

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2474

Mr. Ray asked about the increase of \$4,200 in equipment rental and Mr. Moore said the cost of the MTST represents about 46 percent of this amount. He said this rental runs around \$300 a month. He explained that he and the deputy commissioner share one secretary and that this machine will be of great assistance to her.

**Commodities:** Mr. Moore pointed out the increase of \$800 in commodities and said this is for films for cameras and miscellaneous supplies. Mr. Ray asked if this covered a view-all card index and Mr. Moore answered in the negative.

**Equipment:** There were several questions raised on the \$1,700 being too high for the IBM transcriber and dictating unit and Mr. Moore stated he would check the figures on this to see if it is correct.

**Inter-agency Charges:** Mr. Ray noted that the data processing charges from administration were up 50 percent.

Mr. Borer noted that the Department of Labor was still operating its own computer and he wondered what the plans were for consolidation. Mr. Moore said it was not their intention and probably would not be because the federal government will not agree to it. They raise many objections, according to Mr. Moore, such as the question of confidentiality of the data handling in the central system. He said the federal government also had reservations of the state's capabilities to handle the accounting and recording necessary for the Department of Labor.

He said the department was two years behind the times in respect to getting new equipment and said the federal government would provide them with "third generation" equipment. He stated at a later date they might possibly try to consolidate with the state system but commented that the federal government at this time would not be in agreement with this plan. He remarked that an individual department is sometimes very interested in seeing its own programs go and commented that if they did consolidate they would have problems with priority of programs. He stressed the necessity of getting the unemployment claimants' checks out on time and stated that he was not sure that this work would receive the priority it deserved if the department did consolidate. Mr. Borer stated that he wanted the record to show Mr. Moore's remarks along this line and added that if it was necessary to have a bunch of little empires it would be better to know it now.

Mr. Isenson left the meeting.

Labor Laws  
Enforcement:

Personal  
Services:

Mr. Moore stated that six positions were requested and they were allowed half of these. Mr. Ray asked if the labor law enforcement inspector sees that the majority of labor laws were enforced and Mr. Moore added this included child labor, minimum wage, etcetera. Mr. Moore commented that the boiler inspector would be in the Anchorage area. He said one was deleted and one left in. Mr. Hohman asked if the position in the central area was left in and Mr. Ray asked if they wouldn't move him back and forth. Mr. Moore said one of

the problems in this field is the inspection of manufacturing firms. He said the state is not in a position to provide for inspections although they have had several requests from firms to provide inspections. For these inspections, he said, the firms pay \$65 a day and that goes into the state. He said although the position will be paid out of the general fund this amount will be reimbursed.

Mr. Ray asked why they didn't put this position in Anchorage instead of Fairbanks and said he thought it cost less for this position to be located in Anchorage. Mr. Moore explained because of the contracts with the Air Force and Army in Fairbanks and other federal agencies that they provide inspection services for, that the department is justified in placing this position in Fairbanks. Mr. Borer asked if Mr. Moore had information as to how much of this work (boiler inspections) is being provided to firms by their own insurance companies. Mr. Moore guessed that this would be about 50 percent. Mr. Borer requested a memorandum regarding this so that they could see just what work is being done. Mr. Moore added that the state appoints these insurance inspectors as deputy boiler inspectors. Mr. Croft asked if this area was adequately staffed considering the increased activity on the North Slope. Mr. Moore replied that it was a matter of some concern.

Mr. Ray left the meeting and turned the chair over to Mr. Haugen. Mr. Moore pointed out that; it was too early to tell to what extent the activity was going to increase on the North Slope

but his travel budget had just been wiped out on this as it is prohibitively expensive to get up there. In response to questions by Mr. Croft concerning safety inspection and the adequacy of the budget for this purpose, Mr. Moore felt that it was; however, he again stressed the need for more travel money. As he pointed out, a safety inspector does not provide any useful function unless he is out in the field. Mr. Croft wondered if it increased the problems when they dealt with self-insured companies. Mr. Moore was unable to answer specifically on this point, but he felt they probably have a better program of inspection. Mr. Borer asked about the local hire for drilling operations, and noted that his own personal opinion on the people who do this work is that they are usually "nomads" and could not see how these jobs could be filled by Alaskans. Mr. Moore emphasized that Alaska has the highest rate of unemployment in the United States, and he felt that people with skills in other industries could easily adapt to work in the oil business, i.e., carpenters, operators of vehicles, etcetera. He did take cognizance of the fact that in high level positions, the oil industry would have to bring in their own people, but he saw no reason for their shipping in nonresidents for jobs that could be filled locally. He did remind the committee, however, that the state cannot compel the employer to hire residents but they are working hard at persuading them.

In response to Mr. Borer's question concerning length of stay for nonresidents, Mr. Moore felt that many of them were staying and becoming residents, though he did not have any idea of exact number of this, but he went on to say that his main concern was still to bring as many local people into the industry as possible. He noted further that they have been able to successfully cut off the stream of Canadians coming in to work.

He stated they had three men making the rounds of outlying areas to take applications from people who might have the background necessary for some of these oil jobs. Mr. Sackett asked about possible problems with BIA, and Mr. Moore said they find people at certain lower levels who are most cooperative; however, in the higher echelon they seem to have a tendency<sup>to</sup>/get bogged down in bureaucracy and paper work and since his department has a limited staff, they simply don't have that kind of time to waste. He said their business was to contact people and get them qualified for a particular job. He said applications are not the answer for hiring, but personal interviews are what is important.

Mr. Moore discussed the point that for two years they have been trying to institute a job program but when he tries to pin people in the oil industry down to where and when they will hire these people, he cannot get a positive answer. He feels there is no point in training people for nonexistent

jobs. In answer to Mr. Haugen, Mr. Moore said they were having no problems with the union. Their attitude is to get them on the job and then they will unionize them.

**Contractual Services:**

Mr. Sackett asked the reason for the fantastic increase in contractual services. Mr. Moore explained that part of this would take care of some of the new positions. Under equipment rental, he said this is for transportation (cars) for safety inspectors, etcetera, but technically it goes back to the state since the cars are rented from the pool. Mr. Croft wondered why the big jump from zero in 1967-68 FY, and Mr. Moore said he would check and advise the committee since they did have car rentals at that time too.

Mr. Sackett asked why they needed Polaroid cameras and projectors and Mr. Moore explained this was to carry on first aid classes throughout the state. Mr. Sackett asked about the possibility of borrowing from other departments.

Mr. Ray returned.

Mr. Moore explained this wasn't possible because running around looking for a camera can't be justified and they felt it impractical to borrow.

Mr. Moore explained it would be necessary for the Deputy Commissioner, Bill Jermain, to continue the presentation in the afternoon.

**Recess:**

The committee recessed at 9:55 a.m.

After Recess

2:35 p.m.

**Present:** All members except Mike Bradner. Bill Jermain, Deputy Commissioner; and John Stringer, Supervisor, Labor Law Enforcement Division; from the Department of Labor.

**Workmen's Compensation Personal Services:** Mr. Ray explained that increases in personal services are estimated and that there are annual increases in FICA. He stated this reflected no additional positions and Mr. Jermain confirmed this.

**Travel:** Mr. Ray questioned the \$300 increase in transportation costs within Alaska (code 210 on page 36). Mr. Stringer explained this was an overall increase so the Workmen's Compensation Board could hold more hearings. He said the \$300 increase and the \$6,200 increase in per diem is necessary for the board to hold these meetings. Mr. Jermain added they were trying to increase the frequency of hearings to reduce the lapse of time between hearings. To Mr. Ray's query, Mr. Stringer replied that the hearings were held every two months.

Mr. Ray asked specifically about Dr. Ralph William's case pending before the Workmen's Compensation Board. Mr. Borer asked Mr. Ray if he thought the state should be liable and Mr. Ray answered he felt the state should be if the carrier would not accept responsibility. There was further discussion on this case and Mr. Croft stated he wanted the record to show that he objected to a discussion on a case that was pending before the Workmen's Compensation Board.

Mr. Borer asked how far the Board was behind in claims and Mr. Jermain said he did not know but would furnish the

statistics on this to the committee.

Mr. Ray commented on the travel to allow the Director to attend the International Association of Industrial Accident Boards and Commissions meeting held in Atlanta, Georgia and there were no questions on this.

**Contractual Services:**

Mr. Ray said the big item in contractual services is the printing and advertising (page 37 of the budget) and he made the assumption that the \$1,500 allowed was for the printing of the Workmen's Compensation Act booklets and Mr. Jermain stated this was correct. Mr. Ray questioned the rents and utilities (330) and asked why there was only \$300 last year and \$1,600 this year. Mr. Jermain said this was due to crowded facilities and explained this was rent and utilities for hearings for Workmen's Compensation. Mr. Ray asked how they could function this year with only \$300. Mr. Jermain said there had been a transfer of funds from other categories. He explained that \$1,600 was closer to the actual amount needed. Mr. Croft asked if they paid for state facilities used for the hearings and asked specifically if they were charged for the court house in Anchorage and Mr. Jermain answered in the affirmative.

**Commodities:** As there were no further questions, Mr. Ray commented on code 490 (page 39 of the budget) and Mr. Croft asked if this tied in with the Department of Administration micro-filming of records and Mr. Borer explained it did not.

**Equipment:** Mr. Ray commented that the increase of \$200 was for the Wollensak model tape recorder (listed on page 40).

Governor's  
Committee  
on Employ.  
of Handi-  
capped

Mr. Jermain explained that the Governor's Committee on Employment of the Handicapped only meets annually and explained this committee has not been very effective because of lack of adequate funds. Mr. Croft asked if the committee would now meet twice a year and Mr. Jermain answered yes. Mr. Croft asked if they had any records of activities of this committee to date. Mr. Jermain said he did not know for sure but believed a report was submitted to the legislature. In answer to Mr. Croft's query, Mr. Jermain explained that this is simply an advisory committee. As there were no further questions on this committee, Mr. Ray continued with the Employment Advisory Commission. Mr. Jermain explained that part of the increase of \$10,000 is the transfer of a secretary to the commission. Mr. Jermain explained that Virginia Reilly was not a secretary but an Executive Director. Mr. Sackett asked about the possibility of getting a director that could type thus avoiding the necessity of a secretary. Mr. Sackett asked if they had people already appointed to fill the vacancies created by the plane accident that involved members of this commission. Mr. Jermain said the committee was just starting to function because they did have a full time executive secretary. Mr. Sackett asked if they had given any thought to turning the commission over to the Manpower Training group and Mr. Jermain said they had looked into this alternative.

Employment  
Advisory  
Commission

**Travel:** Mr. Ray said transportation costs within Alaska and per diem is to expand meetings and hearings in Alaska. There were no questions on this.

**Contractual Services:** Mr. Ray briefly went over the increases in contractual services saying that the \$900 increase in professional fees and service (380) is the amount for consultation fees and professional transcribing fees for the minutes of the commission's meeting.

Mr. Sackett expressed concern about this commission and Mr. Ray appointed Mr. Sackett as the chairman of a subcommittee on this commission.

**Sick &  
Disabled  
Fishermen's  
Benefits**

Mr. Ray asked Mr. Stringer to explain the Fishermen's Fund benefits. Mr. Stringer explained in previous years (1968-69) they had program receipts of \$25,000. Of this amount \$1,500 went to administration, \$10,000 went back into the fund. This year the entire fund has been transferred to Labor Law Enforcement. He explained because cases have doubled they need the additional money to pay for legitimate claims. Mr. Ray said he believed this fund should be set up as a separate entity with a full time director and secretary to investigate the actual validity of some of the claims and he said he would like to investigate the possibility of a full time agency director. Mr. Ray explained that Mr. Stringer has devoted a considerable portion of his time as well as the director and assistant director who had pro-rated salary schedules and that they use a secretarial pool for work on this fund. Mr. Ray

stated his opinion was that this is too big of a program to handle as a part-time operation. He directed Mr. Sackett to examine the feasibility of this with Mr. Stringer.

Mr. Ray said he had met with the members of the Fishermen's Fund's Advisory Council and it was mutually agreeable with the Department of Labor and the Council to set this program up as a separate entity.

Mr. Haugen asked about the attendance of the members of this advisory board and Mr. Jermain said the attendance record had been very good and added that most of the members were very dedicated individuals.

Mr. Ray said that some of the commercial fishermen who fished for pleasure or on a part time basis object strenuously to an increase in license fees. He stated they wanted to eliminate contributions because they did not receive any benefits. Mr. Ray said that someone was needed to dedicate enough time to work out some of these problems.

In answer to a query from the committee, Mr. Stringer said the reserve balance is approximately \$365,000. A discussion followed on the injuries that are covered under this fund and Mr. Jermain explained the injuries had to be work related and that this also included transportation costs. Mr. Haugen questioned the method of reporting the accidents and Mr. Jermain said that reporting of these accidents is not adequate. He said that in the past they had asked for reports from the fisherman and the doctor who treated him. In answer to Mr. Haugen's

remarks, Mr. Jermain said they were now asking that the captain of the injured fisherman's boat fill out a form also.

Mr. Ray left and turned the chair over to Mr. Haugen. Mr. Borer asked if the Department had given any thought to what kind of insurance service they could buy instead of using the direct reimbursement basis. Mr. Croft asked about the possibility of bringing the fishermen under the state employees' insurance program. Mr. Haugen remarked on some of the problems the skippers of the boats have. Mr. Hohman asked what revenue is anticipated this year and Mr. Stringer said approximately \$190,000 and explained that about 60% of the total received goes back into the fund. Mr. Hohman asked what sources this revenue came from and Mr. Borer explained these revenue sources as codes 560,61 and 62 of the revenue book.

Travel: Mr. Stringer explained the increase in travel was because the fund had been publicized more and people had found out that they could be reimbursed for their air fare. This allows for transporting fishermen from their place of injury to the nearest hospital and also provides funds for transporting the fishermen back to their boat or their home. In answer to Mr. Hohman's query, Mr. Stringer said he believed the fund was created in 1949. Mr. Jermain explained this fund was not like Workmen's Compensation and that no payments are made for the

fisherman's loss of work time. He said it is basically for medical expenses and transportation costs involved from the injury. He said there is a maximum coverage of \$2,500 unless it is a very unusual case.

Mr. Hohman asked about the delay in payments of the claims, and Mr. Stringer explained that the delays are at the departmental level because of lack of staffing and are also caused by the delay in receiving reports from doctors. He said in extreme cases it takes up to a year to get the doctor's report. Mr. Hohman asked if anything was being done to encourage doctors to process claims and Mr. Stringer said he believed a bill is still pending on this. Mr. Stringer said there had been instances where doctors would report a fishermen under the fishermen's fund when the injury had not actually been work related. Mr. Jermain said they are trying to eliminate this by checking double billings.

Mr. Croft asked if there is any administrative cost other than the \$15,000. Mr. Stringer explained that this is not a true amount and if they wanted to estimate administrative cost they would have to take into consideration the time spent by Commissioner Moore, Mr. Jermain and his own time. Mr. Jermain said that another administrative cost would be transportation of the board.

Second  
Injury  
Benefits

Mr. Jermain explained the Second Injury Benefits and said this was an excellent program and is something unique to Alaska. He explained the Division of Workmen's Compensation collects and deposits in the Second Injury Fund the employer's contributions (5%) for permanent partial disability and that this goes for vocational rehabilitation of the injured employee. He explained these funds are administered by the Division but transferred to the Office of Vocational Education for training of the individual. In answer to a query regarding the increase in this program, Mr. Jermain explained that one particular decision by the courts was for \$35,000. He also explained that the caseload has increased as well as the costs for rehabilitation. He said the investment in rehabilitation has doubled this year in comparison to last year. Mr. Croft referred to grants, claims and shared revenue in this program and asked if the payments for vocational rehabilitation were made directly to the Office of Vocational Rehabilitation and not directly to the workmen. Mr. Jermain said there are some payments made to the individual worker.

Employment  
Security

Mr. Haugen asked if the program administration for Employment Security was all federal money and Mr. Jermain answered that it is.

Mr. Borer asked how many positions were vacant under Employment Security Administration and Mr. Jermain said that he didn't have the definite figures but stated they have about a 40% turnover each year.

In answer to a query, Mr. Jermain said the six new employees were for new programs and expanded activities. He said they had new offices -- one in Bethel and one in Glennallen. Mr. Hohman asked if the increase for \$97,200 would give the man located in the Bethel area more travel money and Mr. Jermain explained that they were requesting \$7,000 more in travel and that some of this would be appropriated into the Bethel area. He said this amount would not provide as much travel money as they would like but said they had a big problem in convincing the federal government of the need for travel in Alaska. Mr. Hohman asked if a summary report was available on how many contacts had been made in the Bethel area and Mr. Jermain answered yes. Mr. Hohman asked about the financing of construction of the new building in Bethel. Mr. Jermain said a certain percentage of the fund could be made available for building. He stated last year this amount was \$45,000. Mr. Hohman asked how much money would be available for construction this year and Mr. Jermain said he couldn't give an exact figure. Mr. Hohman explained that the program in the Bethel area was a tremendous implication of what could be done. He said they had found jobs for 300 people. Mr. Jermain said they were very pleased with the program in Bethel and that it had achieved excellent results. Mr. Hohman asked if there was such a man in Nome. Mr. Jermain said they

had one office in Nome but nothing in Kotzebue or Barrow. He said they are investigating putting people in these areas on a temporary basis to see where offices would be justified.

Mr. Hohman added that the man in the Bethel area has to personally pick up his transportation costs and this could be a problem.

Mr. Jermain explained that the federal government doesn't understand the transportation costs in Alaska and explained that what is applicable to the Lower 48 is not applicable to Alaska.

In answer to Mr. Croft's question, Mr. Borer explained this budget, even though it represented federal money, was to be handled in the same way as other budgets. It was asked what happened if the federal government cut this budget, and Mr. Jermain said if the federal government had a cut back they make the necessary deletions. He explained they were under the state personnel system and the federal government reviews this. In answer to Mr. Croft's question as to how they would handle a raise in salary for the man located in the Bethel area on the Employment Security program, Mr. Sackett remarked that they could state it was legislative intent to do this and request the department to look into it.

Contractual: No questions.

Commodities: No questions.

Logger  
Training

Mr. Haugen asked why there is no money for the Logger Training Program and Mr. Jermain explained it was a

successful program but the school had now started its own functioning program. Mr. Jermain explained this program was now on-going and it is industry's problem. He stated they were, however, referring people to this course.

Mr. Croft asked if the oil industry couldn't set up a similar program and Mr. Jermain explained they have to have industry participation and while they had participation with the logger training program they did not have the cooperation necessary from the oil industry. Mr. Sackett asked who in the oil industry they had contacted to set up this type of program and Mr. Jermain said in October, 1967 Commissioner Moore had sent a letter to every major oil company in the world that would have any contact with Alaska asking them to coordinate with the Department of Labor and said they received response from a few who were interested. They attempted to follow this up but have not received the participation necessary to set up a training program. A discussion followed on the drilling companies and Mr. Croft explained that the oil industry is very limited in regard to unions. Mr. Sackett added that this should be something for Resources or Labor Management to hold hearings on.

WIN

Mr. Jermain explained the Work Incentive Program saying that this program was coordinated with the Department of Health and Welfare. He stated this is a training program

for AFDC recipients in which they are trained and placed in jobs. He explained if the recipients do not participate in this program their AFDC payments are cut off. He said they have 200 people participating in this program and said the federal government has given them a tentative approval for 300 people for next year. In answer to Mr. Borer's question, Mr. Jermain said at the present time this program is being implemented in the urban centers (Fairbanks, Juneau, Anchorage) because this is the only place they have adequate services. He said next year they hope to take the extra 100 slots out to rural areas. Mr. Sackett asked if they had cut off any AFDC payments and Mr. Jermain said they had one potential but that this problem would be handled by the Department of Health and Welfare. Mr. Jermain explained about the use of Day Care Centers to take care of babysitting problems. Mr. Sackett asked if people in the rural areas would be forced to move to find jobs and Mr. Jermain said that allowance for transportation to move them was included but stated the program is not intended to bring any undue hardships to these people and that only people who showed an interest in relocating would be moved. Mr. Borer asked if this is an on-going program and Mr. Jermain said it is a year-to-year program. Mr. Sackett asked if they had any guarantee that they would receive federal funds for this program and Mr. Jermain stated they had received as much of a guarantee as possible

X

and that they did have a promise for the 100 slots. He said the federal government has cooperated very well with this program.

Mr. Jermain added he had the memorandums requested from Mr. Moore regarding Inter-Agency receipts (memo appended). Mr. Hohman reviewed the requests he had made of reports he wanted to get from the Department of Labor and Mr. Croft also requested a copy of these reports.

Mr. Haugen notified the committee of the 8:30 a.m. joint hearing on Revenue scheduled for February 11.

Adjournment: Meeting adjourned at 3:55 p.m.

## MEMORANDUM

## State of Alaska

Honorable Bill Ray  
Alaska State Representative  
House of Representatives  
Pouch "V", State Capitol Building  
Juneau, Alaska

DATE : February 10, 1969

## FROM:

Thomas J. Moore  
Commissioner  
Department of Labor

## SUBJECT:

Department of Labor  
Budget 69-70 --  
Supplemental Information

INTERAGENCY RECEIPTS:

As noted in the Department of Labor's 69-70 operating budget request, interagency receipts have been reduced by \$10,000. The interagency receipt account request breaks down as follows:

## 1968-1969

Fishermen's Fund (transfer to Administration)	\$15,000
F/F (transfer to Labor Law Enforcement)	10,000
	<u>\$25,000</u>
2nd Injury Fund (transfer to Workmens Compensation)	\$10,000
Total Receipts	<u>\$35,000</u>

## 1969-1970 (Request)

Fishermen's Fund (transfer to Administration)	-0-
F/F (transfer to Labor Law Enforcement)	\$15,000
2nd Injury Fund (transfer to Workmen's Compensation)	\$10,000
Total Receipts	<u>\$25,000</u>

As the entire function of the Fishermen's Fund has been transferred to the Labor Law Enforcement Division, no program receipts (F/F) are funded in the Administration Division, all program receipts (F/F) are funded in the Labor Law Enforcement Division. The excess \$10,000 in program receipts over the 1968-1969 budget was used to fund the operating program of the Fishermen's Fund, increasing the operating program by \$10,000 (exact amount of interagency receipt decrease).

97-A

February 10, 1969

EQUIPMENT:

Administrative equipment is being decreased from \$1,700 to \$850. The requested \$850 is for an IBM dictating and transcribing unit for the Deputy Commissioner. An increased work load and limited secretarial staff necessitates the purchase of this equipment. However, in closely scrutinizing the equipment request, we find only one unit will be necessary due to the fact that the Department has secured and repaired older equipment after this request.

Equipment Rental (mileage expense)

Previously, mileage expense for departmental personnel was budgeted for in the travel account. This year, as per budget instructions (page 15), this line item is being funded in the contractual services account - equipment rental.

I trust that this answers your questions in this matter. If you require further information, do not hesitate to contact me at any time.

TJM:dh

Attachments

JOINT FINANCE COMMITTEES  
Tuesday, February 11, 1969  
8:30 a.m.

Present: All members of the House Finance Committee with the exception of Mr. Bradner, and all members of the Senate Finance Committee with the exception of Senator Lewis. Also present were Messrs. Stevenson, Kimlinger, and Wall of the Department of Revenue, Dick Freer of Budget and Management, and Senator Ed Merdes.

General  
Revenue  
Sources

Chairman Bill Ray called the meeting to order. He requested the witnesses to identify themselves before speaking and noted that finance committee members would question the witnesses before other members of the legislature. Senator Vance Phillips explained that the principal reason for the joint meeting was to enable members of the legislature to find out what is going on in terms of state revenue sources. He noted for the record that there was not a good turnout of legislators and stated that legislators after this who want information will have to go to the various departments because they will not be welcome at finance committee meetings for purposes of questioning on revenue projections. Mr. Robert Stevenson, head revenue agent in charge of Excise Tax Division, introduced himself and explained that Commissioner Morrison could not be present due to being ill and so he was filling in. He distributed some sheets of additional statistics on tax collections both past and present and some other information that he felt might be useful to the members in considering legislation pertaining to state revenues. (See Revenue file) Mr. Stevenson made a general review of estimates and net collections. He said that during the four

preceding fiscal years the total collections estimated were \$194,500,000, while the actual collections were \$203,800,000. Actual collections exceeded estimates by \$93,300,000 for the four year period, or about 2.3 million dollars per year. The average percentage of estimate realized was 104.78% which, Mr. Stevenson said, is "pretty tight" estimating.

At this point, Mr. Stevenson introduced Mr. Phil Wall, Director of Administration, and Mr. Ralph Kimlinger, head revenue agent in charge of Fish and Game Licensing, and stated that they had both been instrumental in preparing the revenue estimates and additional statistical information. Mr. Stevenson stated that the estimates for gas and oil production tax, disaster severance tax, and oil and gas conservation tax were prepared by the Department of Natural Resources and not by Revenue. He said that Revenue would furnish the committee with updated statistics on this year's fiscal collections, and that some of these reports will be available within the next week. He said that usually during the first six months of a fiscal year around 42 or 43% of the state's total collections are realized, and the balance of the year runs around 56 or 58%. The reason for this difference, he explained, is that there are quite a few annual taxes as opposed to monthly and quarterly taxes filed all year long. He said this causes a cash imbalance as they receive considerably more in the second half of the year than the first.

At this point Mr. Stevenson turned to the revenue sources document, and began going through it, item by item, reading the important parts of it aloud.

Code 101  
Alcoholic  
Bev. Excise  
Tax

Mr. Stevenson explained that the revenue estimates are made in October or November which means that they have had time to note increases going on in the present fiscal year which they take into consideration in making their estimates. He said they have found a steady growth in the Alcoholic Beverage Excises tax collections over the past four years, and it is still continuing. In response to a question by Mr. Ray, Mr. Stevenson said that sales to the military are nontaxable; that there is a deduction allowed for sales to the military for the wholesaler. They are taxed but get tax credit back. Mr. Stevenson said the military is not shown in the document, but facts relative to the military are included in the information passed out at the beginning of the meeting. He gave as the value of total credits to the military over the past fiscal year:

\$ 497,647	hard liquor
19,630	wine
<u>119,476</u>	beer
\$ 636,753	total credits to military sales

Mr. Stevenson said that this is about a sixth or a seventh of the total.

Mr. Bradner came in at this point.

Senator Miller asked if the proposed tax increase in this area is passed, what the increase in revenues would amount to, and Mr. Stevenson said that in hard liquors it would be an increase of about \$685,000, in beer about \$368,000 and he said that wines would be broken into two categories and he would have to give those figures to the committee at a later point.

Senator Merdes asked what the military take would be if the legislature decided they should be taxed, per recommendation

of the Peat, Marwick & Mitchell tax study report, and if the tax itself were increased. Without the tax increase, Mr. Stevenson said it would be about a \$636,000 revenue increase and Senator Merdes said by his figuring he comes up with about \$855,000 assuming the tax increase goes into effect.

Mr. Stevenson explained that several reports from the Department of Law have indicated that the military could circumvent these taxes. Mr. Ray asked if it was correct that the military has always indicated when any mention of liquor taxation has been made that they would perhaps put their shipments of alcohol in bonded vehicles and ships and bring it to Alaska as military cargo, and Mr. Stevenson said that is correct. Mr. Ray further noted that the law now says that any tax free alcohol consumed by the military will be consumed on military instrumentality and Mr. Stevenson said that they understand from the Chairman of the ABC Board that there are many violations of this. Mr. Ray then commented, with reference to a tax increase, that now some of the larger dealers in the areas around the military bases can compete with the military but that with the increase in the tax, they would no longer be able to do so. Back to the question of taxing the military, Mr. Croft stated after questioning Mr. Stevenson that it appears the state must decide whether they should impose this tax even though it might result in a decrease in buying in Alaska in order to pick up the additional tax revenue or whether they should just go ahead picking up the revenue in income tax from the dealers selling to the military now. He asked if any

analysis had been made on which of the alternatives would provide more revenue for the state, and Mr. Stevenson said no.

Codes 102,103  
Cigarette  
Tax

Mr. Ernie Lahn, lobbyist for State Employees, and Representative Tom Fink came in at this point. Mr. Stevenson simply read what is in the revenue sources document and there were no questions asked.

Code 104  
Insurance  
Premiums

This information is submitted by the Department of Commerce, Mr. Stevenson said, and he did not have backup material to explain. The Chairman said that they would have Commissioner Sharrock over a little later to explain Code 104.

Codes 105-  
108

There were no questions asked on Alaska Business License Tax or Individual, Fiduciary or Corporate Income Taxes, after Mr. Stevenson had read what the document said.

Code 109  
Mines &  
Mining Tax

Mr. Croft mentioned that the Peat, Marwick and Mitchell Report had suggested that this include sand and gravel operations. He said that it was his recollection that in committee they had projected this might result in as much as a half million dollars increased revenue. He asked Mr. Stevenson if he knew whether the state plans to propose any of the changes Peat et al suggested in this session of the legislature. Mr. Stevenson said that he did not know but that none of the proposed changes had been included in the document.

Code 110  
Inheritance  
Tax

Mr. Stevenson indicated that Alaska has a problem here inasmuch as there is such a small population 65 and over, because people sell their property and leave the state when they retire, and for this reason there are few large estates left when people

Code 112  
Raw Fish  
Tax

die.

Mr. Rettig arrived.

After reading this section in the revenue sources document, Mr. Stevenson referred the committee to the statistics sheet entitled "Major Items of Increased Revenues - 7/1/68 to 12/31/68 vs 7/1/67 to 12/31/67." He explained that as far as the Raw Fish Tax, item three on the sheet, that what happened in 1966-67 is that the canners filed their returns with part of the money and paid the balance quite likely in July or August with interest, but when they put on the 5% penalty tax, practically all paid and so there were few collections at the start of the next fiscal year. They now pay up just about 100% right when the tax is due, Mr. Stevenson said.

Senator Phillips, now acting as chairman in Mr. Ray's absence, suggested that instead of reading through the revenue sources document, the committees should take the larger items of increased revenues and go through them. Mr. Stevenson agreed to this, with the two statistical sheets containing major items of increased revenues as a basis for discussion. Codes 101 and 106, Alcohol Tax and Individual Income Tax, had already been dealt with earlier, and there were no questions from the committee. Mr. Stevenson said it wasn't necessary to deal with the figures on Raw Fish Tax which shows an estimated increase of \$317,856 because that is a tax that will all come in at once and the estimate is based on the latest pack figures from last year converted to pricing so it will probably come out within 1 or 2% of the actual figure.

Code 116  
Disaster  
Severance

Mr. Stevenson said he would pass up Gas and Oil Production Tax and Disaster Severance Tax because they were prepared by the Department of Natural Resources. Senator Blodgett noted that the increases in Disaster Severance were reflected in the grand total for general fund monies, and he said that when the legislature budgets they want to know what the estimated amount will be at the end of the fiscal year in reserve, and he felt it erroneous to include within this figure the Disaster Severance Tax because that is not general fund money but money for a special purpose. Mr. Freer explained that the reason they have included this money now for the general fund is that under the statutes passed by the Special Session in 1967 after the Fairbanks disaster, it is provided that the general fund would be reimbursed from these disaster funds in the amount that had been appropriated out of the general fund for disaster purposes, and that at such point as the general fund had been completely reimbursed, the money to the general fund would be cut off.

Mr. Rettig left.

Code 131

Highway Fuel With respect to Highway Fuel, Mr. Stevenson said that they are looking for a gain here and so far their projections seem to be proving out quite well.

Code 132  
Aviation  
Fuel

Mr. Stevenson said that the increase here is due primarily to legislative change which upped the rates on aviation fuel. He said that activity in the North Slope where they are using Hercules jets and the like has increased and shown a marked increase in the Aviation Gas Tax. He said there are two problem areas in the Aviation Fuel Tax. One is the consumption at the Anchorage International Airport of bonded jet fuel

on which the state receives no tax. The other one was decided recently by the Attorney General. Mr. Stevenson said that they had noted that quite a few military charter planes were getting gas at military installations and the installations would furnish us with the amount and type of gas furnished, but at the bottom of each statement which they would furnish monthly they would indicate that the gas was used for United States Government use only. He said that the Department extracted a number of contracts from the various carriers, 28 involved in this investigation, and they found that due to the Vietnam war a lot of planes were using Alaska as a refueling base and they were totally charged by the United States Government. He continued that they discovered about \$128,000 in taxes were involved over a 28-month period, but that the Attorney General found that the state cannot collect on these. Aviation gas receipts come primarily from operators who come from Seattle and also all other pleasure craft. He said that the Department receives monthly reports on sales of bonded fuels at Anchorage International Airport by both Standard and Shell, and that these reports are available.

Code 441  
Motor  
Vehicle Reg.

Mr. Stevenson noted that in the first six months there is a slight decline in collection shown, but said that other statistics bear out that they will in the next four months make their estimate in this field. He requested Mr. Wall to present further facts. Mr. Wall reiterated what Mr. Stevenson had said, stating that their statistics do bear out that Motor Vehicle Registration revenues will meet the estimate they have made, with a quarter million dollar increase

in revenue. He said they are already reflecting some substantial increases especially in the motor vehicle title area. He said this is significant because it is up to a 16% increase over last year, and said further that as motor vehicle titles move, so do motor vehicle registrations and so this is a good indicator.

bonded  
fuel

Mr. Sweet asked if Mr. Stevenson had any estimate as to the amount the state is losing because of bonded fuel in Anchorage. Mr. Stevenson said that it has been figured that the amount being lost is more than the amount now being collected on other aviation fuel tax, but that the Department of Law in a 55 page brief going over every possibility of bonding fuel came up with the final conclusion that the state would lose in a court contest on the matter. Mr. Fink mentioned the 2¢ per gallon that is paid, and asked if it is in lieu of the gas tax.

Recess

The meeting recessed at 9:40.

After Recess  
9:55 a.m.

Commissioner Sharrock and Mr. Fennel of the Department of Commerce were present at this time. The committee reverted to Code 104, Insurance Premium Tax. Commissioner Sharrock explained that the figures in the revenue source document are based on the trends shown in the past few years. Senator Phillips mentioned that there has been talk of restructuring the Division of Insurance, and asked the commissioner if there was anything in mind about restructuring that would make a difference in the revenues. Mr. Sharrock said that the auditor they have requested in their new budget is expected to collect premiums, amounting to possibly \$60,000 to \$80,000 that are not now being collected. Senator Phillips asked what the insurance director had asked for in the new budget the Finance Committees had requested be prepared, and Mr. Sharrock said for \$4,000 additional, mainly in Travel. Senator Blodgett explained for the benefit of the legislators not on the finance committee that the finance committee has requested a presentation pertaining to the Division of Insurance with a view to upgrading it because they feel it may not be doing all that it should be doing in terms of protecting the insured in the state. Mr. Fink concurred and said that his committee is recommending an increase to \$250,000 for the Division. Mr. Ray stated that with all due respect to the commissioner some members believe that the request that has been made is shortsighted, but said the special committee on insurance

Code 104  
Ins. Premium  
Tax

Code 202  
Insurance  
Licenses  
& Fees

will certainly have additional recommendations to make at another time.

Mr. Fink asked if it is true that the budget the Department of Commerce is coming in with will be less than they take in in licenses and fees, and Mr. Sharrock said that is true.

The committee members and other legislators having no further questions, Commissioner Sharrock and Mr. Fennel left at this time.

Mr. Ray requested Mr. Stevenson to continue his presentation at this time, and Mr. Stevenson said that prior to getting into a discussion on Gas & Oil Production and the Disaster Severance Tax he wanted to mention a couple of items the Department of Revenue has been working on and that are now coming to fruition. In 1959 the federal government by congressional action took away the power of withholding from the state on maritime workers, e.g., Alaska Steam. The employees on the boat were subject to the state net income tax and the federal government decided that each boat was subject to too many states' taxes and so they would not allow withholding on seamen's taxes. This did not take away their liability to file on Alaska's net income tax, however; so the state of Alaska went down to the State of Washington and went through a series of court cases leading up to the state supreme court of the State of Washington. The decision was that the seamen would have to file with the State of Alaska, so recently the Department of Revenue gathered up all the wage statements that were involved

acting back to 1957. The average years per seaman involved were 4 years of tax liability. The state gave them a deadline of the 15th of February, for paying interest and school tax and to get their return in. Their attorney advised all the seamen to file and pay their taxes and about 3 weeks later 11 maritime unions joined together to fight the State of Alaska in this effort. Some voluntary returns from some of these seamen were coming in, and then the maritime unions got 30,000 petitions out and were trying a variety of other things to combat this tax levy, so if these tax returns are not in by February 15 they will be billed on March 1st and with a 25% penalty figure. The original mail out involved some 1,551 active cases which should bring in, according to Mr. Stevenson, in the neighborhood of \$280,000 to \$500,000 so the state will pursue this fight to the bitter end. In the State of Washington the state has two ways to affect collection - (1) with the reciprocity that the State of Alaska has with Washington, they can sue in their courts if necessary or (2) Alaska can make assessments, reduce it to a warrant of restraint and give the taxpayers a couple of months by mail to pay and if they don't, then they will be farmed out to a collection agency in Seattle and assign all rights of levy, garnishee, or any tool necessary to collect the tax. Mr. Stevenson felt the state may be in the middle of a good battle in about 2 weeks.

Another program mentioned by Mr. Stevenson concerned the National Tobacco Tax Association which has members from all 50 states. They have been working for about 3 years and they finally came to the conclusion that they could request and get cooperation on sales information from the big cigarette manufacturers who manufacture and distribute to the wholesalers. Starting in about May the Department of Revenue will receive, on magnetic tape, copies of every cigarette shipment which came direct from a manufacturer to an Alaska wholesaler. When Mr. Stevenson's department gets these results they will be able to check against every invoice that the wholesaler sends and have a real tight lock on the validity of the returns received on cigarette taxes from the wholesaler, which, in turn, will give a good audit.

Oil & Gas  
Production  
Tax  
(115)

Mr. O. K. Gilbreath introduced himself, stating that he was employed by the Division of Oil and Gas in Anchorage and this division has been responsible for preparing the estimates on oil and gas. Because it is a specialized type of estimate they have prepared these in conjunction with the Department of Revenue and the Division of Lands within the Department of National Resources.

The oil industry came into being with discovery of Swanson River 10 or 11 years ago and the production that has been realized from these fields has been in a definite plateau for some time. There was quite a bit of development in Swanson River but the production increased just gradually until a pipeline was laid to tidewater in about 1961 and the Swanson River field held relatively constant after

that time until the Middle Ground Shoal discovery was made in the early 60's. These fields went into production in late 1965 when several platforms went into the inlet. The wells came on with high initial productivity and production increased rather rapidly until this past year. He pointed out that the wells in Alaska are considerably more productive than they are anywhere else in the nation and because of this anything that happens to a well in Alaska affects the state income in a big way. If the well produces, the state receives a lot of income and if it doesn't produce, then of course the income goes down. Most of the wells before last year averaged around 1600 barrels a day. Last year the wells were down in the order of 1100 barrels a day statewide. Now the type of oil that is in the reservoirs up there is what is called an under-saturated crude. It doesn't have enough gas in the oil to liberate gases when the pressure is released a little bit. It is necessary for the pressure to drop several thousand pounds before any gas is actually released in the reservoir. Now, according to Mr. Gilbreath, oil like any other fluid or gas is compressible when it is put under pressure, and as the barrels are taken out on the surface this allows the pressure in the reservoir to decrease and the oil itself expands. It is a very small expansion but it expands and this is what furnishes the energy for production on the surface. To recover the greatest number of barrels the reservoir pressure needs to drop down to the point where the barrels left in the reservoir occupy the

most space and this is what is called the "bubble point" or the point at which the gas comes out of solution. In most of the reservoirs the pressures were originally in the order of 3500 to 4500 pounds. This point where the maximum expansion is reached is around 1400 to 2,000 pounds, so that leaves some 2,000 pounds of simple fluid expansion to furnish production. Since there is no gas evolved in the reservoir the production that comes to the surface, being a result only of fluid expansion is going to decrease as the energy in the reservoir decreases, or as the pressure there decreases. Mr. Gilbreath said that is what is seen in Alaska. It's been in the press and in letters from people who are quite concerned about these drops in pressures. He wanted to emphasize to all of those present that the drop in pressure and the corresponding drop in rate does not affect the ultimate recovery of the reservoir. As a matter of fact, he felt it actually enhances the recovery in the reservoirs. Now, obviously, as the pressure is dropped and the energy available in the reservoir decreases there has to be some means to supplement this. The wells won't flow on their own. They'll flow for some period of time -- 6 to 10 months -- and then it's necessary to help raise the production to the surface, and essentially they have gone through this stage in Alaska already. The first wells came on flowing, they had high potentials, but then the wells obviously and immediately started downward. They reached some point at which they wouldn't flow and the operators

then installed lift equipment to help lift the oil out of the ground. They're in the stage now where in almost all of the platforms lift equipment has been installed in most of the wells. Mr. Gilbreath pointed out that they don't have many flowing wells at this time and those that are will probably be in the borderline requiring lifts within the next few months, which is the next stage then as they start approaching this saturation pressure where they have maximum expansion in the reservoir. This is the pressure from the standpoint of conservation and ultimate recovery where the pressure needs to level out and this is the point where the operators will have to hold the pressure to achieve maximum recovery. In the Swanson River field there has been a high pressure gas injection program going on for several years and they are repressuring to hold the pressures in a range - they're slightly above this range; but it is also helping them on their lift requirements. In the inlet all the reservoirs are approaching this stage and the operators have been studying, designing equipment, ordering equipment, installing equipment, to do this. The largest field, the McArthur River field, has the equipment installed and the operator will be kicking off a project there in the very near future which by the end of the first quarter of this year they expect to be injecting about 100,000 barrels of water a day and by the end of the year perhaps injecting as much as 200,000 barrels of water a day.

In the Middle Ground Shoal Reservoir a project is in operation where Shell is converting wells and Pan American is converting wells on the center and the ends of the reservoir. At Granite Point field both operators have run tests on the reservoir and the reservoir does not appear as susceptible to injection as the others do but here again equipment is being ordered and the operators are making plans to inject there.

In the Trading Bay field the operator is installing a project now, so they're looking during the period of this budget forecast, of the several years involved, at the effects of the injection program and what they will be on the rate of income. These estimates have been prepared by discussing with each operator his plans, considering the information that the department has available, and observing what the progress is. In general, one might say that last year the offset drilling maintained production. In the absence of fluid injection, Mr. Gilbreath expects production to decline this year because in essence they have very few undeveloped wells in the Cook Inlet area -- proven wells -- yet to be drilled. With the programs going in we feel that within 6 to 10 months there will be some initial effects from the water injection program and then after 12 to 18 months substantial effects will be seen from it. Mr. Gilbreath emphasized that there has not been a water injection program in Alaska anywhere.

There have only been some tests made to inject water into the wells and these tests have shown that it can be done economically and feasibly at high pressures. There is no history to estimate what the effect will be on these reservoirs. They can go back on history in the lower 48 states and Mr. Gilbreath's staff worked there, and their estimates are based on what would be comparable to the lower 48. From these estimates that they have now for the year 68-69, one can say that primary production in general is declining somewhat. During the latter part of the year they will be injecting water and then after 1969 all the reservoirs will be under some stage of pressure maintenance operation and Mr. Gilbreath wanted to give this background to the committee to emphasize that they have projected the production ahead but there are wide variations in production from any particular well and any particular field and it is very difficult to put all of these together and come out with a composite picture. He pointed out that for each barrel of daily production that they have from a well the state in terms of total oil income under the present tax and royalty will recover about \$138 per year.

Mr. Gilbreath summarized by saying that as statewide production increases, the margin of the estimates will become wider, and they will be out of kilter. Because of these factors in the estimates prepared last fall,

Mr. Kelly served notice on the oil industry that the crude price reductions that had been placed into effect would not be agreed to for royalty settlement purposes and that the state would require that royalties be paid on the basis of the old Swanson River postings that have been in effect for some five or six years. These estimates were made on the basis of the standards that Mr. Kelly set out at that time. In general these standards would require an oil selling price of something in the order of \$2.84 a barrel on the average for all of the oil. The buyers had previously posted crude prices that actually figure out to about \$2.59 a barrel on a weighted basis using December figures to calculate so there was a difference of some 20 or so cents a barrel and since the October policy statement was made the state had some rulings from the attorney general's office, and some of these sales are on contracts, so they now believe that they cannot enforce the \$2.82.9 barrel that the commissioner had indicated. The companies have never paid on this basis. They have simply continued to pay on the posted prices they have, so that the revenue that has accrued to the state has been on the basis of the \$2.59 per barrel. Because of this and because they do not now believe that taxes can be collected on a current basis the state hopes to be able to go back and recoup some of this. It's possible that it will go into litigation

and they won't be able to consider it for income purposes here. Mr. Gilbreath stated he was here to advise the legislators that this estimate should be revised down from the estimates as printed in the Revenue Sources now. This statement is made on the basis of three factors.

One is the timing of the crude price change that the state does not believe it can enforce.

The second is the reduction in rates in the McArthur River field. This field next year will furnish about 45% of the state's tax and royalty income. The operator, however, at the time the estimate was made indicated they had capacity and intended to produce the field at about 105,000 barrels a day. Therefore, the estimate was made on a basis of 95,000 barrels a day. Since that time they have decided that they will not be able to go over about 90,000 barrels a day and in fact their production has averaged 78,000 barrels a day; so the department is revising estimates downward by about 15,000 barrels a day due to the rate in this one field.

The third thing is in the oil and gas production tax that went into effect this past year, the actual effect came in during the third quarter of this year. The Department of Natural Resources had previously made the estimates on the basis of the fiscal year from the end of June to the end of June. Mr. Gilbreath didn't realize that the books were not kept open and it is strictly a June 30 cutoff date.

As a result the estimates that were made for the first quarter of this year as printed on the pages on the Revenue Resources book were made on the basis of the new tax rate of 3% from July 17 whereas in fact the receipts were actually based on the 1% for the fourth quarter of the last fiscal year, so an error of approximately \$1,000,000 was made in making this estimate because of the cash basis on which they operate.

The royalty and conservation taxes are all right in this regard but they are off by that amount on the production tax and disaster tax.

Senator Blodgett asked who takes responsibility for having made the decision resulting in the \$1,000,000 error and Mr. Gilbreath said he would have to take responsibility for it. In response to a question by Senator Blodgett, Mr. Gilbreath said that at this time the only statutory authority his division has is to see that waste does not occur. They cannot control amounts produced. They cannot prorate. Senator Blodgett asked if it wouldn't be desirable for them to prorate it, stating that other states do it, and Mr. Gilbreath said that other states do it on a market demand basis. Mr. Fink was perplexed about the \$2.83 and the fact that it couldn't be collected. He had been lead to believe that a couple of companies had agreed to go back and pay this recently. Mr. Gilbreath said they have up to

September 1 but not after September 1, and they have agreed to pay on that basis. This is the money that he said he had mentioned earlier that he hoped they can get back. Secondly, Mr. Fink wanted to know where this "less transportation" came in. According to Mr. Gilbreath, the statute says they shall pay on the wellhead price of the oil. Mr. Fink said he understood 2.83 is the basic figure, then the transportation down the inlet is subtracted then the transportation to the refinery is also subtracted. So then they are getting down to somewhere around \$2.20 when figuring the tax. No sir, said Mr. Gilbreath, the tax is on the \$2.83. The so-called transportation that has been referred to is the cost that is incurred by the operator in moving the oil from the platforms to the shore only, and this is because the present statute provides that the tax will be based on the wellhead value of the oil. There are no storage facilities on the platform and it is necessary to move it to the shore where it can be measured but there is a cost involved in moving it from the platform to the shore. The state knows what the value on the shore is and to arrive at a value on the platform it's necessary to deduct the cost in between. Mr. Fink indicated that this is not the way he had understood it in a letter from Commissioner Kelly. Mr. Gilbreath said that the prices that are posted by the crude oil purchasers are the prices in effect at the on-shore facility where the oil

is metered, and that is posted at so much per barrel depending on the quality of the oil, up to 3.29 a barrel. The only thing deducted from that particular figure is the transportation cost to the platform. He thought possibly where the confusion might lie is that the purchasers have indicated that they are establishing the posted price at the onshore facility. In California, they take the value of it and deduct the cost of transporting it back all the way to the point where they purchased it and this would include ship transportation and the cost of the common carrier. "Who actually receives the tax," asked Mr. Fink "Revenue or Natural Resources?" Mr. Stevenson said that Revenue receives the original tax returns on Gas and Oil Production tax, Severance tax, and Conservation tax; the tax on amounts of royalties go directly to the Division of Lands with considerable computations although the Department of Natural Resources audits all the returns. Tom Fink said he would like to see one of these reports. Mr. Fink then went on to say that according to newspapers, the state recent entered into a contract with a refinery for \$3.06. He said he was informed that they will use that as the established price once the crude starts flowing to that refinery and wanted to know if that was correct. Mr. Gilbreath replied in the affirmative and said that is fair market value and they were going to go back and attempt to collect based on that figure. That

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particular price will result in about a 2.3 million dollar a year increase over present prices, but that is not in the projections because they cannot enforce it until they produce the first barrel under the contract which is going to be 18 months to 2 years away. There's an obligation to purchase within two years. Senator Merdes suggested that they get an opinion from the attorney general as to whether they have to wait 18 months or whether they can do it from the effective date of the contract. Mr. Gilbreath said he would do this.

Mr. Fink said that the revenue projection book shows under Code 115, \$5,771,900 as the revised estimate for 1969. He wanted to know if the correct estimate shouldn't be \$4,771,000. No, according to Mr. Gilbreath, \$3,996,000 is the estimate for this fiscal year and at this stage they see no reason to change the estimate for the next fiscal year. In answer to further questioning by Mr. Fink, Mr. Gilbreath said that the \$2.83 and \$3.06 refer to different qualities of crude. On the basis of the \$3.06 or the contract to sell oil to the Alaska refinery this would make \$2,314,000 more than they are now estimating. This is royalty and tax.

Mr. Ray asked about Trading Bay field and about the use of pressure maintenance. Mr. Gilbreath said they've been at them ever since the day they ran their first barrel to plan hard and get ready for it. That particular field is somewhat

different but it is still an oil reservoir and it is susceptible to pressure maintenance at some time. Mr. Ray said physically pressure maintenance is just to keep up the level of productivity and there isn't any way that they can get past paying as long as they can have an adequate check at the wellhead and the state is getting royalties on every barrel that comes out there. Mr. Gilbreath agreed, and said there are adequate safeguards there and the pressure maintenance is simply to replenish the reservoir pressure to keep the wells producing at a higher rate longer. Mr. Ray asked whose figures the state takes and how they collect. He wanted to know if the state takes the oil companies figures about how much comes out of the ground or if they have a man standing there, a regulator, or a pump. The oil that comes out of the ground, according to Mr. Gilbreath, goes through the separation equipment to the tanks and is sorted in the tanks on the site and when this oil goes through the pipeline they have automatic custody transfer meters-- meters just like in gas stations. These meters have print-out tickets on them. The operator and the gauger put in a ticket and start the meter operating and they cannot take the ticket out without the meter printing the number of barrels that have been through it and they cannot start it again without putting another ticket in. He noted that they have regular spot checks on this. They also witness

the calibration of the meters on a spot check basis, trying to get to each one about once a quarter and they verify them at the number of barrels that went through the meter and the correction factors that are necessary to give what the operator said are the correct number of barrels that he actually got. Mr. Ray questioned how close they were in measuring and Mr. Gilbreath stated that it was about 2/100 to 2/1000 of 1%.

Recess: The meeting recessed at 10:50 a.m.

After Recess  
11:00 a.m.

Messrs. Strandberg, Commissioner, Harry Wakefield, Tracy Kaldor, and Harry Aase from the Department of Public Works were present at this time.

Oil & Gas  
cont.

Mr. Ray said that he wanted to make the committee aware that there is a substantial figure on federal sales in oil and gas - in the amount of \$600,000 - and the information will be shortly forthcoming from Budget and Review. Mr. Fink said one of the things the committee did not ask Mr. Gilbreath was the Resources projection of bonuses. He said that given Commissioner Kelly's testimony of the night before, in which he gave some estimates of the value of the oil in the North Slope, comparing to Santa Barbara and saying that bonuses in Santa Barbara amount to \$4,000,000 and that that is a mere "drop in the bucket" as compared with the North Slope potential. He felt that the \$13,000,000 bonus projection in the revenue book was out of line. Mr. Ray suggested that the problem might have to do with the present land freeze, but Mr. Fink said that the state has 700,000 acres of land on the North Slope that will be put up for sale in September of this year, and Mr. Croft reiterated, stating that the state has this land which they have not leased and so will be up for lease sale in the third quarter of this year. Senator Phillips said they can't really predict something like that, but Mr. Croft

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pointed out that they had made a prediction in the budget. Mr. Fink expressed the feeling that the estimate they had made was entirely "out of the ballpark". Mr. Ray said it was intended as a guideline of sorts to determine minimums, and that this is a difficult sort of projection to make, which Senator Vance Phillips had just indicated also.

Public Works

Chairman Ray then requested Commissioner Strandberg of the Department of Public Works to make his presentation, and Mr. Strandberg asked Mr. Harry Wakefield to present the aviation portion of Public Works revenue sources.

Mr. Wakefield said that in landing fees their estimate is based on what they've had in the past because most of this is Cold Bay and military charter traffic. This will remain essentially the same as long as the war in Vietnam continues at the pace it is going now. He said that they are getting an increased number of these carriers being chartered, and he said he thinks this charter business is up to where between the time Vietnam is over, from an economic standpoint, they will have almost the amount of charter business going through there as the Vietnam traffic that they have now. In response to a question by Senator Blodgett, Mr. Wakefield said that almost all of the traffic right now is a result of Vietnam activity, and if Vietnam were to cease tomorrow this \$100,000 would fall off drastically. He said, however, if Vietnam is phased out slowly, when giving these people time to generate civilian charter business, the Division of Aviation believes

it will be building back up to this figure in a relatively short period of time. They've got these airplanes, they'll be used one way or another. He said that more and more groups are chartering airplanes nowadays to make personal trips than in the past. This is the only way they can keep this figure at Cold Bay after Vietnam. Mr. Ray asked with reference to the Cold Bay Wharfage Fee if the revenues from this fee really went to the state or was it used in some other manner. Mr. Wakefield explained that in Fiscal 1968 it went to the state - everything goes into the general fund. There was a reduction in the amount of money from Cold Bay because of the settlement of a claim with the person who has the dock lease, but the figure is not misleading because the revenue did go into the general fund but then the funds were expended.

International  
Airport Revenue  
Fund (Code 601-  
613)

Mr. Wakefield said that in Anchorage they will monetarily be opening up a new concourse which will provide a few additional revenues. In a year they hope to open the entire terminal, and also a new parking lot, which will provide revenues. He said they have two new airlines starting in Anchorage in April - BOAC and Sabena. Senator Blodgett called attention to the insufficient number of phone booths in the airport and Mr. Wakefield said that they will see to it that the situation is corrected. Mr. Wakefield said that they are forecasting a revenue situation for next year of slightly in excess of \$4,500,000. He said that he believes this is a

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conservative estimate, and said that in as far as this year's estimate goes, they have already realized 75 percent of it.

Code 613  
Other Airport  
Revenues

Mr. Ray asked about other airport charges, and Mr. Wakefield explained that these are small items of revenue that don't fit anywhere else.

In response to a comment from Senator Blodgett on airport parking, Mr. Wakefield said that they are planning to go ahead with parking meters, unless they get legislative intent to do otherwise. He said that 17 companies are interested in bidding, five of them large national parking companies.

Mr. Wakefield, in response to questioning by Mr. Fink, said that he is against trying to tax bonded fuel. He said that Alaska charges high rates now, but not out of line with expenses. He said that there is a question as to whether the state has the legal right to tax bonded fuel. At best the state would be involved in a long lawsuit, he said, and at worst they would lose the traffic and also the 2 cent flowage fee. He said that with planes being able to fly longer distances today without refueling that they don't have to stop in Alaska. Hawaii is the only state that has tried to tax bonded fuel, and they compromised at 1 cent a gallon which the carriers agreed to pay if the state agreed to forget it from that point on. Mr. Strandberg said that there is an opinion from the Attorney General's office containing exhaustive research on the subject, and the conclusions reached

were that the state would not prevail in a court hearing on this matter. Mr. Croft asked what the effect of the flowage fee is. Mr. Wakefield said that in essence it is a concession fee for the persons selling the gasoline for the right to dispense fuel on state property. Mr. Croft asked for Mr. Wakefield's opinion on the flowage fee and Mr. Wakefield said that he feels it should be neither increased or decreased - that it is <sup>an</sup> honest, fair charge. Mr. Strandberg called attention to the fact that a bill passed the legislature last year increasing the aviation fuel tax by one cent and that money, plus the funds that are coming in under the two international airports, along with the other aviation program he felt that aviation is paying its way. Mr. Strandberg went on to say the department is recommending some capital improvements, and that he was in complete agreement with Mr. Wakefield about increasing flowage fee.

Senator Blodgett requested a breakdown on estimates for general aviation revenues and in addition, he said, there's been a perpetual delinquency on the part of certain carriers in Alaska on their landing fees and parking areas and rents and said he wanted to know the current status of these delinquencies. Mr. Strandberg said that not too many months ago they were up to date, and said that accounts receivable in general are in pretty good shape with only a few exceptions. They are current to this extent that they are in the preliminary stages of trying to collect. His department

furnishes periodically to Audit Committee a statement of accounts receivable. Senator Blodgett recommended a 5% penalty plus interest on delinquent tax accounts to help.

Fairbanks  
In'l Airport

Mr. Strandberg said that figures furnished yesterday indicate that for the last month Fairbanks International Airport went into the black for the first time in history, and they are forecasting that it will be in the black for this fiscal year, too. Mr. Wakefield said that they were basing their forecast for next year on getting about \$100,000 from Pan American, which they are still hopeful of doing, but now they are going to be in the black even if they don't. He said they are coming along in good shape, and in fact they are running out of good land to lease because it is in such demand. He said he does think they are keeping up with the requirements as well as possible. Revenues will go up considerably next year to the point where this may be, at least with PAA, \$100,000 conservative. Senator Merdes asked if there are any capital improvement recommendations. Mr. Wakefield said in addition to the terminal this summer they hope to pave two areas - the apron they put in last spring and the apron between the fire station and the terminal that is not paved now. There are no immediate capital improvements for the runway, because it is a very good runway. The next capital improvement, he said, is really over on the other side of the field in

the General Aviation area. He felt the next requirement is to procure some land to the west of the existing International Airport Road where it makes the jog. They are working with Highways, and when they come in with a new highway that may give some additional room. In response to a question by Senator Merdes, Mr. Wakefield said that the Airport has jumbo jet capability. The runway has it now and the terminal will have one gate for 747's. He said in response to another question from Senator Merdes that they do not have bonded fuel at the Fairbanks International Airport. Mr. Wakefield said that they have gone to different companies to encourage them to put in hydric systems in Fairbanks. This is a system whereby the tankage is off the airport and with a pump truck they get it out of the ground because of the 747's. Senator Blodgett asked if the hydric system is in the planning. Mr. Wakefield said it is in the planning, and that they are working with the oil companies but that it is the oil companies' financial responsibility. Senator Phillips said that he understands that this has already been accomplished, that the railroads and oil companies have agreed that they will put the hydric systems in. Mr. Wakefield said that they have not been formally notified but that he has no doubt but what they would. Senator Haggland inquired about the removal of the Fairbanks air traffic facilities. Mr. Wakefield said that this is an

FAA cutback in personnel but he doesn't believe it will result in any compromise to safety. FAA says they can control the number of planes in the air over Fairbanks without radar.

Turning to the subject of the private airports on the North Slope, Mr. Wakefield said federal regulation will not allow FAA to put approved instrument approach on private airports. Mr. Wakefield said they have volunteered to oil company representatives to take over airports and run them and put in approved instrument approach there. Mr. Strandberg said that sooner or later someone and probably the state is going to have to put in a jumbo jet field somewhere on the Arctic slope. The cost will be somewhere in the neighborhood of \$10,000,000. In response to a question by Mr. Sackett, Mr. Wakefield said that in the smaller fields they do not derive revenue. Mr. Sackett asked what the disadvantages are to the oil companies and air carriers of the state taking over one of the private fields. Mr. Wakefield replied that the disadvantage would be that anyone could come in there and they don't want people around.

Mr. Wakefield left at this time.

Ferries

Mr. Herbert J. Lockert, Director, Division of Marine Transportation was now present.

Code 615  
South-  
Eastern  
Ferry  
Traffic

Mr. Strandberg pointed to Code 615 and the jump in the original Fiscal 1969 and indicated this did not include any revenues for the Wickersham, and further stated that the increase is due to estimated revenues for Fiscal 1969 which in large part is due to the traffic from the Wickersham. In addition, in 1969, they have put in a rate increase of 5% on general traffic, 10% on staterooms and 20% on campers. This is the same policy followed by the BC Ferries. This figure includes all revenues with the exception of the stewards' department.

In answer to a question by Mr. Fink, Mr. Strandberg emphasized that the projection for 1970 is based on laws existing today. They are not contemplating any amendments to the Jones Act, but a better utilization of the vessel. The Travel increase for FY 1969 will go into effect on April 1 so they only have a short period of time in 1969 but in 1970 they will have the full year plus the full utilization of the reservation system, which he has great hopes will help to utilize the vessel to far greater capacity.

On Southwestern ferry traffic for FY 1970, Mr. Ray requested Mr. Strandberg to explain the increase which almost doubled. Mr. Strandberg said it has to do with the full year's operation of the motor vessel E. L. Bartlett, and in addition they are programming the Tustamena into

Anchorage. Mr. Ray questioned Mr. Strandberg about the motor vessel going into Anchorage, stating that there is a highway which parallels it. He said the reasoning behind the Southeast ferry system has been to eliminate the need for a highway. Mr. Strandberg and others pointed out such reasons as tourism for scheduling the Tustamena into Anchorage. Mr. Ray asked if there was an attempt to sell the Wickersham how long it would take to sell, and Captain Lockert said it would depend on the world market, but probably six months to a year. Mr. Ray then asked how long it would take to build another ferry. Captain Lockert said it would take about three to four years if funds were available right now. Mr. Strandberg said the operating costs of the Wickersham are very comparable to the other motor vessels. He pointed out that now with reservations being accepted for the Wickersham they have for the month of July, 1969 reservations for 1,268 northbound and 1,264 southbound, opposed to the regular ferries booking of 1,026 northbound and 598 southbound.

Mr. Ray asked why they need a ferry to Anchorage, and Mr. Strandberg said because it brings in additional revenue. After a brief discussion on the ferry in

Adjournment: Anchorage, the meeting adjourned at 12:10 p.m.

HOUSE FINANCE COMMITTEE

February 13, 1969

9:00 a.m.

Present: All members except Mr. Sackett. Also present were G. Kent Edwards, Attorney General, Department of Law, Thomas Wardell, Deputy Attorney General and Cosby Steen, Commissioner, Department of Highways, and Richard Freer, Director of Budget and Management, Department of Administration.

Bill Assignments

Chairman Ray assigned the following bills:

HOUSE BILL NO. 72 (Appropriation - Department of Natural Resources) -- Mr. Hohman

HOUSE BILL NO. 73 (Appropriation - Department of Public Safety) -- Mr. Sackett

HOUSE BILL NO. 99 (Appropriation - Legislative Affairs) -- Mr. Bradner

HOUSE BILL NO. 104 (Appropriation - Office of the Governor) -- Mr. Croft

Mr. Ray asked that the committee members get their work done on these bills so they can move them out of committee as soon as possible.

Department of

LAW

Personal Services:

Mr. Ray noted that there was an increase of \$40,000. Mr. Edwards explained that positions for attorneys were budgeted at step D instead of step C. The department had found it could hire attorneys with several years experience at this salary level instead of having to recruit newly graduated

law students. Mr. Freer explained that even though the Department of Administration had requested departments to budget at the step C level, if a request for budgeting positions at a higher step appeared justified they will go to that step if necessary. Mr. Ray asked that the committee member who is assigned the budget for the Department of Law bring in information on the cost difference of the attorney positions being classified at step D instead of C. The only addition to the personal services was an assistant district attorney in Ketchikan. Three other attorney positions were deleted by the Governor's Budget Review Committee along with three clerk-stenographers. Mr. Edwards told the committee that at the request of the Governor, he had prepared a "priority" budget in the form of an addendum, which had additional attorneys, secretaries and equipment, but none of this was included in the budget now before the House. (Copy of addendum in files.)

Travel:

Mr. Edwards explained the increased travel in the Juneau district attorney's office was necessary due to the increased criminal caseload in outlying areas. In response to Mr. Borer's question on travel for Highways, Mr. Edwards replied that he thought possibly this portion should have been removed and shown in the Reimbursable section of the budget, and he would notify the committee after checking with Administration on this. It was noted by Mr. Ray that this would still mean a 25 percent increase over last year. Mr. Edwards said the department was required under statute to attend the

Uniform Commission of State Laws; however, they had not had sufficient funds in prior years to attend this particular conference. He also mentioned appearances that were necessary in the Supreme Court and also the Ninth Circuit Court, along with recruitment trips.

Mr. Edwards felt the recruitment trips had proved fruitful because instead of just going out in the spring and hiring students just out of law school, he was able to find lawyers with several years experience. These recruiting trips are combined with other outside travel whenever possible. With reference to the trips on Highway conferences, he was quite sure these, too, should have been deleted and put in the Reimbursable, and he would check on this also, and notify the committee. Mr. Ray questioned the CAB freight rate cases and Mr. Edwards explained to the committee that Mr. George Benesch, Chief of the Interstate Transportation for the Department of Law, appeared for the state at these hearings. In response to Mr. Ray's query on the number of these cases won by the state, Mr. Edwards emphasized the point that any time they get a suspension of rates pending an investigation that usually the rate increase was withdrawn. Mr. Edwards felt the rates would be higher; if they hadn't held them down in this manner.

Mr. Croft asked for a breakdown on additions to the travel for 69-70 FY. Mr. Edwards told the committee there were no additions, that this is the same budget they submit each

year; however, they never have received this amount. Any department that needs their services usually ends up paying for the travel expenses and Mr. Edwards felt strongly that this burden should be put in the Department of Law budget and they should be able to send an attorney to cover these cases for the departments as was deemed necessary.

**Contractual Services:**

It was noted there was an \$8,000 increase in the area of communications. In reply to Mr. Ray, Mr. Edwards said he did not believe all the long distance calls under his predecessor were necessary but did not feel this was true now. He had sent a memorandum within the department in an attempt to limit the number of long distance calls, and also to advise the staff to use the TWX system whenever possible. He pointed out, however, that in some cases long distance calls are necessary, especially with reference to confidentiality. In private practice an attorney confers with his client often times so as not to have anything in writing, but where the state's cases are scattered throughout the state, they must use long distance for these conferences.

**Commodities:**

There seemed to be some confusion as to equipment rental, specifically the \$4,000 requested for the MTST.

Mr. Sackett arrived.

It was decided that a further check should be made into the budget request for the MTST, Mr. Edwards said he would check this out and notify the committee immediately.

Reimbursable  
expenses:

Mr. Steen, Commissioner of Highways, was asked by Mr. Ray to explain to the committee about the need for the new attorneys in Highways. In the past, according to Mr. Steen, one full time attorney was assigned to Highways (working out of the Anchorage Attorney General's office) and the balance of Highway work has been parceled out among the regular staff in the Department of Law. This has resulted in a continuing increased backlog of cases and since it has been determined that this backlog will continue to accumulate, the only solution is to hire a full staff that will be assigned to the Department of Highways. He pointed out that they have about 450 condemnation cases backlogged and that the accelerated highway program in the urban areas will continue for a number of years, which in turn will increase the right-of-way caseload tremendously. They also have a backlog of contract claim cases and because of lack of staff, there is no time to prepare for these cases before appearing in court. Mr. Steen particularly emphasized the point that whenever these attorneys are working on condemnation cases, contract claims or any Highway-related cases, that this is 95 percent reimbursable from the federal government under the Federal Aid to Highways program.

Mr. Edwards cited examples of where his staff would hear about a case one day, appear in court the next, with insufficient time for preparation, and consequently their record in court has been rather dismal. He told how last

fall he assigned a team of three attorneys to four condemnation cases, and with the proper time to prepare, they won three of the four cases from an outside lawyer who is considered the best "condemnation" attorney on the West Coast. As he pointed out, this not only saved the state money on those particular cases, but possibly will affect future decisions on people going into court if they think they may have to gamble to win.

Mr. Ray asked where these charges were shown in the Department of Highways budget, and Mr. Steen told him that \$241,600 would be found under Capital Improvements in the Budget Document. (There is also an Inter-agency charge of \$27,000 under the Right of Way section of the budget workbook.)

Mr. Edwards said he would like to make the following points:

- 1) He could take his present staff -- Anchorage and Juneau -- and go to work on Highways and do nothing but Highway work full time. There is no doubt in his mind that the seven new attorneys will be kept busy from this time on.

- 2) As far as cost, none of it comes from general fund money. The cost to the state for these seven attorneys will be less than hiring one secretary on state money. He felt from the economic aspect, it was extremely well justified since 95 percent of 70 percent of the cost will come from federal funds, and the balance from bond funds set up for contracts.

- 3) He reiterated his feeling that if these attorneys can prepare their cases, they can "take on the best of them"

and win. Whenever they have had a major case for Highways, it has meant that his staff has had to stop giving legal services to other departments in order to do the work and he felt one of the purposes of this department is to make sure the state does not pay out money it does not have to and with this addition to his staff, they can be in a position to be of service to all departments. Mr. Borer queried Mr. Steen on the possibility that these people would not be fully utilized by his department, but absorbed into other activities in the Department of Law. Mr. Steen said this would not happen as the workload from his department would keep them busy for many years to come. Mr. Borer extracted the promise from Mr. Steen that he would express his displeasure if he discovered these attorneys doing work other than for Highways. After reassuring Mr. Borer, Mr. Steen went on to say that they have been operating under temporary emergency regulations and detailed such other items as specifications that need extensive legal research along with every contract request, change orders, etcetera, needing legal review. The lack of this legal attention in turn causes many claims which in turn go into litigation. He said the one Highways attorney in Anchorage has not been able to do any of this in the past.

Mr. Ray thanked Mr. Steen for appearing before the committee and recessed the meeting at 10:00 a.m.

After Recess  
11:00 a.m.

Contractual  
Services:

Mr. Ray called the meeting to order and instructed Mr. Edwards to continue on the budget review for Department of Law. Taking note of the increase under Code 390, Other Contractual Services, Mr. Edwards explained to the committee that the increase in this category is due to the Supreme Court Ruling (#98) that witness fees be increased from \$4 to \$9 and \$7.50 to \$21. There has also been an increase in the Anchorage Attorney General's Office for taking of depositions. In response to Mr. Croft's question, Mr. Edwards said the witness fees were not charged back with the possible exception in Highways cases. Mr. Croft queried the reduction under Code 380, Professional fees, from \$55,000 for 1968-69 FY, to \$53,000 for 1969-70 FY. He thought Mr. Edwards had earlier indicated that he had hired no outside counsel, but Mr. Edwards explained that though they had hired no new outside counsel, they had certain rate cases, along with the Cook Inlet case, and the possibility of more Indian Land Claim work that would have to come out of this. In answering Mr. Ray's questions on investigators hired by his predecessor, Mr. Boyko, Mr. Edwards said all of them had been let go and they now used state troopers. Mr. Edwards returned to the subject discussed earlier in the meeting concerning the xerox and MTS' machines. He checked, during the recess, on the Equipment Rental (code 360) and said the increase to \$1,800 for the one xerox machine in

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Anchorage was technically not an increase. They had requested this same amount last year, had been cut by the budget review, but found they still need that much to operate the machine so are again requesting it at that level. He said the charge on the MTST was a miscalculation as to the cost of it. He said the air charter charge had been doubled because they feel they will be using it twice as much. He said the reason for the increased request on the Anchorage District Attorney xerox was that they had already spent that amount for this year and felt they just had to increase it over last year.

Commodities: No questions.

Equipment: The \$200 increase in this is tied in to the new position in Ketchikan of Assistant District Attorney.

Mr. Edwards said he realized it was impossible for the Legislature to give his department all of the equipment they needed in one year, but at present they have three dictating machines for 14 attorneys, so he is requesting three more in this budget, and hopefully in a few years they will catch up on equipment and this item will not always come in so high.

Mr. Ray questioned Mr. Edwards at great length on prosecution under the firearm statute, and Mr. Croft also contributed to the discussion. At the end of this somewhat lengthy discussion, Mr. Edwards was requested to furnish the committee with statistics on the number of prosecutions under this law, and

also on the number of requests from police departments for prosecutions under this act. Mr. Ray wanted to know how the charges were handled that were given to the district attorneys on requests for prosecution by the city police. Mr. Edwards said it was the District Attorney who decided what the charge would be, not police.

**Inter-Agency  
Charges:**

The figure of \$41,900 was furnished by Mr. Personett, Commissioner of Public Safety, according to Mr. Edwards. He went on to explain to the committee that this covered the cost of the state troopers who worked for the Department of Law as investigators. He said it was necessary to handle it in this manner so that the troopers would not lose their status and seniority as police officers with the state. They did not wear uniforms while working as investigators; however, they were still required to have them in case they returned to their work in Public Safety. This does not mean that Public Safety loses three men, it simply means that three additional are attached to the Department of Law. Mr. Ray wondered why this was not shown then in the Public Safety budget under personal services, but Mr. Edwards felt this was the purpose of the Inter-agency charge, his department was reimbursing Public Safety under this item. Mr. Ray quietly remarked that he thought it was just another example of complicating the head count. These investigators have been paying their expenses for operating their own cars and Mr. Edwards has felt for

sometime that this was unfair; therefore, he put this in so that these men could be reimbursed in the future.

Mr. Edwards, in conclusion, told the committee that the reason they used the men from Public Safety was because they needed trained men and that they could easily keep six men busy in lieu of the three.

Mr. Ray assigned the Reimbursable Services section of the Law budget to Mr. Croft and said the balance of the budget would be handled by the whole committee.

Adjournment: The committee adjourned at 11:50 a.m.

JOINT FINANCE COMMITTEE MEETING  
February 13, 1969  
1:40 p.m.

Present: All members of the House Finance Committee. Senators Phillips, Bradshaw and Blodgett. Representative Banfield; Dick Freer, Department of Administration, Budget and Management; Douglas Stark, Planning and Research, Office of the Governor; and Ed Crittenden

State  
Capitol  
Complex  
Program  
& Site  
Develop-  
ment Plan

Chairman Phillips called the meeting to order.

Mr. Crittenden stated that this study was divided into three phases. He said the first phase is the documentation of existing space and the space needs for all three branches of government for the existing year, for 1970, 1972 and guessing for the year 2000. He said the second phase is to try and take that space and fit it into an arrangement of buildings that would be compatible to Juneau as it develops and with this existing site. The third phase is the final report after the first two phases have been reviewed and this is the one the architect could use to actually design the office building that has already been authorized. Mr. Crittenden said most of the work on the first phase has been accomplished and they have come up with the following square foot figures. (Mr. Crittenden distributed copies of the outline for the State Capitol Complex Program and Site Development Plan.) Mr. Crittenden stated in 1964 the state had 204,029 square feet of net useable space. He said this was the net useable space and not the gross space of the building. He added that this study is just based on Juneau. He stated that at the present time the existing net useable space is 241,083

square feet and that this amount includes the space in Douglas and all the leased space. Mr. Crittenden said the 1972 requirement, subject to some correction is 275,490 square feet. He said the 1980 figure is 359,562 square feet and the figure for the year 2000 is a guess of 445,133 square feet. He stated that all of these figures are estimates and will have some ups and downs before the report is finished. He said of the existing total space, the state is using 117,558 square feet of leased space. He said in this figure there are two buildings now being used that should not be used because their condition is such that they are or should be condemned. He said these two buildings, owned by the state, are the Subport Building and the Old Territorial Building. Mr. Croft asked how much space these two buildings contained and Mr. Crittenden answered 21,310 square feet. He said that the state is only using 13,470 square feet for office purposes in the Subport area. He said this gives a figure of 102,215 square feet of state-owned good condition space. He said the Old Coast Guard Building, which is being leased from ASHA, contains 12,000 square feet and this gives the state 114,215 square feet of net useable space that is in relatively good condition. He said some of the buildings need repair but they are basically sound structures. He compared this amount with a 1972 requirement of 275,490 square feet. He remarked that if they built all new space for this requirement you would need 161,275 square feet

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of new useable space. He remarked that 35% of this figure would have to be added to get the gross amount necessary. He said this requirement for gross building construction would be 217,721 square feet. Mr. Blodgett asked how much money they were talking about per square foot and Mr. Crittenden said no less than \$40. He said this would give a figure of \$8,700,000 and then to that would have to be added the architect's fee and any other extra charges.

Mr. Crittenden said what they really needed was guidance on the use of leased space versus state-owned space. He said they would do some projections based on existing rents that the state is paying. He said although he didn't know the exact cost of rentals he would guess it to be around \$.35 a square foot. He said a new building, built under private construction, could not be leased for less than \$.45 or possibly \$.50 a square foot. Mr. Stark remarked that the quality of the space in the new building would undoubtedly be better.

Mr. Crittenden stated that one of the requirements of the study was to project what agencies should go into the new facility. He stated they would have to know how far the legislature would go in approving a lease with ASHA. He said they had already approved that this amount could be more than \$12,000 a year but there was no limit.

Mr. Crittenden said they had made the assumption that the legislature, the Governor's office, and the courts would stay in the Capitol Building. He said he thought the legislature had a study made that indicated the space needed for the legislature could be obtained by taking over the first floor of the building in which they are now located.

Mr. Crittenden said their year 2000 projection is for almost twice the existing space and that this doesn't include some of the luxuries that state capitols usually have such as a large reception room, decent legislative chambers, or a cafeteria.

Senator Blodgett said he was unable to support this study until the hot lunch program for the rural schools had been approved.

Senator Blodgett was excused.

Mr. Ray and Chairman Phillips discussed the location of the new office building.

Mr. Ray was excused from the meeting.

Mr. Bradner and Mr. Sackett left the meeting.

Mr. Borer said that he thought Mr. Crittenden was looking for guidelines to finish this study and that he would like to see this well defined. Mr. Borer asked Mr. Crittenden if he was coordinating with the city on this as he thought the city had a master plan. Mr. Crittenden replied that they had gathered ideas from the city and that some of these did fit in with the study. He added that the city

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is waiting to see what the state is going to do. He said the city is concerned with the state's total needs. Mr. Borer asked if Mr. Crittenden is working on the assumption that the capitol complex would be located where it is now and Mr. Crittenden said they are going on the assumption that the development would grow out of existing facilities.

Mr. Croft asked what the net useable space is in the Capitol Building and Mr. Crittenden answered it is 62,902 square feet in the Capitol Building and 39,313 square feet in the Alaska Office Building.

Mr. Stark said that one important point is that the state is spending so much money on leases and the new building would replace some of this leased space.

Mr. Borer asked if the leases that the state is now paying would amortize in new construction. Mr. Crittenden said that some of the agencies don't need as much space as they have and that this was particularly true in the Capitol Building.

Senator Phillips remarked that he thought the report had the wrong title and should be designated as a study for an office building rather than a capitol complex study.

Mrs. Banfield asked if they could go ahead with the planning of the new office building and Chairman Phillips said yes. Mr. Crittenden said the reason for the total study is to see if the building of the new office building could be related to further development of the capitol complex.

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Mr. Haugen and Mr. Hohman left the meeting.

A discussion followed between Mr. Croft and Mrs. Banfield regarding the Charter Commission for the Juneau area, the outer drive and the urban renewal project.

Mrs. Banfield and Mr. Borer left the meeting.

Senator Bradshaw asked about the \$35,000 appropriated for this study and wanted to know if it was confined to just the Juneau area. Mr. Crittenden said he understood the amount was \$40,000 and this was to do the programming and site location studies for the office building and to properly site the new office building. He said that in order to site the new office building that it had developed into a capitol complex study. He said they were going to determine how feasible it is to build here and although their directive did not say to study other areas it was necessary to make mention of other areas. In answer to Senator Bradshaw's query, Mr. Crittenden said he felt they had direction to determine what the state's needs are for the year 2000 but the problem that they need direction on is the phasing of this. He said the office building is already authorized but they need to know what the next phase would be.

Dr. Haggland entered the meeting.

Mr. Stark explained that the legislature had expressed an interest in this study and that is why they had made this presentation. He said the contract for the study

was between the state administration and the architect but that any additional information from the legislature would be valuable.

Senator Bradshaw asked why the Capitol Building was taken into consideration and Mr. Crittenden said that the contract says to evaluate existing state facilities and determine what facilities will be housed in the new building.

A discussion followed on the property that was purchased by the state for the new office building. Mr. Crittenden said this property was suitable for the projected needs of the state for the year 1972.

Senator Bradshaw remarked that the Legislative Council should have been represented at the meeting.

Adjournment: Meeting adjourned at 2:45 p.m.

**OUTLINE OF ASSUMPTIONS AND GOALS**  
**STATE CAPITOL COMPLEX PROGRAM AND SITE DEVELOPMENT PLAN**

THE FOLLOWING ITEMS ARE LISTED FOR PURPOSES OF REVIEW, DISCUSSION AND CLARIFICATION AND UNLESS CONTRADICTED BY PARTICIPANTS THEY SHALL BE CONSIDERED VALID ASSUMPTIONS AND GOALS IN THE DEVELOPMENT OF SPACE NEEDS, STANDARDS OF SPACE, AND VOLUMETRIC STUDIES OF SITE DEVELOPMENT.

**1. STATE GOVERNMENT FUNCTION**

**ASSUMPTION:** BASIC DEPARTMENT AND AGENCY FUNCTIONS AS PREVIOUSLY PROGRAMMED ARE TO CONTINUE.

- GOALS:**
1. TO PREPARE AND ANALYZE POTENTIAL BUILDING CONCEPTS FOR THE CAPITOL DEVELOPMENT AS A PRELIMINARY STEP TO SITING AND DESIGNING THE STATE OFFICE BUILDING.
  2. EXPLORE AND ESTABLISH POTENTIAL BASIC BUILDING SPACE ALLOCATION WITH TENTATIVE FUNCTIONAL ASSIGNMENT INCLUDING CIRCULATION, VEHICULAR ACCESS, ETC.
  3. PROVIDE INTERNAL FLEXIBILITY IN BUILDING DESIGN AND FLEXIBILITY IN ALTERNATE PHASE CONSTRUCTION FOR CHANGED PROGRAM.

**2. STATE GOVERNMENT IMAGE**

- GOALS:**
1. DEVELOP A LAND UTILIZATION PLAN FOR CAPITOL DEVELOPMENT WHICH REFLECTS ITS POSITION AS A PART OF THE COMMUNITY DEVELOPMENT PLAN AND CONTRIBUTES THERETO.
  2. DEVELOP A POTENTIAL CAPITOL DEVELOPMENT PLAN WHICH REFLECTS THIS AS A NEW CAPITOL CITY IN IMPACT AND VISUAL IMAGE IN THE SURROUNDING ENVIRONMENT.
  3. DEVELOP A POTENTIAL CAPITOL DEVELOPMENT PLAN WHICH ALLOWS AND PROMOTES THE FULLEST EXPRESSION OF CONTEMPORARY ARCHITECTURAL DESIGN IN SPACE ORGANIZATION, ESTHETIC DESIGN, USE OF MATERIALS AND CONSTRUCTION TECHNOLOGY.

**3. POLITICAL**

- ASSUMPTION:**
1. PHASES SHALL BE ADAPTABLE TO AN OVERALL DESIGN FOR THE CAPITOL IN THIS LOCATION AND CONTRIBUTE TO THIS END.
  2. OVERALL DEVELOPMENT OF ANY PHASE SHOULD BE SUFFICIENTLY COMPLETE TO BE TEMPORARILY OR PERMANENTLY TERMINATED.

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- GOALS:**
1. TO PROVIDE ADEQUATE INFORMATION TO JUDGE FEASIBILITY OF CONSTRUCTION OF COMPLETE COMPLEX.
  2. TO ILLUSTRATE ALTERNATE DEVELOPMENT PLANS BY STAGES TO COMPLY WITH LEGISLATIVE DECISIONS.

4. EXISTING STATE DEVELOPMENT

- ASSUMPTIONS:**
1. PRESENT CAPITOL BUILDINGS TO REMAIN IN USE AS SUCH UNTIL NEW LEGISLATIVE SPACE IS CONSTRUCTED, THEN CONVERT TO OFFICE USE.
  2. PRESENT OFFICE BUILDING TO REMAIN. MAY BE REMODELED TO ACCOMMODATE OFFICE USE.
  3. PRESENT (COAST GUARD) HEALTH & WELFARE TO REMAIN IN FIRST PHASE OF CONSTRUCTION.
  4. EXISTING STATE LEASES TO EXPIRE BY 1972.
  5. OLD TERRITORIAL BUILDING TO BE ABANDONED.
  6. SUBPORT BUILDING TO BE ABANDONED.

**GOAL:** USE OF EXISTING STRUCTURES AS ADEQUATE AND PHASE OUT OF NONADEQUATE PRIOR TO EXPENDITURE OF RENOVATION FUNDS.

5. BUILDING PROGRAM

- GOALS:**
1. EXPLORE AND RECOMMEND BUILDING AND VOLUMETRIC DENSITY FOR THE CAPITOL WHICH EXPRESSES THE FUNCTIONAL AND IMAGE REQUIREMENTS.
  2. DEVELOP A BUILDING CONSTRUCTION PHASING PROGRAM WHICH RECOGNIZES THE DEVELOPMENT OF THE CAPITOL GROUP AND RELATED AREAS IN PHASES AND THE POTENTIAL OF CONTEMPORARY ARCHITECTURAL DESIGN EXPRESSION.
  3. PREPARE A PROGRAM FOR DESIGN OF FIRST OFFICE BUILDING PREVIOUSLY AUTHORIZED (PHASE III).

**6. SPACE REQUIREMENTS (PHASE I)**

**ASSUMPTION:** DEPARTMENT AND AGENCY PERSONNEL REQUIREMENTS AS PROVIDED IS BASED ON ACCURATE PROJECTIONS AND JUDGMENT OF POTENTIAL CHANGES IN ACTIVITIES, METHODS AND AREA DISTRIBUTION.

- GOALS:**
1. PROVIDE ADEQUATE SPACE ANALYSIS TO PROJECT SPACE NEED 1972 FOR STATE OFFICE REQUIREMENTS.
  2. PROJECT NEED FOR 1972 IN NEW OFFICE BUILDING (LESS EXISTING STATE OWNED ADEQUATE SPACE - HOPEFULLY, NO LEASED SPACE).
  3. PROJECT SPACE NEEDS TO 1980 AND 2000.

**7. TRAFFIC AND PARKING**

**ASSUMPTION:**

1. THE PROPOSED OUTER DRIVE WILL BE CONSTRUCTED ON THE ALIGNMENT AS PRESENTLY PROJECTED AND ALSO MAIN STREET.
2. STATE PARKING NEEDS WILL BE PROVIDED AS AN INTEGRAL PART OF THE CAPITOL DEVELOPMENT AND IN PROPORTION TO EACH DEVELOPMENT PHASE.

- GOALS:**
1. PROVIDE EFFICIENT AUTO AND SERVICE VEHICULAR ROUTES TO AND THROUGH THE CENTRAL AREA OF THE COMMUNITY SERVING BOTH LOCAL INTERESTS AND STATE GOVERNMENT.
  2. PROVIDE TERMINAL PARKING FACILITY FOR CAPITOL BOUND TRAFFIC COMMENSURATE WITH THE NEEDS.

**8. COMMUNITY RELATION**

**ASSUMPTION:** COMMUNITY DESIRES DEFINITION OF STATE COMPLEX SITE DEVELOPMENT PLAN AND WILL COORDINATE C.B.D. AND CIVIC CENTER GROWTH AND DEVELOP WITH STATE PLAN.

- GOALS:**
1. TO ESTABLISH A CHARACTER AND DEFINITION TO PROPOSED STATE DEVELOPMENT TO ENABLE COORDINATED PLANNING WITH THE COMMUNITY.
  2. TO ASSIST BY COORDINATED PLANNING THE IMPLEMENTATION OF COMMUNITY GROWTH - STRENGTHENING C.B.D. AND TRAFFIC AND CIVIC DEVELOPMENT.

HOUSE FINANCE COMMITTEE  
Friday, February 14, 1969  
9:30 a.m.

Present: All members excepts Messrs. Sackett, Haugen, and Hohman. Also present was Mr. Jeff Jeffers of the Department of Education.

HB 120 Mr. Ray requested Mr. Jeffers, as director of Instructional Services, to give a background to HOUSE BILL NO. 120 (Appropriation to the Department of Education). Mr. Jeffers said that there is a need in the Anchorage Community College for additional funds for their Adult Basic Education Program. The program is limited per se to basic skills for adults who have not reached a level of eighth grade education. The money must be spent on 8th grade or below. The budget submitted by the Anchorage Community College last year for this program was \$102,000. They had requested the Department of Education for \$70,000, at which time (late in the funding year) the Department had been able to provide only \$43,000 toward meeting their needs. Mr. Jeffers said that many people are interested in this program. They have 202 people in it at this time in Anchorage. About 23 of these must be retained, as they are under contract from Vocational Rehabilitation, state-operated schools, and WIN. If they do not come up with further funds, the other approximately 180 students will have to be dropped. He explained that the decision to go ahead with the entire program rather than cut it back to a smaller size in relation to the smaller budget was made because the people running the program in Anchorage felt it important to respond to the motivation of

the people wanting to take classes. They feel that adults when they are motivated have to be taught right away or they lose interest, and so for this reason they decided to run the program to its capacity and close down when they ran short if additional funds were not available.

Mr. Borer asked if all this money is being spent in Anchorage and Mr. Ray said that apparently the need for money at this time is in Anchorage. He said that there is money being spent on a participating basis in nine other communities in the state, making the total funded monies in this program \$113,965 for the programs themselves. (There is additional money funded for administration and teacher training) Mr. Jeffers said that this money appeared last year in the University of Alaska Community College budget, but that that is not where the money comes from. He said that this money is from contributions his office makes to these programs. He said that his office has an agreement with certain areas in which they agree to provide certain funds if the areas run a certain type of program. He said they eventually have to respond to the Department in a fiscal way. Mr. Ray noted that in the breakdown given of the statewide program costs (excluding local district matching) the total is \$179,915, and of that \$49,700 is for administration. He remarked that the ratio of the administrative costs to the total program is a little high. Mr. Jeffers said that the reason for the high administrative costs for this year is that as of September

they added a full-time consultant for the first time. He said that they are sure this person can function in a program much larger than this program is currently, and said that they are expecting the Adult Basic Education program to grow a good deal. He said that they expect federal assistance to greatly increase in the next few years, but they don't expect their administrative costs to rise for several years. Mr. Ray said that he thinks it is tragic that whoever handles this program in the Anchorage area knew the amount of money they had, knew that they were to predicate this over the fiscal year, and yet went ahead and spent the money, leaving the situation in the state it is now. He said that there is no doubt in his mind that this is a good program, yet there is a responsibility involved in formulating a budget and holding to it. Mr. Jeffers said that they had anticipated about \$102,000 expenditure, of which they hoped to get about \$70,000 or \$80,000 from the Department of Education who did not have the money to offer.

In response to questioning by Mr. Ray, Mr. Jeffers said that this program, since it is a non-college matter, is not handled through the University. He said it is in the Greater Anchorage budget. In answer to a question by Mr. Borer, Mr. Jeffers said that the local borough puts up 10% of the money for the programs. (The state and federal put up the other 90%) In response to Mr. Borer, Mr. Jeffers said that he feels the program is worthwhile and he would like to see it continued. How much money the Department of Education can spend, he said, he didn't know. Mr. Ray asked if the Department felt this program was a high priority

matter, if they couldn't get enough funds with Executive Order 20 to keep the program going. Mr. Jeffers said it is possible. Mr. Croft asked if the Department of Education was going to request this money anyway, before the legislators came out with the bill, and Mr. Jeffers said that they had been informed of the need only shortly before the members of the House had been. He said that the Department had made no specific plans to ask for this money. Mr. Croft asked how the program had been run from an educational standpoint, and Mr. Jeffers said it has been run quite well. He said that he has been advised that it is one of the best on the west coast. Mr. Croft asked what the effect of terminating the program on February 20, when the money runs out, would be, and Mr. Jeffers said that he couldn't answer directly as he doesn't really know, but that one consideration was the matter of the motivated adults who would not be getting the training at the time they were ready for it. Mr. Borer asked if there is a possibility they could obtain the funds through the process of Executive Order 20 and Mr. Jeffers said that he couldn't answer - that he didn't know if it was available. Mr. Ray said that the money is available; it is a matter of whether they want to use it for this purpose or not, and he directed that this be looked into.

It was moved and unanimous consent requested that HOUSE BILL 103 be brought up for discussion. Mr. Borer objected, and so a vote was taken. The result being 2-2, the motion failed to pass. The committee recessed at 10:00.

After Recess  
11:05

HB 120

Mr. Borer assumed the chair, in the absence of Mr. Ray. All members were present at this time with the exception of Messrs. Ray, Haugen, and Bradner. Also present were Senator Begich and Mr. Van Houte.

Mr. Borer announced that Mr. Ray would post the time of meeting for Saturday, and that the committee members would just meet for subcommittee work. He then stated that Senator Begich was present for the purpose of discussing House Bill 120 and invited the Senator to speak.

Senator Begich gave a brief background of the bill, and then indicated that he felt the position of Administrator was unnecessary. He suggested that should the bill fail to pass, the money could be taken out of Personal Services of the Department of Education, in the exact amount of the salary of this administrator and his secretary, and that \$10,000 of the \$11,000 travel funds for this program could be used, and additional money from lapsed funds in the Department of Education could be used. This could be done through Executive Order 20. Mr. Borer said that this had been the directive from the Finance Committee to the Department. Senator Begich remarked that he does hope the committee takes a good look at the needs of the program for next year.

Mr. Ray came in at this point, and assigned HOUSE BILL 135 (Revenue derived from the sale of sea otter pelts) to Mr. Sackett and HOUSE BILL 36 (Relating to Legislative Audit) to himself. The meeting was adjourned at 11:30 a.m.

BILL  
ASSIGNMENTS

HOUSE FINANCE COMMITTEE  
Saturday, February 15, 1969  
9:00 a.m.

Present: All members were present.

General Meeting: Chairman Bill Ray called the meeting to order. He announced that rather than work as a full committee, the members would have the day for subcommittee work. The meeting was adjourned and the members dispersed for subcommittee work.