

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2473

HOUSE FINANCE COMMITTEE MEETING
January 30, 1969
9:30 a.m.

Present: Chairman Bill Ray, Messrs. Croft, Hohman, Borer and Sackett.

General Meeting: Chairman Ray briefed the committee on parliamentary procedure followed within the committee, i.e., all questions must be directed through the chair, procedural voting, etc. He also explained the right of any member to call an executive session.

Mr. Haugen arrived at this time.

He reminded committee members that all meetings would start at the scheduled time each morning and he expected everyone to be on time.

Bill Sessions:

Chairman Ray then discussed with the committee the system for considering bills that have Finance Committee reference. He said the policy has been and would continue to be that at least one minority member would always be present during the discussion on a bill. He would assign these bills to various committee members and at an appropriate time a member could move to have the bill considered by the full committee. A majority of the seven-member committee must favor considering the bill before it can come before the committee, and there must also be four on the prevailing side before releasing the bill from committee.

Mr. Bradner arrived at this time.

Miscellaneous subjects such as releasing information to the press, signing of bills only in the committee room, joint sessions with Senate Finance and subcommittee work were commented upon by the Chairman and other members.

**Budget &
Management:**

It was explained to the committee that Mr. Richard Freer, Director of Budget and Management, would always be available during budget hearings and at other times that members might need some assistance. Chairman Ray said he would have him appear before the committee at an early date to explain the budget books and budget document to the new members of the committee.

**Subcommittee
Preferences:**

The Chairman instructed the members to list their preferences for budget subcommittee work and he would then assign the department budgets as nearly as possible on that basis.

Recess:

Meeting recessed at 10:00 a.m.

HOUSE FINANCE COMMITTEE MEETING
January 31, 1969
9:00 a.m.

Present: All members.

General Meeting: The Chairman announced that the budget work books would not be available until next week so the committee would be unable to start subcommittee work until they had arrived.

Tax Study: In answer to a question by Mr. Croft, the Chairman stated that he would ask Administration to have someone from Peat, Marwick, Mitchell and Company appear before the committee next week and explain the tax study that was just completed by this firm. It was noted by Mr. Dean that the Legislative Council had made tentative arrangements for someone to return later in February. Mr. Ray felt that the committee could not wait that long and would make its own arrangements. Mr. Croft asked if various members should concentrate on any particular subject within the tax study and volunteered to work on the oil and gas phase and also the business tax. Mr. Ray appreciated Mr. Croft's suggestion and added that any extra effort on the part of the committee members would certainly be useful. Mr. Borer reminded the committee that the Governor had revealed in his message to the Legislature that he would be asking for an increase in the liquor and cigarette tax, and further, that almost every subject within the study would undoubtedly come under the scrutiny of the committee due to bills being introduced either by the Governor or legislators.

Revenue
Hearing:

In answer to Mr. Borer's query on revenue hearings, the Chairman assured the committee that a joint Finance Committee would be held within the next week with the various commissioners on revenue projections.

Mr. Ray left the Chair for a few moments, and asked Mr. Croft to preside. The discussion continued briefly on the revenue hearings.

Mr. Ray returned and requested the staff to check with Mr. Strandberg, Commissioner of Public Works, concerning a joint Finance meeting with the Capital Study Committee group later in the day. Mr. Dean, after checking with the commissioner, reported that the group would be leaving town and would be unable to attend.

The Chairman turned to the subject of parliamentary procedure within the committee. He emphasized that absence from the committee would be noted, and in that manner each member would have a record of who was present and not present for a particular discussion. He explained that only total vote for or against an issue would be recorded unless a member requests that his vote be noted. He repeated, for the benefit of the new members, the procedure of allowing the Finance Committee to question witnesses first, then if any other legislator cared to ask questions, he would be allowed to at that time. Mr. Borer asked to be excused.

Fiscal Note
Bill:

The Chairman requested Mr. Dean to explain the "fiscal note" bill (Chapter 153, SLA 1968) that passed the legislature last year. Mr. Dean told the committee about the form that he and Dick Freer had prepared, and noted that it could be revised. He said it followed the same format as the budget document and briefly described its purpose. Any suggestions for improvement on it would be appreciated by him. Mr. Ray stressed to the committee about rechecking the figures of these fiscal notes because oftentimes when another committee reports the cost of a particular bill, they will not realize, or will not choose to recognize, that it is a continuing or recurring program and could possibly cost many more thousands of dollars than anticipated. He felt an in-depth study should be made of these fiscal notes before they are passed out of Finance Committee. Mr. Borer returned to the meeting.

Legislative
Audit
Reports:

The Chairman announced that the Legislative Audit reports were on file in the committee room and were available for perusal by the members.

Adjournment: Mr. Sackett moved for adjournment. There being no objection, the meeting adjourned at 9:50 a.m.

HOUSE FINANCE COMMITTEE MEETING
Saturday, February 1, 1969
10:30 a.m.

Present: All members

Sub-committee appointments: Chairman Ray appointed the following subcommittees:
DEPARTMENT OF FISH & GAME: Mr. Haugen, Chairman,

Messrs. Hohman and Borer.

DEPARTMENT OF HEALTH & WELFARE: Mr. Ray (Book Two);
Messrs. Croft, Haugen, Borer and Hohman.

DEPARTMENT OF PUBLIC WORKS: Messrs. Ray, Sackett, Croft
and Hohman.

UNIVERSITY OF ALASKA: Messrs. Ray and Bradner.

Chairman Ray said more subcommittee appointments would
be made at a later date; however, such departments as
Administration, Labor and Commerce would very likely be
handled as a committee of the whole.

Adjournment: Without objection, the meeting adjourned at 10:45 a.m.,
until 9:00 a.m. on Monday, February 3.

HOUSE FINANCE COMMITTEE MEETING
Monday, February 3, 1969
9:00 a.m.

Present: All members.

General Meeting:

Chairman Bill Ray announced the following subcommittee on Health and Welfare for Books I and III: Messrs. Borer and Hohman, Messrs. Haugen and Croft.

Subcommittee Assignment

Mr. Ray announced that Mr. Morrison, Commissioner of Revenue, and Mr. Freer, Director of Budget and Management, would be coming over to discuss the Review of the Alaska Tax Structure prepared by the firm of Peat, Marwick, Mitchell & Company and that they would meet jointly with the Senate Finance Committee to go over the report. At this point Messrs. Freer and Morrison arrived and the committee recessed to wait for the arrival of the Senate Finance Committee.

JOINT FINANCE COMMITTEE MEETING
Monday, February 3, 1969
9:15 a.m.

Present: All members of the House Finance Committee were present, along with Senators Vance Phillips, P.B. Haggland and Jan Koslosky, representing the Senate Finance Committee. Also present were George Morrison, Commissioner of Revenue, and Dick Freer, Director of Budget and Management.

General Meeting: Chairman Bill Ray opened the meeting by explaining for the benefit of freshmen members the procedure for joint finance meetings.

Tax Study: Mr. Ray explained that the purpose of the joint meeting was to look at the Review of the Alaska Tax Structure prepared by the firm of Peat, Marwick, Mitchell & Co. He requested Mr. Morrison to summarize the report, and Mr. Morrison replied stating that this would be very difficult to do in a limited amount of time, and stressed the importance of all finance committee members reading the report in its entirety. He then passed out copies of two letters, one dated January 20, 1969, and the other January 23, 1969, from Peat et al which supplement the study. He stated that Senate Concurrent Resolution 6 am (introduced during the last legislature but which was not passed) was used as a guide for making this tax review. Chapter 111, SLA 68 appropriated \$150,000 which was used to make this report and set up a computer model. Two tests have been completed

with the computer model. The total appropriation, however, has now been expended - approximately \$75,000 for the report and \$75,000 for the computer model. The contract with the firm has been finalized and the last payment has been made.

Senator Vance Phillips asked if the 14 items suggested by the legislature in SCR 6am had been carried out. Mr. Morrison said the 14 points were included, and read them aloud to the committee from SCR 6am, a copy of which is appended. Mr. Morrison explained in answer to a question by Senator Phillips that the firm did not recommend repeal of the Alaska Business License Tax, because they felt it was a broad based, equitable tax. Senator Phillips stated that the firm had been directed by the legislature to come up with a replacement for the Alaska Business License Tax and that he felt it was not the firm's prerogative to make the decision not to come up with a suitable replacement. In the ensuing discussion on the tax, Mr. Morrison stated that any gross tax is passed on to the consumer and that a net profit tax is essentially an income tax. Mr. Borer questioned Mr. Morrison about the statement that the Business License Tax is an "equitable" tax. Mr. Croft, after questioning Mr. Morrison, indicated that he felt the section on business license taxes penalized small business and noted that he found nothing in the recommendations to rectify that. In response to further questioning, Mr. Morrison stated that it could be said that this tax is a "general sales tax with few exemptions." Mr. Croft indicated that he did not understand the validity of this tax and Mr.

Alaska Business
License Tax:

Introduced: 2/5/68
Referred: Finance

BY THE RULES COMMITTEE

1 IN THE SENATE

2 SENATE CONCURRENT RESOLUTION NO. 6

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTH LEGISLATURE - SECOND SESSION

5 Relating to a comprehensive review
6 with recommendations of the tax
7 structure of the state.

8 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 WHEREAS sound governmental financing requires periodic review of the
10 tax structure of the state in order to determine how well the tax system is
11 working and what changes or adjustments are needed; and

12 WHEREAS the state has a continuing responsibility to examine its tax
13 structure to achieve a system of taxation that will yield increasing amounts
14 of revenue as the economy expands and at the same time eliminate possible
15 inequities; and

16 WHEREAS this responsibility is especially important as a result of the
17 tremendous growth and development which has taken place in the state in
18 recent years and the consequent need for expanded revenues; and

19 WHEREAS the bulk of the tax information available to the legislature
20 and the administration is based upon a study made six years ago and is of
21 limited usefulness because of the changes which have taken place in the
22 state economy;

23 BE IT RESOLVED that the Governor is respectfully requested to direct
24 the Department of Revenue to make a comprehensive review of the tax
25 structure and existing tax laws of the state and its political subdivisions
26 and to formulate specific recommendations and proposals for modernizing and
27 improving the tax structure and laws, and to submit a report with recommend-
28 ations and proposals to the First Session of the Sixth Legislature; and be it

29 FURTHER RESOLVED that the review and report specifically include but

1 not be limited to review of the following:

- 2 (1) all existing tax laws;
- 3 (2) sources from which all revenues are presently derived;
- 4 (3) cost of administration of various taxes presently imposed;
- 5 (4) loss of revenues from nonpayment of taxes;
- 6 (5) tax exemptions presently granted, in particular excise tax
- 7 exemptions;
- 8 (6) tax effects of property tax exemptions;
- 9 (7) comparison of the existing tax structure with that of other
- 10 states;
- 11 (8) role of severance taxes in the tax structure;
- 12 (9) role of gross business license taxes in the tax structure;
- 13 (10) tax incentives for industry;
- 14 (11) tax forgiveness actions;
- 15 (12) relationships between state and local taxing jurisdictions
- 16 and demands;
- 17 (13) all corporate taxes; and
- 18 (14) recommendations respecting utilization of a computer forecast
- 19 center to aid the state in predicting the effect of changes, deletions,
- 20 or additions to the existing tax structure.
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Morrison responded that it is to produce revenue. Mr. Croft asked if it weren't true that the firm had been directed not to concern themselves with revenue but fairness. Mr. Morrison explained that the second part of SCR 6am directed that they eliminate possible inequities, but that the firm did not feel a gross business tax inequitable. Mr. Morrison stated in response to further questioning that a firm cannot be hired and told what conclusions to come up with. Mr. Ray requested that Mr. Morrison send over two copies of the contract between the State and Peat et al including the specifics given to the firm. Mr. Ray then suggested outlining the summary of recommendations beginning on page I-1 of the report.

RECOMMENDATIONS:

NATURAL RESOURCE
Taxation

Oil and Gas

The first recommendation under Oil and Gas Taxation was to "establish a schedule which imposes a progressive tax rate on oil according to production per well." The next was to "allow credits against the tax for certain salary and wage, contract, transportation, and processing costs incurred in Alaska." The purpose of this, Mr. Morrison said, is to encourage and maintain exploration and processing in Alaska through the use of tax credits. In other words, he said, a company coming to Alaska and merely pumping the oil and transporting it out of state, under this structure, would pay 11% tax whereas one which spends considerable amounts here might pay closer to 55. Various tax credits would be given, according to transportation, employment, investment, etc. made in Alaska.

Mr. Borer asked if a computer model has been made

showing the effect of this in monetary figures. Mr. Morrison said that he had an IBM register for these figures. Mr. Borer said he doesn't feel the committee can make any decisions without first knowing what the results would be. Mr. Morrison said he would send copies of his analysis of the effect over. Mr. Croft expressed the feeling that a tax credit for something like salary and wages doesn't necessarily insure something for Alaska, since no reference is made to resident Alaskans being employed. Mr. Morrison said this wasn't the type of thing the firm dealt with. He said that possible loss through such a credit would be made up by income tax.

Mr. Bradner left at this point to go to the floor. Mr. Croft asked about tax incentives' real effects, mentioning an article he had recently read by an AMU professor in which it was stated that it has very seldom been shown that tax incentives or credits produce the desired results. He expressed the feeling that it would not be tax credits that would be decisive in a petroleum company's decision to operate in Alaska. Mr. Croft asked if an analysis had been made of the possible effect tax credits would have on a company's decision to drill in Alaska. Mr. Morrison said one had not been made.

Senator Koslosky asked if there would be an appreciable increase in administrative costs if such a tax credit program were adopted. Mr. Morrison indicated that the oil tax section is going to have to be expanded, as it is now composed of only one person in the excise tax division.

Senator Phillips expressed the feeling that with the vast wealth of oil in Alaska that tax incentives or credits will be completely unnecessary. Mr. Ray concurred, stating that the companies are going to get out more than they put in. He indicated that a flat severance tax and royalty tax should suffice and that with further complications there could be less revenue.

Mines & Mining
Production

The first recommendation under Mines and Mining was to include sand and gravel mining within the scope of mine severance taxation. Mr. Ray expressed the feeling that this is good. Mr. Croft asked if any estimate had been made on what this would produce in terms of revenue. Mr. Morrison read from page IV-40 of the report, which explained the difficulty at this time of making a realistic estimate. The second recommendation in this section was to "Exempt producing mineral leases and rights, underground facilities used in operation of mines, and ore from ad valorem taxes!" Mr. Borer asked if it is proposed that this money be returned to boroughs and cities or other kind of municipality. He said they're robbing the municipalities of something important and he felt there were many cases where they would hang on to mineral leases and not do anything about them. Mr. Morrison said that as far as the fisheries industry taxation goes, they had basically used the same theory as in oil and gas and mines and mining. Mr. Haugen discussed with Mr. Morrison the present tax program for fisheries. Basically, Mr. Morrison said, the recommendations serve

Fisheries
Industry
Taxation

to eliminate raw fish taxes as they stand now and replace them with a 5% tax on all fish at the first sale. The intent partially is to shift the burden from the salmon industry which now may be paying 7 1/2% to some of the other fisheries which are now enjoying only a 1% or 4% tax. Mr. Haugen stated that there has been a lot of disparity between taxes salmon producers are paying and those of other fisheries, and he expressed the opinion that they should be equalized. In response to a question from Mr. Haugen, Mr. Morrison said that the fisheries tax today is the most confusing, most difficult tax to administer he has ever been confronted with. For simplicity's sake, he continued, one tax should be imposed on fish, based on the price at the fishing ground. Mr. Haugen asked how many people in the fishing industry were consulted on this tax matter. Mr. Morrison said they reviewed this with the Governor's Tax Advisory Commission, on which Pete Shoup represented fisheries.

Timber Industry
Taxation

Mr. Morrison mentioned that since most of Alaska's timber is on state or federal land at this time, this section is not too appropriate. He said some cost analyses have been made and they show that here the theory of tax credits breaks because of the relatively high margin of wage and salary in relation to the product, and because rather than act as a revenue source, such a severance tax on timber would only pose administrative problems in dealing with tax credit

records and such. Therefore, the firm did not recommend a changeover to the type of severance tax recommended for the previously discussed industries.

Recess: Chairman Ray recessed the meeting at 10:30 for 15 minutes.

After Recess
10:45 a.m.

Personal Income
Tax

The committee reconvened at 1:45 a.m. Mr. Morrison explained that the recommendations for Personal Income Tax are in five parts. The first two recommendations are (1) "Replace the existing \$600 personal exemption with a \$25 direct tax credit" and (2) "Provide a \$25 minimum tax credit per exemption to help relieve the regressiveness of consumption and property taxes." Mr. Morrison mentioned that he frankly prefers replacing the \$600 personal exemption with \$750 and said that recommendation #2 could be \$750 also. The third recommendation is to increase the tax rate to 20% of the 1963 Federal tax rates. This would be to replace revenues which will be lost by the \$25 tax credit and by the repeal of the disaster and school taxes. Number 4, which is to "modify the provisions relating to income subject to taxation and provide tax credits for taxes paid to other states" is to close a loophole in the presently existing structure, which creates incentive to invest in real property outside the state. Number 5 allows "part-year residents to use standard exemptions, credits and deductions based on an allocation formula."

Corporate Income
Tax & Fiduciary

The recommendation for corporate income tax was to "Consider modification of the corporate tax rate schedule to increase

tax equity between income groups." Mr. Morrison said that this is to correct the existing situation in which a corporation reporting a lower tax base pays a higher percentage income tax than one at a higher level. Senator Haggland asked about subsidiary corporations. Mr. Morrison said that the state now has the option to ask these corporations to report on a direct cost basis of allocation formula. Senator Phillips asked if Mr. Morrison had any idea how much would be lost if this were changed, and made the comment that perhaps income taxes could be lowered if corporations were paying their fair share. Mr. Morrison said that he does have requests from four fairly large corporations to go on apportionment rather than direct tax and there is in one case a difference of a million dollars. He is asking them to continue paying direct. He said that they argue that their home offices have the records, but he said they keep sufficient records in their offices to be able to report.

Multi-State Tax
Compact

Mr. Morrison brought up the subject of the Multi-State Tax Compact, a compact initially made up of 10 states, then 13, and now 26. He said a lot of pressure has been put on the federal level to pass a bill whose purpose is for the federal government to take on a portion of the costs. In order for Alaska to join the Compact, there is legislation needed, but last year, Mr. Morrison stated, Governor Hickel joined the Compact as an associate member, and Mr. Morrison stated that he feels it is important for Alaska to join

Sales, Use and
Gross Receipts
Taxation

the Compact as a full member.

Mr. Morrison said that Peat, Marwick, Mitchell & Co. recommended retaining the Alaska Business License Tax.

In the event the legislature repeals the Alaska Business License Tax, it will be necessary to enact an Alaska Sales Tax. Mr. Morrison called it to the attention of the committees that the two items (The Alaska Business License Tax and Alaska Sales Tax) are diametrically opposed.

Excise Taxes

Alcoholic Beverage
Taxation

Mr. Morrison said that the recommendation for Alcoholic Beverage Taxation was to eliminate the exemption for sales to the Armed Services. There was a short discussion on the pros and cons of this, with the feeling expressed that if the exemption were removed, the military personnel would go elsewhere to buy their alcohol, and at least under the present situation the money is being spent here.

Senator Haggland expressed the feeling that the tax on hard liquor and fortified wine could be increased.

Mr. Sackett brought up the question of military-affiliated people buying liquor on base without being taxed and taking it off base. Senator Phillips said this could be brought up with the Military during their budget hearing.

Tobacco Tax

In the letter from Peat et al dated January 20, 1969, they recommended that the tobacco tax be increased from 8¢ a pack to 12¢ a pack.

Franchise
Taxes

The first recommendation under franchise taxes was to raise the annual corporation fee to \$100 from the \$15.00 it has been since 1913. Mr. Morrison said there is no reason to maintain the \$15 fee because the raise in

the price index is so great. The other recommendation is to combine the Corporate Franchise Tax and Corporate Annual Report into a single document. Senator Phillips asked how much additional revenue the corporate fee increase will mean. Mr. Morrison didn't know for sure but said he would find out. Dr. Haggland asked if combining the two reports could be done by regulation. Mr. Morrison said it would require legislation.

Banks and
Financial
Institutions

The recommendations for Banks and Financial Institutions were

- (1) "Increase the existing rate of tax to a minimum of 6% of income as presently measured under the existing statute."
- (2) "Exempt trust companies and savings and loan associations from the Alaska Income Tax."
- (3) "Extend exemption from personal property taxation to state banks and financial institutions."

Mr. Borer and Mr. Morrison talked about national banks for a while, and Mr. Borer mentioned that the recommendation to extend personal property taxation exemption to state banks and financial institutions will prevent a national bank from being able to come into a community and put a state bank out of business because the state bank has to spend money on personal property tax.

Public
Utilities

The two recommendations in Public Utilities were to determine revenues produced from utility taxation currently paid local government and to levy a gross receipts tax on all except municipally-owned utilities in lieu of all other taxes. Senator Phillips asked Mr. Morrison if his department is prepared to write up specific legislation to deal with this and he replied that it is being drawn up. At this point

Mr. Ray, who had left the meeting, returned to announce a meeting of House Finance at 1:30 on the Dept. of Administration Budget.

Insurance

The recommendation for insurance companies/franchise tax was to "Consider modification of the existing statutes to provide a tax credit to insurance companies based on their assets invested in Alaska." Mr. Morrison said this might be a tax incentive for investment, but he didn't see where the state could provide enough of a tax credit to encourage investment. Dr. Haggland asked how much insurance companies had invested in Alaska. Mr. Morrison said it was \$72,586,725.

Inheritance

The recommendation under Inheritance, Estate, and Gift Taxes was to replace the Alaska Inheritance Tax with an accessions tax. Senator Phillips asked if this would add additional income, and how much. Mr. Morrison said he didn't know since Alaska presently has no gift tax. Mr. Borer mentioned the possibility of having none of these taxes to encourage Alaskan investments.

Employment
Taxes

The recommendation here is to repeal both the disaster tax and school tax. Bills have been introduced to cover both taxes.

Business &
Occupational
Licenses

The recommendations made for business and occupational licenses were to "Revise the statutes to allow administrative establishment of license and fee rates" and to "Provide full recovery to the State for the cost incurred in administering the regulating acts." This, Mr. Morrison said, is an attempt to have these professional groups pay their own costs.

Recess:

The meeting was recessed at 11:45 until 1:30 p.m.

HOUSE FINANCE COMMITTEE
February 3, 1969
1:30 p.m.

Present: All members. From the Department of Administration, Thomas Downes, Commissioner; Bill McVay, Acting Deputy Commissioner; Richard Freer, Director, Budget and Management; Pat Hunt, Director, Division of Personnel; Mario Martini, Budget and Management; Ray Waller, Acting Director, Division of Data Processing.

Dept. of Administration:

Chairman Ray introduced the members of the committee. As Mr. Downes is new in the position of Commissioner of Administration he turned the presentation over to his assistants. Mr. McVay outlined what Administration is requesting in their budget for 1969-70. This included problems in the Personnel Division and a request for additional personnel to alleviate some of their problems. In Data Processing they are requesting additional programming support. A basic change in the Office of the Commissioner is an increase for a new management trainee program designed to encourage qualified Alaska college graduates to enter into state service. Mr. Freer gave a brief description of the responsibility of the Department, listing the five divisions. On July 1, 1968 Administration was given the responsibility of the two Pioneers' Homes, creating a sixth division. He stated the greatest need was increased personnel in the Department.

Mr. Freer suggested that the committee might want to get a broad policy statement on the Division of Personnel and also from Data Processing. The biggest problem in the Division of Personnel is lack of staff and the need for more staffing.

Mr. Sackett asked if this group was also the same group that appeared before the Governor's Review Committee and Mr. Freer answered in the affirmative.

Office of
the Commis-
sioner:

Mr. Freer said the proposed change included a clerk typist going over to Personnel. The increase of \$61,500 included six management trainee positions for a new program being started to encourage qualified Alaska college graduates to enter into state service. Mr. Hunt said that at the present time they have to go outside to fill some state jobs and with the management trainee program Personnel could bring Alaska college graduates directly into state employment. A brief discussion followed on the benefits of this new program.

Personnel:

Mr. Hunt indicated that eight new professional and four clerical support positions are necessary in the Division of Personnel to provide adequate support in this Division. Mr. Hunt discussed the classification system. He stated there is only one person who is classifying positions and there are approximately 6,000 positions. There is a need for more people who are knowledgeable in the classification area in order to adequately serve the

various departments. The division needs three lead men who are qualified professionally and Mr. Hunt noted that they need one more position below the journeyman level. Mr. Ray stated the classification problem is one that has been going on for several years. He asked if the requested \$266,100 was enough to do the job and Mr. Hunt answered that this amount was an absolute must. Mr. Hunt said the classification system is based on a series of descriptions called specifications, and that one-half of the number of classifications are adequately described, but there have not been classifications for all positions since statehood.

To Mr. Ray's query about the Griffenhagen-Kroeger report Mr. Hunt informed the committee that this report was not implemented. Mr. Ray asked why it had not been used, and Mr. Freer briefed the committee on the contents of the report. He said it had not been a desk audit but a situation whereby each employee more or less wrote his own job description, so it just was not an adequate method. Mr. Ray asked if it had been a mutual agreement to "shelve" the report and Mr. Freer confirmed that it was.

Mr. Croft asked if for the approximately 6,000 employees there was only one person in charge of classification and Mr. Hunt answered that they have two people working for him full time besides the one classification man and the fourth one is on loan from Health and Welfare.

Mr. Croft asked if a department requests a new position if the Department of Administration comes up with job description, classification, pay range, etc., and Mr. Hunt answered yes. The Department of Administration accepts a form describing the position but they are not in a position to physically look at the job. Mr. Croft asked if in this area they were six months behind and Mr. Hunt answered in the affirmative. Mr. Croft asked if there were any standards set up for the number of classification people needed per amount of employees but Mr. Hunt did not know of any such standards for either private industry or for a state employee system. Mr. Croft asked if Administration received the request they are asking for if they could become current in six to eight months. Mr. Hunt replied that in this time they should make some head way but he did not believe they could actually become current in six months. Mr. Croft asked what would be necessary to become current and Mr. Hunt replied that it would probably be necessary to bring up a consulting firm. He did not want to overstaff to come up to par because then they would have too many people once they were current. With the three permanent journeymen positions, he believed that within a year they would be up to date. He noted that it had taken 11 years to get this far behind.

Mr. Ray cautioned Mr. Hunt in setting standards so high on some positions that Alaskans could not qualify, even

though in many instances they lacked the formal education, they were otherwise well equipped to fill the job.

In another problem area, Mr. Hunt noted that they need two people to help design examinations. The present problem is that they are using such tests as federal exams and they have received a great deal of criticism because so many times, the examination is not indicative of the position. He said the other problem area lies in the recruiting system. He felt a central recruiting system would allow a better chance to hire Alaskans.

Though the recruitment bulletins are widely circulated within Alaska, a central agency could be sure no Alaskans are available before seeking outside hires. The recruitment now being done by individual departments should actually be under the Division of Personnel.

Budget & Management:

The Division of Budget and Management is responsible for preparation and execution of the executive budget according to Mr. Freer, and for carrying on management surveys and studies. They have also been assigned the responsibility of carrying on certain departmental administrative functions. Mr. Freer remarked on the need of an effective records management system.

Pressures from various state agencies are growing in their requests for microfilming services and records storage. This budget includes \$16,900 for a records

supervisor. This calls for a qualified person familiar with microfilming, etc. This will enable Budget and Management to present a firm plan in detail to the 1970 Legislature of their needs in this area. In requesting a Budget and Management Analyst II position, Mr. Freer stated his problem was that when he loses someone he has no one to move up to fill the gap. Mr. Freer introduced Mario Martini who is the new Chief Analyst. Mr. Martini will back up Mr. Freer when he is not available.

Mr. Sackett asked where the money for management consultant came from (reference page 533 of 1968 minutes). Mr. Freer said each division made up the amount of money. The position itself is in the Commissioner's Office but they had to reach into other divisions to get the funds to get it started.

Finance:

Mr. Ray asked to proceed to Division of Finance and Mr. Freer stated they would get the Director, Mr. William Mullen to come over to the meeting. He noted that the increase in this Division is related to increased work loads. He said an internal auditor position is being transferred from the Commissioner's Office to handle departmental accounting requirements, but there was nothing new in terms of programs in this division.

Supply:

In answer to Mr. Borer's question regarding the centralized duplicating section, Mr. Freer stated that Education and Health and Welfare are under this system. The Department of Highways and the Department of Labor are still doing their own work. There was some discussion on this and in answer to a question by Mr. Borer, Mr. Freer stated that he is sure if the departments that are under this centralized duplicating section were asked they would state they were satisfied with this system. Mr. Ray requested that a cost study by department be broken down on this system.

Mr. Freer explained the balance of the increase is for two new positions and this is related to additional work load.

Data Processing:

Mr. Waller gave a brief summary of some of the accomplishments of the Division of Data Processing. They put in a new computer and replaced the computer at the Department of Highways. In December a new computer was installed in Anchorage. In addition to new kinds of systems, the Division has been reprogramming. At the present there is a 2-shift operation with the new system and this will continue. An additional operator and additional key punch people are needed. This division is also asking for a position to investigate a direct link with the Anchorage computer and Juneau computer. In the next

fiscal year this will be studied to see if it is feasible to install a communication line.

Mr. Waller also stated they want to increase their work in the education field. In answer to Mr. Borer's question regarding where the money came from to set up the Anchorage office Mr. Waller answered there have been personnel up there for two years and he believed it was requested in last year's budget. Several members remarked that they did not recall any such appropriation. A brief discussion followed on the computer used at the University of Alaska.

Mr. Sackett asked when maximum staffing would be reached (referring to Mr. O'Leary's comment in last year's minutes, page 537). Mr. Waller indicated they are approaching maximum staffing but that the program was underestimated. He said as long as the system goes on, maintenance continues to increase.

Mr. Sackett asked how many more people were needed and Mr. Waller said he could foresee no more than the requested number this year.

Mr. Sackett asked if there is more federal funding than the \$10,000 shown and it was stated by Mr. Waller that the \$10,000 shown is all that is received in federal funding.

Mr. Bradner asked what goes into the Anchorage computer

as opposed to the Juneau computer and Mr. Waller said the Anchorage computer is a scientific type, i.e., the Division of Aviation uses it for engineering, Division of Lands for cadastral engineering.

In answer to Mr. Bradner's query, Mr. Waller indicated they had no direct relationship with the computer used at the University of Alaska.

FICA: Mr. Ray briefly explained the FICA Administration increase of \$900. There were no questions on this section.

Recess: Meeting recessed at 2:45 p.m.

After Recess

3:05 p.m.

Mr. Haugen took the chair for Mr. Ray who was excused to appear as a witness before another committee. Mr. William Mullen, Director of Finance, and Mr. Bert Esmond, Deputy Director of Supply, came into the meeting along with the previously mentioned officials from the Department of Administration.

Pioneers'
Home:

Mr. Freer told the committee that the increase in the Pioneers' Home budget was similar to what it had been -- just the usual year-to-year increase in running the homes. He also explained that one increase under Grants, Claims and Shared Revenue (700) was due to a change in accounting and not an increase dollarwise. The guests who receive social security or other retirement incomes, turn it over to the home as partial reimbursement for their board and room, and then each guest receives \$20 a month for personal needs. In the past, according to Mr. Freer, this was handled within the home, but with the change in accounting procedures, it will be turned in to the department.

Senator Begich arrived at the meeting.

Mr. Croft asked if it was true that consideration was being given to using the old Providence Hospital in Anchorage for the new Pioneers' Home in that area.

Mr. Hohman said he understood that it might be used for a boarding facility for out-of-town students attending a regional high school in Anchorage. Mr. McVay said he

would find out but did not know the answer. In answer to a question by Mr. Borer, Mr. Freer said the site for the Southcentral Pioneers' Home would be chosen by the Pioneers' Home Advisory Board.

In answer to a query by Mr. Croft, Mr. Freer pointed out that in FY 1967, \$169,000 was received from guests with private incomes which in turn helps defray the expense of running the home. Mr. Borer observed that any guest who cared to pay his own way did not have to turn his assets over the home, and Mr. McVay added that the charge was \$185 per month for paying guests. Mr. Haugen asked about the vacancy factor and Commissioner Downes replied that both homes were at capacity. In answer to Mr. Haugen's question on the number of paying guests, Mr. Freer said he would check and let him know. Mr. Haugen wondered if the paying guests were making it difficult for those who could not afford to pay their own way to be admitted to the home.

Mr. Ray returned.

Mr. Sackett asked if the homes were run separately, and Mr. McVay informed him that the director in Sitka was also in charge of the Fairbanks home. The Fairbanks home has a manager but is supervised by the director in Sitka.

Mr. Bradner questioned the manner in which guests were admitted to the two homes. Mr. McVay explained that the application was made directly to the home and that the

director in Sitka made the decision on accepting the applicant. If any investigation is necessary, this is handled by Department of Administration. In answer to further questions by Mr. Bradner, Mr. McVay said he had observed that many of the pioneers are members of the Pioneer Igloos, possibly due to the fact that this group advertises it among their members. He said age was also taken into consideration, along with a person's need. Mr. McVay noted that both state and federal welfare personnel are aware of the need of the elderly and often make recommendations and assist in their admittance to the homes. There was a brief discussion concerning Chapter 118, SLA 1968, which now allows Indians and Eskimos into the two homes, and mention was made that several were now guests in the Fairbanks home.

Retirement System:

Senator Begich spoke briefly on the problems teachers were having in obtaining information on their retirement. He felt the office was understaffed and definitely needed more people to answer correspondence. He pointed out that each letter took some research as every case was different. He said with a turnover of approximately 25% of the teachers each year that the work load for this office was tremendous. In answer to a question by Mr. Bradner, it was pointed out that the salary for employees was paid out of money received in the retirement system. Mr. Hunt explained how some

of the work in this division was being handled by the data processing section on the computer and that some of the correspondence is handled elsewhere. He remarked that he was well aware of the problems but he did not feel this budget reflected fully the service that is being given. He felt the budget as presented was enough to handle the work load if the data processing is able to provide answers for the correspondence.

Mr. Wallen, in answer to a question by Senator Begich, told the committee that he felt that within three or four months they would have a workable system whereby they could answer correspondence from the teachers in a prompt manner. Mr. Mullen observed that in June, 1967 all teachers throughout the state were notified as to the amount the records showed in their retirement contribution. He said that they were unable to do this in June of 1968; however, this information would be updated and available on this basis again within the next few months.

Mr. Ray took the chair again. Mr. Bradner returned and Senator Begich left the meeting.

Surplus
Property:

Mr. Freer told the committee that Mr. Robert Schenker, Director, Division of Supply, was ill today and Mr. Esmond was appearing in his place. Mr. Esmond gave a description of the federal program on surplus property and told how most of this is done out of the Anchorage office. He said Alaska does not obtain material from other states

since the freight would make the price too exorbitant. Mr. Borer inquired about the computers obtained by the University of Alaska in 1965 through this program and wondered why they were not able to get more use out of them. It was explained that these computers were obsolete and they were used for training purposes by the student engineers. Mr. Waller was asked why the main computer was used only 36 hours a week and if some of the work from here could not be done on the one at the University. He assured the committee that it was more economical to use two shifts here in Juneau rather than send the work to Fairbanks, and go through a time consuming process of sending work back and forth. In answer to Mr. Sackett's question on state surplus property, Mr. Esmond informed him that was handled by the Juneau office and if it could not be surplused to another state agency, it was then donated to a municipality. He also explained it was not feasible, for example, to send such items as typewriters, adding machines, etc., into the interior villages, because they were usually in such a state of disrepair that the need for maintenance of old equipment would soon render it useless. When queried about the interagency funds for the multilith centralized printing program, Mr. Esmond said he would supply the committee with information on that at a later date. He said they would delve further into the Department of Administration

budget at a later date and any member who was not satisfied with the presentation could at any time go over to the department and seek out more detailed answers.

Chairman Ray announced that the committee would review the Department of Commerce budget tomorrow, Tuesday, February 4, and 9:00 a.m.

Adjournment: Meeting adjourned at 4:10 p.m.

HOUSE FINANCE COMMITTEE MEETING
Tuesday, February 4, 1969
9:00 a.m.

Present: All members of the House Finance Committee were present along with Senator John Rader and Representative Tom Fink. Also present were Mr. Sharrock, Commissioner of Commerce, Mr. McMurtrey, Deputy Commissioner of Commerce, and Mr. Fennel, Administrative Officer.

Bill Assignment: Chairman Bill Ray assigned HOUSE BILL 69 to John Sackett and George Hohman, with Mr. Sackett as subcommittee chairman.

Subcommittee Assignment: Mr. Ray assigned the Department of Administration budget to Mr. Croft and Mr. Borer with Mr. Croft as subcommittee chairman.

General Meeting: Chairman Ray announced that the committee was meeting to discuss the Department of Commerce budget. He said that since Mr. Fink was present for the purpose of questioning the commissioner on the Insurance Division, the committee would begin with that division. Mr. Sharrock explained that the requested increase in personal services is for the new position of Auditor Examiner. The purpose of this position, he explained, is to audit the insurance companies' records to make sure they are in line with the law, particularly in respect to premium taxes. He estimated that the state would receive an additional \$60,000 to \$80,000 by having an audit done. An audit has never been done before, he said, because the Division has never had the personnel to do it. He said that that increase is about the only increase with the exception of the travel required for the auditor's work. Mr. Fink said there is a bill in

Department of Commerce:

Insurance

Personal Services

Commerce committee creating a Department of Insurance. The general feeling, he said, is that there is not nearly enough money spent in this area. He indicated that he felt the budget would be much larger if the work that should be done were being done. He said that there are two domestic life insurance companies in trouble and that tremendous research should be done on them. Some documents have been sent to the Attorney General's office but back up material is needed before going to court and there are not sufficient funds for the Division to be able to research them adequately, he feels. In the area of vessel insurance there are many problems, he said. The people just are not being protected. He said he recognized the strong attempt to keep this budget down but feels that it is being done at too high a cost to the people who need adequate protection in this area. He indicated that he felt the budget is at best only 50% of what it should be. Mr. Croft stated that at a meeting of independent insurance agents in Anchorage recently, they come up with the thought that a budget increase of \$50,000 to \$100,00 for the purpose of hiring a couple audit examiners, rate analysts, and possibly an actuary could mean an increase to the state of \$400,000 to \$800,000 in insurance premiums. He asked Mr. Fink if he felt this was a possibility and Mr. Fink said definitely. Mr. Fink said that a man in Anchorage has been doing a "hit and miss" examination of oil companies, and reports that they are not

paying their premium taxes. Mr. Croft requested that the Director of Insurance be asked to testify before the committee. Mr. Sharrock said that it is the purpose of the requested auditor to do these things and that this request is in the budget for the purpose of rectifying some of these problems. The Department is trying, he said, to build up this division. Mr. Fink said that the Director of the Division of Insurance has requested the Attorney General to put one particular company into receivership, but that without sufficient information on the company this can be dangerous and a law suit can result. He said he would hesitate without considerable information to do this and yet realizes the Director cannot sit by and watch the company go deeper and deeper into trouble. He estimated that it would cost \$50,000 just to adequately prepare the case. Senator Rader asked Mr. Sharrock if he is familiar with the domestic company situation Mr. Fink had mentioned and Mr. Sharrock said yes, and in response to further questioning said he felt the case is pretty well documented and that the Department is counting on the Department of Law for help. Senator Rader asked if this case was considered in their budget. Mr. Sharrock said they are hoping that getting the auditor will help solve this. Mr. Sharrock said he did not feel that the allowance for outside travel was really adequate in this division but that it is not in any of the divisions. Senator Rader asked if Mr. Sharrock could submit a budget that would be adequate. Mr. Ray

explained that it is an administrative directive that after passing budget review no commissioner can come in with a new budget. Senator Rader said he felt the committee could invite the commissioner to come in with a new budget, and said he felt it was an important matter of public protection. Mr. Ray said it would have to go through administration first. Mr. Croft asked how many domestic companies the Division of Insurance regulates. Mr. Sharrock said two life companies and one casualty company. He said he couldn't give figures off hand on foreign companies but he guessed it is several hundred. Mr. Croft then asked how often Mr. Sharrock felt it is necessary to audit and Mr. Sharrock said the Department has examinations every three years on local insurance companies. He said one had been made two years ago on local or domestic insurance companies. He said he felt there should be audits made every year, however. He said the Department requires the companies to have audits made by certified public accountants, which they do and pay for themselves. Mr. Croft asked how much time would be spent by an auditor examiner going over the books of one particular company. Mr. Sharrock estimated two or three weeks. Mr. Croft said then he could audit 20 a year, and Mr. Sharrock replied that they don't examine foreign companies - that is done under the other states. Mr. Croft asked then how do they make sure they're collecting premium taxes to the state. Mr. Sharrock said the auditor determines the amount of insurance sold. He said they have been missing

premium taxes in the surplus line which deals through agents in other states. He said that it is his understanding that it can be conservatively estimated they are missing \$500,000 per year, and possibly as much as \$1,000,000. Mr. Croft asked what is being done now by the state in the field of rate analysis. Mr. Sharrock said that our present law requires approval of rates. The trend in other states is to get away from filing and allow the ^{Comptroller} constitution to take care of rates. The legislature made the decision that the division of insurance should pass on the rates. Mr. Croft asked if there was sufficient staff to do that. Mr. Sharrock said it is his understanding that they are doing the job. Mr. Croft asked why the Department of Commerce asked for about a 5% increase when the average request was for an 18% increase. Mr. Sharrock said that the original request they had come up with was for a 40% increase, but they realized they would never get that so they cut it down.

Mr. Kubley from the Governor's office came in. Mr. Croft asked if he felt the one auditor examiner would be sufficient. Mr. Sharrock said that Mr. Fritz feels one is sufficient at this time. Mr. Ray asked for a vote on whether or not the committee wanted Mr. Sharrock to come back with a revised budget request. The committee vote was 4-3 in favor of having him do so and so Mr. Sharrock was directed to to revise his budget request. Mr. Ray explained that Mr. Kubley was present so that he knew what had happened, and that it was not Mr. Sharrock's decision.

Regulation of
Public
Utilities

The Chairman also requested Mr. Sharrock to inform Mr. Fritz to be available for questioning by the committee. Mr. Ray then announced that in the absence of Mr. Fritz, Director of Insurance, the committee would leave that topic at this time and go to Regulation of Public Utilities for the benefit of Senator Rader. Senator Rader noted that the budget for Regulation of Public Service has been decreased. Mr. Sharrock explained that this has to do with money in the budget from last year for the sale of ACS, for study of the bids and this money will be spent this year. They are hoping if the bids come out on March 1 this consulting work will be done before the deadline.

Executive
Session

Chairman Ray called an executive session. After the executive session Senator Rader said that he wants to see the Governor's proposal on this area before further questioning, and Mr. Ray said that in the interest of time the committee would go on to other areas in the Commerce budget. Mr. Croft said that the Governor had mentioned in the budget message strengthening the Public Service Commission and Mr. Ray explained that the strengthening the Governor spoke of is not reflected in this budget but will come in a fiscal bill.

Mr. Rader left at this point.

Mr. Borer stated that it has been his understanding in the past that new proposals never appear in the budget since it's never certain if they will pass. Mr. Ray said this is correct.

Mr. Ray left at this point, and requested Mr. Sackett to preside in his absence.

Mr. Sackett said the committee would start at the beginning of the budget and begin reading through.

Commissioner's
Office

Personal
Services

When questioned on the decreases shown for employees under personal services, it was explained to the committee that in the budget instructions from Budget and Management, salaries are to be shown in the Step C category. Last year Commerce was allowed to budget according to each person's particular pay step; however, this year they were requested to return to the Step C system. Therefore, the positions were not downgraded but simply restored to the usual budgeting procedure. Mr. Sharrock explained that they have requested an administrative officer in Anchorage but that it was denied. Mr. Sackett asked if not getting this position would present problems. Mr. Sharrock said they will have problems but that they will manage.

Travel

No questions.

Contractual

No questions.

Commodities

No questions.

Inter-Agency
Charges

Mr. Sackett noted that there is a small cut. Mr. Borer asked how the Central Duplicating is working out. Mr. Sharrock said it's working fine.

Banking

Mr. Sharrock said that some changes in legislation are being requested to solve some problems in banking. At some point, he said, they are going to have to have an examiner in banking. At the present time they are using contractual services on a part-time basis. Mr. Bradner asked what kind of people are hired under contractual services and Mr. Sharrock said they hire certified public accountants. It is only for two banks and some small loan companies.

Mr. Croft said that he had read that 4 out of 9 banks in the state are in deplorable condition. Mr. Sharrock said the FDIC does examine these banks but in time the state is going to have to do it. Mr. Croft asked if the banks were charged for these examinations. Mr. Sharrock said yes but that it was not always a realistic charge since the cost of examining is so high. He gave an example of a small bank where the cost was \$3,000. This, he said, is pretty high for a small bank so they charged them only \$600 or \$1,000. Mr. Croft asked if the recovery on this was about 25% and Mr. Sharrock said yes. Mr. Borer said that two banks only are not FDIC members.

Contractual

No questions.

Commodities

No questions.

Equipment

No questions.

Insurance

Personnel

No questions.

Travel

No questions.

Mr. Bradner left at this point to make an announcement on the floor.

Contractual

Mr. Borer asked if it would be possible for an actuary to be hired to service both this division and Public Employees Retirement in the Department of Administration, since both are hiring an actuary on a contractual basis. Mr. Sharrock indicated that that might be a possibility.

Commodities

Mr. Sackett noted the \$500 increase in commodities. Mr. Sharrock said this is for office supplies for the new

auditor examiner. It was noted that pages 50 and 51 of the budget workbook both show \$500 requests in commodities for the new position and this is an error. Mr. Sharrock said he would look into that.

Equipment Here again, there were two pages on Equipment and the commissioner did not know why, so the secretary was instructed by Mr. Sackett to check into the matter with Budget and Management.

The committee recessed at 10:30.

After Recess
10:45

Weights and Measures After the recess, Mr. Ray resumed the Chair, and the committee went into the Weights & Measures Division.

Mr. Ron Rettig came in at this point.

Personal Services No questions.

Travel Mr. Ray noted there was no increase in travel.

Senator Rader returned.

Contractual There is a \$1200 increase in Rents and Utilities for new quarters required to house confiscated scales and to house present testing equipment. The quarters are on Spenard Road in Anchorage.

Commodities Mr. Ray noted that there is a \$400 increase in Commodities.

Equipment No questions.

Mr. Haugen asked In the case of a fish buyer on the grounds if someone disputes the reading on a scale and they reach an impasse what position is the Department in if they were to certify that scale. Mr. Sharrock said it would involve time and transportation for the agent to go.

Central
Licensing
Personal
Services

Mr. Sharrock said that Central Licensing is the weakest section that they have in terms of supervision and planning. He said that they now have an administrative officer supervising this, and this is reflected in this budget. This activity will have to be upgraded even more than it is, he continued. Mr. Ray asked if the reclassified position will be filled by the person currently filling the position, and Mr. Sharrock said no. Mr. Croft asked what position the Central Licensing Division is in now as far as getting the job done. Mr. Sharrock said they hoped by next budget to establish a branch office in Anchorage which will help. Mr. Croft brought up the problems the Anchorage nurses had getting new licenses. Mr. Sharrock said that a lot of those problems were from the applicants not filling out the forms properly. Mr. Croft asked if there was no problem in staffing and Mr. Sharrock replied that the only problem is that they need an office in Anchorage, and will request it in the next budget.

Travel

There was a \$7,000 increase in travel to allow board members two trips which will allow them to have two meetings plus two exams in conjunction with meetings. Additional time to conduct exams was allowed which accounts for the additional in per diem.

Contractual

No questions.

Commodities

No questions.

Equipment

No questions.

Engineers and
Architects.

No questions.

Mr. Rettig left at this point.

Native Housing

Mr. Sharrock explained that the money for this program is appropriated through Commerce to ASHA for administrative work and personnel necessary for implementation of the Native Housing Program. Mr. Sackett explained the program further as he is on the executive board. Last year the legislature passed a bill providing for the state matching federal funds 10 to 1. Mr. Sharrock said they have selected 10 villages for the first program which should begin soon. Mr. Croft asked Mr. Sackett if this program is in the villages yet. Mr. Sackett said the 10 villages were selected January 14 and that there is a loan-grant program providing funds up to \$7500 for a home and he said they are working on approximately 20 homes per village. Appended is a copy of the justification from ASHA for this program.

Mr. Sackett left at this point.

Regulations of
Public Service

Since there is a bill being submitted changing this area, Mr. Borer moved and asked unanimous consent that discussion on this portion of the budget be held back. Mr. Hohman objected, so a committee vote was held. The motion failed on a 2-4 vote.

Personal
Services

Mr. Ray asked what the Vacancy and Turnover factor was. Mr. Sharrock said it is the usual 5%. Mr. Sharrock said that the requested new position of Tariff Specialist was denied. Mr. Ray asked what the duties of tariff specialist would be, taking into consideration the new bill. Mr.

Sharrock said that it will be his job to check all new tariffs to determine whether they comply with the law. Mr. Ray said it seems strange that budget review would cut out this man and yet bring down new legislation to continue work. Mr. Croft asked if the budget now would let the division continue. Mr. Sharrock said it is not being done the way they would like it to be. He said that they are having trouble filling the positions they do have, because of the low salaries, but he said he believed there will be legislation to rectify this. Mr. Croft asked if companies being regulated would pay for the tariff specialist's work. Mr. Sharrock said not at the present time but that it is in the legislation, and he believes the charge would be realistic and not a reduced one. Mr. Croft requested that the committee be able to see the consultant's information on the PSC.

Mr. Sharrock agreed to furnish it.

Mr. Sharrock said that the presently unfilled positions are: Secretary I; Documents Clerk; Engineer, Financial Analyst I and Financial Analyst II.

Mr. Sharrock said that the department hopes to be able to implement the Natural Gas Safety Program Act. He said if they do not do it the federal level will take over, and he indicated that he feels it is important that the state handle its regulation.

Travel

Mr. Ray expressed the feeling that the commission does very little. He noted the commission meets in Anchorage 2-1/2 days a month. Mr. Sharrock felt they did a good deal more than that.

Public Service
Comm. (cont)

Utilities

Mr. Croft asked if this budget strengthens the PSC. He noted that in Utilities Commission there is really a decrease. Mr. Sharrock indicated that the governor may have had a plan to increase the salaries of the unfilled positions so that they would be filled. He didn't know what the amount of the increase would be.

Transportation
Commission

Mr. Borer asked if something is going to be done about the fact that anyone with a gravel truck has to get a license to haul gravel. He asked if any legislation is planned. Mr. Sharrock said his personal feeling is that a contract carrier such as a gravel operator should be exempt from certification or at least as far as rate regulations are concerned. He stated that he is in disagreement with the Commission and Tarriff Association on this point.

Personal
Services

No questions.

Travel

Mr. Ray asked if there is any anticipated increase in outside Alaska travel, and Mr. Sharrock said no, it is strictly for transportation and per diem within the state.

Mr. Bradner came in at this point.

Contractual

Mr. Sharrock said the commission is experiencing considerable increases in the Fairbanks area. He said that in fact they have requested sufficient funds to open an office in Fairbanks and have a field agent there but that the department was unable to put that in.

Commodities Mr. Sharrock justified the increase here by the fact that they have an attorney and secretary and have renewal subscriptions, periodicals, etcetera.

Equipment No questions.

Inter-Agency Charges This is for the Department of Law, Mr. Sharrock said. It does not cover travel, just the salary for an attorney. Mr. Ray asked why they don't just have a hearing officer instead of sending an attorney to hearings. Mr. Sharrock said the attorney does not go on straight hearings, but that often they can expedite matters if the attorney is present at other hearings. Mr. Ray asked why no travel request was included, and Mr. Sharrock said this is coming in a supplemental, and also that there is some additional money authorized in travel for the Commission.

Veteran Affairs

Personal Services The increase here Mr. Sharrock said is for upgrading and reclassifying existing personnel.

Travel No questions.

Contractual Mr. Ray said he felt the Anchorage office used the phone too much. Mr. Sharrock said they had been sent a memo.

Commodities No questions.

Equipment No questions.

Inter-Agency Charges It was noted that Central duplicating was doubled. For the record Mr. Ray requested that Administration be asked why. (Mr. Freer of Budget and Management said that the increase was in IBM and not Central Duplicating, and said the request the Department had made was not sufficient for what IBM expected the value of their services to the

Veteran's Affairs would be.)

Messrs. Sharrock, McMurtrey and Fennel left.

Subcommittee
Assignment

Mr. Ray assigned the Commerce budget to Messrs. Hohman
and Sackett with Mr. Hohman as chairman.

Adjournment

The meeting was adjourned at 2:30.

BOARD MEMBERS

C. PRESTON LOCHER, CHAIRMAN
CARL H. PORTER, 1ST VICE CHAIRMAN
JAMES W. DALTON, 2ND VICE CHAIRMAN
GEORGE SHARROCK, COMMISSIONER OF COMMERCE
IRA E. WALKER, MEMBER

Alaska STATE HOUSING AUTHORITY

JAY C. MUELLER
EXECUTIVE DIRECTOR

December 4, 1968

Mr. Richard W. Freer, Director
Division of Budget & Management
Department of Administration
State of Alaska
Pouch C
Juneau, Alaska 99801

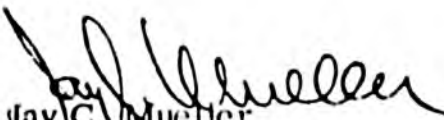
Dear Mr. Freer:

Please find enclosed a summary and detailed documentation supporting the budget request of the Department of Commerce for administrative costs of the Remote Housing Program for the 1969 fiscal year. These costs are expected to be incurred by the Housing Authority in accordance with the Governor's authorization of July 1, 1967, that this agency conduct the administration of the Remote Housing Program. As you will note, the total amount of \$94,884.00 requested is approximately the same amount appropriated by the 1968 Legislature for the current fiscal year. This complies with Commissioner Sharrock's request that the administrative costs of the program for the 1969 fiscal year be held to the level of the previous year.

If you have any questions or require additional information, please let us know.

Very truly yours,

ALASKA STATE HOUSING AUTHORITY


Jay C. Mueller
Executive Director

JCM/LJK:pt
Enclosure

cc: Commissioner Sharrock, Dept. of Commerce

ALASKA STATE HOUSING AUTHORITY

REMOTE HOUSING PROGRAM

BUDGET

1. Administrative Salaries	
a) Executive Office	
b) Remote Housing Branch	
c) Secretarial Staff	
Sub-Total	\$22,570.00
2. Technical Salaries	
a) Branch Office Staff	
b) Field Staff	
Sub-Total	\$45,000.00
3. Accounting	\$ 4,000.00
4. Travel	\$ 9,000.00
5. General Overhead	<u>\$14,314.00</u>
	\$94,884.00

REMOTE HOUSING PROGRAM

BUDGET

JUSTIFICATION

1. Administrative Salaries

a) Executive Office

Executive Director = \$20,000/yr

Assist. Executive Director = \$19,000/yr

\$39,000/yr

Percentage of total admin. = 13%

Total expenditure 13% x \$39,000 = \$ 4,070.00

b) Remote Housing Branch

Housing Coordinator

Primary employee in charge of daily
implementation of program

Salary = \$15,000/yr \$15,000.00

c) Secretarial Staff

Part time engagement of ASHA's
central secretarial staff

Estimated expenditure = \$ 2,500.00

Total item 1 \$22,570.00

2. Technical Salaries

a) Branch Office staff

1) Assist. Housing Coordinator
@ \$13,500/yr \$13,500.00

2) Estimator & Purchaser
Part time engagement of ASHA's
Technical Staff
Estimated expenditure \$ 3,500.00

3) Architect & Field Coordinator
Part time engagement of ASHA's
technical staff
Estimated expenditure \$ 6,000.00

b) Field Staff

2 full time employees representing ASHA in various villages.

Salary

2 Technicians @ \$11,000/yr

\$22,000.00

Total item 2

\$45,000.00

3. Accounting

Complete fiscal control of Remote Housing Program. Part time engagement of ASHA's Accounting Staff

\$ 4,000.00

4. Travel

Expenditures for Travel and Per Diem. Branch Office employees and Field Staff, 8 villages in Yukon, Kuskokwim and Coastal areas; 4 trips to HUD Offices in San Francisco.

Expenditure

\$ 9,000.00

5. General Overhead

Receptionist, Telephone Operator, Office and equipment rental, Employer's contributions, Contingency, Supplies, etc.

\$71,570 @ 20% =

\$14,314.00

REMOTE HOUSING PROGRAM

EMPLOYEE LIST

1. Executive Director (Part time)
2. Assist. Executive Director (Part time)
3. Housing Coordinator (Full Time) ✓
4. Assist. Housing Coordinator (Full time) ✓
5. Secretary (Part time)
6. Estimator & Purchaser (Part time)
7. Architect & Field Coordinator (Part time)
8. Field Technician (Full time) ✓
9. Field Technician (Full time) ✓
10. Accountant (Part time)

HOUSE FINANCE COMMITTEE
February 5, 1968
9:00 a.m.

Present: All members.

General Meeting: Chairman Ray called the meeting to order and announced that the members were to work on subcommittee assignments.

Bill Assignment: He made the following bill assignment:

HOUSE BILL NO. 42 (repeal disaster and school tax)

-- Mr. Borer.

Recess: He informed the committee of the joint Finance Committees meeting at 1:30 p.m., in the Governor's Conference Room for the purpose of hearing the 18 school superintendents who are in Juneau from around the state.
Meeting recessed at 9:15 a.m.

JOINT FINANCE COMMITTEE MEETING
February 5, 1969
1:30 P.M.

Present: All members of the House Finance Committee except Representative Mike Bradner. All members of the Senate Finance Committee except Senators Lewis and Bradshaw.

Robert Thomas, Department of Education; Don E. Fridley, Anchorage Borough School District; W. D. Overstreet, Superintendent, Juneau-Douglas District; Ernest Presher, Superintendent, Kenai; Ray Tinjum, Superintendent, Dillingham; Dale Lunsford, Superintendent, Skagway; Ray Nims, Superintendent, Wrangell; J. Davis, Superintendent, Kake, were also present.

General Meeting:

Mr. Ray turned the chair over to Senator Phillips. Chairman Phillips welcomed the superintendents to Juneau. Mr. Fridley, who is President of the Superintendents' Association, began the presentation by informing the committee that they would be explaining the development of their budgets and telling the committee the same thing they would be telling their own school boards. He also stated that they wanted to be of service to the committee. He stated there were seven points he wished to discuss and that most of the discussion would center around the Public School Foundation Program. Mr. Fridley stated that although a year ago there had been adjustments made for teachers' salaries, etc., they found the cost of doing business was increasing. He stated based

Mr. Fridley
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on his experience and on statistics he had seen he expects a 10 to 12% increase in doing business. He noted that debt service is siphoning money away from the instructional program. Mr. Fridley said he realized a great deal of legislation had been pre-filed and stated it was not their purpose to support or oppose any specific legislation.

In the October meeting of the Superintendents' Association, Mr. Fridley stated they discussed one of the ways to continue the state support would be to increase the pupil allotment to \$50 per pupil, which would mean approximately a \$3,000,000 increase.

He stated another area is the special education program and this is treated separately within the Public School Foundation Program. He emphasized the fact that there can not be as many special education pupils per teacher as in the regular program. He said there is approximately one teacher for every 10 pupils but in certain cases one teacher can only take care of five or six pupils and in many instances where for five or six pupils who are mentally retarded or uneducable, a teacher and teacher aide are needed to take care of the physical needs of the child. There are 950-1000 pupils projected to be in special education programs for 1969-70. At the present there are 840 enrolled in the state with 460 enrolled in the Anchorage area alone. Mr. Fridley proposed that there be further legislation along these lines and stated a drop of two or three youngsters per teacher would cost \$200,000.

Mr. Fridley
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He stated the larger centers such as Fairbanks, Juneau, Sitka, etc. were becoming a mecca for people whose children require special education. He noted that more buildings for these children will be needed due to the small number of children per class room -- 7-10 versus 30-35 in standard classes.

He stated another area that was being critized in the education program was the lack of terminal vocational education programs. He stated the cost of vocational programs is as great as special service programs for special children. He asked for further liberalization to include under the PSF program an allowance for vocational teachers. He also remarked that as a greater number of students in rural areas were interested in vocational programs, the heavier portions of these programs should be installed in rural areas.

He stated when reviewing the statistics of the state the average teacher's salary on the PSF program is \$8,200 but that the total salary is probably \$9,000 to \$10,000.

He noted that teachers are the same as other employees. They are requesting more fringe benefits, free lunch periods, etc., but he felt the added cost in this area could be somewhat reduced by the use of teacher aides.

Dr. Hartman entered the meeting.

Mr. Presher

Mr. Presher felt that due to the difference in wealth of the different communities that the state should assume

Mr. Presher
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more responsibility. He stated that the \$6,000,000 for the 5-year program is allocated by the Department of Education. He thought the legislature should give some consideration to using a portion of this money for bond redemption rather than putting it all into new construction. Another area Mr. Presher discussed was the use of schools for a full year with vocational education programs conducted during the summer months. He said many people have need of instruction while they are working. This program offers a worker help in getting a job, guidance instruction on the job, and is especially beneficial to handicapped people and natives who are having difficulty.

Mr.
Overstreet

Mr. Overstreet commented on Public Law 874 and said they had received instruction from the U. S. Office of Education, after a court case, that these PL 874 funds must be used strictly under their guidance. He stated he thought this was a wise decision. Money would go to districts where the federal impact was felt and be used for the purpose that was intended. He said they assume that the state will simply fund now on the basis of the existing formula, with the net effect of increased support to district schools. Mr. Overstreet suggested a small program to encourage school districts to enter into combined programs. He said that if districts would undertake problems jointly that it would lead to solution on a more economical basis, i.e., instructional television would cover more than

Mr. Overstreet
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one district. He proposed that the legislature encourage this by appropriating a small amount of money for more district cooperative projects.

Mr. Overstreet stated the second thing he would like to see is a new study of the Public School Foundation Program. He said there have been significant changes since the last study six years ago. For example, the special education program is almost completely new, the vocational program has been greatly expanded, and there is a very significant change in revenue; and, hopefully the legislature could relieve property taxpayers by assuming a larger portion of the responsibility at a state level. Mr. Overstreet stated he would like to see the legislature appropriate some \$50,000 to \$70,000 for this study of the PSF program. He stated they could possibly obtain the same people who did the study before or people of the same caliber.

Mr. Fridley Mr. Fridley suggested a possible means of funding the major portion of this study is under Elementary and Secondary Act, Title V. He said these are funds designed to strengthen state organization and he felt that the Foundation Program fell in that category. He thought Title V should provide approximately \$40,000 and stated they would have to obtain agreements with various districts. The Anchorage district would probably benefit the most from the updating of the Foundation Program study and would be willing to go along

with the relinquishing of their Title V funds for this purpose.

Mr. Sackett commented on the fact that deaf children and those hard of hearing went outside for schooling. He asked if there were any plans for a state school for handicapped people. Mr. Fridley stated people whose children require these services are better off to relocate within the center of service. He explained that the state did not have facilities for the totally deaf, that it was more feasible to send severely handicapped people to the states for training, and they felt they could serve more people and expand easier in the larger centers of population. Senator Koslosky asked what the difference in salary is between teachers and teacher aides and if it would be better to hire teachers. Mr. Fridley stated teachers receive approximately \$9,000 and teacher aides about \$4,500 - \$5,000.

Senator Blodgett held a brief discussion on the need of vocational education programs in the school.

Mr. Croft cited an example of high school students performing in the capacity of teacher aides and asked of the feasibility of this. Mr. Fridley stated that this was done in areas of the United States as a pre-vocational service but he stated there were certain areas of responsibility such as playground duty and lunch time responsibility that required an adult.

Mr. Croft asked about the pupil teacher ratio for gifted children. Mr. Fridley stated that like consideration is to be given in this area. He said under the definition of exceptional children, gifted as well as retarded children should be included.

Mr. Croft asked what the superintendents had done in the use of the school on a year around basis and if this would not be a savings. Mr. Fridley answered in the affirmative and stated in the Anchorage area they were going forward and had as many as 6,000 youngsters enrolled in Anchorage during the summer time. This was for a period of 6 weeks but he stated he believes it could be for 12 weeks. He stated administratively it would make it easier to have a year around routine but said he did not know if people in the community would accept it. Mr. Croft asked if the money wouldn't be better spent on a year around program rather than the Foundation Program study and Mr. Preshler answered they could be done together.

Mr. Haugen gave a brief discussion on the needs and problems of the school system.

Mr. Sackett and Mr. Hohman left the meeting.

Mr. Haugen stated he felt an interim committee was needed to discuss these different areas. Mr. Haugen also discussed the problems of the federal government withdrawing funds from certain programs after they had been implemented.

Mr. Ray suggested that the school boards approach the governing bodies of their municipalities and persuade them to deflate their assessed valuation to its proper level, even though it would cost them in the limits of their bonded indebtedness.

He pointed out that he felt, especially in the case of Juneau-Douglas High School, that the accelerated classes were of great assistance to the gifted children, but that in the cases of the mentally retarded and severely handicapped that the Commissioner should research the reported and unreported segments of the population to determine the need of institutional buildings within the state to be located in the population centers.

Mr. Presher stated that the cost for gifted children was as great as for handicapped. They need additional material so those children can go ahead. He said delinquency may come from these children whose intelligence is not channeled constructively.

Mr. Borer asked to hear from the smaller districts, such as Bristol Bay, and wanted to know if the legislation passed last year had helped them. Mr. Tinjum answered that the legislation (Ch. 48, SLA 68) had helped a great deal. Chairman Phillips clarified Mr. Borer's question and Mr. Borer added he wished to know if the legislature had provided them with what they needed. Mr. Nims stated the legislation had been a great help; however, if his

school district had to absorb an \$8,000 loss for a teacher who had become ill it would be impossible. Teachers are paid when they are ill, and a long illness could be disastrous to a small school district but in large districts it can more easily be absorbed. Hopefully, the state could help the smaller school districts on this and Senator Phillips agreed that something should be done. Senator Phillips asked what the most important point was that had been discussed and Mr. Fridley stated his appraisal would be the increase in pupil allotment. He said other points should also be examined from the standpoint of programs. Mr. Presher added that the need for re-evaluation of the Foundation Program is very important. Senator Koslosky mentioned the possibility of obtaining a Ford Grant for this study and Chairman Phillips requested Commissioner Hartman to check into this.

Adjournment: Meeting adjourned at 2:50 p.m.

HOUSE FINANCE COMMITTEE MEETING
Thursday, February 6, 1969
9:00 a.m.

Present: All members of the House Finance Committee were present. Also present were Commissioner Mel Personett of the Department of Public Safety and Captain Nelson, Director of the Division of Technical Services.

Gen. Meeting Chairman Bill Ray called the meeting to order. He assigned HOUSE BILL NO. 103 to Mr. Hohman.

Dept. of Public Safety Mr. Ray announced that Messrs. Personett and Nelson of the Department of Public Safety were present at the meeting to go over their budget with the committee.

Office of Commissioner The Department had requested three new positions in the Office of the Commissioner, but Budget Review had denied them

Personal Services Mr. Ray asked how the Department had planned to use the new people. Mr. Personett said they would use the Inspector to go into the field to determine if field personnel are following procedures and to bring back their suggestions. Without the Inspector, Commissioner Personett will have to do this himself. The only increase that was allowed was a normal pay raise increase for employees. Mr. Croft asked if the denied positions had been requested last year and was answered yes.

Travel This is at the same level as last year. Mr. Ray asked what the requested increase had been for and Mr. Personett said mainly for the inspection trips into the field.

Contractual The Department had requested \$20,100 in this area and was allowed \$9,000. Mr. Personett said the main reason for

the requested increase was for regulation printing. The Department is required by law to make traffic regulations and such available to the public. Mr. Ray asked why insurance was increased \$1,000. Mr. Personett said that fire insurance in some of the buildings they have in the field has been moved to this program instead of Alaska State Troopers. It is not an overall increase - just a move. Mr. Ray asked about the increase in equipment rental. Mr. Personett explained that they are prorating the Xerox and M.T.S.T. in the Department. Everyone is using the same equipment. The increase over 1968-69, he said, is due to the M.T.S.T. Mr. Croft asked what regulations are printed, and Mr. Personett said traffic regulations, drivers' manuals, commercial driving school regulations and the like.

Commodities

An increase was requested in Professional & Scientific Supplies, which Budget Review denied. Mr. Ray asked Mr. Personett to be specific about what they needed but he was unable to be. Mr. Sackett asked Mr. Personett if the Department has to move from their present headquarters if they will need funds to do so. Mr. Personett said they could use it, but that they would have to have rent money if they move.

Rescue & Relief

Mr. Ray noted that this is at the same level as last year. He asked if the statute was too rigid to allow the Department to use this money in assistance. Mr. Personett expressed the feeling that the statute can be complied with without considerable difficulty and that as long as the statute stands it should be followed. He pointed out an

example of its use. Mr. Borer said that in 1967-68 about half of the money in this program lapsed. He asked where they stand in this year's appropriation. Captain Nelson said they have used up about 2/3 and they have outstanding bills they are expecting. He said last year they came close to using all the funds. Mr. Personett made the comment that when the fund was repealed, many people felt that meant there was no money available and so for a while there were no requests.

Rewards

\$25,000 was appropriated last year for narcotics awards. Mr. Personett said that no rewards have been paid to date. Mr. Ray said that there is a movement in the Senate to repeal this reward money, and asked Mr. Personett's feeling. He said he had no strong feelings either way. One of the problems, he said, with the reward money is that it is only for information on hard narcotics. He said that Senator Haggland indicated in testimony that he felt this amount would better be used for education, enforcement and rehabilitation. Mr. Personett said he personally agrees. Mr. Ray inquired about problems with non-prescriptive drugs and Mr. Personett said the problem is not as great here as in some of the more populated areas in other states. Mr. Croft asked about the number of narcotic kits in the state and Mr. Personett said there are two.

Technical Services

Mr. Personett explained that the Technical Services Program was formed to centralize the service functions of the department into one area. Previously each division and often^a/section had its own administrative officer and other positions. By centralizing, Mr. Personett said,

they are more efficient and more economical. A portion of the increase in this budget is due to a move of personnel to this division and does not reflect an overall increase in the Department. Mr. Borer pointed out an error on page 0026 where the heading "man hours" should be "man months." In response to questioning by Mr. Borer Mr. Personett said that with regard to troopers in communities on a contract basis, man hours are guaranteed. Regardless of the number of men in a community, if a certain number of hours have been guaranteed, that amount of time will be put in. Mr. Borer asked what the systems analyst does and Mr. Personett explained that the man they have now is a federally funded employee under the Highway Safety Act and he makes necessary studies for upgrading of accident reporting systems, drivers license file system, etc. He will not be funded federally after July 1. Mr. Croft asked about the amount of federal receipts and said he thought there was a federal bill which would provide funds for local law enforcement. Mr. Personett explained that these funds are not provided directly to the Department but to the Governor's Planning Agency. Mr. Borer questioned Mr. Personett about the number of personnel, requesting a breakdown as to new positions, transfers, and regular positions. There seemed to be confusion on this matter, and Mr. Personett agreed to furnish a breakdown.

Recess: Mr. Ray recessed the meeting at 9:52 for 10 minutes after asking Mr. Haugen to act as chairman while he was on the House floor.

After Recess
10:10 a.m.

Travel

There was an allowance made of \$8,600 for travel, as opposed to the requested \$89,200. Mr. Personett explained that the reason their request was so much higher than in past years is that the division was not in existence or was just beginning. He said that the biggest percentage of this request was for the trooper training programs. Mr. Sackett asked what they would do now since their request was cut so much, and Mr. Personett said that as the budget now stands the training program will be deleted entirely. Mr. Croft asked if he meant the Academy in Sheldon Jackson and Mr. Personett said yes. There is no money to operate, he said. They used travel and per diem funds from other divisions for the Academy last year, but the other divisions cannot stand an additional year being deleted in this manner. Mr. Sackett asked how much their total cost for the training program at the Academy would be for one fiscal year. Mr. Personett said it depends on the number of troopers being trained. He said the cost has been figured at about \$1500 per trooper. The travel request, he continued, was based on the requested number of troopers. Captain Nelson said they had anticipated a cost of \$248,000 for the program including the cadets. He said he could give a breakdown of costs not counting the cadets, and Mr. Sackett requested a breakdown with and without the cadet training included. Mr. Personett said the Department will not be able to renew their lease with Sheldon Jackson because they have

to guarantee a certain number of trooper-trainees and they cannot do that.

Mr. Borer left at this point.

Mr. Bradner asked if the state is making any direct approaches to pin something down on this problem. Mr. Personett said this matter would probably be the top priority item in the omnibus crime bill funds. Mr. Croft requested figures on the number of troopers who have been trained to date and information on the effect shutting down the program will have on the entire police program. Mr. Personett reiterated that training is number one on their priority list. They would not have gone into the program unless he felt that way about it, he said. He said they will have to replace the Academy training with in-service training which they now have in addition to the Academy training. In answer to a question by Mr. Sackett, Mr. Personett said that there was \$4,000 in funding from Vocational Education limited to training equipment and supplies. Mr. Haugen asked if Sheldon Jackson had gotten any money for this academy. Mr. Personett said any money they have is from the New Careers Program. Mr. Personett said they started out with 19 men in this program, and the six who remain are all good workers. In response to a question by Mr. Hohman, Mr. Personett explained the cadet program. He said the main reason for it is to encourage young people to go into police work, because they have had trouble with young people graduating from high school and becoming involved in other jobs before they are 21

at which point they often cannot afford to leave the positions they are in to go into police work.

The career program workers go in as range 9 and the cadets as range 10, Mr. Personett said.

Contractual

Mr. Borer returned.

Mr. Borer asked for the total amount paid to Sheldon Jackson and Mr. Nelson said he would get this information. Mr. Borer pointed out an inconsistency between pages 26 and 47. After dialogue on the subject which did not satisfy Mr. Borer he said that he would research further. In answer to a question by Mr. Croft, Mr. Personett said that their contract figures were even lower than those Legislative Audit came up with. He made the statement that he needs a certain amount of that money for spending authority to enter into the contracts.

Commodities

Mr. Borer asked what the cut here would come out of and Mr. Personett said it would be out of the training program.

Equipment

No questions.

Inter-Agency Charges

This entire amount, Mr. Personett said, is for the automatic Data Processing System, working Department records into the program. With the cut he said they will just not be able to advance as quickly as they had hoped to. Mr. Nelson said that central duplicating costs come under State Troopers, not this division. In response to a question by Mr. Sackett, Mr. Personett said he did not feel their budget had been cut substantially more this year than it was last year. He said he does feel the budget he presented is necessary to maintain a sufficient level.

Alaska State
Coopers

Mr. Personett said that quite often the AST and the Department of Public Safety are interchangeable since AST is the largest division within the department.

Mr. Ray returned at this point.

Mr. Personett said that they felt in order to perform the responsibility they have been given they require the number of people they have requested for next year.

Division
Headquarters

The personal services allowance was considerably below the Department request, and Mr. Sackett asked what the Department would do since they had been denied a number of new positions. Mr. Personett said they had no choice but to maintain their present level.

Personal
Services

Travel

No questions.

Contractual

Mr. Nelson said the Department had requested funding to move their headquarters off the first floor of the Capitol Building in Juneau. They do not, he answered in response to a question by Mr. Sackett, have a definite place to move.

Commodities

Mr. Nelson said this is one place where they anticipate difficulty. The new drivers licensing with the photographs and plasticating required cannot be continued at the present level if the budget allowance stands as it is. He said that they issued three or four times as many drivers licenses in January this year than they did in January last year. He said that although the \$1.00 fee that is charged does pay for the cost of the licenses, that money goes into the General Fund and not into the Department. Mr. Borer asked why they are listing the

Polaroid supplies, etc. for the drivers licenses under Division Headquarters instead of setting them out by various districts. Mr. Personett said that that might be a better idea. Mr. Ray requested a letter or memo telling the committee just how realistic their last year's request for commodities was to cover this licensing in dollars and cents.

Equipment

Mr. Personett said most of the cut here again was due to new positions that were denied. Also the Miracode Microfilm which would have allowed the Department to maintain their records with very limited space was denied.

Inter-Agency
Charges

The Inter-Agency Charges to Division of Technical Services was to have been for the Cadet Training Program, Mr. Personett said.

Adjournment:

The meeting was adjourned at 11:30 a.m.

HOUSE FINANCE COMMITTEE
February 7, 1969 - Friday
9:00 a.m.

Present:

All members were present with the exception of Mr. Borer who was excused. Also present were Commissioner Personett and Captain Nelson of the Department of Public Safety. Chairman Bill Ray said the committee would continue their review of the Public Safety budget beginning at the point they left off yesterday.

Department of
Public Safety

State Troopers

Southeastern

Personal
Services

Mr. Ray noted an increase of \$23,500 in Personal Services. Mr. Personett said there were two new positions - a radio dispatcher in Ketchikan and one in Juneau, and the rest of the increase is for regular salary increases. Mr. Ray asked what the positions they were denied were for, and Mr. Personett said one was a corporal in Enforcement Services who would be used for field supervision. At the present time there is only one corporal in the field in Enforcement Services. With the trooper or corporal they had requested one would have been used as an investigator in addition to his supervisory duties. Mr. Ray asked if this just meant a strengthening of the entire southeastern program and Mr. Personett said yes. He said this is the same situation with the sergeant and trooper for Hoonah. Mr. Ray indicated that he wanted to be reminded to go into the subject of the Hoonah trooper at a later date. Mr. Croft commented that Anchorage had changed their rules pertaining to serving summons, etcetera, so that private processors could serve, and he asked if this had helped the Department as far as judicial services go. Mr. Personett replied that it had, but that

private processors have been held up by the question of bonding. He said that a combination of the court and private processing services could do the job at less cost than AST. Many times, he continued, a trooper spends the day in court with a prisoner and so is kept from other kinds of work. Answering a question by Mr. Croft, Mr. Personett said they do put their troopers through training in judicial services, and would continue to do so as he feels that even if they are relieved of serving process in most instances that in criminal proceedings they should continue to do so. Illustrating the number of troopers occupied each day by judicial services, Mr. Personett offered the following breakdown:

12 troopers serving process, 6 acting as bailiffs, and 3 in court as witnesses. He pointed out that releasing the 18 troopers who were serving process and being bailiffs would substantially increase the number performing the other duties currently going undone or partially done, so fewer new positions would be required. Mr. Ray asked to be reminded to go further into the subject of the Juneau metropolitan area at a later date. Mr. Ray said that there have never been enough officers to meet the needs outside the city of Juneau. He said that the highway between Juneau and the Airport is one of the most highly traveled in the state. Mr. Croft said they have a similar problem in Anchorage, and are considering whether they want to become a metropolitan police force. Mr. Personett said

he thinks the time has come that a decision has to be made by the Legislature as to whether the Troopers are going to be expanded 100% or 200% to perform all of the responsibilities they now have or they should return to doing just the functions they were originally intended to do. He said that in the last ten years the suburban or metropolitan areas have grown tremendously. By any formula they can come up with (square miles, population, number of crimes) they have tried to determine where troopers are most needed. He said that the lower Kuskokwim area should have seven or eight troopers, and they have two. The same holds true for the Yukon River area and almost all of the southeastern rural area. At the same time while they are not overloaded in the suburban areas, they do have a greater percentage of troopers than the rural areas do. He said that the Department must decide if they are going to become a metropolitan police department such as in Anchorage. Another problem is going to arise if the Greater Juneau Borough decides to unify, if they decide they will want to contract with the State Troopers, and if the same thing happens in the Fairbanks area. He said the State Troopers was set up as a rural protection division. He reiterated that a decision must be made about the functions they are going to perform. Mr. Ray inquired about the native constabulary. Mr. Personett said they have not given up. He said they had originally felt that under MDTA this might work or under the new careers program. However,

under either of these programs he said, they would be trained and sent back to the villages which could afford to pay them only \$50 a month or so, and that is just not enough for them to live on so they would have to take other jobs. He said that he has expressed the feeling when asked why some of the people that did not meet standards for the Troopers couldn't be made troopers and sent into the villages that the Troopers do not have second class troopers. Mr. Ray asked if they found any deep seated social or ethnic problems in the villages. He expressed the feeling that it would pose problems. Mr. Personett made the comment that if an Indian from one of the villages became a trooper he would not be required to return to that village or any other village.

Travel

Mr. Ray noted a \$2,000 increase. Mr. Personett said it was a graduated increase in travel. Mr. Croft asked if there had been a cost analysis on what might happen if the troopers had their own planes or boats. Mr. Personett said they have made studies along this line and decided that if they did they would prefer to contract with someone at least initially rather than buy their own. Mr. Croft requested that a cost analysis on that basis be furnished. The question of troopers using their own planes was discussed, but Mr. Personett explained that due to insurance problems this is not permitted. In answer to a question by Mr. Hohman, Mr. Personett said that if they had planes in the department, they do have pilots who are troopers. He mentioned that the reason they are going

to take such care as far as getting into owning their own planes, boats, etcetera, is because it has worked so poorly for Fish and Game. Mr. Sackett mentioned that he has heard many complaints about the lack of equipment for troopers in outlying areas. Mr. Personett said they are lacking equipment and this was the reason for the request they made in that area.

Contractual

There is an increase of \$3,000 in contractual services due to a reshuffling of systems, Mr. Personett said. He said that the additional they had requested was in case they had to move from the Capitol Building and was in anticipation of this, so that they would not need a supplemental.

Commodities

Mr. Nelson explained that the professional & scientific supplies request they had made was for ammunition for training, photographic equipment, equipment such as narcotics kits, and small items of supplies extended over the course of a year. He said they figure supplies per trooper per year at \$200. There was a brief discussion on the troopers' uniforms, and Mr. Personett said they are trying out perma-press uniforms to see how they work out.

Equipment

They were given a \$500 increase, with \$34,500 cut out of their request. Mr. Personett said this was the patrol boats that were cut out. Mr. Ray asked how much it would cost to put the patrol boats into operation for a full six months. Mr. Personett said the biggest cost would be the original purchase. He said also that they have been told the boats they requested in the budget were not big

enough. Mr. Personett was asked why a equipment pool couldn't be made up and he said the Department would have to be able to put something into it first.

Inter-Agency
Charges

The \$10,500 cut here was for trooper training at the academy, to be paid to Technical Services. Mr. Ray requested that this be brought to his attention later.

Recess:

The committee recessed for 20 minutes at 9:50. Mr. Ray requested Mr. Haugen to take the Chair at that time.

After Recess
10:10 a.m.

Southcentral

Personal
Services

Mr. Croft noted that if the 5 new positions that were granted were all placed in Anchorage it would mean less than one person per shift. Mr. Personett said that it takes 6 men to put one in the field. He said that they got fewer new positions than they had wanted. Mr. Croft asked if the criminal laboratory had been cut out of the budget, and Mr. Personett said it had been eliminated but that it is in their priority program. (Upon request Mr. Personett agreed to leave their priorities budget with the committee for a while.) Mr. Personett said that according to their studies it would be more feasible to enter into a contract with an existing laboratory than have their own. He said that having a laboratory would definitely improve the caliber of law enforcement. Mr. Croft asked if the increase granted would provide for any highway patrol in the Anchorage area. Mr.

Personett said if they were all put in the Anchorage area it would provide for highway patrol. Mr. Croft asked if they could assign all five outside of Anchorage and Mr. Personett said yes. Mr. Croft asked if there was any way they could use additional equipment instead of troopers - like a plane for highway patrol. Mr. Personett said yes, it would make a savings on the number of troopers needed.

Travel

No questions.

Contractual

Mr. Nelson said the biggest increase requested was in rents and utilities anticipating new quarters for the department in the Anchorage area. They have outgrown their present headquarters. Also there is an increase in equipment rental due to increased use of motor vehicles plus there is a request in this budget for funds to try for the first time air traffic patrol in the Anchorage area.

Commodities

No questions.

Equipment

The Department requested \$107,800 for boats, snowmobiles, trailer, guns and other necessary equipment for the troopers. Mr. Personett explained.

Inter-Agency
Charges

No questions.

Northwestern
Personal
Services

Mr. Sackett noted that in Personal Services they had been cut out of all requested new positions except a radio dispatcher. In response to questioning by Mr. Bradner, Mr. Personett said that rather than cover villages from large population centers, they hope to put troopers in small villages in the outlying areas to act as roving

patrols.

Travel

No questions.

Contractual

They were allowed \$178,300 in Contractual Services, and had requested \$214,500, Mr. Haugen noted.

Commodities

No questions.

Equipment

No questions.

Inter-Agency
Charges

Mr. Haugen explained ASHA rentals for Mr. Croft's benefit.

Fire Prevention

Mr. Personett said the Division of Fire Prevention is more an assistance organization than actual prevention organization. They do have direct responsibilities, though, he said and listed some of them as: inspecting state buildings, enforcing fire safety code outside of municipalities, backing up municipalities who request them to, and handling training programs for volunteer fire departments. In this budget they had requested one fire training officer who would actually do the training for the fire prevention people using the Academy. To show how badly the fire prevention training program has been working, though, he pointed out that the Fire Fighters and Fire Chiefs associations have requested a bill to be introduced to put the fire training office in vocational education, since the Public Safety Department hasn't had funds to carry it out properly. Mr. Croft asked if Mr. Personett had figures on the number of arson cases in court per year, and Mr. Personett said there are extremely few because they are not investigated.

Travel

The additional here was for additional money for investigations.

There were no further questions on fire prevention.

Mr. Haugen thanked the commissioner and Captain Nelson and they left at this point. Mr. Ray returned briefly and then left again.

HB 69

Mr. Sackett moved and asked unanimous consent that HOUSE BILL 69 (claims arising in prior years) be brought up for committee action. There being no objection, Messrs. Sackett and Hohman explained the reasons for the bill to the committee (information in bill file) and Mr. Sackett moved and asked unanimous consent that the bill be passed out of committee with a do pass recommendation. There being no objection it was so ordered.

Adjournment:

The meeting was adjourned at 11:40 a.m.

HOUSE FINANCE COMMITTEE
February 10, 1969
9:00 a.m.

Present: All members. Mr. Thomas Moore, Commissioner, Department of Labor; Ernie Lahn, Alaska State Employees Association; and Eddie Isenson, were also present.

Bill
Assignment:

Mr. Ray assigned the following bills:

- HOUSE BILL NO. 46 (Workmen's compensation) -- Mr. Bradner
HOUSE BILL NO. 59 (Alaska State Housing Authority) -- Mr. Haugen
HOUSE BILL NO. 67 (Supplement, Department of Law) -- Mr. Croft
HOUSE BILL NO. 71 (Supplement, Department of Education)-Mr. Sackett
HOUSE BILL NO. 94 (Repeal of school tax) -- Mr. Borer

Mr. Ray requested that the committee extend some effort on these bills to avoid a big stack of bills toward the end of the session.

Mr. Moore stated that Enforcement of Labor Laws includes Administration; Labor Laws Enforcement, Workmen's Compensation; the Governor's Committee on Employment of the Handicapped, and the Employment Advisory Committee. Mr. Moore continued the discussion with a brief summary of the industrial safety program and workmen's compensation hearings.

Administration

**Personal
Services:**

Mr. Ray commented on the decrease of \$500 in personal services under administration and this was due to the transfer of a Secretary I to Employment Advisory.

Travel:

Mr. Ray asked if the increase of \$2,000 for travel shows increase of transportation costs within the state and per diem due to

increased activity on the North Slope. Mr. Moore said part of it was due to this and that also the federal government is handling fewer and fewer mediation cases which means the state has to do it. Mr. Sackett asked if the department usually had this many conferences and travel outside the state. Mr. Moore said they often have more than indicated and sometimes they substitute trips and sometimes they don't go because of lack of time or because they feel the conferences might not be productive.

Contractual:

Services: Mr. Ray asked the reason for the \$1,700 increase in communications (310). Mr. Moore stated that they had a general increase in the areas of communications, printing rentals and utilities.

**Inter-
agency
receipts**

Mr. Borer referred to the inter-agency receipts and Mr. Moore stated he thought that the \$25,000 referred to was on the second injury fund but that he would check on this.

**Contractual
Services
(cont'd)**

Mr. Ray stated that he assumed the printing and advertisement (320) increase was for printing forms and Mr. Moore stated this was correct. He added that they printed industrial forms, workmen compensation forms, etcetera, about every two years. In answer to Mr. Ray's question on rents and utilities (330) Mr. Moore stated the increase was due to the fact that they would be negotiating a new lease. He stated the old lease would run out by the end of the year. He added they were also anticipating some new positions which would increase costs in this area.