

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 24/6



The AFDC-FC program outlined in the budget is minimal. We are presently caring for approximately this number of children at near the quoted rate of \$138 per month per child. Unless we can convert more children from the Juvenile code rolls to the FC rolls, which is now possible since our agency does not have to prove it is providing services to eventually return the respective children to their own homes. Unless we can convert others and receive \$56 per month per child from the Federal government, we may require a supplemental appropriation.



V BUDGET ANALYSIS - FISCAL 1969

The legislative appropriation for the Food Stamp Program for the current fiscal year was:

Personnel Services	\$142,100
Travel	35,000
Contractual Services	55,000
Commodities	3,000
Equipment	<u>10,000</u>
TOTAL	\$246,300

This budget allowed enough money to begin the expansion in all areas of the State but not enough to make the program available to all eligible persons.

In order to make food stamps available to most eligible persons within the State, it is anticipated a budget of the following magnitude will be required:

Personnel Services	\$279,300
Travel	43,400
Contractual Services	40,500
Commodities	8,700
Equipment	<u>2,900</u>
TOTAL	\$374,800

## DETAILED BRIEF - OFFICE OF AGING

The Office of Aging has the following as its basic functions:

1. To encourage and assist in the development of programs for the aging in the municipalities and localities of Alaska.
2. To cooperate with public and private agencies and with departments and units of local, Federal and State governments in promoting coordination and programs for the aging and to make recommendations for needed improvements.
3. To serve as an advisory and consultative body and administer grants in support of local aging programs.
4. To collect facts and statistics and other special studies of conditions affecting the health and welfare of the aging population of Alaska.
5. To keep abreast of the latest developments in this field of activity throughout the nation and to provide for a mutual exchange of ideas and information on national, State and local levels.

This is a State administered Federally funded program. The only State funds involved amount to 50% of the State administrative cost of the Office of Aging. Project Grants are funded completely through Federal and local support. There is no State funding involved in the grants. The State's financial involvement for fiscal 1970 will amount to \$24,800.

## GENERAL RELIEF ASSISTANCE

The request this year is for \$256,800 of which \$41,000 is Federal money.

This year Federal funds became available for the first time in this program and it was anticipated that the State will earn forty-one thousand Federal dollars if the State provides for individual family disasters (such as fire). In the past, State funds within this program have been exhausted around the 18th of each month. Prior to the initiation of the Food Stamp Program, needy families had to request assistance from the Salvation Army, grocery stores and private individuals during the periods of time the State could not meet their requirements.

In administering the Food Stamp Program, we are finding that just as many families who fail to qualify for assistance grants of one nature or another do qualify for Food Stamps. Roughly, we have 7,500 ( $3,750 \times 2$ ) individuals, head of households or families that qualify for assistance grants. Using the experience factor gained in the Food Stamp Program, we can expect to give some type of assistance to 9,000 ( $4,500 \times 2$ ) individuals, head of households or families. Based on previous expenditures this would approximate \$100,000 and we still would not extend beyond the current level of expenditures.

## GENERAL RELIEF MEDICAL CARE

The General Relief Medical Care Program is designed to provide medical services for the citizens of the State exclusive of the services provided by the U. S. Public Health Service. The GR-Medical Program claims Federal matching in the amount of \$7.50 per person on the Adult Public Assistance Program (OAA-AB-AD) and if a person is in the total care of the State, then the State is able to utilize the \$7.50 per month per recipient to offset its cost, otherwise this reimbursement from the Federal Government is built into our programs to defray a portion of the regular money grant to recipients. The current case load in APA is 2021. There is no Federal matching for Aid to Families with Dependent Children in which the case load amounts to 1600 cases with 6199 persons. In addition other medically indigent persons are served.

Services provided and the amounts requested for these services are as follows:

Hospital services	\$812,500
Physician services	318,000
Drugs	114,000
Nursing Home Care for persons not eligible for the APA program.	66,000
Dental	44,400
Travel to secure Specialized Medical Care and other Specialized Services	<u>11,000</u>
TOTAL	\$1,365,900

For the current fiscal year the division received an appropriation of \$1,239,000. Costs for these services are rising at the rate of 7-10% per year. The rise in cost plus an anticipated increase in number of persons who will seek medical care under this program warrants the amount allowed by the Budget Review Committee.

BRIEF FOR CHILD WELFARE AND JUVENILE CODE

The Division request of \$756,200 is decreased 28% (to \$546,800). This decrease is largely due to a transfer of 307 Juvenile Code children to Aid to Families with Dependent Children - Foster Care and \$27,500 to the General Relief Medical Program. The reasoning behind this transfer is due to the 1967 Social Security Amendments which allowed States to claim Federal matching of \$56.00 per child per month. The total Federal receipts resulting from this is \$206,300.

Juvenile Code clothing allotment is decreased by \$37,100 due to the annual rate hearings which decided that clothing would now be included in the increased foster care rates. A figure of \$3,600 remains in the budget for those new commitments going into foster care. There is a reduction of \$3,000 for drugs for children now transferred to the General Relief Medical budget.

Three New positions as Social Worker are requested at a cost of \$26,000 which is Federally funded. It is expected these positions will work in the area of adoption and will reduce Juvenile Code by 40 cases. This reduction is reflected in this budget.

# STATE OF ALASKA

WALTER J. NICKEL, GOVERNOR

## DEPARTMENT OF HEALTH AND WELFARE

OFFICE OF THE COMMISSIONER

POUCH H - JUNEAU 99801

### MEMORANDUM

TO: Honorable Willie Hensley, Chairman  
Health, Education and Welfare Committee

FROM: J. Scott McDonald, Commissioner,  
Department of Health and Welfare

SUBJECT: Inter-Departmental Transfer of Funds

DATE: February 19, 1969

The Department of Health and Welfare has requested legislative authority to effect the internal transfer of \$525,000 in General Fund Money from General Administration and the Divisions of Public Health, Mental Health and Corrections to the Division of Public Welfare. These funds are needed to cover our actual and projected deficits in the Adult Public Assistance and Aid to Families with Dependent Children programs.

The combined estimated deficit in these two programs amounts to \$550,325. We will look to the Division of Public Welfare to absorb the difference between the \$525,000 we request to be transferred and the \$550,325 total projected deficit.

Appended hereto are charts together with a narrative analysis which help illustrate the caseload and money payment problems we are experiencing in the Adult Public Assistance and Aid to Families with Dependent Children programs.

In summary, I would like to mention that we cannot legally deny an eligible recipient aid under either the Adult Public Assistance or Aid to Families with Dependent Children programs. These are both Federally funded Grant-In-Aid programs and we must comply with Federal requirements. The only way we could possibly stay within our appropriation would be to effect an across-the-board percentage reduction in all money payments. Based on our best estimates, if we were to reduce grants in the APA and AFDC programs beginning on March 1, 1969 and continuing on through the month of June, 1969, it would mean a 44.7% and 49.0% reduction respectively.

Thank you for the opportunity to appear before this committee to share with you the problems which confront us in administering our welfare programs.

## EXPERIENCES IN THE STATE OF WASHINGTON, AFDC

The unprecedented increases we are experiencing in Aid to Families with Dependent Children caseload are also being experienced by the State of Washington. In a recent speech before the Council of Planning Affiliates meeting in Seattle, Sidney Smith, Director, Department of Public Assistance, State of Washington stated that Federally mandated new social programs will cost his state \$40,000,000 extra next year. Smith said the additional \$40,000,000 compounds an already critical problem of dramatically increased aid to dependent children caseloads, which this year will require an emergency allocation of \$5,000,000 to balance the books.

(Extracted from Seattle Post-Intelligencer article which appeared in their Wednesday, December 5th, 1968 edition.)

NARRATIVE ANALYSIS  
ADULT PUBLIC ASSISTANCE-CASELOAD & PAYMENTS

This chart depicts the experience of the Department during the first seven months of FY 1968/69 and projects what we expect to happen during the remaining five months of the Fiscal Year. We are budgeted for an average caseload of 1950 recipients per month @ \$83.52 for Fiscal Year 1968/69; and during the first seven months, our average caseload has exceeded our estimation by 102 cases. During this same seven month period, our money payments have exceeded our projection by \$6.24 per recipient. As of January 31, 1969, we are overspent by \$131,781.

Assuming our projections of 2100 cases @ \$98.00 for the remaining five months are accurate, our estimated deficit on June 30, 1969 will be \$365,554. We intend to partially offset this deficit. We anticipate earning an additional \$90,288 in Federal money based on the increased caseload, giving us an adjusted projected net deficit of \$275,266.

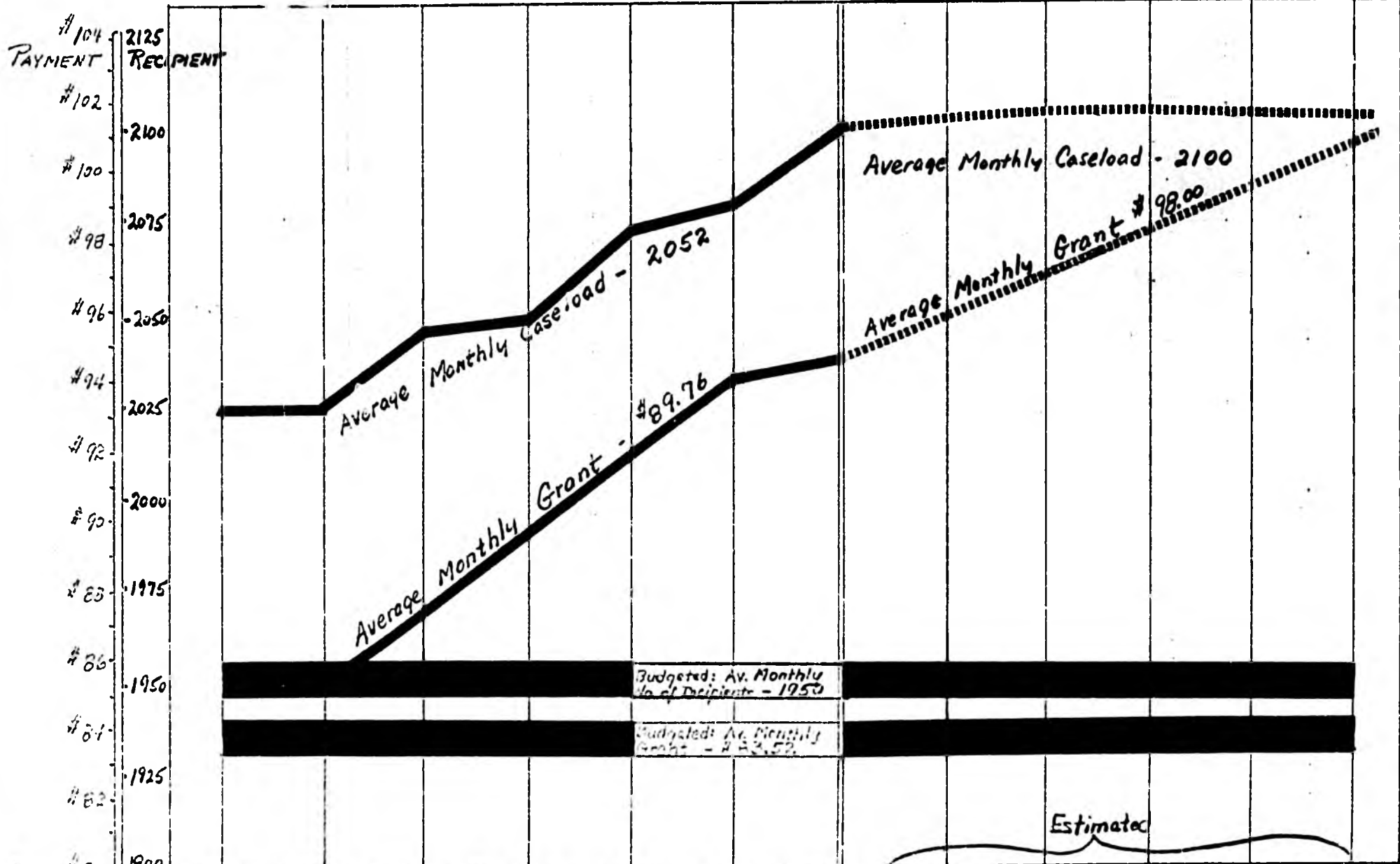
By and large, our Old Age Assistance and Aid to the Blind Programs caseloads have been holding steady at 1445 and 96 respectively. The Aid to the Disabled caseload has increased from 465 to 554 during the period July 1, 1968 to January 31, 1969. Increased caseload in the Aid to the Disabled program coupled with money payments (maximum raised from \$125 to \$200 by 1968 Legislature) to recipients above the \$83.52 budgeted are primary reasons for deficit spending in the Adult Public Assistance program.

# ADULT PUBLIC ASSISTANCE

## Caseload and Payments

**ACTUAL**

**PROJECTED**



Recipients	2018	2019	2036	2048	2069	2079	2097	2099	2101	2101	2101	2100
Payments	85.31	85.27	87.23	87.58	91.81	94.18	94.60	95.80	97.00	98.20	99.40	100.60
Month	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June

**Fiscal Year 1968-69**

## NARRATIVE ANALYSIS

### AID TO FAMILIES WITH DEPENDENT CHILDREN (Less Foster Care)

#### Payments and Recipient Count

This chart depicts our experience in both caseload and average grants in the AFDC program for the first seven months of the Fiscal Year as compared to budgeted/authorized, and projects the caseload and average grants for the remaining five months.

For the first seven months, we have exceeded our average budgeted caseload by 406 recipients. Our money payments averaged \$2.30 more per recipient for this same period. As of January 31, 1969 we are overspent \$394,293; and if our projections for the remaining five months (i.e., 6500 recipients @ \$44.10) prove accurate, we will be overspent \$930,515 on June 30, 1969. Important to note is the fact that our actual and projected caseload increase of 1231 AFDC recipients for FY 68/69 is unprecedented. The total increase experienced from FY 1962 to FY 1968, a seven year period has been only 1140. Increased caseload coupled with increased money payments (which exceed our budgeted figure of \$39.72) are the causes for deficit spending in the Aid to Families with Dependent Children program.

The 1967 Social Security Amendments have contributed to the unprecedented increase we have experienced in AFDC caseload. Whereas, in the past, cases were closed out when a dollar limit in earnings was reached; since implementation of these amendments, the working mother remains on the rolls receiving a \$30 monthly incentive plus 1/3 of her earnings in

any job she may hold. The newly established Work Incentive Program (WIN) has also contributed to caseload increase. There are at the present time 230 WIN enrollees. These mothers remain on the rolls while receiving training. Legislation during the past session which raised the maximum monthly payment for an adult and one child from \$80 to \$105 and additional children from \$30 - \$40 has also contributed to deficit spending in the AFDC program. Our review of caseload increases and decreases during the period July 1, 1968 through December 31, 1968 by Welfare district, discloses the following: Ketchikan (+29); Juneau (+1); Sitka (-12); Anchorage (+77); Valdez (-4); Dillingham (-13); Fairbanks (+219); Nome (-23); Kotzebue (+51); Seward (+15); Bethel (+41). Based on increases shown in larger metropolitan areas, and general slight to moderate decreases in smaller communities, a population shift might very well be in evidence. The State of Washington is undergoing the same experience. (see article attached).

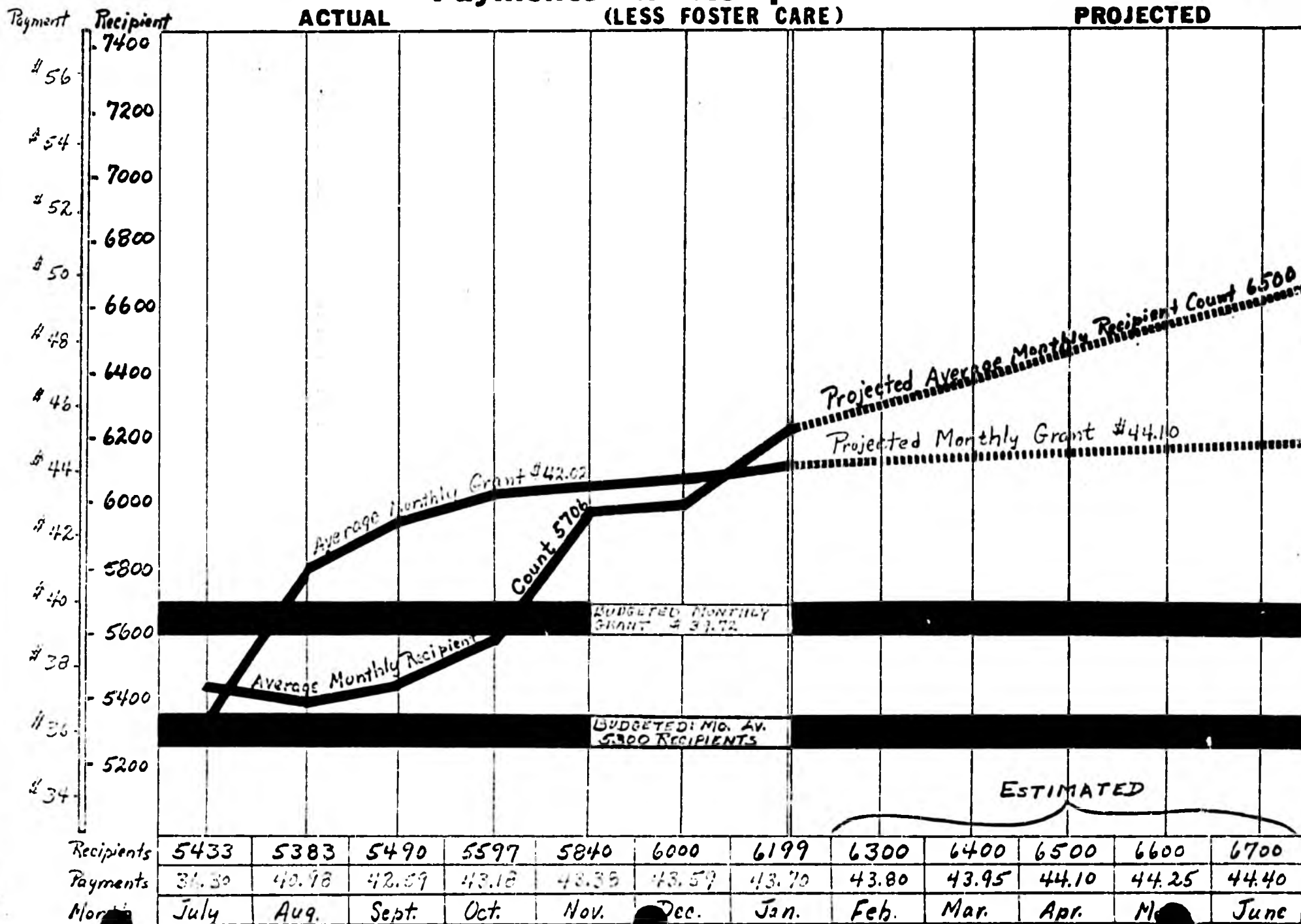
To partially offset the overall deficit of \$930,515 we anticipate transferring \$250,000 of General Fund money from the Juvenile Code program into AFDC-Foster Care since in so doing, we will earn an estimated \$211,680 in Federal funds (i.e., 315 former JC children transferred to AFDC-FC x \$56 x 12). In addition, we earn an additional \$193,776 in Federal funds based on the addition of 734\*new AFDC cases during the Fiscal Year (i.e., 734 x \$22 x 12). Our net projected deficit in total AFDC program will then approximate \$275,059.

**Note:**

\*Although we project an increase of 1,231 new AFDC cases during FY 68/69, for Federal reimbursement purposes we estimate that only the equivalent of 734 were on the rolls for a full 12-month period.

# AFDC PROGRAM

## Payments and Recipient Count



Fiscal Year 1968-69

AFTER RECESS

3:45 p.m.

Present: All members except Mr. Bradner.

HB 67: Mr. Croft moved and asked unanimous consent that the committee again consider HOUSE BILL NO. 67 (supplemental for Department of Law). There being no objection it was so ordered. Mr. Croft reported to the committee that he had prepared a general statement to accompany the committee report on HB 67 and also a suggested committee substitute in lieu of the bill. When Mr. Croft attempted to cover the various points in the report, Mr. Ray objected and asked for Mr. Kent Edwards, Attorney General to come before the committee to defend the supplemental.

Mr. Edwards arrived shortly thereafter and upon questioning by Mr. Ray, told the committee that in his opinion the budget that was approved by the Legislature for his or any other department was meant to regulate their spending and that he believed it was necessary to stay within that amount and with every human effort directed towards that goal. It is his job to see that the funds are spent on the needs as they arise and when the money is gone, then they can no longer perform that particular service. However, it is extremely difficult in the Department of Law to forecast a year and a half ahead as to what will be arising so

Repairs, Services  
and  
Alterations  
(340)

therefore it is possible to be wrong in this projection. Mr. Edwards, at the request of Mr. Ray, amplified on Code 340, Repairs, Services and Alterations. The District Attorney's office in Anchorage had to move from the Court House where janitorial service is provided, to the Austra Alaska Building where janitorial service is not provided, and in addition, the Attorney General's office in Anchorage expanded. The rent in Austra Alaska is somewhat higher than they would have preferred to pay but the DA's office must be in close proximity to the Court House and this was the closest building that had space available.

Transportation  
of things (350)

Under Code 350, Transportation of Things, Mr. Edwards told the committee that they do transfer their personnel to other towns, and along with new hires, they just ran short in this item. He felt that this was extremely necessary in the case of new hires to assist in transporting their belongings. He said because of this allowance, or the lack of it, it could make the difference on whether an experienced attorney would move his family to Alaska. He has been working to upgrade his staff with more experienced men and with the salaries in the process of reclassification, recruitment of experienced men is now becoming a reality; however, he lost one man recently because he could not offer him enough to move his belongings to Alaska.

Mr. Edwards digressed for a moment and told the committee that he felt that the attorneys on his staff probably had the

opportunity to do work of greater interest than any attorney in private practice and that he personally enjoyed his work very much and hoped to be there for awhile. He is very proud of his staff and told of the long hours that each attorney must put in, and that he felt that individually they each had more responsibility than any other state employee.

Mr. Ray wondered if the budget request for Contractual Services for FY69-70 would be adequate. Mr. Edwards thought the \$314,700 for this item was the best estimate he could arrive at, based on his knowledge of what will take place one and one-half years from now. Mr. Ray thought the Attorney General was being somewhat penurious in his request for FY69-70 and suggested he go over his figures again in case he is in error. Mr. Ray emphasized the point that the supplementals that come in each year are most distressing to the Finance Committee and he for one does not like to come back each year to these requests for departments that have overspent or underestimated.

Mr. Edwards said, with reference to the \$40,000 requested for the Lower Cook Inlet case, that it is possible that he will not need that much; however, the two attorneys involved in it feel that it is likely they will need that much to complete the case. It is of great importance to the state as it involves many millions of dollars. Mr. Ray asked if they could get by on \$5,000 for the asphalt case, and Mr. Edwards felt that anything less than \$5,000 would mean curtailing

Professional  
fees:  
(380)

any activity on this.

The SeaLand case will start on June 1 and that is the reason for the request in the supplemental.

With reference to the request for recruitment, Mr. Edwards, in answer to Mr. Ray, told the committee that he does combine recruiting with other business trips and that any time two or three things can be accomplished on one trip he arranges it that way.

Mr. Edwards plans on having a list prepared for the next session of the Legislature which will detail the various cases and the amount of money his department has saved the state. As he pointed out, he cannot put a price tag on criminal cases but the civil cases in most instances either bring in or save money for the state.

Mr. Edwards was excused at this point.

Following Mr. Edward's departure, the figure for the supplemental was discussed with no sign of agreement among the five committee members present. Mr. Croft then moved and asked unanimous consent that HOUSE BILL NO. 67 be amended to read \$66,000. Mr. Haugen moved and asked unanimous consent that the amendment be amended to \$55,000. The vote was recorded as follows:

\$66,000 -- Messrs. Croft and Hohman  
\$55,000 -- Messrs. Ray and Haugen

Mr. Sackett abstained from voting. Thereupon, Mr. Ray adjourned the meeting and announced they would bring HOUSE BILL NO. 67 up again for discussion when the full committee was present. t

Adjournment: Meeting adjourned at 5:10 p.m.

JOINT FINANCE COMMITTEE MEETING  
Tuesday, February 25, 1969  
8:00 a.m.

Present:

All members of both finance committees were present. Also present were members of the Board of Regents of the University of Alaska (Mr. William A. O'Neill; Mrs. Dorothy A. Wrede; Dr. Arthur J. Schaible; Mrs. Edith Bullock; Mr. Robert E. McFarland; Dr. Robertson and Mr. James Nolan) as well as other University officials (Dr. William R. Wood College President; Mr. Donald Theophelis, Dr. Arthur Buzwell, Dr. Don Defoe, Dean Behlke, Mr. Harold Byrd, Mr. Chuck Sargent) and Mr. Rafferty of the Schwabecker Company who was present to talk about the bond proposition. Present too were members from both the House and Senate, and members of the Press.

Mr. Ray called the meeting to order at 8:30 a.m. and announced that Senator Vance Phillips would chair the Joint Finance Committee meeting.

Mr. O'Neill said that one problem the University is facing is that the budget from the Governor's office represents a shortfall of 2 1/2 million dollars over what was requested by the University. This is a serious matter, he said, and indicated that he personally feels that in order to have a progressive and developing state it is necessary to have also a progressing and outstanding university. He said that a synopsis of the situation and the problems at the University are contained in sheets which he then distributed to the committee members. (Contained in file.) He requested Mr. Harold Byrd to go into this information in more detail.

University of  
Alaska

Mr. Bryd said that he prepared these materials for the purpose of simply making the initial remarks with respect to the University's budget request and guiding through the concepts which they wish to emphasize. He stated that there are other prepared materials which illustrate and develop further information which will be passed out at a later point. He said that the University of Alaska has presented budgets exceeding the amount of the appropriation granted for a number of years. This has resulted in the reappearance in subsequent years of many of the same projects which had appeared in previous budgets. So in this year's budget they have a number of programs which have been considered to be of such importance by the University as to be worthy of re-presenting them. The University responds to various forces which are constantly being used to influence new programs, additions and changes to satisfy and meet changing conditions. He noted that the appropriations run consistently 37 or 38 percent of the total expenditures indicating that the University's appropriations generate funds from other sources at a rate of about 63 percent of total program requirements.

This would be true of almost any kind of appropriation that would be received. The demands for higher educational services stem from a great many sources. If they were all met this would enhance the development of the state at a much more rapid rate because in nearly all of the programs included

in their budgetary requests there are implications of great development of the resources of the state. He proceeded to list the forces that the University encounters in preparing its annual budget. This is a year when the University and its people have felt the impact of inflation much more severely than before. The steady increase in population is causing steady increase in the number of students. The increasing rate of college attendance by those of college age is causing a double impact here, he said, due to the fact that all over the nation there is an increasing rate of attendance and here in Alaska the University of Alaska has been able to accommodate only 6 to 6 1/2 percent of college age in the past and is now accommodating 7 to 7 1/2 percent. Many Alaskans who were able to go elsewhere to college are now coming to the University. Rapid changes in the volume and nature of scientific knowledge are necessitating such things as continued upgrading and travel for professional people to keep up with new things. Increasing student demands for curriculum changes and modernization are becoming very strong pressures. More students are involved than ever before. Mr. Bryd felt that if the University were to respond to those various kinds of pressures the cost increases would enable the University to barely keep up with the improvements that could be considered minimal. He said they have other demands too, such as the new demands for adult training and retraining at subprofessional

and professional levels, engineer retraining program, and federally imposed poverty programs which it is necessary that the University comply with. Mr. Byrd continued saying there are dual forces in state development, the first being the need for more scientific knowledge and need for more workers trained in this knowledge (not only at the worker level but also at the University level of teaching, research, graduate students). Another kind of force is the appearance of new professions and new skills for old professions, requiring efficiency of equipment, and a tendency toward specialization. Another force is the growing need for lesiure time capabilities, civil and political expertise, and cultural awareness. Mr. Byrd emphasized that the University must respond to these forces and identify them to the legislature. They must try to accommodate as many of them as is possible within the limits of appropriation that the state can afford. Therefore, the University requests a budget which includes an evaluation of all of the programs which the University administration and the Board of Regents have determined are substantial, are important and which they believe the Legislature will want to know about. He said they would appreciate guides from the Legislature on how to pattern their budget, in a sensible manner, to a lower level.

Senator Phillips asked, relative to the program of scientific research, how the Board of Regents determined which was more

important, basic education or scientific research. Dr. Wood said there are three programs: public service, research, and basic education, which they try to keep all at a balance. A lot of their research funds, he said, come from federal sources. He said research includes the various training programs. The University Assembly was created which includes faculty, administration, alumni and students which meet to discuss types of programs and priorities.

Senator Phillips indicated that it appeared to him that the University priority is research. Mr. O'Neill said that they have not set a priority because they tie together so much. Senator Phillips asked what consideration the University gives in its budget preparation as to how much the state can afford. Mr. O'Neill said that it has always been his feeling that the University's duty is to come out with the budget based on the needs of the University, regardless of the state's condition.

Mr. Ray made the comment that it has been his understanding that the University's research budget is predicated on federal funds, and he was told that this was correct. Senator Phillips asked how far do they project the costs to the state of federally funded projects for the University. Mr. O'Neill answered inappropriately and Senator Phillips rephrased his question stating that his point is: does the University consider possible losses in funding to the

University which the state will then have to pick up. Mr. O'Neill said that this has only happened this once with National Science Foundation funds being curbed in such a manner as to require state aid (for which the University has come in with a supplemental) and said that even in this case the University managed to absorb a goodly portion of this loss. Dr. Wood interjected that on federal projects which eventually require various degrees of state participation they do project out the cost for 5 years in advance. The ratio of state to federal monies is about one state dollar to seven or eight federal, private corporation, and industry dollars. He said that the University takes a look in broad terms at estimated expenditures for 10 years, and he said that what they missed last time was the inflationary spiral.

In answer to a question by Mr. Ray, Dean Behlke said that in late August the National Science Foundation (NSF) slashed the University's program by putting a ceiling on the amount the University could spend of their NSF grants. This cut, and the fact that there were contracts that could not be terminated, were responsible for the supplemental, for although as much as possible of this cut is being absorbed into the University budget, they still estimate \$600,000 will be needed to prevent them from having a deficit at the end of FY69. Mr. Ray asked how much state money is in these research programs outside the \$600,000 due to the

shortfall. Dr. Wood said that largely it is NSF funds which keep the program going. Mr. Ray repeated that his question was how much money other than the \$600,000 is in their research program. Mr. Byrd said that the funds they get from the federal government and other sources to support their research come to them in various ways, usually by the University spending the funds and then being reimbursed. In the case of the NSF the money comes to the University in grants and they draw out funds ahead of their spending so if NSF limits this spending the University simply must suspend operations or transfer other funds to support the research which has been cut back. In response to Senator Phillips, Mr. Martini of Budget and Management said that this shortfall came about because this was a nationwide shortfall and all states were curtailed. Mr. Martini continued, normally most institutions present to the state their financial plans which are also supported by the federal funds. Mr. Martini asked if the University receives approval from the Legislature to enter into these programs. Dr. Wood said that would be difficult to do, but said that the Legislature is given information on these, but that the state does not approve them. Mr. Martini said that in most state agencies whenever they receive additional money, the request to expend it goes through the Governor's office. Dr. Wood said the University does not follow this practice. Mr. O'Neill said, in response to further

questioning that the overhead costs are charged against the research programs.

Senator Phillips noted that the University has a \$30,000,000 budget and asked how much over and above that is their total expenditures. Mr. O'Neill said that of their expenditures, 39.8 percent comes from the state's total operating expenditures. The total operating expenditure is up around 25 or 26 million dollars and they only request from the Legislature \$14 million or 38 percent of the total amount of expenditures. Dr. Wood said that the University's annual report lists all the amounts the University gets from all different sources. Mr. Byrd said that the point is that the University of Alaska does not enter into these commitments to the federal agencies in a way that leaves it open to a shortfall. This is a "once in a hundred years" proposition because according to Dr. Wood, <sup>when</sup> they entered into these agreements there was no thought on the part of anyone but that the federal agency would be good for the total sum that had been granted. However, they used a peculiar kind of gimmick. They said they were not withdrawing anything but were placing a ceiling on the total amount of money that could be spent. The limit they set for the University of Alaska did not even take care of the salaries of people who had already been hired, and though the University absorbed a lot of this, they still need about \$600,000. Mr. Ray asked if Mr. Byrd would care to revise his statement about the amount

of state funds in the research projects to say there are about one million dollars in state funds in the projects in addition to the supplemental and Mr. Byrd said yes. Senator Phillips noted that the University's ceiling on the NSF funds was \$261,000, and said that though the Board may not yet have been aware of it, they have received an additional \$230,000 in NSF funds. Mr. Byrd said he was not aware of this but that that merely means that the University increases the total number of grants they have but that hasn't changed the limit of money they can spend. Senator Phillips said supposing the University is given the 11 1/2 million dollars the Governor allowed, and there are \$291,000 funds from NSF, would the University have to increase the program or would they be satisfied with the difference between the \$491,000 and the \$600,000 as the supplemental. Mr. Byrd said that this is all restricted to the particular kind of research or training projects defined in the grant, and that none of it would be applicable to applying to other grants and projects that caused the shortfall. Mr. Borer said that where he and he thinks other members are being misled is that the \$572,000 shortfall which is blamed all on the federal funds is not in fact entirely a result of the federal funds but is partially due to a running deficit of the University. Mr. Byrd said that speaking of the Geophysical Institute it had in this past year started encountering some difficulties in its operating

and did overrun quite a few of the projects that they had. The one big blow actually was the disallowance of carry-forward claims that they had had against some of the federal agencies and this resulted in that large balance there. He admitted that the supplemental is not just a result of the shortfall. Mr. Borer said that the program has been out of balance for a long time, that two years ago, July 1, 1967, they were \$251,000 short. Mr. Byrd said that Mr. Borer was talking only about the Geophysical Institute but that the University operates as a unit, and that there were balances in other divisions. Mr. O'Neill said that one of the explanations is that in these contracts, as he understands them, they enter into the contracts and certain things are paid for and others are not, and some of that he believes is probably in a receivable state subject to the settlement of the contract after interpretation is made. In some instances the institute may be following a contract in an interpretation which is not later acceptable to the federal funding agency. It still may also be under negotiation as to collection. He said that he would think that in many instances they have such a situation and this would be picked up on other contracts. Dr. Wood said there is a variable of overhead recoveries established by each of the agencies after they conduct a full audit at the end of a project, and he said sometimes these audits do not occur until two years later, and that one of the problems encountered

here by the Geophysical Institute was the change in overhead rate interpretation by the agencies which disallowed certain of their anticipated recoveries. Mr. Borer said the tax payers then are paying for the tab for a mistake made by the Geophysical Institute people. Dr. Wood said that at this point in their work the Geophysical Institute is in the black, and the growth in their work has been quite substantial. Mr. Borer then asked, if this supplemental is approved the University is subsequently reimbursed by the NSF for the Geophysical Institute is it true that the \$571,000 will be returned to the general fund. Mr. Byrd said there is no chance that this will happen. Senator Miller said that in 1967 the Legislature appropriated \$287,000 to pick up an operating deficit of the University, half of which was paid the first year and half the second, and asked if this has anything to do with the present \$600,000 supplemental request. Mr. Byrd said no. There was some discussion on this, and Senator Miller noted that this appropriation requested now is for a shortfall; the other was for overexpenditure. Senator Miller requested that the budget be gone over by the University representatives analyzing what they are requesting over and above the Governor's allowance and to tell the committee what will be left in and what will be taken out in accordance with the Governor's allowance. In response to further comment by Senator Miller, Dr. Wood said that this year at the request

of the Office of the Governor the University prepared a statement of priorities in the total budget request.

Mr. Byrd's analysis ties down specifically the Governor's recommendation to the Legislature, according to Dr. Wood. Senator Phillips called a recess at 9:50 for 10 minutes.

AFTER RECESS

10:00 a.m.

Senator Blodgett asked Mr. O'Neill that the minutes from the meetings of the Board of Regents for the last two years be made available to the chairmen of both finance committees, and also that if these prove unsatisfactory for his purposes, that the tapes of the last two meetings be sent down. He explained that his reason was to get into the "nuts and bolts" of the University budget development. Mr. O'Neill agreed to do so but explained that most of the budget preparation takes place elsewhere than in the Board of Regent's meetings.

Senator Blodgett deplored the lack of adequate vocational education in Alaska. He requested a complete breakdown of curriculum giving the enrollment, and the number of credit hours of enrollment, of student attendance and man hours of institution and the cost per man hour. Senator Phillips said that the committee does have part of this.

Senator Blodgett expressed the feeling that the University

did not do an adequate job of realigning their budget when the ceiling was placed on their NSF funds. Dr. Wood said there is a report showing how the University tried to overcome this, and said that they notified the Governor's office immediately when the knowledge was made available to them. Senator Blodgett mentioned the reference that had been made to salaries and contracts that the University had to hold to even though the NSF funds were no longer available, and expressed the feeling that the University should have some kind of escape clause for this type of situation so that the contracts would not be binding on the state. Mr. O'Neill said that this is the first time this has happened and so such precautions were never deemed necessary, and admitted that perhaps it might be a good idea, but stated too that it is very difficult to get competent professional people without a guarantee of a full year's employment. Mr. Byrd inserted at this point the information that a great number of these people were also working on other grants and have continued to do so. The request in the supplemental is just for those who the University couldn't absorb. Senator Blodgett, to clear one matter with the Board of Regent's, referred to a comment which had been made earlier indicating that the Legislature regularly cuts the University's budget. He said that to his knowledge the Legislature has never before last year cut the budget to the University. The Governor's

Budget Review has, but not the Legislature, in spite of the fact that this budget has continued to increase greatly over the past few years. Mr. O'Neill said that what Mr. Byrd has been speaking about was simply the amount authorized as compared with the amount requested. Senator Blodgett instructed the Board that when the Legislature gives the University a budget, the University is expected to live within it, and began to delve into the matter of the gymnasium which was built at the University recently, but Senator Phillips requested that this matter be postponed until they were in the Capital projects section of the budgets. Senator Koslosky asked if the University has any lands on the North Slope, and Dr. Wood regretfully answered no. Senator Lewis asked for further clarification on student demands as a force on the University's curriculum modifications. Dr. Wood called on Dr. Theopheius, Academic Vice President, to answer this. Dr. Theophelus requested first to make a brief presentation before answering the question. He said that one of his points of emphasis is developing an academic planning process, a systematic planning process beginning with department heads. This means a review of the existing programs and would require every course and program to justify itself, he said he hopes this will be completed by the time of the 1970-71 budget. His second area of emphasis is in Program which

is subsumed in the planning functions. This pertains to needs in the area of gifted students, native students, independent study, and such. His third area of emphasis is personnel and involves such decisions as where to look for teachers and how to attract and retain these teachers. He said that he welcomes student reactions to curriculum and feels they can be valuable and the students have come up with good suggestions. Senator Lewis asked about some of the areas in which students had come up with suggestions. Dean Behlke said that one such area is in computer study. He said that there has been considerable student demand to use the computer more and quite a demand for more computerized instruction. The students are forcing instructors to upgrade considerably. Senator Lewis asked what is involved in "growing needs for leisure time, capabilities, civil and political expertise, and cultural awareness". He said that he understands that what is involved here is teaching native leaders civic and political expertise. Dr. Wood requested Dr. Buzwell to answer this question. Dr. Buzwell said that one thing they are trying to do is work in the villages where electricity is coming in through the REA Cooperative, working with Local Affairs who has requested that the University aid in training native leaders who suddenly must become leaders of 4th class incorporated cities. They are working in conjunction with the Local Affairs Agency in this endeavor. Senator Blodgett indicated

Mr. O'Neill explained that the priorities under A are critical cost increases required to maintain present scope of operation, the priorities under C are minimum expenses of applied research programs related to state resource development, and B is costs related to increases in academic enrollment. Mr. Martini said that the Governor's Budget Review Committee approved all of Priority A and C and the balance remaining after A and C is to come out of B priority items. In response to questioning by Senator Phillips, Mr. O'Neill indicated that he feels it is much more important to maintain current programs than start new programs.

Recess: The committee recessed at 11:00 a.m. for 10 minutes.

AFTER RECESS

11:15 a.m.

Senator Phillips asked Mr. Byrd to explain priorities beginning with Priority D. Mr. Byrd said that Priority D item is the cost of bringing business operations, financial control and planning, and related administrative functions to minimum standards as recommended in the management study done by Cresap, McCormick and Paget, Management Consultants. This firm made a study of the University's financial systems to come up with recommendations. He said he had brought additional copies of the management report and copies of the president's memorandum which outlines the schedule of implementation of these recommendations, and stated that

# **CORRECTION**

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that this should be a Local Affairs project, and he recommended that leaders of already incorporated 4th class cities need training more than those who will be faced with these problems in the near future. Dr. Wood, reverting to Senator Lewis' earlier question about student involvement, cited an example in which the students were involved to the point of participation in a panel which met with the Board to discuss where they felt changes needed to be made. Senator Phillips asked what constitutes "student pressure", for example how many students are needed to get a course they want - two or three or twenty. Dr. Wood said that the merits of a request or suggestion are judged in themselves and not by the number of supporters, so that a good suggestion need come from only one or two students, whereas a poor suggestion will get nowhere regardless of <sup>the</sup> number of requests.

Senator Miller asked again about what the Governor's allowance would cause to be left in and what would be left out. Mr. O'Neill referred the committee to the list of priorities that had been distributed to the members and explained how the order of priorities was set out on the sheet. (See list appended to minutes.) Senator Miller indicated that he had a particular interest in the Petro-Mineral Technology and Petroleum Engineering Program. Mr. O'Neill explained that under the Governor's allowance, they would not be able to implement this program - it is a Priority E program.

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this year they have already started to implement some of these recommendations and that is contained in this year's budget. The additional they had contemplated would cause additional expenses next year and are contained in Priority D. Priority C, he continued, contains the minimum needed for a start towards certain research in state resource development. Priority B is just what would give the additional funds to take care of just bare student increases. Priority A is the effect of inflation on the same programs as this year. A major part of this is the \$570,000 that goes to salary increases so that Priority A is shown as top priority to merely take care of critical costs of operations.

Senator Phillips asked David Dean, finance staff, to ask questions. Mr. Dean said his question had to do with the shortfall, requesting an explanation of this. Mr. Byrd said the \$600,000 came about as the result of federally imposed ceiling on their NSF funds. Mr. Dean asked if then the ceiling were raised back up, that would solve things. Mr. Byrd said that it would be too late for some expenditures but that for the remainder of the year they could recover. However, he said there is no likelihood of this. Mr. Dean stated that they have recently been informed by Senator Stevens' office that the ceiling had been raised back up to \$2,085,000. Dr. Wood said that he is skeptical about this, but that it would be good news if it were true.

Mr. Martini said that Mr. Byrd indicated that to implement Priority D it would cost \$287,603. However, from reviewing the consultant's report he said, within the framework of the 1968-69 year, they say the University would save \$221,000 from implementing their recommendations. Dr. Wood said if they would read that more carefully they would find that they do not say that would all result in the year of implementation. Speaking to Dr. Wood, Mr. Martini said that normally a research program would have a large number of upper division and graduate students, and asked if that were true. He reminded Dr. Wood of the earlier statement that the University placed similar emphasis on all three phases in the total education program. He said that one of the sheets proved by the University indicates that organized research takes up 39.1 percent of the total whereas the other two combined take up 28.2 percent, so that emphasis is heavier on research, according to this. Dr. Wood said that he thinks that that reflects the ability of the University's faculty members to generate research funds from outside the state funds. This also happens in areas where they are getting training grants. On the other hand, the straight instruction is almost wholly reflected in direct state funding. Mr. Byrd said that a large part of this large expenditure for research is from outside. He said that of the appropriation

they get for research they get an additional seven times that in other funds to carry on research. He said it is even contained in the spread of the appropriation recommendations of the Governor that there is some \$8,000,000 for general academic services (instruction, library and administration) \$1,600,000 for organized research and \$1,388,000 for extension public service so one can see that the actual percentage of state funds is very much in line. Mr. Martini said that what he was driving at is in light of fact that Dr. Wood admitted most universities where research is emphasized have large numbers of upper division and graduate students, how is it justified when the lower division courses outnumber the upper division and graduate about 2 to 1. Dr. Wood said that their basic staffing has been to take care of their enrollment in the lower divisions and they have struggled to provide a spread of talent and depth of talent that they need to have a strong upper division and graduate program, and the effect has been a large base at lower division level and great strength at the other end of the spectrum in research, but do have a weak upper division and graduate program. The University has been very fortunate in developing any graduate work at all through fact of competency of people in the research programs who also were able to do some instructing. In order to build <sup>a</sup> graduate program it would be necessary to greatly improve <sup>the</sup> upper division.

Mr. Martini said that they have been wondering what is happening to the students who go from sophomore to junior year, noting a great attrition here. He noted that there are 19,953 hours of lower division and 6,948 hours in upper division, and the projection for next year is similar. He asked what is happening to these students. Dr. Wood said that some marry, some transfer, some go in the military - all the things that happen in most schools. He stated that this is a fairly common phenomena.

Mr. Ray stated that it appears to him the University of Alaska is just a good research center.

Dr. Wood noted that in Item F they are suggesting that they need support and strength at upper division level, but that other things are of greater urgency. Mr. Borer stated that he finds that the order of priorities and the appropriations suggested under Priority D are totally different than the management study, i.e., "employ a professional Purchasing Agent and improve Central Receiving". He said that the study points out that the University has a purchasing agent. He said that he doesn't recall anything in this study which recommends greater contacts with alumni, prospective students, more high school visitation, etcetera. Many of the items they list under Priority D are not in the management report at all, yet this prepared sheet would lead one to believe this is for the implementation of the Management Report.

With regard to the purchasing agent, Mr. Byrd said that the purchasing agent that they have is only a buyer and not a professional purchasing agent. He said he thinks that the consultants perhaps gave this a cursory look but didn't take the time to ascertain whether he was or was not a professional purchasing agent and just assumed he could somehow be upgraded.

Mr. Borer said that the study recommended the elimination of approximately 30 positions and their replacing by 20 positions, and asked if the University is going to implement these recommendations or not. Mr. Byrd said that for the most part they are going to implement the recommendations but that the consultants were mistaken in a few instances. With regard to the position eliminations and replacements, he said that the savings from this will not show until they have been developed. He further stated that a representative of the consulting firm will be returning to the University next month in order to evaluate the steps taken so far and made recommendations as to what should be done next. Mr. Borer said that the report suggests elimination of the systems analyst and programmer of business application, replacing them with an administrative services' director, one senior programmer and one half time programmer. He said his only point is that the priority D list does not reflect the management study at all. Mr. Byrd said that he thinks it does

for the most part. Senator Phillips directed that Mr. Byrd meet with Senator Blodgett and Mr. Borer and straighten this out, and then the two legislators can report to their respective committees. Mr. Byrd reluctantly agreed to do so. Senator Miller again requested that the priority list be gone over item by item.

Recess:

The Chairman called a recess at 12:00 for lunch.

AFTER RECESS

1:30 p.m.

Senator Phillips called the meeting back to order at 1:30 p.m., and requested Mr. Byrd to follow up on Senator Miller's request that he tell the committee what items will be included and what items excluded by the Governor's allowance. Mr. Byrd said that if only the Governor's allowance is appropriated to the University, all that will be included in those items in Priority A and C and some in B. He said that for example, in the Anchorage Community College, the \$109,487 for accommodation of such expenses as utilities, maintenance, caretakers, service in the building, and such will be available, so will the \$28,240 for the other community colleges for the same purposes, but that/<sup>what</sup>the University would not be able to do would be to (1) install full new day program that the building was built for; (2) install in Ketchikan and Juneau full day programs those buildings were built for; (3) improvements in the community

of programs in Anchorage resulting from the way the University operates, that is switching from part-time lecturers to full-time teachers. Coming back to the Petro-Mineral Technology and Petroleum Engineering Program, they would not be able to implement that program, in either the community colleges or on the campus. Senator Phillips then requested Mr. Byrd to go through the items of the priority summary from top to bottom explaining what would be left in and what would be left out. Beginning with the Library/Museum, Mr. Byrd said that the cost of books alone is rising at a steady 7 to 12 percent each year. This has contributed to the \$23,420 amount in Priority A for libraries. The \$96,577 for the catch-up in acquisitions and addition of services not possible before will still not be possible. Also excluded will be <sup>a</sup> \$5,159 plan to employ a preparator in the museum that would enable improved use of museum acquisitions within the classroom. Right now they make some use of that but now must just "turn professor loose". They would not be able to get started on <sup>the</sup> training technical and petroleum engineering program. Even though it would take only \$1,000 to start the Electro-Mechanical Technology Program, this will not be able to be done. Initial equipment for the Music, Arts, Speech Building will not be able to be provided, even though this is a new building built for purposes of

housing this equipment. He said they had figured on providing this equipment at one third a year for the next three years. They will not be able to increase the computer use or start/computer science program. Mr. Byrd further elaborated that where they are deficient in various structural departments they had proposed to upgrade the use being made of this computer by the various departments to improve the process by the computer. In a further Priority H (the former was Priority F) they proposed to employ a computer scientist to present courses in computer science and there is, according to Mr. Byrd, a tremendous demand for that.

In Extension Public Service, he said they had already spoken of the Southcentral Regional Center, and had indicated they would not be able to take care of any more than a part of Priority B. This is the one which would enable the University to just start instituting programs that would be involved with moving the Anchorage Community College into a new building. Priority F item was for program improvement where they had proposed to convert from the lecturer program to full-time professional teachers. As far as the Cooperative Extension Service, other than rental and other cost increases provided under Priority A, nothing else could be instituted. Priority H, provides improvement in the community service over the state, into the villages or in the agricultural areas.

They will not be able to institute the Fisheries Technology Program, which is in Priority E, even though they feel it is a very valuable program. They had hoped to put in an itinerant program initially in Ketchikan to provide the kind of associate degree level training needed and being requested. This would be supported in part by federal funds. The University had hoped to start a Community College-at-Large Program for such towns as Petersburg, Wrangell, Kake, etcetera, perhaps in conjunction with Sitka, and develop a coordinator for this program, but will be unable to start on this project. They had wanted to start in the Continuing Legal Education Program to assist in upgrading of training in the laws of Alaska to attorneys, and Mr. Byrd said that it would have cost \$15,000 but the state has only about \$5,000 and they expected to get \$10,000 in fees. However, this will not be possible under the Governor's allowance. In Community Development, under the Cooperative Extension, they had hoped for \$49,000, which would provide for the improvement of agent offices in Anchorage and Homer. In the Research Section, they will receive under the Governor's allowance a total of \$377,840 in Priorities A and C, which involves the capability of diverting or converting the efforts of their various research institutes into the direction of resource development studies within the state. He stated that they will be able to make a start with the Sea Grant Program with the \$70,000 in

Priority C added to the \$30,000 they already have, and which they expect will be matched by a 2/3 to 1/3 appropriation by the federal government. The Institute of Arctic Mineral Resource, with the \$100,000 in Priority C, will get a start on the important task of a survey of Alaska's mineral resources.

On the Pea Processing Program Mr. Byrd had hoped the University would be able to put in a pilot processing plant but now, of course, they will be unable to do so. The Land Resources Research Laboratory will not get started, nor will an Arboretum. In Administration, he said that they have anticipated in the Physical Plant, particularly due to their entering new buildings, this will impose a 28 percent increase for next year. He said that there is actually a 45 percent increase in the amount of floor space to be maintained. However, prorating this through the year on the basis of the portion of next year that it will be in existence, the percent comes down to 23 percent, but the University has only requested a 21 percent increase. He said that the Priority J request is a proposal to purchase a long-ladder fire engine which is needed now due to the addition of more and more high rise buildings. In the area of Salary Increases, Mr. Byrd made the point that their increases have not taken into consideration the provisions in bills introduced this session concerning pay raises. Their increases have been

projected on the basis of this year's classification schedule with standard step increases to which their employees will be entitled. He said that he has made a study on what the order of increase would be to the classified employees of the University if there were an increase of about 8 to 10 percent and it came to something like \$230,000.

Senator Blodgett stated with reference to the Arctic Mineral Resources Institute's expansion of survey of Alaska's mineral resources that this should not be a function of the University but a function of the Department of Natural Resources, and further stated that there is legislation coming down this week calling for a 95 to 5 federal support program to take care of this, to catalogue a geologic mapping program of Alaska's resources. He wondered how the University justifies its participation. Mr. Byrd said that a certain amount of this work would have to be done by the Department of Natural Resources but that the University has the professional scientists able to do this kind of work, the University gives courses dependent on this kind of work, they have graduate students doing work in this area, and they have already had a mineral resources laboratory doing certain work in this field and this was an outgrowth of that. Dr. Behlke said that he would be happy if anyone would do this work and he said that they feel there is a real need for this, and further said the University would be glad to see a geological map of the state

by any qualified agency. He said this is just the University's attempt to get this project going. He said that naturally with \$100,000 they are not going to geologically map the entire state - this is an attempt to get other kinds of mineral research as well as mineral mapping into operation. Senator Blodgett asked what the status of the library at the University itself is. Mr. Byrd said that it is occupying all of the space that was built for it, plus additional space converted from classrooms and offices down two hallways and even the student study space has been converted for expansion of the stacks, so they are looking forward to moving by this fall to the new library facilities which should be completed by the middle of July this year.

Dr. Wood said that he feels one of the University's major gains over the 10 years has been the library. It was wholly inadequate and this was the number one priority in the statement by the Northwest Accreditation Association for the University's improvement. The new facility will give space they have never had but he mentioned the fact that libraries always need to be increased volume-wise.

Senator Phillips asked Mr. Martini to ask<sup>a</sup> question here. Mr. Martini asked how many holdings are in the University library, and was answered in excess of 200,000. He then asked how this relates to the number of students they have in classes. Dr. Wood said that in the number of students and special programs in research and specialized study fields they

are inadequate, by the norms established by the American Library Association. Dr. Theophilis said that according to the Platt Jordan formula, two years ago the University was at 42 percent of the holdings it should have, given the academic programs they had and they have moved this up to 52 or 54 percent based on this formula. Senator Lewis asked how many students are graduated each year, and how many students are enrolled exclusive of community college programs. Mr. Byrd said that last year they graduated 301 students out of an enrollment of about 1863 students. Dr. Wood said that he believes the figures will show that they have just about tripled their number of graduates since statehood. Senator Lewis then asked how much is being spent to graduate 301 students a year, and how much is being spent per enrollee. Dr. Wood said that the cost is high, but he does not feel it is abnormally high considering the overall high cost level in Alaska, and the fact that the University of Alaska does not have a massive number of students like most state universities have which helps their costs. Dr. Wood said that 39 percent of the money really has little to do with students, but with contract research and restricted funds from outside. He noted also that the University is generating more than 60 percent of its total budget from sources outside of Alaska and that those extra dollars constitute business for Alaska, generate taxes from the expenditure of these funds, and he said that he contends that the University has a rather

successful business from the standpoint of the State of Alaska. Mr. Martini said that a more accurate way of determining the cost per student would be to determine the cost per credit hour of instruction at the University, and he asked if this figure is available. He said there are normally five areas that would be covered in this computation, and those would be instruction, library services, physical plant as it relates to classrooms being used, student services cost, and a prorata share of administrative costs. Dr. Wood said that he doesn't have that figure but can develop it. Mr. Byrd said that they have 24,000 credit hours for one semester just on the campus, excluding off campus costs, and last year they had an appropriation of \$6,789,000 for the instructional colleges, the library, physical plant and administration. This will be available at the earliest, July 1, as a part of the systems analysis approach. Senator Phillips asked if the professors are employed from student credit hours, and was answered yes. David Dean asked if they have a breakdown into full-time and equivalent students, and was answered yes. In response to a request by Mr. Croft, Dean Behlke went into an explanation about some of the research projects the University has in relation to the oil industry. Mr. Croft asked Dean Behlke about the work the institute has been doing on the effect of pipelines on permafrost and the effect of permafrost on pipelines. Dean Behlke requested the opportunity to talk about several

research projects they are doing in the Arctic relating to the oil industry. The first is the pipeline project Mr. Croft spoke of. The University was approached by pipeline technologists to aid in this project. The program began in September and at present they have 1,000 feet of 40-inch pipe in the ground and on the ground at Point Barrow. Their engineers and technicians are working on this project with pipeline technology people and Atlantic Richfield people. He said this is a project to determine the effect of pipelines on permafrost and vice versa. The University is also participating on the ice block program, attempting to thicken certain ice blocks to be used as a basis for a tanker port facility 30 miles off Prudhoe Bay. The University of Alaska, he explained, became involved in this project due to the fact that they have a group of engineers at the University of Alaska who were there, available, when the oil people decided they wanted to go into the Arctic, and the oil people found that the University really has the only Arctic engineering expert in the free world. He mentioned that they have some men in the University who have spent more time lately in Houston than they have in Fairbanks. This is an attempt to get the oil out earlier on the part of the oil people, and on the part of the University people, to get it out earlier because of the increased revenue it means for the state. He said that at a recent meeting he had with oil company people, they indicated they

felt that the University engineers had been responsible for hastening the date at which the oil would come out of the pipeline by perhaps a year to fifteen months. At the 300,000 barrel per day level, this means that taxation to the State of Alaska will be roughly \$5 million a month. He continued saying that if the tanker project proves successful the oil will come out of Prudhoe Bay in large amounts much sooner than had been anticipated and the University will have had a significant hand in this. This will mean that shipyards will be turning out between twenty-five and fifty 250,000-ton tankers to haul that oil out of Prudhoe Bay and out to the east coast market. The west coast market is only about 1/2 million barrels of oil a day, but if the northwest passage works, oil will find its way to the east coast market and one million to two million barrels a day will be able to go to the east coast. The University people will be and are helping in trying to make this possible. He said that there are other projects they are working on which are not directly oil company related. One of these is the engineering phase of the walrus freezer at Savoonga. This project has been held up in part by the federal government because they have not provided the funds on the appropriate dates. As far as Arctic research is concerned, he said the University is a leader in the world. Mr. Croft said that he gathers then that the research is uniquely Arctic or Alaskan problems.

Dean Behlke said that this is true in a large part but that it is not totally so. He then noted that, referring again to Arctic research, that if the University engineers are able to continue their work on the ice islands, oil companies may be able to drill oil from these islands, in which case the companies would not have to go to the tremendous expense of building immense platforms, towing them up, and this would help the wellhead price of the oil.

Mr. Croft then asked if the additional funds that had been requested for instructional services would have been used for strengthening upper division courses and was answered yes. Mr. Croft asked if the priorities D through J would mean that the University will be losing federal funds, and Dr. Wood said yes.

Recess:

The committee recessed at 2:45 p.m. for 15 minutes.

AFTER RECESS

3:00 p.m.

Senator Phillips introduced Mr. James Rafferty, of the San Francisco financial consulting firm of Schwabacher Rafferty & Company, who he said was present to speak about the bonding of the University power house. Mr. Rafferty said that Dr. Wood had called him and asked him to be prepared to talk to the Finance Committees with reference to expanding the existing heating plant at the University of Alaska. He said that in 1962 the Legislature passed HOUSE CONCURRENT RESOLUTION NO. 45 which resolved that "whereas it has been

established that it is feasible for such a heating plant to be constructed by a nonprofit corporation, which would sell bonds to obtain the necessary construction funds and then would amortize its debts from rentals or heating service fees charged to the University over a period of years, and whereas such a method of financing would ensure continuity of facility construction rather than piecemeal construction phrases which would result from general fund appropriation, and whereas such a method of financing would eliminate the need for immediate financing of capital construction from current revenues, be it resolved . . . that the Board of Regents of the University of Alaska is directed to proceed with the establishment of a nonprofit corporation designed to finance the construction of the heating plant needed by the University of Alaska." He said this corporate charter was obtained in 1962 and the incorporators borrowed the money necessary to build and improve that heating plant and lease it to the state. Approximately \$3,900,000 was borrowed, the plant was built and it has functioned excellently. He said that it was anticipated at the time of the original financing that there might be supplemental needs of power, and Mr. Rafferty felt there certainly would be, and that in fact there is a concrete pad in that power house built there in anticipation of a boiler to be coming in at a later date. The indenture, the contract with the lenders provided that the corporation could issue not to

exceed \$1-1/2 million of additional bonds at a later date for lateral utilidors to a food service building which is not now in the University's plans, and additional boilers and generators. The state and the University thus retained the option of adding such facilities when they were needed by direct appropriation, by general obligation bonds of the State of Alaska or by additional bonds of the corporation. If additional bonds of the corporation were used that would be concurrent upon the passage of a concurrent resolution by the Legislature in form similar to that of 1962 directing the Board of Regents to expand the heating facility through borrowings on a parity with the bonds that were outstanding. He said that the last time he had talked to Dr. Sargent, the exact costs had not been formalized but they were going to exceed 1-1/2 million dollars for this improvement. The indenture permits the corporation to borrow 1-1/2 million dollars without any permission. For a loan in excess of that, permission of two-thirds of the present bond holders is required. He has had contact with the lenders and is satisfied that the necessary two-thirds of the holders would grant the approval should the Legislature direct that they finance this improvement in such a manner. The other matter he said that he has been requested to speak about is the Student Union Building, as to whether revenue bonds to finance this structure would be salable on

the market. He said that on a normal market situation they would be. However, Mr. Rafferty reminded the group that the market situation now is not normal. He feels this is a temporary situation and that by the time the Student Union Building could be planned and money borrowed the situation could be normal again. He noted that a Student Union Building such as proposed would be liquidated entirely by student fees. The proposal is that student fees be pledged to repay the bonds. He said that he would not anticipate any difficulty with the revenue bonds for this project. He said that in his mind there is no question but that the bonds would be salable on the market under normal conditions. Senator Miller asked Mr. Rafferty if he has had an opportunity to analyze the projected pay-off of the revenue bond issue, and Mr. Rafferty said that he has looked at it enough to say there are some changes he would suggest but that there is no question that it could be liquidated with the present pattern of student fees. He indicated that perhaps it would not be necessary to make constant payment every year, and that maybe for the first few years they should pay only interest and pick up the majority of the principal in later years, which would minimize the necessity of going into reserves. He said that he thinks the legal documents could be drafted in such a way that it would be impossible to use any state money for this.

Senator Phillips said that Mr. Rafferty will be back in Juneau again to appear before the Finance Committees.

Adjournment:

Senator Phillips adjourned the meeting until 8:30 the next morning.

JOINT FINANCE COMMITTEE MEETING  
Wednesday, February 26, 1969  
8:30 a.m.

Present:

All members of both Finance Committees were present. Also present were members of the Board of Regents of the University of Alaska (Mr. William A. O'Neill; Mrs. Dorothy A. Wrede; Dr. Arthur J. Schaible; Mrs. Edith Bullock; Mr. Robert E. McFarland; Dr. Robertson and Mr. James Nolan) as well as other University officials (Dr. William R. Woorck, College President; Mr. Donald Theophelis, Dr. Arthur Buzwell, Dr. Don Defoe, Dean Behlke, Mr. Harold Byrd, Mr. Chuck Sargent) and Mr. Rafferty of the Schwabecker Company who was present to talk about the bond proposition. Present too were members from both the House and Senate, and members of the Press.

Chairman Vance Phillips called the meeting to order at 8:30 a.m. Mr. Croft asked where the cuts will be made in Priority B, since there are not, by the Governor's allowance, sufficient funds to cover all the items in the section. Dr. Wood said that this decision is made by the Board of Regents at the May meeting when they adopt their working budget for the next fiscal year, so that he could not say yet. Mr. Croft asked if the Instructional Colleges part of Priority B will be cut, and Dr. Wood said that they would have to employ enough staff to provide instruction for their projected enrollment and that certainly would be the \$90,000 that is proposed here. The matter of recruiting,

he said, grows exceedingly difficult year by year, with the costs rising for the people they want to have come up, and he said he sees no end to this. In answer to a question by Mr. Croft, Dr. Wood said that he does not think they will have enough money to start the day program at the Anchorage Community College, even though the building developed for this program is now under construction. He said that this is the same sort of problem in Ketchikan and Juneau, on a smaller scale. Mr. Ray asked Dean Behlke if the Arctic Environmental Research Laboratory is part of the Research Institute, and Mr. Behlke said that it is proposed to make this an institute in June. Mr. Ray asked who staffs it. Mr. Behlke said that it is made up of fulltime engineers and professors. Mr. Ray asked if the University pays these engineers, and Mr. Behlke answered yes. Mr. Ray asked if the engineers are getting paid additional for their work for industry, and Mr. Behlke said yes, that some of the men do. The oil industries have been paying some recently. Mr. Ray asked if this additional work is interfering with the professors' teaching functions, and Mr. Behlke said that if that happens the professor must go on leave, either on a part time or a fulltime basis. In response to a question by Mr. Ray, Mr. Behlke said that the work they are doing is applied research rather than design. In response to further questioning, he said that

they are now doing a few soil borings, virtually no surveys to determine alignment or elevations, air photo interpretations (done only on a consulting basis outside of the University), geologic studies. Mr. Behlke said that the applied engineering is not being done on University time or with University funds. He said this is being done by the men at night and on weekends. He said he tries to prevent these engineers from doing work which would make the University in competition with private companies. Mr. Ray asked about the crash program on the pipeline, and asked what they will do after this program is over, and Mr. Behlke said that they are continuously writing research proposals which are appropos to engineering in Alaska to the federal government and once in a while to state agencies. Mr. Behlke said that he encourages outside consulting by his engineers because it is the only way that they remain current in their field. Mr. O'Neill said that in the matter of consultant services, it is the policy of the Board of Regents to permit such consultant services by University people in order to keep them abreast in their field as long as it does not interfere with their University work or compete with private firms. Mr. Ray noted that neither the Board nor the Legislature knows for sure that there are not personnel at the University getting two salaries, being paid consultant fees and getting paid by the state to do

the same work. Mr. O'Neill said that the consultant fees would be drawn on off duty hours. Dr. Behlke said that he has encouraged his men to go on leave from the University if the consulting work they are doing for the oil industry must take more time than they can give while at the University, this is because he feels the oil industry is so important to Alaska.

In answer to a question by Speaker Kerttula, Dr. Buzwell said that the \$11,794 for the Cooperative Extension Service is for the cost of increased rental only. Mr. Kerttula then asked what the \$15,380 for Kenai, Kodiak, Matanuska-Susitna Community College in Priority B is for. Dr. Defoe said that this would be to provide more classes at these locations. He expressed the feeling that the item above this one for the Anchorage Community College and the item Mr. Kerttula had mentioned would not be provided for if Priority B were not funded, and he stated that he feels very strongly they should be.

Senator Blodgett asked if the University has any people who are experts in permafrost, and he was answered yes. He then requested that their prepared papers be sent to him.

Senator Miller asked what the University's plans for their library are. Dr. Wood said that they have been informed by the construction company that a portion of the complex will be completed well in advance of the contract date and that

that portion would be the library and the art building. He said that they are now faced with the problem of moving the library and archives into the new building. He said that they have a difficult problem here, and he didn't know how they would get the moving itself done, but once that problem is taken care of, they will have the problem of not having adequate staff to operate the new facility. He said there will be three times the present space and they expect a great deal more usage. Senator Miller inquired about their book acquisitions, and Dr. Wood said that they have been working on increasing their library, with the support of the Legislature over the past number of years on a regular basis. He said that this priority list will cut back severely their rate of acquisition. Senator Miller asked if their greatest need then in the library is for proper staffing, and Dr. Wood said that their need is in both. Senator Lewis commented with reference to University engineers that in his profession if he were to hire engineers, he would not keep them if he found they were working on projects other than his own. In response to questioning by Senator Lewis about the relationship in terms of possible overlaps between the Anchorage Community College and Alaska Methodist University, Dr. Dafoe indicated that there is good rapport between the two and no problem there. In fact, he said they have joint staffing in some areas.

Senator Phillips asked in view of Mr. Behlke's earlier statement that the University has the best engineers in the free world on Arctic research, if the Board of Regents has considered setting these people up and hiring them out as consultants, at consultant's fees. Mr. Behlke said that the problem there is that then the University would have to stand behind the results of that consulting, and they are not in a position to do so. After further discussion, Dean Behlke said that he can get a report on how much money, other than University salaries, these engineers are getting. Mr. Ray asked how the average state citizen benefits from the research going on at the University. Mr. Behlke said that the research is published and available to the public. Mr. O'Neill asked how much money comes from the oil companies for doing the research, and Mr. Behlke said the oil companies pay for any research done for them 100 percent. He said they may occasionally sign a contract and run a few dollars over but otherwise they are paid 100 percent. In response to questioning by Mr. Ray, Mr. Behlke said that the money the University is paid then goes to pay the salaries of the professors for their regular 5-day week. In response to Mr. Bradner's question about the possibility of increasing the ratio between state and industry and federal government funds for research, Mr. Byrd said that what the University aims for is to get grants that will take care of all of their costs including the overhead. However, in

the case of federal grants, they are finding particularly in recent years that there is required a cost-sharing by the University of 5 percent of total and in many cases a one-third to two-third matching requirement.

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

AFTER RECESS  
10:15 a.m.

Senator Phillips explained to the Board of Regents that the Legislature only has so much money that they can appropriate, and that chances of the University receiving more than the Governor's allowance are poor. He said that this is the situation with the rest of the departments in the state also.

Senator Lewis asked Mr. Behlke about the Belke frost tube, and asked if he had had anything to do with it, to which he replied no. He said that this is not being used in the pipeline project. Senator Lewis requested that any studies done on this at the University be mailed to him, which Mr. Behlke agreed to do. Senator Blodgett asked, for the benefit of the subcommittee on the University's budget, where requests should be directed for people to come down to talk to the subcommittee, and Dr. Wood said to his office. Dr. Wood requested Mr. O'Neill, who is chairman of their planning committee, to be chief spokesman for the University on this project. Senator Phillips requested Mr. O'Neill to begin reading through and explaining their proposed capital

Capital  
Improvements  
Program

improvements. The first project is the Campus Activity Center, costing \$4,000,000. Mr. O'Neill said this is one of the requests for revenue bonding the University has made to the Legislature. The planning fund, \$260,000 is a fund the University has requested for a number of years, and feels is a very important item for the simple reason that they need to make feasibility studies, and they lose time and money because of having to delay doing preliminary work until they get authorizations for revenue bonds. Senator Phillips asked if this fund would only be used for authorized projects, and Mr. O'Neill said yes, restricting that response by saying it may be used to make preliminary feasibility studies so that before they put down a figure they will have done enough work in detail so that they would know the exact confines of the building, what space allocation would be, so that they could make more accurate estimates of the building costs. Mr. O'Neill said that their thought is that this would be a revolving fund, so that if a certain amount was spent for a feasibility study, at such time as that building is built, the fund would be reimbursed. \$6,000 is a rough estimate of state participation for the mineral science facility. Mr. O'Neill said that they expect the federal government to participate in building this facility. Dr. Wood said that the thought here is that if the University could get some sort of indication from the Legislature by authorization to develop

planning or by resolution to indicate intent to consider it that that would give them a chance to come up with some solid program jointly with the federal government. Senator Miller asked if there would be a possibility of the oil companies contributing substantially to this, but Dr. Wood said they have no indication of this, though of course it is always a possibility. Senator Blodgett indicated that he feels it would be appropriate for the University to come up with a request to these people, and Mr. O'Neill said that this is what they were talking about. Mr. Ray asked the amount of the contracts the University has with the oil companies, and Dr. Wood said they would send this down. Mr. Byrd stated that in this connection he feels it should be recognized that in the event the federal agencies finally have to insist upon not making a construction grant but on allocating a permanent rental amount this would be available to the state for retirement of general obligation bonds that would be sold.

In Community Colleges, which lists \$4,000,000 for 1969-70, 1970-71 and 1972-73, Mr. O'Neill said that the problem is that the University feels they are going to have to double their community college facilities due to increasing enrollments. He said these are rough estimates of what they anticipate in years to come. Senator Blodgett asked how these figures are developed and Dr. Wood said that each

of these community colleges has a Citizens' Advisory group, and that this group plus the University's field staff provide the basis for planning projects, but, he emphasized, these are unrefined figures beyond the first \$4,000,000. Senator Lewis asked how they relate their projection for future years to rising costs. Mr. O'Neill said this is questionable, that they haven't done definite planning. He said that they are anticipating growth. In answering a question by Senator Bradshaw, Mr. Byrd discovered an error in their prepared summary of capital improvements projects, in the area of Bond Construction funds. The funds listed under the column 1969-70 should be in the 1970-71 column. He further said, though, that the University would like the Legislature to consider their bonding propositions this year to give evidence of their intent so as to aid the University in going to the federal government. Mr. Haugen asked how much construction is going on at the University now, in dollar terms. Dr. Wood agreed to provide this information. Mr. Haugen said that his point is that this is why there is a problem now of the difference between the University request and the Governor's allowance, and with that cost added on to the bond retirement costs in existing construction what the fund balance will be at the end of the present governor's bill for appropriations is not going to be adequate to fund out the program. With reference to expected state revenues to come from oil land

sales in the fall, Mr. Haugen stated that the Finance Committee cannot appropriate except on the basis of the existing financial condition of the state. Senator Blodgett asked if the Board of Regents has given any consideration to holding off on individual capital project proposals in view of tight money and interest rates until the federal reserve board gets the economy calmed down. Mr. O'Neill said that the only thing they evaluate properly are the needs of the University. Senator Blodgett expressed accord with Mr. Haugen's statement. It was noted that nothing on the capital improvement projects is on sale in bonds until 1971.

Senator Phillips asked what type of evaluation has been given of the effects on student enrollment at the University by the Anchorage Community College. Mr. O'Neill said that they are developing students at the Anchorage Community College who go on to the main campus. As far as the main campus losing students to the Anchorage Community College, this is not a problem. Dr. Wood said that under 10 percent would be going to Anchorage from Fairbanks. Dr. Wood further noted that about 50 percent of the college students in Alaska leave the state to go to school, but that it used to be 60 percent.

Senator Phillips requested the University to come up with any ideas on what the finance committees of the Legislature can do to hold upper division students at the University.

Senator Miller asked if any one wanted to make a comment on the Campus Activities Center. Mr. O'Neill said that that is a very important project to the University, and that is why they have suggested it be a revenue bond issue rather than general obligation bonds. He urged if at all possible that revenue bonding for this building be authorized. Senator Phillips excused those members of the Board of Regents who had to catch the plane, and the committee recessed at 11:00 a.m. for five minutes.

Recess:

AFTER RECESS

11:05 a.m.

Mr. Ray stated that Senator Phillips had requested him to take the Chair at this point as the Senate was meeting and the senators would not be immediately returning. Mr. Ray requested Dr. Wood to continue with capital projects. The fifth project is rehabilitation of existing buildings. He said that they are asking for a direct appropriation for this year, and explained that the situation is that they are moving their library out of the Bunnell Building and want to make use of the vacated space as soon as possible. Therefore, they want to convert this space by making the bottom floor the headquarters for the Public Services Program, which is now scattered in different places by making the second floor into seminar rooms, small classrooms, and offices for faculty and administration, and by extending the balcony to make use of that area. If they do not make this change, they will have to make very inadequate use of this space.

The next project is the expansion into the second phase of the building for the Arctic Biological Sciences field but also to take care of classrooms and office space, work space, and research laboratories, in the whole field of renewable resources, which includes agriculture, forestry, wildlife management, etcetera. Dr. Wood explained that the reason they have the \$4,000,000 in the column for this year is merely so that they have some declaration of intent for purposes of helping develop federal matching money.

The next project is Safety and Street Development. One of the big items, Dr. Wood said, is the augmentation of their fire fighting facility to take care of high rise buildings under construction and in planning stages, and to further improve their fire safety program by installing an automatic alarm system. Additional funds are to complete the paving of streets around the main campus and to conduct any improvements of utilities that are necessary.

The museum is the next project. This, Dr. Wood said, is a long standing project. He said that he is trying to raise funds from private areas, and has had some success along those lines, having gotten a gift of \$50,000. However, he said, people are not about to pledge funds if there is no assurance of state authorization. Senator Miller asked what kind of authorization they need. Dr. Wood said that all they need is a resolution authorizing the Board of Regents to proceed with this project.

Dr. Wood said that the Student Health Center has to be moved, if the Campus Activities Center goes through. He said that they have long needed an adequate student health center. This is not a hospital or clinic, and does not compete with the medical profession. This is merely an infirmary, staffed by a nurse and to be used for examination, overnight observation and emergency purposes.

At this point the senators returned and Mr. Ray turned the meeting back over to Senator Phillips.

The next project is the Agricultural Experiment Station.

Dr. Wood stated that this is for a variety of programs, but that he does not have any details on this other than that it is for upgrading of the facilities they now have.

The request for the Patty Building remodeling is for exit doors to meet fire regulations and also to make additional storage space.

The request for Dorm and Dining Facilities, Dr. Wood said, does not need to be in the column for 1969-70 and would be revenue bonds anyway. In response to questioning by Senator Phillips, Dr. Wood said that when the building is up that is authorized that they will have adequate classroom space for a few years, but as far as laboratories and specialized space, they are still inadequate. Mr. Ray asked about the University's enrollment projections, pointing out that the 1968 enrollment at the University was lower than projected. Dr. Wood said that it was lower than the optimistic projection but higher than the minimum projection. Mr. Ray

indicated that he had been led to believe that the "optimistic" projection was the anticipated projection and that he had made decisions based on that understanding. Mr. Ray requested that the subject of salary increases be taken up at this time.

Salary  
Increases:

In response to questioning by Mr. Ray, Dr. Wood said that the format they used to indicate their step increases this year is the same as last year. In response to further questioning by Mr. Ray, Mr. Byrd said that when they receive their appropriation they do make these salary increases every year but they just show no individual increases in presenting their budget. Again answering Mr. Ray, Mr. Byrd said that last year \$508,000 was presented in the budget in just the way as this year, and they presented every salary at exactly what it had been the previous year. This year they are paying their people increased salaries within the limits of \$508,000. Naturally, he said, within other departments of the state there is a different way of accommodating the step increases in a regular step scale. They get those right along, too, but the University's are not guaranteed. They are granted only on a merit basis and individual consideration is given to each one, but still they come out of this one figure that has been presented each year in the budget. Mr. Ray said that what bothers him is when the legislature and finance committees have expressed the intent that salaries should not be raised and yet they

are and the University also comes in with a supplemental request. Mr. Byrd said that he was not aware of any declared intention that University salaries not be raised. Mr. Ray said he apparently had not been listening then. Senator Miller, referring to Mr. Byrd's statement that the University is not requesting individual increases but a lump sum, that he has examined the budget and finds individual increases.

Mr. Byrd said that there may be some isolated cases where they have changed the nature of a position, and with this reorganization there may be several others like that, but except in the event a position was changed they show identical salaries in this year's budget. Senator Miller expressed the feeling that the budget should be made more uniform to the other budgets next year. Mr. Ray noted that no vacancy and turnover is shown in the personal services, and strongly emphasized that he feels this money should not be used as a contingency fund, which Senator Blodgett heartily agreed with. Senator Blodgett further said that in the area of personal services he wants this budget prepared like any other in the state. Mr. Freer, of Budget and Management, explained that this is the first year the University has made an effort to conform to the standard budget format and that the transfer to this format will be more complete next year. Dr. Wood indicated that another problem the University has is that they also must make a national budgetary report and so it is difficult to have different accounting systems. Senator Phillips adjourned the meeting at 12:00 noon.

Adjournment:

HOUSE FINANCE COMMITTEE MEETING  
Wednesday, February 26, 1969  
2:15 p.m.

Present: All members except Mr. Sackett.

HOUSE  
BILL 67

It was moved and unanimous consent was asked that the committee consider HOUSE BILL NO. 67 (Department of Law supplemental). There being no objections it was so ordered. Following a brief discussion on the general financial picture of the state, Mr. Ray commented that last year the Department of Law had requested a supplemental of \$90,000 and out of that, \$50,000 was to be used for the Lower Cook Inlet cast. They revised the estimate down to \$40,000 and Mr. Ray said possibly \$18,000 out of the \$40,000 had been used for this case. He explained that if this amount had been used for the Lower Cook Inlet it wouldn't be necessary that they have another supplemental this year.

Mr. Croft asked how this could be handled and if the amount is appropriated how could they be sure it is spent for that purpose. Mr. Haugen asked if this could be made a matter of legislative intent. Mr. Ray suggested that the bill should read \$40,000 which would be used only for the Lower Cook Inlet. Mr. Dean said if this was done this way it would be different than the way it had been done previously but that he could see nothing wrong with it technically. Mr. Bradner suggested that a committee substitute be written and a line item covering letter in the form of a committee report stating that it is the intent of the legislature that this money should not be used for any other purpose. In answer

to Mr. Borer's question Mr. Croft gave a breakdown of Code 380 (Professional fees and services) stating there was a remaining balance of \$9,900.

It was decided by the committee to handle each code individually and Mr. Croft gave the following breakdown on Code 380. He said they are requesting \$55,000 in this line item.

Lower Cook Inlet	\$40,000
Goldstream Fire	6,000
Asphalt	5,000
Native Land Claims and local autonomy	2,000
Sea Land	10,000
Watershed	2,000

Mr. Croft felt they could wait until the end of this fiscal year for the Watershed project. Mr. Croft moved that Code 380 be set at \$50,000 instead of the requested \$55,000. Mr. Ray objected. Mr. Ray moved that this amount be set at \$40,000 and Mr. Croft objected.

Yeas: \$40,000 - Mr. Haugen and Mr. Ray

Nays: Mr. Croft and Mr. Borer

Mr. Ray called for a vote on \$50,000.

Yeas: Messrs. Croft, Hohman, Bradner, Borer

Nays: Messrs. Haugen and Ray

and so \$50,000 was accepted by the committee. Mr. Croft suggested that on Code 310 they be given \$2,000 and on Code 360 \$3,000. In answer to Mr. Hohman's query, Mr. Croft said they had originally requested \$3,000 and then reduced this to \$2,000. This had also been reduced by the Judiciary Committee.

Mr. Croft said they had been spending more on long distance calls than they had budgeted for and he felt they could cut down on this but he did believe that the Lower Cook Inlet amount should be allowed.

Mr. Ray moved and asked unanimous consent that the supplement for Code 310 be \$0 and Mr. Borer objected and made an amendment on motion from lines 310 to 360 be \$5,000.

It was moved and seconded. Mr. Ray objected.

Yeas: Messrs. Croft, Hohman, Borer, Bradner, Haugen

Nays: Mr. Ray

and so \$5,000 was accepted by the committee.

Mr. Croft moved and asked unanimous consent that the committee draft a substitute for HOUSE BILL NO. 67 and wanted the breakdown of codes 310, 340 and 360 spelled out to total \$5,000 in the committee substitute and code 380 for \$50,000.

Mr. Ray and Mr. Borer objected.

Mr. Borer made a motion to amend the motion to read \$50,000 is to go for the contractual services on this group of cases and the other is to be used as they need it and contractual services in Code 300.

Mr. Ray discussed what would be the best procedure for handling this bill and the mechanics to be used.

Mr. Ray made a motion to rescind the committee's action and Mr. Borer objected. Mr. Ray withdrew his motion.

Mr. Bradner expressed his concern with how the bill should be handled and said further than another problem might be if

the Senate doesn't follow the letter of intent. Mr. Dean suggested that the bill be worded as follows:

"The sum of \$55,000 is appropriated from the general fund to the Department of Law for the fiscal year ending June 30, 1969, to be apportioned as follows: The sum of \$50,000 for the cost of additional witness and professional fees arising from litigation over the state's claim to title to submerged lands in Cook Inlet; the sum of \$5,000 for other additional contractual services."

Mr. Bradner said he presumed they had allowed for some of this litigation in their next budget.

Mr. Ray said he would leave the mechanics of the bill to Mr. Dean.

Mr. Ray proposed that they rescind all their previous action on HOUSE BILL NO. 67. Mr. Borer and Mr. Croft objected.

Mr. Ray explained that they had some problems in this department but that now they had a new attorney general and he felt that since they were starting in on a new session that they would be considerably more educated in what the Department of Law is going to do.

Mr. Ray noted that the department had \$349,700 for FY68-69 which exceeds the amount they are requesting for the coming fiscal year.

Mr. Ray suggested that \$40,000 be specifically for Cook Inlet, \$10,000 for other contractual and \$5,000 for contractual services. Mr. Ray made a motion that they rescind their previous action on this bill. Mr. Croft and Mr. Borer opposed.

Mr. Dean read the bill as follows:

"The sum of \$55,000 is appropriated from the general fund to the Department of Law for the fiscal year ending June 30, 1969 to be apportioned as follows: The sum of \$40,000 for the cost of additional witness and professional fees arising from litigation over the state's claim to title to submerged lands in Cook Inlet, the sum of \$10,000 for other additional witness and professional fees; the sum of \$5,000 for other additional contractual services." It was moved and unanimous consent was asked that CSHB 67 be adopted.

Mr. Ray objected.

In answer to Mr. Croft's question, Mr. Ray said it was not necessary for Mr. Croft to prepare a committee report on this. It was moved and unanimous consent was asked that HOUSE BILL NO. 67 be returned to committee. No objection so ordered.

HOUSE  
BILL 71

It was moved and unanimous consent was given that the committee consider HOUSE BILL NO. 71 (Appropriation to the Department of Education). There being no objection it was so ordered.

Mr. Ray read the attached report from Legislative Audit regarding the Department of Education (see appended Legislative Audit Report). A brief discussion followed on the method of reappropriations, and the bill was then returned to the files. Mr. Ray asked about the status of bills.

Mr. Borer said he was continuing research on HOUSE BILL 42 (repealing the disaster relief and school tax) and he was still waiting for the necessary information on HOUSE BILL NO. 76 (Japanese World Fair of 1970).

Mr. Haugen said he is still gathering information on HOUSE BILL 59 (ASHA) and HOUSE BILL NO. 40 (fish by pound).

Mr. Hohman said that he is still working on HOUSE BILL NO. 119 (musk oxen) and should report it out soon.

Mr. Haugen said he also was working on HOUSE BILL NO. 71 (Appropriation - Dept. of Education).

Mr. Ray suggested that on HOUSE BILL NO. 119 that Mr. Hohman should contact the sponsor of the bill for additional information and said he would appreciate Mr. Hohman getting this bill out as soon as possible.

Mr. Croft said he is working on HOUSE BILL NO. 140 (Dept. of Fish and Game appropriation) and has asked for information on this from the Attorney General and the Commissioner of Fish and Game. Mr. Ray suggested that he get together with the Fish and Game subcommittee and try to find a place to put that within the budget document itself.

Mr. Croft said he had written to Administration on HOUSE BILL NO. 161 (Fiscal responsibilities of Dept. of Revenue) and had already received the opinion of Mr. John Dougherty and on HOUSE BILL 173 (Deposit and investment of state funds) he was going to discuss this with Mr. Borer.

Mr. Bradner reported that he had no bill assignments.

Adjournment: The meeting adjourned at 3:25 p.m.

Reconciliation of Net Balances Lapsed for 1967-68 Fiscal Year for Department of Education as shown in "Annual Financial Report" for that year and the "Budget Summary by Functions" for the 1970 Fiscal Year

Lapsed Balances per "Statement of Appropriations, Expenditures and Lapse - Fiscal Year 1967-68" (Exhibit Attached):

General Fund	\$ 196,187	
Federal Reserve	<u>1,810,076</u>	\$2,006,263

To adjust above Lapsed Balances to agree with Annual Financial Report (Note - Above exhibit was prepared from Annual Financial Report and supporting records. The discrepancy occurred in realignment of various programs) (17,291)

Lapsed Balances per Annual Financial Report 1,988,972

A misplaced journal voucher which was not reflected in the Annual Financial Report resulted in lapsing a balance of \$100,205 when only \$10,529 should have been lapsed (89,676)

A document to encumber the balance of \$395,921.75 in "State Share Teachers Retirement" was erroneously prepared as \$359,921.75 (36,000)

The entire balance of \$526,752.81 in "Rural Schools" was lapsed. Of this amount, \$477,739.30 of Federal funds received under ESEA Title I, PL 89-10 should have been carried forward as a Continuing Program (477,739) (603,415)

Adjust "Lapsed Balances" 1,385,557

Lapsed Balance per "Budget Summary by Functions" 1,387,950

Difference Not Accounted For 2,393

HOUSE FINANCE COMMITTEE MEETING  
Thursday, February 27, 1969  
9:15 a.m.

Present: All members except Mr. Bradner.

Bill

Assignment

Chairman Ray assigned the following bills:

HOUSE BILL NO. 8 (Increasing amount of assistance to dependent children) -- Mr. Sackett

HOUSE BILL NO. 62 (Appropriation - Dept. of Public Works) -- Mr. Borer

HOUSE BILL NO. 63 (Appropriation - Dept. of Fish & Game) -- Mr. Haugen

HOUSE BILL NO. 64 (Appropriation - Dept. of Public Works) -- Mr. Hohman

HOUSE BILL NO. 70 (Appropriation - Dept. of Public Works) -- Mr. Hohman

HOUSE BILL NO. 95 (Disaster Relief Tax) -- Mr. Ray

HOUSE BILL NO. 127 (Public Defender Agency) -- Mr. Croft

HOUSE BILL NO. 160 (Transfer of appropriations - Dept. of Health and Welfare) -- Mr. Sackett

HOUSE BILL NO. 67

Mr. Croft moved and asked unanimous consent that the committee again consider HOUSE BILL NO. 67 (Department of Law supplemental). There being no objection it was so ordered.

Mr. Croft then moved and asked unanimous consent that COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 67 be adopted in lieu of HOUSE BILL NO. 67. Mr. Borer objected and the following vote was recorded:

Yeas: Messrs. Ray, Croft, Sackett, Haugen, Hohman,

Nays: Mr. Borer

and so CSHB NO. 67 was adopted by the committee.

Mr. Croft moved and asked unanimous consent that CSHB67 be reported out of committee with a "do pass" recommendation. Again Mr. Borer objected and the following vote was recorded:

"do pass": Messrs. Croft, Hohman, Haugen, Sackett

"no recommendation": Messrs. Ray and Borer

and so CSHB67 was reported out of committee.

As there were no other bills to report on, Mr. Ray asked that the committee members report on their bills as quickly

Recess: as possible and the meeting recessed at 9:30 a.m.