

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2594

SENATE FINANCE COMMITTEE

BUDGET

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SENATE FINANCE COMMITTEE

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SENATE FINANCE SUBCOMMITTEES

OFFICE OF THE GOVERNOR:
(Senator Brady)

DEPARTMENT OF ADMINISTRATION:
(Senator Lewis)

DEPARTMENT OF COMMERCE:
(Senator Lewis)

DEPARTMENT OF ECONOMIC DEVELOPMENT:
(Senator Smith)

DEPARTMENT OF EDUCATION:
(Senators Haggland & Brady)

DEPARTMENT OF FISH AND GAME:
(Senator Haggland)

DEPARTMENT OF HEALTH AND WELFARE:
(Senators Engstrom & Smith)

DEPARTMENT OF HIGHWAYS:
(Senators Phillips & Blodgett)

DEPARTMENT OF LABOR:
(Senator Engstrom)

DEPARTMENT OF LAW:
(Senator Lewis)

DEPARTMENT OF MILITARY AFFAIRS:
(Senators Phillips & Blodgett)

DEPARTMENT OF NATURAL RESOURCES:
(Senators Lewis & Engstrom)

DEPARTMENT OF PUBLIC SAFETY:
(Senator Smith)

DEPARTMENT OF PUBLIC WORKS:
(Senators Phillips & Blodgett)

DEPARTMENT OF REVENUE:
(Senator Smith)

UNIVERSITY OF ALASKA:
(Senators Haggland & Brady)

COURT SYSTEM:
(Senator Phillips)

LEGISLATURE:
(Senator Phillips)

No. of Committees

Sen. Phillips	5
Sen. Haggland	3
Sen. Lewis	3
Sen. Brady	3
Sen. Smith	4
Sen. Engstrom	3
Sen. Blodgett	3

JOINT FINANCE COMMITTEE MEETING
January 22, 1968
2:20 p.m.

Present:

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

General Meeting:

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

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

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

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

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

Oil Lease
Sales

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

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

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

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

Bond
Sales

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

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

101
Alcoholic
Beverage
Excise Tax

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

102
Cigarette
Tax

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

104
Insurance
Premium
Tax

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

105
Alaska Busi-
ness License
Tax

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

106
Individual
Income Tax

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

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

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

107
Fiduciary
Income
Tax

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

108
Corporation
Income Tax

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

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

Meeting recessed for ten minutes.

Present:

All members of House and Senate Finance Committees.

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

109
Mines and
Mining Tax

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

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

107
Inheritance
Tax

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

112
Raw Fish
Tax

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

115
Oil and Gas
Production
Tax

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

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

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

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

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

Revenue
From State
Lands

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

618
Coal Lease
Rental

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

620
Coal
Royalty

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

e of
State Gravel

No questions.

632
Land Lease
Rentals

No questions.

633
Mineral Lease
Rentals

Upon question by Senator Smith if this included all minerals, Mr. Kelly replied that it is a composite.

Mr. Stevens asked what is not associated with oil and gas and asked that it be broken out for use by the Legislature. Mr. Kelly was requested to furnish this information to the Committee and they will see that all members of the Legislature receive copies.

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

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

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

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

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

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

Mineral Lease Rental:
633

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

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

Sale of State Lands:
634

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

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

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

Sale of
State
Resources:
635

and thoughtlessly, that he wanted it done methodically.

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

Bonuses
from
Mineral
Leases:
636

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

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

2:30 p.m.

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

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

133
Water Craft
Fuel Tax

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

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

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

Mr. Ray arrived at this time.

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

Off Highway
Tax

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

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

Technical
Staffing for
Dept. of Rev.

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

131
Highway Fuel
Tax

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

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

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

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

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

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

132
Aviation
Fuel Tax

Mr. Morrison explained that the rate for Aviation gasoline is 3¢ per gallon and all other fuels 1-1/2¢ per gallon. He said that 60% of the revenues collected at municipally owned and operated airports are returned to those airports. As most of the airlines have now converted to jets using fuels taxed at 1-1/2¢ and the International carriers operating through the Anchorage International Airport are using custom bonded fuel from which no revenue is derived for the state, there has been a decline in revenue.

General discussion followed relative to the anticipated revenues and possibilities of increasing the amount.

With regard to the bonded fuel, it was explained that this was a Federal decision and had to be complied with. According to Mr. Morrison, Hawaii is the only state that collects from International carriers. Since several members disagreed, Mr. Morrison was requested to research this matter and find out if it is a fee or a tax. Mr. Sassara asked if there is a precedent for collecting a tax in Seattle for gasoline to be used in flying to Alaska such as is now done with the raw fish tax. Mr. Morrison said there was not; however, perhaps legislation could be enacted for collection of a sales or use tax. Mr. Sassara suggested it would be a good idea for the Attorney General's office to look into this to see if it would be legally

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

440, 441,
442 and 443

No questions re these items.

450-499

Deferred as they were not related to Department of Revenue.

Fairbanks
Flood Damage
Report

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

270
Vessel
Licenses

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

271 and
272

Closing of
Seattle
Office

No questions.

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

273, 274
and 275
Gill Net
Licenses

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

276 through
282

Mr. Simpson asked for an explanation of the 40% shown for the Clam Diggers license and Commercial Fishing licenses. It was explained that 60% of the revenue collected goes into a special fund for the care of Sick and Disabled Fishermen and 40% is paid into the General Fund. Mr. Ray asked how much it costs the Department of Revenue to handle the issuance of the Clam Diggers licenses.

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

Liquor
Licenses

290

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

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

January 25, 1968
9:00 a.m.

Present:

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

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

636
Bonuses from
Mineral
Leases

No questions.

637
Royalties
from Mineral
Products

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

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

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

Mr. Ray and Mr. Miller arrived.

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

638
Land Lease
Rentals--
Tidelands

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

Representative Donald Young came in.

639

Application
Fees from
State Lands

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

709

Revenues from
Federal lands

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

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

Recess

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

112
Raw Fish
Tax

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

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

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

114
Fish Tax-
Freezer Ship

Mr. Sassara wanted to know if the estimate is on the 4% tax, how to determine factually the amount of fish they are packing, and how they are reporting to the state.

Mr. Morrison stated that he would have to check this out.

Mr. Strandberg stated that further questions on this should come up at a later time in Finance Committee meetings.

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

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

273
Drift Gill
Net Licenses

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

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

274
Set or Stake
Gill Net
Licenses

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

275
Beach or Drag
Net Licenses

No questions.

276
Purse Seine
Licenses

No questions.

277
Beam Trawl
Licenses

No questions.

278
Otter Trawl
Licenses

No questions.

279
Shell Fish Pot No questions.
Licenses

Senator Blodgett came in.

280
Clam Diggers
Licenses

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

281
Commercial
Fishing
Licenses--
Resident

No questions.

282
Commercial
Fishing Li-
censes--Non-
Resident

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

Commercial
Game

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

Senator Bradshaw entered.

Fish and
Game Fund

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

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

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

624
Sea Otter
Harvest

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

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

730
Pribilof
Island Seal

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

Recess:

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

Meeting recessed.

AFTER RECESS

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

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

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

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

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

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

Mr. Kerttula left at this point.

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

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

Ferry
Dock
Fees:
617

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

Chilkat
Ferry
Stewards:
628

There were no questions or discussion on Code 628.

Chilkat
Ferry
Traffic:
630

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

AFTER RECESS

Landing
fees:
601

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

Other
Airport
Charges:
613

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

Cold Bay
Wharfage
Fees:
614

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

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

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

STATE OF ALASKA

DEPARTMENT OF REVENUE

WALTER J. HICKEL, GOVERNOR

POUCH SA - JUNEAU 99801

January 23, 1968

FAIRBANKS FLOOD

TOTAL DAMAGE BY FLOOD \$67,103,095.00

Personal property \$37,988,844.00

Real property (private sector) 29,114,251.00

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

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

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

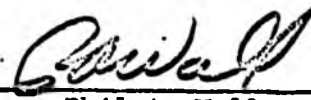
Fbks. Flood Relief, Special Session 2,118,857.30 bal.:7,162,742.70

Governor's donations 7,749.83

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

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

TOTAL COST \$70,067,907.96



Phil A. Wall
Systems Analyst



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

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

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

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

Yakutat

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

Dillingham

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

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

Representative Banfield came in.

General

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

Senator Waugaman came in.

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

Mr. Sackett left.

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

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

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

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

Mr. Sackett returned.

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

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

Mr. Hohman came in.

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

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

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

Messrs. Moses and Bradner came in.

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

Mr. Young came in.

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

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

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

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

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

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

Mr. Ray left.

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

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

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

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

Dr. Beirne arrived.

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

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

Meeting recessed.

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

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

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

874
Funds

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

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

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

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

Former BIA
Schools at
Kodiak

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

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

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

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

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

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

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

JOINT FINANCE COMMITTEE MEETING
February 6, 1968
8:30 a.m.

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

Education
Meeting
(cont)

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

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

Senator Begich entered the meeting at this time.

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

Mr. Balone entered the meeting at this time.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Boarding
School at
Dillingham**

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

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

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

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

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

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

Mr. Ray entered the meeting at this time.

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

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

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

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

Mr. Moses came in at this time.

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

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

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

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

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

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

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

3:00 p.m.

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

Education:
Dillingham,
etc. (cont)

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

Department is using Tok as a pilot program.

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

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

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

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

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

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

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

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

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

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

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

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

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

care to meet with the committee.

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

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

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

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

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

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

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

JOINT FINANCE COMMITTEES

February 8, 1968

2:10 p.m.

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

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

**Nome City
Manager -
Schools**

Mr. Glotfelty stated that the City is negotiating for E.D.A. funds to meet its requirement of funds, and feels relatively confident that this request for a grant will be obliged. The intended construction will be for vocational classrooms for the proposed new wing of Beltz school. Mr. Strandberg asked whether bond counsel had been consulted, as he had some question whether obtaining the funds from a federal grant would satisfy technically the requirements of the act. Mr. Glotfelty replied that the City had discussed this with their bond counsel.

Mr. Glotfelty expressed some concern that the two million dollars set aside for Nome if the necessary funds are raised might be transferred to another regional school, per provision of the act should Nome fail to come up with the funds. He wanted to assure the committees that Nome is working on obtaining these funds.

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

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

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

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

SENATE FINANCE COMMITTEE MEETING

February 15, 1968

8:30 a.m.

Present: All members of the Senate Finance Committee were present except Senators Lewis and Brady, who were excused. Senator V. Phillips had to leave to attend another meeting. Also present were Major General C. F. Necrason, Adjutant General; Brigadier General K. M. Taylor, Assistant Adjutant General (Air); Colonel Glenn Byington, Juneau liaison officer; Vince Chellis, director of the Disaster Office, and William McVay, Division of Budget & Management, Department of Administration. Senator Haggland opened the meeting.

Budget:
Military
Affairs

C.A.P.

Senator Blodgett explained that the increase in the budget request overall is the result of Civil Air Patrol and the Disaster Office now being placed under the Department of Military Affairs, having been removed from the departments of Commerce and Safety respectively. He then stated that the committee would discuss the Civil Air Patrol section of the budget. He noted that the Department request had been for \$70,000 and that the Governor's allowance had reduced this to \$35,000. This is also a cut of \$10,000 from the amount authorized in the 1967-68 budget. In discussion it was brought out that the committee did not feel that it was proper to reduce the budget of this volunteer group as it can destroy the morale of the organization, and the figure should remain at \$45,000--the same as last year.

Senator Engstrom noted that the Governor's allowances in the Budget Document (page 173) were possibly in the wrong columns and all figures in line items 100-400 should be dropped one

line. He recommended that the committee go along with Senator Blodgett's recommendation to retain the same amount as last year--\$45,000. Senator Blodgett said that he felt it was reasonable to leave this budget as it was last year and give the Department of Military Affairs an opportunity to work with it for a year. He stated that he planned to make a motion when the whole committee was there to raise the budget back to the \$45,000.

Senator Engstrom said this would be broken down:

\$ 1,500 - Travel
\$25,000 - Contractual Services
\$13,500 - Commodities
\$ 5,000 - Equipment

Senator Blodgett cautioned that this is not a firm figure as it will have to go to the Conference Committee.

State
Armories

Senator Blodgett noted the requested increase for State Armories (page 12) from \$349,500 to \$510,300 and the cut back to \$390,600 and asked General Necrason if they were there for the review. General Necrason said no.

Administra-
tion &
Operations

In reply to a question by Senator Blodgett relative to the increased amount for Personal Services, General Necrason said that this was in salary increases and necessity of preparing budget at Step C in salary grades for the employees. The \$409,000 does not include any more people than the previous year. It includes the step increases and blanket state pay increase. Colonel Byington said that the only increase in personnel was under Federal Scout Armories where they had requested a Military Specialist I for the Southcentral District and two Maintenance Mechanics I for Northwestern District.

There was general discussion relative to the age of the state armories and necessary maintenance and repairs. Some of these are 8 and 9 years old and are badly in need of repairs.

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Item 2

Senator Blodgett asked what the projection for Guard facilities are. General Necrason said that the 5-year construction program includes construction of 11 new armories, improvements at Camp Carroll at Ft. Richardson and construction of a Combined Support Maintenance Shop in Anchorage. Col. Byington added that Ordinance Maintenance shops are also planned for Fairbanks, Anchorage, and Juneau. Also, the proposed construction of Army Aircraft Shop Hangars at Nome and Bethel airports.

Move to
Anchorage

Senator Blodgett asked with reference to the move to Anchorage if they could show there has been less travel and per diem costs. Gen. Necrason said that he didn't believe there had been any saving on travel. It is impossible with such a vast area to cover. It does pay off in greater efficiency of operation by being closer to groups under their command, USAEAL and Air Command in the Anchorage area, closer to the Disaster Office and Civil Air Patrol. This provides the tools necessary to cope with a man-made or natural disaster. He said it also allows their people to move in a hurry when necessary with less problems of coordination.

In reply to a question on how the move to Anchorage was accomplished, General Necrason stated that it was done with the Air Guard planes as a training mission. This had been coordinated with the Pentagon and they approved it.

Page 28
Code 200

Senator Blodgett noted that there was quite an increase in travel within the state and asked if this was for proposed additional

visitations and increased travel by maintenance people. General Necrason said it was.

General Necrason said there was an error in addition in the Governor's allowance. Mr. McVeigh said that the detailed figures should not be shown and that corrected sheets would be furnished. (New sheets have been placed in the budget books -- page 28)

Senator Blodgett noted an increase in travel and per diem for travel outside the state and had been cut back. He mentioned that the Administration frowned on outside travel and it was reasonable to expect cuts in this area, and it was dubious that any effort to restore it would be made. He said he would like to know the areas in which the Department felt this outside travel should be increased. General Necrason said that the breakdown on travel (pages 31 and 32) had been prepared and sent to Command Section for review. They had added man days and it was too much. They made up new sheets and sent them down and the wrong sheets got into the document and it was cut \$7,000. Regarding the conferences shown in the request, Gen. Necrason felt that they were things which people in his department should attend, but they don't have to send all that are shown on the list. He felt that he must go to the Adjutant's General Conference, the National Guard Conference and the Civil Defense Regional Conferences. He does not plan to attend any of the Governor's conferences unless the Governor requests that he go. He stated that on many of these trips the Federal pays \$15 to every dollar of state money. He felt it was necessary to attend these meetings so Alaska will get its share of the federal funds. Senator Blodgett asked the Department to review this section and get it in order for

further review. General Necrason stated that the Governor's allowance was not going to be enough for travel indicated and they would have to make maximum use of Guard aircraft to get the people to some of these conferences.

Senator Haggland stated that Senator Blodgett would revise the travel and the committee would take another look at it.

Page 35
Code 330
Rents &
Utilities

It was explained that an error had been made here relative to rental in the McKay Building in Anchorage. Administration had only figured rental for space on the 5th floor and actually are located partly on the 5th floor and entire 6th floor. This figure has been corrected per letter from Department of Administration Senator Blodgett said that consideration is being given to placing budgetary requests for space rental and space rental control with the Division of Buildings for all departments. This has been discussed with Mr. Kubley and Senator V. Phillips and it is felt that this is the route to go. Maintenance people in all areas would be under that division. Senator Blodgett said he would like to know, other than in armories, how this would fit in. He didn't want an answer now, but wanted them to analyze it and come back with a letter to the committee chairman so they can develop a picture for the committee. It will be one of Senator Blodgett's recommendations.

Code 340

This reduction is an inter-agency change. Mr. McVeigh said that all this is doing is reclassifying the figure.

Page 39
Code 440

Senator Blodgett said that some of these buildings are kept too warm and asked if they couldn't do something to cut down the thermostats and perhaps save on fuel consumption. General