pass" recommendation. Objection. Mr. Miller amended his motion to "individual" recommendations. No objections. The bill was reported out of committee with 3 "do pass" and 3 "no recommendation."

Mr. Phil Wall of the Department of Revenue joined the meeting.

384
Mr. Strandberg told Mr. Wall that the committee had acted on HB 384 (relating to time and cost of motor vehicle registration)

but before releasing it from the committee wanted to know if the department had any objections if all language in the bill is deleted after line 24.

Mr. Wall reviewed the bill and stated that there would be no difficulty so far as he could see.

CSSB 270

Mr. Strandberg said the committee would also like to discuss Committee Substitute for Senate Bill 270 (relating to the levy and rate of annual license tax on motor vehicles) briefly with Mr. Wall.

Mr. Strandberg noted that the original bill had increased the weight factor to 6,000 pounds but that the committee substitute had reduced it to 5,000 pounds. Mr. Strandberg then read pertinent parts of the Fiscal Note memo dated April 8, 1968, from the Department of Revenue relative to this bill (memo in bill file).

Mr. Wall advised the committee that there have been complaints by the taxpayers relative to inequities in licensing vehicles in the 3/4-ton and 1-ton class of carrier type that are used as passenger vehicles. Discussion continued on use of these vehicles. Mr. Strandberg questioned how many vehicles in the 4,000 to 5000 pound class were being caught claiming passenger use and actually being used for commercial purposes. Mr. Wall did not have the information. Mr. Strandberg felt that going to the 5,000 pound from 4,000 pounds was going to cause additional problems. He requested that Mr. Wall secure information for the committee on the number of 3/4-ton trucks that are used for campers and passenger use. Mr. Wall said he would get this information. (Mr. Wall left the meeting.)

Recess: Mr. Strandberg said the meeting would recess. No time was given

for the next meeting.

Meeting recessed at 2:45 p.m.

HOUSE FINANCE COMMITTEE MEETING

April 10, 1968

1:15 p.m.

Present: All members of the House Finance Committee were present, except Messrs. Miller and Sackett.

HB 480 Mr. Ray moved and asked unanimous consent that HOUSE BILL NO. 480 (relating to incentive payments to homeowners whose property was damaged by the August 1967 flood to repair damage) be discussed by the committee. There was an objection, and on a vote of the motion, the motion failed, and the bill was not considered by the committee.

(Mr. Miller arrived at the meeting.)

270 Mr. Sassara moved and asked unanimous consent that the committee consider COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 270 (relating to the levy and rate of annual license tax on motor vehicles). There being no objection, it was so ordered.

Mr. Sassara stated that in a discussion of the bill with Mr. Phil Wall of the Department of Revenue he determined that Mr. Wall recommends an effective date of January 1, 1969, and setting the vehicle gross weight of 5,000 pounds. Mr. Sassara stated that he has determined that certain manufacturers of 3/4 ton pickups have escalated the weight of their trucks in recent years. For instance, in 1965 a Chevrolet 3/4 ton pickup weighed 3,680 pounds and in 1968 it weighs 4,173 pounds. Each year these trucks become heavier (factory unladen weight). Only Ford and International 3/4 ton pickups weigh under 4,000 pounds.

(Mr. Miller left the meeting.)

Mr. Sassara stated that the 3/4 ton truck is a popular vehicle, because it is a "better car and one can put a camper on it".

Mr. Strandberg said it was the intent of the legislature to cover the 3/4 ton pickup which is used as a family car, and Mr. Sassara said that in the last few years more pickups are being purchased as family vehicles. Mr. Sassara added that the license fee is a revenue producing feature, not a Public Service Commission fee.

After the discussion of the bill it was determined that each committee member was thoroughly familiar with it, and the bill was retained in committee.

Recess: The meeting recessed at 1:45 p.m.

After Recess
4:10 p.m.

Present: All members of the Finance Committee were present. Also present were members of the Local Government Committee, and Mr. Stevens, Mr. Kerttula, and Mrs. Banfield.

Meeting: The two committees were meeting jointly, at the direction of the Chair, on SENATE BILL NO. 409 amended (relating to state and local industrial incentive tax credits)

SB 409 am Mr. Stevens was present to testify in favor of the bill. He explained the provisions of the bill, for the benefit of those who had not read the bill. He said that the Commissioner of Economic Development (and Mr. Strandberg later corrected to say the Commissioner at the recommendation of the Attorney General) recommended the deletion of lines 3 to 25 on page 2 and 9 to 11 on page 7. This is with reference to common use of facilities. Mr. Stevens stated that he did not support these amendments. He expressed the feeling that those recommending the deletion of the ^{common} use of facilities don't really understand the concept. He said it would help expansion of existing units. There was some further discussion on common use of facilities. Mr. Stevens then pointed out that another point of controversy in the bill is Section 43.26.080, page 5, line 9. Under this section, a local political subdivision would be authorized to grant a tax credit, provided at least a 3.5 mil real property tax is maintained and the credit granted does not exceed 25% of the value of the investment made in the business as of the date operation commences. The 3.5 mil provision is to meet Public School Foundation formula. In answer to a question by Mr. Kerttula, Mr. Stevens stated that the state has no

relation to local government in this matter. Question was raised about "battling" between cities for businesses to come brought about by the ability of cities to grant exemptions. in/ There was considerable discussion, and Mr. Stevens repeatedly emphasized that what this does is limits to 25% what they can do. An amendment was proposed to page 1, line 17, after the word "taxes" to insert "except taxes excluded by Department regulation". A good deal further discussion on the 25% tax credit limit was held. Mr. Getman said that a home rule city can exempt from taxes and he referred to Mr. Steven's statement that a borough could also (by ordinances, now) and he stated that to his knowledge a borough could not except that they can adopt a home rule city's exemption. Mr. Stevens said that by ordinance he thinks a borough can now. However, he said he felt that that section is immaterial. Mr. Guess stated that in the Industrial Revenue Bond it is provided that political subdivisions would have to agree as well as the Governor. In answer to a question by Mr. Getman, Mr. Stevens said that the deletion of the section on political subdivisions, although it would not otherwise affect the bill, would impair the concept of the bill.

There was discussion on the 3 1/2 mil item. Mr. Stevens repeated that the committees were not considering the section as a limit - which, he stated, it is. It is a 25% limit, and it insures the Public School Foundation money will be received. Mr. Smith disagreed that it is a limit. Mr. Stevens reiterated that the mil levy is not being changed. Mr. Powell recommended that on page 5, line 16, that everything after the first word "levy" be deleted, and instead the words "something equal to foundation support of political subdivisions" be inserted

in lieu thereof. The reason for this was to make provision in case the mil rate is increased, as he expects it well may be. Mr. STEvens had no objection to this. Mr. Borer expressed the feeling that he would like the entire section 080 taken out. Mr. Stevens said that if there is going to be a tax incentive concept, it is necessary to realize that in a new business the important tax is property tax, because they aren't subject to taxes such as income tax yet.

Mr. Ray brought up the Penalty provision, at the top of page 5, and indicated that he felt it unrealistic, and much too light. He felt that the fraudulent representation for purposes of tax credit should be a felony.

Mr. Borer asked on page 1, line 16, where it is stated that the grant of tax credit shall be effective for 10 years, why it is not a lesser period. Mr. STEvens said that is one of the suggested amendments.

Mr. Borer requested figures on what amounts of money have been lost to the state relative to the amount of investment they get and whether this has any direct bearing. Mr. STEvens said it would be impossible, because they weren't taxed.

It was brought out that though a tax ~~incentive~~ credit wouldn't be the sole factor in a business coming in, it would be a considerable one. Mr. Powell pointed to the success of the B.C. credit concept, and Mr. STEven's said this is the same thing.

Mr. STRandberg stated that he felt it would be necessary to talk with Commissioner Murkowski on this, and so the meeting would adjourn until such time as he was available, so at 5:10, the

Adjournment: meeting adjourned

HOUSE FINANCE COMMITTEE MEETING

April 11, 1968

2:00 p.m.

Present: All members of the House Finance Committee except Mr. Sassara who was excused. Also present were Representatives Powell, Getman, Bierne, Kerttula and Stevens; Mr. Don Berry of the Alaska Municipal League; Mr. Billie Berrier, attorney for Greater Juneau Borough; Commissioner Frank Murkowski and Deputy Commissioner Everett Bunes of the Department of Economic Development. Representatives Powell, Bierne and Getman are members of the Local Government Committee meeting jointly with the House Finance Committee relative to Senate Bill 409 am (relating to state and local industrial incentive tax credits).

SB 409am

Mr. Strandberg stated that he had asked Commissioner Murkowski and Mr. Bunes to appear before the committee to discuss the bill.

Mr. Bunes said that he had appeared before the Senate Finance Committee relative to this bill and that after the meeting had met with Mr. Snow of the Attorney General's office and the amendments had been prepared in that office. The Senate had passed the bill without the amendments and it was the department's recommendation that the House adopt these amendments. (Amendments referred to are attached to a memorandum to Speaker Bill Boardman, House of Representatives, dated April 9, 1968, and copy in the bill file.)

Mr. Stevens stated that the Senate would not accept the amendments as it didn't feel they improved the bill. One of the major objections was the amendment which granted tax credit for 10 years and one year thereafter. It was felt that this

could allow a continuing tax credit being granted to an industry. The Senate also opposed the deletion of the common facilities section of the bill.

There was considerable discussion relative to the intent of the amendment relating to the additional investment tax credit portion. Mr. Bunes said the intent was to give an incentive to the industry to expand, but that the grant would not be continued beyond the term of the grant based on the date the industry commenced operation. Mr. Stevens said this was not clearly defined in the bill. It was also brought out that the way the bill read that all tax credits would be for a 10-year period and it was felt that the wording should be "not to exceed a 10-year period."

Mr. Stevens also noted that the common facilities section of the bill was a part of the original act and that it should not be removed. He stated that it covered the material the department was trying to cover in the new matter they wanted to add under Sec. 43.26.010. He objected to deletion of Sec. 43.26.030 Use of Common Facilities. Mr. Stevens said the proposed amendments he disagreed with were:

Page 1, line 15; page 2, lines 3 through 25; and page 7, lines 6 through 8.

The rest of the amendments were technical changes and he agreed with them as he felt they improved the Act.

Mr. Bunes stated that the department felt that under Sec. 43.26.030 it should not be necessary that the department consult with the Department of Natural Resources as that department usually was not even involved. Mr. Stevens

said that he didn't understand why that was in the existing law, but thought it had been put in as the original Act had been directed toward the resources development in the state. Mr. Ray brought up the subject of the restriction of tax credit for an industry in the state. He felt that it should be on an area concept rather than state concept. He cited as an example that a food processing plant in the Interior receiving tax credit incentive should not eliminate the possibility of a similar operation in Southeastern receiving a tax credit incentive. Mr. Haugen agreed with this concept. Discussion followed relative to income lost to the state and Mr. Murkowski stated he did not feel that there would be much loss to the state and income from business and income taxes would be increased.

Mr. Stevens excused himself as he had to attend another meeting. Mr. Strandberg asked Mr. Murkowski why the department felt that the state should continue the incentive program. Mr. Murkowski said that the state does not have the population nor manufacturing areas to induce business into the state, such as the other states have. He mentioned that there is a lot of land, but the state does not control much of it, and can't offer land within the cities. The resources of the state with a tax credit incentive are what the state can offer to induce industry to come into the state.

Mr. Getman questioned the exemption as it relates to political subdivisions. Mr. Murkowski stated that we only have the power to exempt industry from state taxes. Mr. Strandberg said that we were not exempting any political subdivision taxes, just

restricting what the subdivision could exempt. There was some discussion relative to possibility of political subdivisions granting exemptions in excess of what they can afford in order to bring industry into their area -- "battling" between areas for the industry. Discussion ensued on the necessity for the political subdivisions to collect the 3.5 mil levy for ADM allotment. Mr. Ray noted that in Sec. 43.26.080 it requires that the subdivision shall levy at least a 3.5 mil real property tax on the investment. Mr. Strandberg said that could not be put in because many subdivisions prefer to raise the 3.5 mils through sales taxes or other means. There was some discussion of striking the whole section (43.26.080), but Mr. Strandberg thought it should be in as there could be a good reason for a political subdivision to offer an incentive.

Mr. Miller brought up the subject of the gross business tax and rebate to the community under the tax credit incentive. Mr. Bunes mentioned a reserve for this purpose and said it was a technical area to be handled by the Department of Revenue. There was some confusion over this point and Mr. Strandberg said that if it isn't clear in the bill it should be cleared up with new language. Mr. Bunes felt this would be taken care of with the amendment on page 1, line 17, by adding after "taxes" "except taxes excluded by department regulation." Mr. Strandberg questioned whether the common facilities section should be deleted. It was his opinion that it should be left in but certain portions rewritten for better explanation. He suggested meeting with the Attorney General's office on this matter.

Mr. Miller questioned how the department would determine the amount of the investment. Mr. Murkowski said it would be based on cost to start with as the department does not have the staff to make assessments. The borough would assess the property and comparison between cost and assessment would be made.

Mr. Miller then asked if the department was staffed to handle the program if the bill is passed. Mr. Murkowski stated that it is. In reply to a question by Mr. Miller on whether a tax incentive granted by a local government would have to be on the department figures of what investment is, Mr. Murkowski said yes.

Mr. Haugen asked if there was any way the department could project additional income from business, income taxes, etc., that would result from additional families into communities through the industrial development. Mr. Murkowski said he thought it would be possible.

Mr. Strandberg said he would like to go through the proposed amendments individually.

Page 1, line 11. Strike that amendment.

Page 1, line 15. Strike the proposed amendment.

Page 1, line 16. After "period" delete "of" and substitute:
"for a period established by the commissioner of economic development not to exceed"

Page 1, line 17. Mr. Miller suggested that the word "all" be changed to "certain". Mr. Strandberg said they better put in the other section to be sure it is clear. Mr. Strandberg said the new section should say that in no event should the state grant an

exemption on taxes shared with local government or rebatable to local governments -- could be between lines 24 and 25. This amendment OK with the change.

Page 1, line 21. Delete "10-year"

Page 1, line 22. After "credit" insert "for which the grant was made"

Page 1, lines 24-25. Insert the following new matter:

"(b) The commissioner of economic development may by regulation classify and exclude from investments qualifying for tax credit under this chapter investments in an eligible business which are not of substantial benefit to the state in furthering the purposes of industrial development. Adoption, amendment or modification of regulations under this subsection shall not be subject to the procedural requirements of AS 44.62.180 - 44.62.290."

Mr. Bunes felt that the department should have the privilege of defining what would be under investments. Mr. Strandberg said they would leave it and add the amendment, but he wanted a section in there on local shared taxes. He said the committee would work this up.

Page 1, line 29. After "and" insert "the period for which the credit applies. The department may" This is a technical change and OK.

Page 2, lines 3-25. Delete all matter. Mr. Strandberg said this section will be left in but the committee would check the language and change it where necessary.

(Note: In almost all cases the lines referred to in the memo are off one line.)

Page 3, line 10. After the period insert the following new matter: "To enforce compliance with this chapter, the department may require periodic reports from the grantee of a tax credit and may at reasonable intervals inspect the books of the eligible business for which the credit has been granted." Mr. Bunes explained that at the present time there is no way for the department to check on the business and these reports are necessary.

Page 5, line 2. After "predicated" insert "or continued"

Page 7, line 6. Delete (A).

Page 7, line 8. Delete the word "or" and replace the comma with a semi-colon.

Page 7, lines 9-11. Delete all matter.

Page 7, line 16. After the word "includes" add "but not to be limited to"

Page 8, line 26. Delete "appraised"

Recess: Mr. Strandberg the committee would go over the bill thoroughly. He recessed the meeting and said he would announce the next meeting time.

Meeting recessed at 3:20 p.m.

HOUSE FINANCE COMMITTEE

April 12, 1968

8:50 a.m.

Present: All members of the finance committee were present. Also present were Greg Machyowsky of Legislative Affairs and Rep. Ted Stevens.
SB 409am The committee was meeting to go over the new draft of SENATE BILL NO. 409 (relating to state and local industrial incentive tax credits). Mr. Haugen read the list of amendments Representatives Strandberg and Stevens had submitted to Legislative Affairs Agency to be incorporated into the bill to make sure they had all been incorporated. Mr. Miller raised a question on the third amendment read, which was on page 1, line 17 of the bill, to strike the word "all". He felt that the word certain should be inserted where "all" had been. The eighth amendment read, pertaining to reports made by grantees of a tax credit and inspection of the books of the eligible business, would be better as a separate subsection (d), Mr. Ray felt, and Mr. Machyowsky concurred. Mr. Ray raised a question on Sec. 43.26.100, section (A),

Mr. Sassara left the meeting.

The committee decided to go over this matter when Mr. Stevens was present. There followed a lengthy discussion on provision on revocation of credit. Mr. Strandberg went downstairs to bring Mr. Stevens back. When they returned, Mr. Strandberg asked Mr. Stevens if it is the intent of this act that if a person violates the act he must pay not only the tax credit he has accumulated but also pay back all back taxes. Mr. Stevens said no. To correct this Mr. Stevens recommended replacing the word "prior" to the revocation with "subsequent" to the revocation. Mr. Ray raised the question on valuation of the property, asking if the present bill means political subdivisions have to accept the Department of Economic

Development's assessment for the property. Mr. STEvens said that the Department would determine the investment in the whole operation, which includes everything, real and personal property, inventory, etc. but the 3 1/2 mil provision pertains to the basic assessed value of the real and personal property. The point was made that the bill provides the 3 1/2 mil levy be placed on real property, and Mr. Machyowsky checked the statutes and said that the School Foundation Act states the levy is on real and personal property, so that there is a necessity to correct the bill. Mr. Borer raised a question on the revocation matter, expressing the opinion that the tax credit shouldn't be revoked if the business is sold, and Mr. Stevens said that this is to prevent the tax credit from becoming an asset. Mr. Borer asked on the explanation of "production on a commercial scale" if the two clauses shouldn't be connected by "or" rather than "and" and Mr. Stevens said he had no objection. Back to the revocation item, Mr. Strandberg stated he felt it created a contingent liability and should be corrected, and so expressed agreement with Mr. Stevens on substituting the word "subsequent" for "prior" in that section. It was pointed out that on the first page, Sec. 43.26.010 was to have been changed by adding a subsection (b) and placing the letter (a) before "A" on line 11. This is to be placed in the new committee substitute to be prepared. Going back to the question of who determines value, Mr. STEvens stated that the 25% grant would be made on the value determined by the state, but that the mil levy would be based on assessment by the local subdivisions. It was decided on the section 43.26.080, this matter showing the 25%^{is} to be based on state determination to be spelled out and to substitute for 3.5 mil levy, something to the effect that it be a mil levy

equal to Public School Foundation stipulation.

Mr. Machyowaky was given the copies of the prepared draft and requested to rewrite the bill with the amendments proposed by 1:00 today.

Recess: The meeting recessed at 10:00.

HOUSE FINANCE COMMITTEE MEETING

April 14, 1968

3:30 p.m.

Present: All members of the House Finance Committee were present, as well as Dr. Clifford Hartman, Commissioner of the Department of Education, and Mr. Thad Poulsen of the Associated Press.

SB 387

The chairman opened the meeting and moved and asked unanimous consent that the committee consider SENATE BILL NO. 387 (appropriating for payment to merchants for food and equipment furnished by them to victims and flood rescue workers during the natural disaster of August 14, 1967). There being no objection, it was so ordered. There ensued a discussion regarding proposed amendments to the bill. Mr. Sassara suggested that any reference to specific merchants be deleted from the bill for the reason that other merchants not specifically listed may have a just cause for reimbursement also. He felt that justification for payment must be determined by certain standards. Mr. Strandberg disagreed that the list of merchants should be deleted, but stated that he proposed that payment shall be made to each merchant upon certification by either the Fairbanks North Star Borough or the City of Fairbanks and the Department of Administration when certain conditions are met. Mr. Sackett questioned how the list of merchants was determined on the bill. Mr. Strandberg said he felt it was a personal bill, and Mr. Sassara agreed. Mr. Haugen questioned an item for Quality Meat Company, which he felt excessive.

Mr. Sassara said that in his opinion these merchants should have been quieted by an SBA loan rather than by legislation. Mr. Borer proposed that the committee adopt three additional amendments to the bill, namely, (1) certification that reimbursement is claim for only that inventory of food and equipment supplied to disaster victims; (2) certification that reimbursement has been refused by all appropriate governmental and civilian agencies; and (3) before making final payment the Department of Administration shall determine if a disaster loan has been made to any merchants for claiming reimbursement; and if it is determined that a loan has been granted for this purpose, the lending agency shall be named as an additional payee on any check or warrant issued to reimburse the loss. It was moved and unanimous consent requested that the amendments of Mr. Borer be accepted by the committee. There being no objection, it was so ordered, and the amendments were adopted.

Further discussion was had regarding the inclusion of a specific list of merchants on the bill, and Mr. Sassara and Mr. Ray objected to the list incorporated in the bill. Mr. Haugen objected to the excessive amounts requested by the merchants and stated that the figures must be supported by inventory records. Mr. Strandberg said the burden was placed on the City of Fairbanks or the North Star Borough and the Department of Administration to determine the amount of recovery of the merchants, as proposed by his amendment. Mr. Haugen stated that he would also request the word "inventory"

be included in the bill. The bill was then assigned to Mr. Borer for the preparation of a committee substitute, to include the proposed amendments discussed by the committee.

CSSB 270

Mr. Sassara moved and asked unanimous consent that COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 270 (relating to the levy and rate of annual license tax on motor vehicles) be considered by the committee. No objection, so ordered. Mr. Sassara moved and asked unanimous consent that the following amendment be adopted by the committee: Page 1, line 14, "after the word 'a' add: 'two wheel drive'." No objection, so ordered. Mr. Sassara moved and asked unanimous consent that the bill be reported out with a "do pass" recommendation with the attached amendment. Mr. Borer objected. On a vote of the motion, it passed 6 to 1. All members signed the majority report, except Mr. Borer, who had "no recommendation".

SB 23

Mr. Strandberg moved and asked unanimous consent that the committee consider SENATE BILL NO. 23 (concerning the necessary years of service for a teacher to be eligible for deferred vested retirement.) After a brief discussion, it was moved and unanimous consent was asked that the committee report the bill out of committee with a "do pass" recommendation. No objection, it was so ordered.

SB 412

Mr. Miller moved and asked unanimous consent that the committee consider SENATE BILL NO. 412 (relating to the pay plan for certain state employees). There being no objection, it was so ordered. Mr. Ray moved and asked unanimous consent that the committee adopt the following amendment: "After Section 1, add new material: Sec. 39.27.010(1) is repealed and

re-enacted to read" Salary Schedule I, Senate District A-C, shall be the same as Salary Schedule II, Senate District D-G." There being no objection, the amendment was adopted. Mr. Ray moved and asked unanimous consent that the bill be reported out of committee with a "do pass" recommendation with the attached amendment. There being no objection, it was so ordered.

HB 422 am S

Mr. Strandberg moved and asked unanimous consent that the committee next consider HOUSE BILL NO. 422 (increasing the State minimum salary schedule for teachers; and providing for an effective date) and stated that Dr. Hartman was present for the purpose of explaining the amendments. No objection, so ordered. Dr. Hartman stated that Amendment No. 1, Line 13, page 2, changes the base salary for state operated teachers for increment purposes, both on-base and rural, from the base at the bachelor's degree on the minimum state teacher's salary schedule to the bachelor's salary with no experience, in the area where the teacher will teach. The change will provide for increments of \$385 in Southeastern, \$390 in Southcentral, \$410 in Central, and \$435 in Northwestern. Without this amendment the increments in all areas would have been \$330. Total cost of this amendment is \$558,000. Amendment No. 2, Line 6, page 2, precludes a teacher with less than a bachelor's degree from sharing in Amendment No. 1. He said they do not want to encourage teacher's with less than a bachelor's degree by giving them a salary and increment that would be equivalent to those teachers with bachelor's degrees or higher. Mr. Strandberg asked Dr. Hartman for a memorandum of explanation

of the two amendments for his use on the floor. Dr. Hartman agreed to prepare such a memorandum.

HCSSB 387

Mr. Borer moved and asked unanimous consent that the committee consider HOUSE COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 387 (appropriating for payment to merchants for food and equipment furnished by them during flood of August 14, 1967). No objection, so ordered. He explained that Section 1 of SB 387 am had been changed in the committee substitute to incorporate all the proposed amendments discussed by the committee earlier in this meeting, and it now reads as follows:

Reces. * Section 1. The sum of \$140,184.17 is appropriated from the general fund for payment to the following merchants who provided food and equipment to victims and rescue workers during the natural disaster of August 14, 1967. This sum shall be available until September 30, 1968, and shall be distributed to the merchants listed below in amounts not exceeding those scheduled and subject to below listed requirements. Payment shall be made to each merchant upon certification by either the Fairbanks North Star Borough or the City of Fairbanks and the Department of Administration when the following conditions have been met.

(1) Certification that reimbursement is claimed for only that inventory of food and equipment supplied to disaster victims;

(2) Certification that reimbursement has been refused by all appropriate governmental and civilian agencies; and

(3) Before making final payment the Department of Administration shall determine if a disaster loan has been made to any merchants claiming reimbursement. If it is determined that a loan has been granted for this purpose, the lending agency shall be named as an additional payee on any check or warrant issued to reimburse the loss.

of the two amendments for his use on the floor. Dr. Hartman agreed to prepare such a memorandum.

HCSSB 387

Mr. Borer moved and asked unanimous consent that the committee consider HOUSE COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 387 (appropriating for payment to merchants for food and equipment furnished by them during flood of August 14, 1967). No objection, so ordered. He explained that Section 1 of SB 387 am had been changed in the committee substitute to incorporate all the proposed amendments discussed by the committee earlier in this meeting, and it now reads as follows:

* Section 1. The sum of \$140,184.17 is appropriated from the general fund for payment to the following merchants who provided food and equipment to victims and rescue workers during the natural disaster of August 14, 1967. This sum shall be available until September 30, 1968, and shall be distributed to the merchants listed below in amounts not exceeding those scheduled and subject to below listed requirements. Payment shall be made to each merchant upon certification by either the Fairbanks North Star Borough or the City of Fairbanks and the Department of Administration when the following conditions have been met.

(1) Certification that reimbursement is claimed for only that inventory of food and equipment supplied to disaster victims;

(2) Certification that reimbursement has been refused by all appropriate governmental and civilian agencies; and

(3) Before making final payment the Department of Administration shall determine if a disaster loan has been made to any merchants claiming reimbursement. If it is determined that a loan has been granted for this purpose, the lending agency shall be named as an additional payee on any check or warrant issued to reimburse the loss.

Mr. Borer then explained that the portion of the section listing the merchant and the amount of reimbursement claimed remains the same as on SB 387 am. He moved and asked unanimous consent that HOUSE COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 387 be adopted by the committee. There being no objection, it was so ordered. It was moved and unanimous consent asked that the committee report SENATE BILL 387 am back without recommendation but with Finance Committee Substitute. There was an objection, and upon a vote of the motion, 3 members voted in favor of the motion, 3 members voted "do not pass" and 1 member voted "do pass".

Recess:

The committee recessed its meeting at 4:40 p.m.

1969

HOUSE SUBCOMMITTEE ASSIGNMENTS

DEPARTMENT OF ADMINISTRATION -----	Chairman, Mr. Croft and Mr. Borer
DEPARTMENT OF COMMERCE -----	Chairman, Mr. Hohman and Mr. Sackett
COURT SYSTEM -----	Mr. Bradner, Mr. Croft
DEPARTMENT OF ECONOMIC DEVELOPMENT	Committee of the whole
DEPARTMENT OF EDUCATION -----	Committee of the whole
DEPARTMENT OF FISH AND GAME -----	Chairman, Mr. Haugen, Mr. Hohman and Mr. Borer
DEPARTMENT OF HEALTH & WELFARE ---	Chairman (BOOK II) (BOOKS I & III Messrs. Borer, Hohman, Haugen and Croft)
DEPARTMENT OF HIGHWAYS -----	Committee of the whole
DEPARTMENT OF LABOR -----	Mr. Sackett
DEPARTMENT OF LAW -----	Mr. Croft and Mr. Sackett
LEGISLATURE -----	Committee of the whole
DEPARTMENT OF NATURAL RESOURCES --	Mr. Sackett and Mr. Hohman
OFFICE OF THE GOVERNOR -----	Committee of the whole
DEPARTMENT OF PUBLIC SAFETY -----	Committee of the whole
DEPARTMENT OF PUBLIC WORKS -----	Messrs. Ray, Sackett, Croft and Hohman
DEPARTMENT OF REVENUE -----	Mr. Ray
UNIVERSITY OF ALASKA -----	Mr. Ray and Mr. Bradner
MILITARY AFFAIRS -----	Mr. Sackett