

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2477

HOUSE FINANCE COMMITTEE MEETING
Thursday, February 27, 1969
1:50 p.m.

Present:

All members except Mr. Sackett, who was excused and Mr. Bradner, who was ill. From the Department of Public Works: Mr. Strandberg, Commissioner; Mr. Tracy Kaldor, Administrative Director; Mr. Harry Wakefield, Jr., Director, Division of Aviation and Mr. Ed Granger, Planning and Design.

Department of Public Works

Division of Aviation

The meeting was called to order, and Mr. Ray announced they would start on page 32 of Book I of Public Works.

(The following portion is a verbatim transcript.)

Strandberg:

Before we go into that, we have prepared a chart and will go over the whole program giving you an outline of the whole program...and methods to be used for additional maintenance. You will all have to recognize that the maintenance program for all the airports throughout the state is not adequate. This aviation budget does, as you will see, as we go through the charts really does reflect the intent of the committee. The increase in the general aviation budget was held within the amount estimated to be received from that one cent fuel tax. The other increases in aviation budget are outlined in this letter which we prepared for submission to the Budget Review Committee outlines where the other increases are. That's why Harry Wakefield, the Director of Aviation, will go through this chart preparation he made up on this year's aviation budget.

Wakefield:

Mr. Chairman, I'll give you a real quick over view of the overall budget as most of you here are quite familiar with this. The budget is broken down in this manner as shown on this chart. These are the functions that we have under general administration. Under the Director, we have the planning (word inaudible) personnel, and new positions of leasing.

Strandberg:

Harry, you might explain the reasons for the new leasing positions.

Wakefield:

The leasing business and the leasing income, as gone into in some detail in the budget, has gotten to the point where we could not handle it as an additional job. We did have our Planning Section handling it and it got to where they couldn't do any planning. Over a thousand leases.

Croft:

Are you talking about leases that you are the lessee or the lessor?

Wakefield:

Where we lease property to people on airports.

Borer:

Where mostly?

Wakefield:

Mostly at Anchorage on almost every field. As you know, those of you that were here last year the subject of landing fees and tie down fees and so on we decided it wasn't feasible to get these landing fees at out of the way places. So in our smaller airports if some one wants to park an airplane there on a first-come, first-serve basis they can with no charge but if they wish to lease a plot of ground and say this is mine and say no one else can park here they still have to pay but if they just want to park they can.

Croft: This applies then to hangar rental and commercial as well as private?

Wakefield: Except we really don't rent any hangars. We lease the ground to a person to build a hangar.

Croft: Tie down spaces?

Wakefield: Tie down spaces, restaurant concessions, the Northwest Building, the Western Building in Anchorage, the Interior and the Wien Buildings in Fairbanks, They are all on state property and have leases.

Croft: In Anchorage does this just include International Airport?

Wakefield: Lake Hood and Spenard.

Croft: And Merrill Field?

Wakefield: Merrill Field belongs to the city. We've gotten to the point just within the last few months, the leasing business we initially received \$140,000 with a new contract lease. We have just negotiated one lease in Fairbanks to the tune of about \$65,000 a year so this is the type of business we are speaking of and we just can't do it as an extra duty or catch-as-catch-can operation. We have to draw accurate sketches to show where the property is and make sure that the state is benefiting to the maximum and that is why we need these new positions. After a project goes through our Plans Section it then goes to the Design Section and design is a new section broken down essentially this way. It varies from 20 to 30 people. I won't try to read it to you. Basically, this is what our Design Section does. They are

very talented, very technical people. They not only have to be engineers but in this fast moving aviation age they have to keep up with an awful lot of technology. Significant increase in budget change for the Design Section is that last year all our engineering was in one section and wasn't broken out and we didn't know what the Design Section would cost to run. Now we know a little more about it. The real crux of the matter is almost completely here in the latter part of number 2. We must do more engineering prior to the time something becomes an approved project. If we don't know all our cost we can't comply accurately for federal aid. The real reason here is we have to do more engineering before something becomes an approved project. I will try not to read the charts but here again as we move into the more technical areas we have to spend more and more on computer work. We're using computers almost entirely on how to compute for our notebook computations, reaching grades and what we need to do.

Croft:

Before you finish that, you mentioned land acquisition as part of the reason for increasing design. Does this include the cost of the land, or is this purely administrative?

Wakefield:

No, this is administration. Let's talk about our land acquisition problems. We are one of the largest land holders in the state and some of the land transfers that have been made in the past leave a lot to be desired. We are working terribly hard trying to catch up and get these things

straightened out to where the land interest is proper. As an example of the type of problem, just one little problem in Dillingham, our land acquisition people just spent 600 man hours trying to straighten this out.

Croft: Is there a separate item in the budget for land acquisition?

Wakefield: No, really the land acquisition costs themselves are in the capital improvement program where we actually have to buy land. Most of the land that these people are dealing with is with various governmental agencies. We did have to buy some land in Ketchikan for the new airport there. We just purchased a small portion in Anchorage near the National Guard hangar - 28 acres. Most of their work is with BIA or BLM and getting, shall we say, free land, but they have to go through the proper procedure. We have to have an adequate land interest to get federal aid.

Strandberg: We do have some areas of private land where we absolutely condemn the land, but the cost of that would be returned against the project itself.

Wakefield: It looks like in the Ketchikan area we have to condemn two parcels of land. After the design people take a project all the way through to where we get the land and put it out for bid and the contract is awarded then it goes to the Construction Section. There are very few permanent people in our Construction Section. In 1968 they were working on approximately 20 projects totaling \$30,000,000. We staff the construction staff out of the project funds rather than ...all the federal projects are 62-1/2 percent federal funds.

Ray: For the benefit of the new members. FAAP money is a two-third to one-third match.

Wakefield: This is one of our most significant sections -- Maintenance and Operations. They maintain and operate all the airports except Fairbanks and Anchorage. We here in Alaska as a state government, own and operate more airports than any other entity than I've ever been able to find out about other than the federal government. We have slightly over 500. We actually actively maintain 218 to varying degrees. This is equipment and personnel budgeted for ...

Ray: Mr. Wakefield, there are also airports in the state that are not operated by the state.

Wakefield: Yes, sir. It varies from day to day, what you call an airport and what's on file with the FAA there are around 750 airports in the state.

Ray: There are two or three municipal airports.

Wakefield: Five.

In our M & O budget we are requesting \$2,500,000 this year. Slightly over \$2,200,000 will come from revenue. \$1,444,000 will go into the general fund from the aviation fuel tax. \$757,000 from the various other receipts.

Borer: Are you including Anchorage and Fairbanks International Airports in these figures here?

Wakefield: In this tax figure?

Borer: ...but not the other two figures.

Wakefield: No, sir.

Borer: That's everything but Anchorage and Fairbanks. Cold Bay is in there. Do you have some place at a later spot where monies aren't tied to revenues such as Anchorage and Fairbanks. I thought Cold Bay ...

Wakefield: No, sir. Cold Bay is in here.

Borer: Do you have, this Cold Bay is a little out of the (balance of sentence inaudible).

Wakefield: I can tell you simply by looking at the revenue from Cold Bay from the revenue sheet.

Strandberg: You might explain it. The general aviation tax budget (inaudible) Air Force. There's no bonded fuel. No tax on bonded fuel. In lieu of in bond tax there is a use tax or fuel flowage tax charged at those two airports. No bonded fuel at Fairbanks. There will be.

Borer: The one thing I wanted to get at is how much of either the expenses or receipts that you have there is exclusive of our Anchorage, Fairbanks and Cold Bay.

Wakefield: I'll have to go back to the book to subtract Cold Bay. It does not include Anchorage or Fairbanks on either side. It does include fuel tax from Anchorage, from Fairbanks but it goes into the general fund. In a nut shell, if we subtract from our smaller airports from the total budget request the revenues we'll need \$374,000 from other sources which means from the general fund. A little further recapitulation, in 1968-69 was slightly over \$2,000,000.

This year we're going for \$2,500,000 which is an increase of \$518,200. But our revenues will increase \$462,000 which is a net increase for the M & O of \$55,000. We've got eight new airports. We have a tremendous requirement for better maintenance at the other airports. We are getting this really for an increase of \$55,000.

Ray: As long as we're talking, I noticed the reactivation of some of the North Slope, what position is the state in there now on these private airports. It is my understanding some of the oil exploration companies and even the air freighters' are knocking out a strip of some kind and no one can get on it.

Wakefield: They all have their own strips. They will have more than one. The ones we're speaking of we've opened up Umiat which was dormant. We're getting quite a bit of use at Umiat and quite a bit of leasing activity and interest. We're keeping it lighted and keeping it plowed and with the equipment that's up there its quite a job...We have a real fine facility there. We're lucky because it hasn't been touched for years. Basically a gravel area, over a 5,000 foot runway usable even by the jets.

Ray: The concern that I have is by allowing priority rights or occupancy rights, would the state face a problem later when they go up there to try to centralize some of the activities there and put in safety features or whatever's

necessary, would the state take a second position?

Standberg:

As soon as the oil discovery was announced, Harry and I discussed this, I asked him to send crews up to review the North Slope with the possibility of putting in a state-owned field. Some day there will have to be a major jet airport on the North Slope. Right now the oil companies are placing these strips just for their own use on the property that they have leased. They have the right to do that. The federal government will not put federal aid necessary on these private strips. Sooner or later the state will have to have control of some strip up in that area as the development progresses. We're keeping very actively on top on the situation and just exactly when that point will be reached, we don't know yet.

Wakefield:

Mr. Chairman, there's not an airport up there that will handle any of the larger airplanes.

Ray:

Are there commercial operators in and around any of these places. Wouldn't this make a terrible safety hazard for these operators?

Wakefield:

It is a safety hazard. I think most knowledgeable aviation people would agree to this. It is the responsibility of FAA. We work with them and do everything we can to promote the safety but FAA is the regulatory body with the authority.

Ray:

But don't you have concurrent jurisdiction and responsibility in the state?

Wakefield:

We really have no authority to promulgate air safety regulations. We cannot (blurred) up the FAA in this manner. We are trying to get them to put an instrument approach procedure in. The type of thing we can do is that an FAA regulation says you can't put an instrument approach in on a private airport and they've told the oil companies if you make it public we'll put in one and the oil companies have said heck no we're not a bit interested in making our fields public. What we're trying to do is get FAA to change their regulation. The regulation doesn't make sense to me. I think you ought to be able to put (inaudible) landing area. We're working with FAA daily on this and with the oil companies. Our position in the state has been if one of the companies wants to give us one of their airports, we will take it. FAA will then put in a public approach procedure and we will maintain the airport. We might have to charge landing fees or something to make it a self-paying proposition but we volunteered to take one over. We know we are going to have to build a major airport in the area. We've looked at about 12 to 14 possible sites. A figure way out of the blue. We're talking about somewhere between \$7,000,000 and \$9,000,000 in that area for a 10,000 foot strip.

Croft:

Mr. Chairman, you do operate the field at Umiat? How far is that from Sagwon Field?

Wakefield:

Seven miles.

Croft: The Sagwon Field is the one that the companies are using as far as...

Wakefield: Well they're using Sagwon, Prudhoe Bay. Sagwon is owned by Interior.

Croft: I thought that was the largest private strip in the area.

Wakefield: Well I think they're all around 5,000.

Croft: None of the companies are using Umiat at the present time?

Wakefield: Well there's no way to get the stuff from there to the Prudhoe Bay area. They use it as an alternate. We have an application in for a lease for 26 acres at Umiat simply because the weather is so much better than it is at Prudhoe Bay area. My guess is what they want to do, we know they want it for cargo storage. My guess is that the type of cargo storage they want it for is when they go to Prudhoe Bay and can't get in, they dump the stuff at Umiat then then they go back to Fairbanks and pick up another load rather than carrying the same stuff back to Fairbanks.

Croft: On the fuel problem. Do they purchase all their fuel from Fairbanks so we're collecting the tax?

Wakefield: They purchase it in the state, depending on where they're leaving from. A lot of them leave from Anchorage.

Croft: You don't feel you're missing any revenue. They haven't shipped any up there by barge?

Wakefield: No. There's hardly any way they can get around the revenue.

Croft: No, the only revenue they're getting around is if they have to land at Umiat, I take it they would have to pay the landing fees.

Wakefield: No we charge the landing fees. No loss to the state. From not being used at all its quite a busy place. All of you would be ^a little bit surprised at what goes on there in the boondocks. We've had a tremendous increase at Bettles which required additional people and also at Chandalar Lake.

Croft: This question on the accessibility of the state to those private fields has come up in several areas, regarding the Department of Labor and their inspections, I think possibly even Natural Resources as far as their control over the development in that area. Has there been any discussion with the other departments, any proposed solutions?

Wakefield: We've discussed it with Natural Resources, Lands, about the type of things that could be written into a lease that would be in the public interest as far as airports are concerned.

Croft: The reason I bring it up, I do think there is some question as to whether or not if in fact they have an oil and gas lease on one area entitles them to maintain an airport on that land which is for the purpose of serving another area.

Wakefield: From the research I've done on it I think its questionable. I think its entirely possible we could go in and put our foot on their backside and say this is our airport we want it and we could probably take it in some instances. Not being a lawyer but from the research I've done on the land it looks like it might be possible but I question whether we want to do this.

Croft: Do you plan to request any legislation in this session on that problem?

Wakefield: No. They're spending a lot of money up there and they have probably very valid reasons for wanting to maintain security in the early stages of development in my opinion for the kind of money they're spending up there.

Croft: Desire and right aren't necessarily the same thing.

Wakefield: They probably have a right for some security. This is a real quick rundown on the companies we have using Anchorage International Airport.

Croft: Did you say (blurred) is now the largest?

Wakefield: The largest international carrier is Pan Am. Very shortly over 50 flights a week.

Croft: What is the average figure for all those carriers?

Wakefield: Varies. If I had to pull a figure ... 60 a day of the major ones. This will give you a little idea of our passenger growth in Anchorage. (Indicating on the chart) The thousands being on the left. From '68 on the envelope where we expected to go rather than being a real firm figure -- just over a million passengers in the last fiscal year shows about a 1.3 in this year, up to 1.6 to 1.8. By 1975, it looks about like 5,000,000 passengers.

Croft: How does that rank Anchorage with other airports in the United States?

Wakefield: Pretty far down so far as the major airports are concerned. What we would call a medium hub. You have a large hub, medium hub, small hub, and then go on from there, Kennedy O'Hara and Atlanta being the large hubs. I expect just

this year O'Hara will hit ..(inaudible).. 10,000 an hour.

Would this make us in the top 100?

Wakefield: Oh, yes. There is all kinds of criteria. One thing we don't have much of is in-plane passengers.

Borer: What is that, your pessimistic figure?

Wakefield: That's our pessimistic projection just to give you an idea of some of the things we are faced with in Anchorage. In addition to requiring more money and people, there is more than half again the amount of paved areas that have to be taken care of and snow removal and control. We have over 40 miles of roads on the airport that has to be patrolled. The terminal building has more than doubled from 110,000 to 260,000 feet. We have to provide people, janitorial service and all these other things. Our cargo by '73 will be up, we really think to 500,000,000. Here again that's projection. The thing I think you'll be vitally interested in is revenue versus operating expenses. The red being expenses in our budget for 1968-69 - \$1,500,000. The budget you have before you now for this year - \$2,500,000. The estimated revenue going up is even higher this year where it will be \$4,500,000 this year to where we will come up about \$2,500,000 to the good even with the expenditures.

Ray: What are you going to do about Northwest Airlines operating? Do they have a contract or an agreement with the state?

Wakefield: They have several of them. You mean the one with the restaurant and the bar? We have negotiated a new agreement

with Northwest because they had a valid agreement that couldn't be broken. We at one time were going to break it, they filed suit and we were advised by the Attorney General we weren't on very firm ground. To keep us from attempting this, to save the suit from both sides we were able to negotiate an agreement where we now have one that is as good as we could have when we compare it with agreements around. We have more control, we get more money and I think it will be satisfactory to everyone where it hasn't been in the past.

Ray: That was the question. There had been considerable discussion that the state had a bad contract previously with Northwest. They thought perhaps that should be put up like everything on a competitive.

Wakefield: It should be but we have to wait until it runs out.

Ray: How long is that?

Wakefield: 1984. An example of Northwest's good faith, they just went in and spent about \$12,000 cleaning up what they have knowing full well it could be pulled out from under them in less than 12 months. Its a big improvement in the looks recently.

Croft: Does your revenue figure include your aviation fuel tax?

Wakefield: No, sir. That is included in that other figure that was added. This includes only landing fees, rental fees, concession fees, and fuel flowage fees.

Ray: For the newer members can you tell them where this money goes?

Wakefield: It goes into the International Revenue Fund.

[REDACTED]: And what does that do?

Croft: This goes into the special fund, this money here, but the fuel tax goes into the general fund.

Ray: This goes into the bond fund.

Wakefield: I'd like to point out that we think we are fair. The costs are high and charges are relatively high. We have all those customers plus all the concessionaires. I think it is incumbent upon us to put a preponderance of this money into maintaining the facility because this is what they're paying for.

Ray: What's the amount of bond obligations outstanding at International?

Wakefield: The only outstanding one is the \$7,000,000 last year. Very shortly \$2.25 million more, in Fairbanks.

Borer: ..(inaudible)..does the budget request include the debt service for the International?

Wakefield: No, it doesn't.

Borer: And where is that -- what I'm getting at is the relationship between your budget request and as far as I'm concerned debt service is an actual cost to how -- when you add it to this then how far are we apart?

Strandberg: Another \$600,000.

Kaldor: About \$241,000 a year. Look on page 186-187 of the state's financial report will show it.

0: What happens to the excess?

Wakefield: We haven't long had a problem. We are going to have to see more and more of the International Revenue Fund put into capital improvement. Fairbanks has been quite a bit in the red and some of the money has gone for that.

Croft: Is this a separate fund from the Fairbanks fund?

Wakefield: Overall fund is one fund but this just shows the income and expenses at Anchorage, it doesn't show the balance of the fund at all.

Croft: Combining the two you wouldn't have the difference between revenue and expenses that you've had since '61.

Strandberg: Plus a number of expenses drawn against that fund. We've been drawing against that fund right along without the sale of revenue bonds. What's happened is we've sold revenue bonds for capital improvement in addition to the money we expect from the revenue bonds. We're also spending a portion of the surplus over and above that that is necessary to amortize but the bond. \$600,000 annually for \$480,000 necessary a year.

Croft: That's paid out of this fund, not out of the general fund?

Wakefield: That's correct.

Strandberg: There's no way to expect the international airport out of any other fund except the revenue fund, except the bond fund for the main airport, the airport itself, technically. Some of the aprons, parking under the FAAP program can be spent out of the ..(balance of sentence inaudible)..

Ray: Strict runways and approaches are now out of FAAP money, I'm afraid.

Wakefield: I'm afraid we've even seen the last of aprons under that program. What I'm trying to get at, I don't care if you've spent it for capital improvements or what, but I would like to know what your gross expenses are including debt service of Anchorage and Fairbanks relative to revenue. What you're telling me, if I understand you correctly, is that isn't what this chart shows.

Wakefield: That's right.

Strandberg: You mean debt service on revenue bonds?

Borer: Debt service as well as capital improvements we've made. This shows that starting back in 1962 we have had something in excess of \$600,000 a year surplus that's built up every year since that time but the expenses as I understand and if I'm following you right is that the expenses that you show don't include any debt service nor do they include any capital improvements you're making on a current income.

Strandberg: In between those two lines will be another item for debt service and capital improvements, and the two lines should join if you're going to maintain the position that the total cost for the airport and the charges made that we should not have any surplus, the two red lines should be approximately equal; otherwise, we'd be making a profit ..(balance of sentence inaudible.) As you know we have to have a certain coverage and certain backup for those bonds. In other

words, we need it..(balance of sentence inaudible). There's four different categories we have to take care of before we get down to number five before we can study for capital improvements.

Croft: This is what the \$3,000,000 is for?

Wakefield: That's correct.

Croft: What is the '69 projected income from the fuel tax from Anchorage?

Wakefield: I can't tell you. I don't have it broken down.

Croft: Is that figure attainable?

Wakefield: I'm sure you could get it from Revenue.

Croft: Could you get that and send it over for the Finance Committee. Am I correct that Anchorage International Airport pays its own way now, has been paying its own way and making up the deficit from Fairbanks, and no expenditures out of state general fund except bond service which is some ...

Strandberg: Revenue bond charges do not come out of the International Revenue Fund.

Croft: Right.

Strandberg: Let me explain this. The general obligation bond provides the money to match the FAAP program. That is paid out of the general fund but of course those capital improvements go throughout the whole state, and the money from aviation tax over and above is what's going into fund the rest of the program. If you take the total expenditures that are going out on aviation and just throw in a big box there's more money

coming in than going out.

Croft: But I want to pin it down to the cost to the general fund from Anchorage and the revenues that Anchorage produces for the general fund for the fuel tax.

Ray: This operating revenue is to run the airports. Then they have construction general obligation bonds that come out and that is where the state comes into it and they provide a share of the matching money of FAAP money, 1 to 2 with the federal government, and that is where the general obligation funds come from.

Croft: And is there only one general obligation and is that \$7,000,000?

Wakefield: No. That's a revenue fund for the terminal, that's a revenue bond issue and that's paid for out of the revenue bond. The cost of the new runway is \$17,000,000. The state matching funds for that came out of '66 bond issue.

Croft: This figure of your expenses does include your revenue figure.

Wakefield: No sir, this is just operating expenses.

Kaldor: No bond fund included here at all. Nothing but revenue money made by the airports and the operating costs of the airport, no capital improvements.

Croft: As I understand it there are two types of bonds presently in existence on the airport -- the general obligation and the revenue. On your figures there are neither the costs of the bonds included in your budget request of \$2,500,000 for fiscal 1970.

Wakefield: That's correct. Now the general obligation bond is much more encompassing than that.

Croft: But out of your International Revenue will be paid your revenue bond relating to the Anchorage Airport and out of the general fund will be paid your general obligation bond.

Wakefield: That's right.

Croft: And that general obligation bond is about what a year relating to the airport?

Wakefield: This particular bond issue was \$11,000,000.

Croft: Relating solely to Anchorage?

Wakefield: No, relating to Wrangell, Ketchikan, Petersburg, the whole works.

Borner: The \$11,000,000 brings in what? \$22,000,000 or \$23,000,000 federal funds so that you have a figure of \$38,000,000 or \$39,000,000 that you're operating on?

Croft: I thought Commissioner Strandberg mentioned the figure of \$600,000. I thought it was \$480,000.

Borner: \$411,000 was the figure for the revenue bonds.

Croft: Which has to be added to your budget request in effect.

Wakefield: In effect, yes.

Strandberg: No. The handling of those bonds are in another department. Its funded out and charged to the revenue fund, we don't include the department service in our budget. I think you'll find it in the back of your budget book, the big long charts that show all the lines going to pay interest.

Croft:

We don't know the amount of the general obligation bond attributable to Anchorage?

Kaldor:

It's never been split up.

Wakefield:

These are the airlines that are operating out of Fairbanks as compared to Anchorage. (Indicating figures on the chart). This is our passenger growth estimated in Fairbanks, the growth of the area, see what we will do with the new terminal. The cargo up there is almost impossible to even guess at. Black and red lines in Fairbanks and it looks like from here on we'll probably be in the black. This does not include the award of the route to Pan American. This will really put us in good shape. This will net us about \$100,000 extra a year. I feel reasonably confident that when the award is announced that it will be given because that is not one of the controversial portions of this specific case. This is just a little comparison between Anchorage and Fairbanks.

Recess:

The committee recessed at 2:40 p.m.

AFTER RECESS

3:00 p.m.

Present:

All members present except Mr. Hohman who was excused.

Aviation
General Admin.

Personal
Services

Mr. Wakefield said that this had been covered during his general description of the charts. Basically, the secretary in the planning office was paid for on a job basis out of project funds and was carried over that way. This is difficult to administer and she is not really connected with projects any more so quite a bit of this is continuing at

the same level of service but changing the bonding from the bond fund over to the general fund. Mr. Wakefield said that the three new positions are a Realty Officer I, Clerk Steno III, and Draftsman II. Mr. Ray said that he felt that Mr. Wakefield had explained the realty which accounted for \$28,600 but that there is still an increase of \$21,700 in increased personal services that he would like to have explained. Mr. Wakefield explained that they need two Clerk Typist I's (part time in the summer) for the amount of \$2,800 each because of their tremendously increased work load in the summer. He said this also included the transfer of one already approved position from bond funds to general funds.

In answer to a query from Mr. Ray, Mr. Wakefield explained that the rest of the increase was attributable to budgeting at Step D rather than Step C. He explained that this had been approved by Budget and Management.

Mr. Ray asked about their vacancy and turnover and Mr. Kaldor explained that the vacancy factor of \$5,200 was not an increase but had to be added in to balance the book. Mr. Ray questioned the vacancy factor as the department was budgeting at Step D and Mr. Strandberg said they did decide to wipe out the vacancy and turnover factor in the 2-year period. Mr. Ray asked the department's opinion regarding the relationship with their personnel. He asked if they found that they have less turnover and that their people

are more satisfied in their positions and if they had less vacancies than they had previously experienced.

Mr. Strandberg felt that personnel problems are a continuing problem.

Mr. Croft asked if the money provided in the International Airport Fund (\$120,000) funded the new positions that they are requesting at Anchorage. Mr. Wakefield answered that it did partially and that it is an estimate of services that they really do for the International Airport in the general administration including data processing, and that as nearly as they can determine this is for the actual service they provide for the airport. Mr. Croft asked if they had any employees who were treated as only International Airport employees and Mr. Wakefield explained that they had a separate section for the Airport for these employees but that there were none in division headquarters that are treated as Anchorage International Airport employees. However, a certain percentage of cost is allocated to the fund for work they do. For example, by far the largest number of leases are at the Anchorage International Airport so the work of the three new positions will be in connection with the airport more than at any other single place. Mr. Ray said that a raise for state employees to be pro-rated up and down the scale is being considered and he questioned funding at Step D. Mr. Wakefield explained that this is just a realistic approach and that this is actually what

the people are at. Mr. Ray said if the vacancy and turnover factor could make up the idfference in the steps they will fund them at Step C. Mr. Borer asked how many positions in general administration are vacant now and if they had had any vancancies during the year. Mr. Wakefield said no that it was actually the other way and explained they had to hire temporary hires to get the job done. Mr. Kaldor added that the labor market is better in Anchorage than other areas of the state. Mr. Ray said the committee would take into consideration their reasons for budgeting at Step D.

Travel:

Mr. Wakefield explained that they get requests from bona fide people to have their planning engineers go out and took into the possibility of putting in airports and study their committee to see if they need one. In addition to this, Mr. Wakefield explained they are getting more and more technical all the time and they have to send their people to various technical meetings to keep up with the latest techniques and they have to travel considerably more to get the job done. Mr. Strandberg said this is a \$1,900 increase for inside travel and \$400 is for outside travel and the balance is due to travel for the new leasing positions.

Contractual Services:

Mr. Wakefield said \$4,400 is their teletype services that were previously neither charged nor budgeted for; \$2,600 is a slight increase in tolls and postage. He pointed out that \$3,300 is the difference in rent last year in what they requested and what they received but they had a firm contract

of \$39,000 and the Budget Review had cut this without taking this into consideration.

In answer to Mr. Ray's question regarding equipment rental, Mr. Wakefield explained they are now budgeting in general administration \$9,600 for all Xerox rentals. He explained this is really not an overall increase, they they are paying the same amount, but now it is in one place so when they have a large reproduction project they have a better record and are in a better position to get federal participation and get 62-1/2 percent back. Mr. Ray asked where the division's office was located and Mr. Wakefield said 4510 International Airport Road. Mr. Ray asked where the \$39,000 that they are paying for rent goes and Mr. Wakefield said it went to a fellow in Seattle who owns the building and added they had received a rather attractive purchase offer from him.

Commodities: Mr. Ray said this shows an increase of \$2,400. There were no questions.

Equipment: Mr. Wakefield said \$1,300 is for new equipment for the new offices and \$1,200 for the existing offices and \$700 for the new draftsman position. Mr. Croft asked if part of this cost would be charged back against the International Airport Fund and Mr. Wakefield said only to the extent of the overall \$120,000. In answer to Mr. Ray's question, Mr. Wakefield said the new positions were budgeted at Step A.

Inter-agency
es:

Mr. Wakefield said that \$15,000 had been charged last year for setting up the computer program. He explained \$43,000 was their charge for using the computer. Mr. Borer asked if they had been apprised by Data Processing of what they would receive for their \$43,000 and Mr. Wakefield said they had about a half dozen qualified people who were qualified programmers and they would help them set up the program. He explained they have two different types of drawing units that are going on the 1130. In answer to Mr. Borer's question, Mr. Wakefield said the \$15,000 last year was for a study. Mr. Borer asked if this would run through the Juneau data processing and Mr. Wakefield said they have a 1130 in Anchorage and eventually the computers would "talk" to each other. Mr. Strandberg said that Administration figures out the amount charged each department -- they have nothing to say about the total for data processing.

Aviation
Operations

Personal
Services:

Mr. Ray explained there are 11 new positions and one re-classification and Mr. Wakefield said the personal services increase of \$178,000 included \$4,200 in the difference of salaries before they hired the full time and two seasonal positions. He said in the past they had contracted for maintenance at Talkeetna but it didn't work out and they have now hired an Auto Equipment Operator III for about the same amount. He said they had an Auto Equipment Operator II

at Bettles and a seasonal position at Chandalar Lake because of increased activity on the North Slope. Mr. Ray asked if the increase in their budget request for Umiat and Bettles was necessary other than the fact that its an alternate station. Mr. Wakefield said they had a meeting with the Alaska Air Transport Association and they feel the need very strongly in these places. He explained they don't let them run their business but they do try to accommodate them. Mr. Ray asked if he was talking about certified carriers and Mr. Wakefield said they were talking about commercial carriers. Mr. Ray asked if the majority of the traffic was due to the oil industry and Mr. Wakefield said it was and added that Wien has now scheduled flights to Umiat. Mr. Strandberg said they intended to bring in a revenue picture of this exclusive of the fact that a tremendous amount of increase in gas tax at Fairbanks will be accrued to the general fund. Mr. Ray added that just so long as they can validate it, and show that money is coming in that will offset the cost of maintaining the fields. Mr. Wakefield said he felt it was encumbent ^{upon} ↑ them to participate in this growth in every way they can. He also explained that the safety there was also involved and said they had a lot of small airplanes flying up there and that they had to land at the intermediate airports. Mr. Strandberg said that these positions and increases that are requested are those that are funded out of the increase in the gas tax

and said that in the minutes last year it was the intent of the committee that this be spent for increased maintenance within this department.

Mr. Wakefield explained the contract they have with the Air Force and said the Air Force has been very fair with them and they do come out a little bit on the good side of the register in regard to these contracts.

Travel:

This has been increased by \$6,800. Mr. Wakefield explained that the maps show how the state is divided into maintenance areas. At each one of the areas there are airports that must be maintained. He explained they are very pleased with this method but that it does cause an increase in travel as each of the airport superintendents has to travel extensively around his area if he is going to accomplish his task. This covers 59 fields. Wien, for example, this year does not use any ski airplanes at all, which means these fields must be continually cleared.

In response to a question by Mr. Ray, Mr. Kaldor said all positions are budgeted at Step C except those where the circumstances for the entire program are not covered by Step C. Mr. Wakefield said he thought the only place they had Step D was at Anchorage and in Administration. Mr. Ray summarized by saying that with the increased operation and scope of the operations they need more money to travel and take care of these duties.

Contractual
Services:

Mr. Wakefield said this increase is to continue the present level of service. He said they used to get power from FAA

but now they have meters in these places and have to pay for power that in the past was free. He said they have commercial companies in these places and this is primarily at King Salmon and Cold Bay which is just this much higher than it was under the FAA. He said the biggest item here is work load change which is about \$103,000 that represents communications, transportation of things and equipment rental and other contractual services with the reactivation of Umiat and eight other airports. He said they buy fuel oil at \$.18 cents a gallon at Fairbanks and it costs a dollar to get it to Umiat. The change in the operating level is \$74,000 for renting new equipment they have secured this year. The remaining \$20,000 is for higher standards of maintenance of fields.

Mr. Croft asked if the winter road could be utilized and Mr. Wakefield said it would be utilized if possible but the temperature had been too low to make it possible.

In answer to Mr. Ray's question regarding contractual services (code 390), Mr. Wakefield explained this was a contract with Highways. Mr. Strandberg said that the new airport at Petersburg showed a contract of \$30,000 for maintenance and snow removal by the Department of Highways. Mr. Strandberg explained that the contracts for Wrangell and Petersburg had been transferred to Code 900 by Budget and Management, which made the total on page 100, \$401,670. Mr. Strandberg explained that the main problem in this section is handling all these

numerous airports that are under state control. He said some of the airports were built with federal and state funds. Mr. Strandberg said that every one of the airports listed were under state control and Mr. Wakefield said there are possibly two or three exceptions. In answer to Mr. Croft's question, Mr. Wakefield explained that in most cases they have contracts with the village council to maintain the airports.

Mr. Strandberg pointed out that in the last two years there has been a Special Maintenance Fund to be used on these airports but they did not ask for it in this year's budget; therefore, this is actually not too much of an increase.

Commodities:

In answer to Mr. Ray's question, Mr. Wakefield said the cameras were used and that with the new system they are very helpful. He said the supervisors take pictures and show what needs to be done and what's wrong with the airports.

Mr. Ray asked what they were going to do with the special fire truck at Cold Bay and what they will do with the old fire truck. Mr. Wakefield said they had discussed the possibility of moving the truck from Anchorage to Cold Bay and had done quite a bit of research. He said the truck won't do the job and it is not economically feasible to try to maintain. Cold Bay is a very busy airport and they feel they have got to provide some fire protection and rescue capability that they don't have there. Mr. Wakefield felt they had a moral and legal responsibility to provide this protection.

Mr. Hohman entered the meeting.

Mr. Ray added that they also had this responsibility in some of the fields on the North Slope. Mr. Ray said a good share of the revenue generated from Cold Bay was going back into the operation and that actually all they were doing was providing a holding spot for in-bond gasoline for international carriers. It was stated that almost all charters were landing there and they carried mostly freight. Mr. Croft asked if the state recently took over the Cold Bay facility and Mr. Wakefield said it was three years ago. It was stated that they were allowed \$64,300 on this item.

Land,
Building.
Non-Structural
Improvement

Inter-agency
Charges:

In reply to Mr. Borer on his question concerning the \$39,000 charge by Department of Highways to Department of Public Works, Mr. Strandberg said it was a matter of judgment as to how much is going to be performed by Highways and there is a difference of opinion between the two departments. Mr. Borer wondered if the tremendous snowfall wouldn't cause this figure to be short in places like Cordova, Yakutat, etcetera. Mr. Wakefield noted that these charges have to be justified; however, he thinks they are high. Mr. Kaldor said that the \$39,000 was the happy medium, and Mr. Strandberg observed that if Highways got too far out of line they would just cancel out of their agreement and find some other solution for these seven airports. In answer to a

further question by Mr. Borer, Mr. Strandberg said it was a matter of hours; if they were doing nothing but airport maintenance then they would have to pay the cost. Mr. Wakefield said they would have to have had a man out there 365 days a year to get what Highways is charging them for. Mr. Strandberg said they do this work because they have the equipment out there but they are doing other work besides for Public Works but it is difficult to pin them down on the amount of work they are doing for each department.

Adjournment:

Meeting adjourned at 4:00 p.m.

HOUSE FINANCE COMMITTEE MEETING
Friday, February 28, 1968
9:00 a.m.

1968

Present: All members except Messrs. Sackett and Bradner who were excused.

HB 62

Mr. Borer moved and asked unanimous consent that the committee consider HOUSE BILL NO. 62 (Appropriating to the Department of Public Works -- \$9,531,000 from FAAP funds). No objection so ordered. The purpose of the bill, which is to transfer FAAP funds and 1968 Airport Bond Construction funds to the Department of Public Works, was discussed by Mr. Borer. Mr. Ray pointed out that FAAP money is two to one but there is none available on bush airports. An airport must be on the federal system to receive federal funding.

There being no further discussion, Mr. Borer moved and asked unanimous consent that HOUSE BILL NO. 62 be reported out of committee with "do pass" recommendation. No objection, so ordered.

Recess: Meeting recessed briefly while the staff from Public Works arrived.

AFTER RECESS

9:30 a.m.

Present: From the Department of Public Works: Mr. Strandberg, Commissioner; Mr. Tracy Kaldor, Administrative Director; Mr. Harry Wakefield, Jr., Director, Division of Aviation and Mr. Ed Granger, Planning and Design.

Department of
Public Works

Chicago
International
Airport

Personal
Services:

Mr. Wakefield said they are budgeting at Step F rather than Step D and this is necessary to compensate for the overtime necessary to maintain a 48-hour week for three 8-hour shifts a day. He said each employee, other than the clerks, works 1/2-hour overtime a day. He said the employee benefits were 14 percent rather than 12 percent and this accounted for part of the increase. The reduction of vacancy factor and the re-establishment of positions for janitorial service accounts for \$141,800. He said they had budgeted this fiscal year under contractual services for janitorial services and this didn't work out because the bids were too high and they had a little opposition to letting people go. In the interim he said they got the carpet and the carpet is on a maintenance contract so the floor is actually maintained by contract and the rest of it is being done by hired employees rather than contract. So a great deal of the increase is for putting these employees back in. The work load change is a big item -- \$250,000 and this is because they are more than doubling the terminal area which required janitorial service. They have a 60 percent increase in the ramp area where they have to remove snow and a 70 percent increase in runway and taxi area and a 30 percent increase in people using the terminal.

Mr. Ray asked about the 15 new fire fighter guards and Mr. Wakefield said it takes five people to maintain one

position on a 24-hour a day, 7-day a week basis. Mr. Wakefield said they didn't propose to get up to the capabilities in regard to fire fighting that FAA would like them to have but that they did have an obligation to provide more than they had in the past. He said they also lacked a security policeman who could take care of things in front of the terminal.

A discussion followed on the possibility of staggering the fire fighter guards, but Mr. Wakefield felt that if they did stagger these men they would have a shortage of people. Mr. Ray commented that the 15 new positions are ones they didn't have before and Mr. Wakefield said that the area that they are responsible for has more than doubled. Mr. Strandberg added before any changes were made to these new positions that they would have to make a very careful analysis and if they did decrease this they wouldn't be getting the necessary coverage. He added that the FAA and the carriers are critical of what they're doing now, and feel it is completely inadequate coverage. Mr. Wakefield said there is a lot more to this than the half-hour overtime. He said it is full time on all the holidays and that it is three hours per week per man that has to be overtime. Mr. Strandberg said that what they are trying to do with this budget is provide service for which the carrier and traveling public is paying. He said the total funding is from the revenue bonds and they are

entitled to service at a certain level.

Mr. Ray left the meeting and Mr. Hohman took over the Chair. Mr. Croft asked if it took five employees to keep one employee on duty 24 hours a day, 7 days a week, and Mr. Wakefield said that actually the figure is 5.4. Mr. Croft reminded the committee that Public Safety figures six employees for this type of coverage.

Travel:

Mr. Borer said on Code 200 that it seemed to him that transportation is awfully low. Mr. Wakefield said it is low but they think they can get by with this. Mr. Borer said his reason for bringing this up is that he would like to see some of the travel that is connected with the other areas to be pulled back into this where it is funded from the International Airport. Mr. Wakefield said that might be a good idea and as an example he said the AOCI general meetings that he attended, 90 percent of the knowledge that he gained really benefits the Anchorage International.

Mr. Bradner entered the meeting.

Mr. Strandberg said they would have to carefully analyze this to be sure that charges made against that fund actually should be charged there and said that there are borderline cases now that could go the other way. Mr. Borer said that because of the general fund problems anything that could be charged legitimately against the International Airport Fund should be placed in this category. Mr. Strandberg said they would check this out but he felt a careful,

unobjective analysis would actually go the other way and even though they could charge a trip or two back to this it is fairly reasonable now.

Contractual Services:

Mr. Wakefield said there is quite a change in contractual and one is the telephone system in the new terminal. He said postage rates have increased and that they are now being billed for water. Mr. Wakefield reviewed some of the other charges in this code and asked the committee to bear in mind that they had more than a 100 percent increase in terminal space and a 60 percent increase in maintenance space. A brief discussion followed on the area.

Equipment:

Mr. Borer questioned the rental of a Sicard broom for \$26,000 when one could be purchased for \$20,000 and Mr. Wakefield said they had at least three of these brooms.

Recess:

Committee recessed at 10:15 a.m.

JOINT FINANCE COMMITTEE MEETING
Friday, February 28, 1969
1:30 p.m.

Present:

Alaska
Bar Assn.

Board of
Governors

Mr. Ray called the meeting to order and announced that the joint committee would hear the Board of Governors from the Alaska Bar Association. Mr. Ray turned the joint meeting over to Mr. Croft since he had another meeting and would have to be excused. The following members of the Board of Governors were present: Mr. Les Miller, President, Mr. Stanley Howitt, Executive Secretary, members: Tom Fenton, Fairbanks; Russ Arnett, Anchorage; Ralph J. Rivers, Fairbanks; C. L. Cloudy, Ketchikan; Avrum Gross, Juneau; and Ronald E. Benkert, Anchorage.

Mr. Miller told the committees that he had asked for this meeting so that the Board of Governors could discuss with the committees the problems that are of greatest concern to the Alaska Bar at this time. He said the two bills of concern to the Alaska Bar at this time are the bills establishing an Alaska Law Revision Commission and the public defender bill.

He led off by telling the committees about the bill to establish the Alaska Law Revision Commission and noted that it would be introduced within the next day or two under the sponsorship of the House Judiciary Committee. If this bill passes the Commission will be under the control and supervision of the Alaska Legislative Council, and be comprised of five members of the Alaska Bar; chairmen of the

judiciary committees of the Senate and House; chairman of the Legislative Council, and a member of the council from the opposite party appointed by the chairman; the attorney general; one justice of the Alaska Supreme Court; and one judge of the Superior Court. He said the main purpose of this commission will be to revise outdated codes and cited the probate code as a classic example that this is in dire need of revision. He felt many of the time-consuming procedures in probate could be out down and as far as he was concerned the present code served its purpose back in the 1700's but was creating costly and time consuming problems today. The money saved on the revision of the probate code alone would more than pay for the expenses of one year's operation for this commission.

Mr. Miller discussed the liaison that has already been worked out with UCLA and they will make use of their expertise along with the attorneys in the Alaska Bar who are willing to assist in this. He said that many attorneys, at their own expense, have already spent many hours helping on this legislation and it was the consensus that this would be most worthwhile legislation to the state.

In response to Mr. Bradner, Mr. Miller said the commission would only work under direction from the Legislature -- they would not take it upon themselves, in other words, to revise a code -- they will receive direction through a concurrent resolution of the Legislature.

The commission will file with each session of the legislature a list of the topics selected by it for study, the studies in progress and the topics intended for future consideration. Mr. Miller felt it would take two or three meetings a year for the commission to conduct its business.

In reply to Mr. Croft, Mr. Miller said they would use the UCLA facilities, but it is essentially the Alaska Bar members who will be doing the work towards this; however, UCLA will assist on any problem that they deem necessary.

After a brief mention that the Alaska Bar had already spent several thousand dollars towards drafting and assisting in this particular piece of legislation, Mr. Miller then asked Mr. Avrum Gross to speak on the Public Defender bill.

Mr. Gross started off by telling the committee the philosophy behind the public defender which has essentially been discussed in both House and Senate Finance Committees at many other meetings. He told of how in recent years the Supreme Court of the United States has ruled that any indigent charged with a felony will be provided with counsel, and now the feeling seems to be that the Supreme Court will soon rule that this will also hold true for misdemeanors. Mr. Gross felt that many times when attorneys were appointed by the court to defend a man that particular attorney will have little experience in criminal law and the end result is that the defendant receives an inadequate defense even though it is not the attorney's fault.

In making his plea for the public defender bill, Mr. Gross cited such examples as the problems in civil rights; the inevitable increase in cases if and when the Supreme Court rules that a person charged with a misdemeanor shall have counsel; and the point that these indigents deserve a proper defense.

There is about \$200,000 available in the Court System budget, that will assist in funding this public defender bill and it would take an additional \$210,000 according to estimates by the Court System Administrative Director, Mr. Robert Reynolds. Senator Vance Phillips expressed his personal doubts at this figure and estimated that it would probably be closer to \$1-1/2 million by the time the office is set up. He felt it would take considerably more than the proposed six attorneys to handle the caseload that had been discussed here.

Messrs. Miller and Fenton pointed out various areas where it would be a savings to the state, i.e., pooling the knowledge and resources in one place so that the expertise would be centralized. Senator Phillips and Mr. Fenton, former District Attorney for Fairbanks and Ketchikan, discussed some of the law enforcement problems in Fairbanks and Mr. Fenton told of two attorneys who have been, in essence, doing public defender work on their own, and he feels they have been most successful. After a discussion on the problem of "repeaters", Mr. Croft interjected that

statistics show that, after all, most crimes are committed by "repeaters".

Senator Phillips complained about the sentencing being done by judges and pointed out that in his opinion there is room for a great deal of improvement. This point was discussed and Mr. Miller told of the committee that was formed this past winter on sentencing and of a seminar held on this in Sitka. He is hopeful that out of this meeting and subsequent meetings, that reforms will soon be made.

Returning to the amount of money needed to fund the public defender system, Mr. Gross thought that the figure of \$409,000 would definitely increase; however, as the system acquires more experience they will become more efficient and in time it should level off.

It was felt by the Board of the Governors that with these U. S. Supreme Court rulings, there was no question that they have to move in the direction of the public defender, there is no alternative, as there just aren't enough attorneys in the state to defend these indigents once they are entitled to this service because of misdemeanors. At this point, Mr. Miller interjected an aspect that was of interest -- if it was determined at a later date (within a three-year period) that an indigent did in fact have funds, and was able to pay attorney fees, then they can proceed against him to collect.

Mr. Miller told the committee he wanted to speak on one more subject and that was an increase in judicial salaries. He emphasized the need in today's society for making the spectrum of government more attractive to people via salaries and the Alaska Bar Association hopes the legislature will see fit to raise salaries accordingly in all three branches of government. Again the subject of judges -- their competence and incompetence -- was discussed and Mr. Miller stressed that the present salaries simply do not attract enough competent people.

Senator Phillips raised the question on getting rid of incompetent judges and Mr. Miller felt that with the enactment of Chapter 213, SLA 1968 (providing for the disqualification, suspension, removal from office, retirement and censure of justices and judges, and providing for a Commission on Judicial Qualifications) that some of these problems will be solved. The Commission on Judicial Qualifications was just recently appointed and Mr. Miller was explicit in telling the committees that the Bar Association could stand up and be counted on this issue and he pledged personally that they would. Mr. Croft brought up the fact that some district judgeships were not filled because the Governor decided after reviewing the applicants that they were not qualified and rather than make a poor appointment, he had left them vacant, i.e., Kodiak and Wrangell. He also noted that there was a noticeable lack

of applicants which he attributed to the low salary. Mr. Gross said that the reviewing of applications was done by the Judicial Council and even though a poll is taken amongst the members of the Alaska Bar, they have no legal authority to assist in the choice, they can only give their opinion.

Senator Phillips took the responsibility for not allowing the pay increase for district judges out of committee last year, even though he said the Governor put great pressure on him to release it. His feelings are that they should get good judges, then raise their pay, but he could not condone raising salaries of what he considered were poor judges. Mr. Croft brought out the factor on judges facing election -- supreme court judges every ten years, and superior court judges every six years -- and he felt this could serve as a proper place to weed out the bad ones. Senator Phillips reminded the Board of Governors of the fiasco brought on by the Alaska Bar some years ago when they campaigned so viciously to remove Justice Arend and he felt this was a case of where an "innocent man was found guilty". Senator Lewis questioned the effectiveness of the newly appointed Commission on Judicial Qualifications and Mr. Miller reiterated the total support of the Alaska Bar and pledged that they will take action on issues brought before it.

Adjournment:

There being no further comments, Mr. Croft adjourned the meeting at 3:30 p.m.

HOUSE FINANCE COMMITTEE MEETING
Monday, March 3, 1969
9:10 a.m.

Present: All members of the committee except Mr. Borer. From the Department of Public Works, Mr. Harold Strandberg, Commissioner; Mr. Tracy D. Kaldor, Administrative Director; Mr. Don Statter, Director of Division of Waters and Harbors; and Mr. Charles Buck, Director of the Division of Communications.

Dept. of Public Works Chairman Ray called the meeting to order.
Anchorage International Airport The committee reviewed their discussion on the Sicard broom
Contractual Services: and it was stated this referred to three brooms.

In answer to Mr. Ray, Mr. Strandberg said in regard to Code 370, Insurance and Bonding, there is going to be a continual increase and they are now studying the problem of increased liability at the airport.

Mr. Ray questioned the big jump in janitorial services and Mr. Strandberg explained this is a contract for the new carpeting at the Anchorage International Airport and had been explained in last year's minutes. A brief discussion followed on this carpeting and Mr. Kaldor explained that this carpet was on a maintenance contract and that they would own the carpet at the end of five years.

Commodities: Mr. Ray asked why they were paying for uniforms and Mr. Strandberg said this was standard practice and that they furnish uniforms for security guards as well as people on the ferries. Mr. Strandberg said they are working on the possibility of using uniforms from the state police that are still in good shape.

Mr. Ray asked how much electricians make an hour and Mr. Kaldor said \$6.00 an hour based on a 22-day month, the scale being \$1,018. Mr. Ray questioned buying equipment for these electricians and Mr. Strandberg said it is becoming standard practice for contractors and companies to buy equipment that is unusual to the work that they are doing and explained that the state is competing with private industry.

Mr. Ray questioned whether \$20,000 was needed for janitorial service and Mr. Strandberg explained that the Anchorage International Airport was the first point of contact for people coming to the state and that there are so many passengers and the airport is in continual 24-hour a day usage and that this janitorial service is necessary to keep up the appearance of the airport. Mr. Ray noted that there had been considerable improvement in the appearance of the airport.

Equipment: Mr. Ray commented that Code 510 showed an increase of \$123,100. Mr. Ray questioned the control of equipment and Mr. Strandberg said he had discussed this with Mr. Wakefield and he felt they had proper control over equipment and they had no losses. However, he added, they would check this out.

Mr. Ray asked why they were buying a Ford station wagon and Mr. Kaldor said they had not determined what particular make, it had to go to bid and they take what Administration gives them.

Mr. Ray questioned the buying of certain equipment and Mr. Kaldor said they buy a certain piece of equipment and

give it to the Department of Highways and then Highways rents it back to their department. Mr. Strandberg explained that the theory of this is to buy a piece of equipment, give it to the Department of Highways, and the rental that they are charged will be enough to maintain that piece of equipment and will accumulate and technically should provide enough money to replace that piece of equipment when it wears out. Mr. Strandberg said this has caused a lot of comment. Mr. Kaldor said if they asked for replacement they will give it to them but if they want a new item they have to buy it themselves.

The committee questioned this and it was stated that there must be a better method. Mr. Strandberg explained they would have to go into the whole theory of the working capital fund and analyse it. He explained one of the problems is the type of equipment that they are talking about and that the cost of maintaining the old equipment that is in there has depleted the fund. Mr. Ray asked how they could take the money out of the International Revenue Fund and pay into the general fund, and questioned the legality of this. Although Mr. Strandberg agreed that this was not an ideal method he stated that he had not been able to come up with a substitute that would work better. He remarked that there are 14 different departments dealing with equipment in the state. Mr. Ray asked how the rentals

such as wheelchairs, crash trucks and generators were handled before and Mr. Kaldor said when they need such things as non-wheel equipment they were rented at local rental agencies.

Mr. Croft said he had heard that the Igloo Shop had been sold and that this space was going to be used for additional parking space and asked if this had been moved off the ground. Mr. Kaldor said it hadn't been sold yet and that it would cost \$4,700 to move it and Mr. Strandberg added that the building was a monstrosity and would be put up for bid.

Mr. Croft asked a few more questions regarding this and requested this information be sent to him.

Mr. Ray asked about the problems at the International Airport in Anchorage as far as procedures in accounting and concessionaires. Mr. Strandberg said they had an Audit Committee report that stated there should be some controls and they had sent the report to Aviation for comment. Mr. Kaldor added that their internal auditor was up there checking on this.

Mr. Ray asked if they had answered the Audit Committee and Mr. Strandberg answered in the affirmative.

Fairbanks
International
Airport

Mr. Strandberg said Fairbanks had collections of \$785,300 and said Fairbanks is now in the black.

Mr. Ray left and Mr. Bradner took over the chair.

Personal
Services:

Mr. Strandberg said that the revenue side of this had been reviewed before the Joint Finance Committee. He said this

past year they had worked strenuously to keep up the North Slope activity and said the added income from the North Slope was largely responsible for increased revenues. He said on the 31st of January Fairbanks went into the black. He said they had also carried out a number of projects. With permission from the Governor they were able to switch funds to build additional parking area. He said they had gone ahead, based on legislative authority that was given last year adding \$2,225,000 to the revenue bond fund plus the supplemental, with the expansion of the terminal.

Mr. Haugen asked how many new positions they had and Mr. Kaldor said they were asking for one maintenance mechanic (seasonal), one equipment operators for 6 months, and two temporary maintenance mechanics. Mr. Bradner asked if the maintenance mechanics were to keep up the equipment that they do own and Mr. Kaldor said the maintenance mechanics do not work on equipment but they do work on electrical plumbing and heating. Mr. Kaldor said they have three types of equipment: rental equipment, dry rental equipment, and dry rental non-replacement equipment. Mr. Bradner asked if this was part of the reason for actually having Highways ownership and Mr. Strandberg said it was. In answer to Mr. Bradner's question, Mr. Strandberg said this budget was prepared by the airport manager and with this staff he should be able to handle it. The amount of maintenance that is required is entirely different from Anchorage.

He said the new terminal in Fairbanks will not be reflected in the budget until next year but with the new terminal, next year there will be comparable cost in maintenance cost. Mr. Bradner asked what the completion date of the new terminal was and Mr. Strandberg said August 1, 1970 is the completion date but they would be able to start using portions of it by next February. He said the area that they added last year, they are providing money to pave that and they are trying to keep ahead and keep on top and the problem is that it has been growing so rapidly.

Travel: No questions.

Contractual Services: Mr. Bradner commented that there was a large increase in equipment rental of \$31,700 and asked what would cause this jump and Mr. Strandberg said this is their request against the hours that are charged by the Department of Highways. He said the snow plows alone cost \$24,000. Mr. Bradner said most of this equipment was purchased from the Airport Revenue Fund and then it was channeled back to rentals all of which comes from the revenue fund. In answer to Mr. Bradner, Mr. Strandberg said if they expand the area and add to the parking area and additional roads and additional use, it cost more.

Mr. Sackett asked where the funds go that are charged for parking on the lot. Mr. Strandberg answered into the revenue fund. He said all of this money is being generated by the users. Fuel tax, landing fees, and parking fees bring in the funds and these are the services they are providing.

Mr. Borer entered the meeting.

Mr. Bradner commented that they should look at buying equipment and renting it back and that this is draining funds from the revenue fund. Mr. Strandberg said if every department had its own equipment and was responsible for maintaining its own equipment, it would get quite complicated. He again explained that the general theory is that money and funds are generated and that charges back are suppose to generate enough money to replace it and the balance of the money is what they estimate for repairs to equipment plus overhead charges for maintaining the operation.

Mr. Strandberg said if the department did have control of this equipment and the responsibility of maintaining it they would still have to charge a certain amount to depreciation and they would also have to pay the maintenance cost on equipment.

Mr. Croft asked who determines whether or not the money in the fund is spent and Mr. Kaldor said Highways determines the level of this. Mr. Croft commented that since this was the case, instead of the legislature funding their program, Highways was to a certain extent determining the level of their services. Mr. Strandberg said he might agree that departments should have their own equipment as Commissioner of Public Works but looking at it from an over all view no one can come up with a system that will work better.

Mr. Croft asked if there had been any exploration of the

possibility of entering into a contract just for rental of cars. Mr. Strandberg said this proved uneconomical. Mr. Borer commented, in regard to Mr. Croft's comment, that the legislature does control the level of service because they do authorize the purchase of new vehicles or changes in positions and the only place where Highways has any discretion is deciding whether or not the equipment is useable. Mr. Croft added that the Highway department does decide whether or not it should be replaced.

Commodities: Mr. Bradner commented on a \$16,000 maintenance and construction material increase and asked if this was due to the new parking aprons. Mr. Strandberg said it was a larger operation all the way through. Mr. Strandberg said the airport did an excellent job over the years in holding down the cost of operations. Mr. Bradner asked if they had an airport manager now and Mr. Strandberg said no and that no one had been selected yet for that position.

Equipment: Mr. Strandberg said \$3,000 was for a water pump. He said that the next two categories, Design and Construction, had been covered by Mr. Wakefield in his presentation.

Recess: The meeting recessed at 10:05.

AFTER RECESS

10:20 a.m.

Waters & Harbors

Operations
Summary:

The backup material is not included in the Budget Workbook, and Mr. Strandberg assured the committee he would furnish them with copies of the Waters and Harbors budget request. At Mr. Bradner's request to give a total in each category of the Governor's approved budget and whether it reflects an increase over the previous year, Mr. Statter said that actually within the operating program they have a breakdown of Administration and Operations. Administration includes the director, secretary and a planner. Operations includes all construction projects, travel associated with inspection, etcetera.

Operations has made the following requests: Personal Services is \$161,700, an increase of \$3,600. Travel \$24,000, an increase of \$9,000, primarily attributed to the fact that air charter has been shifted from Contractual Services. Reduction in Contractual Service reflects reduction in scope of work performed; Commodities \$6,700, an increase of \$3,200; and Equipment \$1,600, a decrease of \$400, for a total request of \$850,000.

Administration:

\$62,000 is budgeted for Administration.

Mr. Statter said that for each individual project they have justification, description of project, estimates, etcetera,

and said he would briefly go through them. In response to a question by Mr. Bradner, Mr. Statter said he felt the state is going to have to pick up most of the cost of this harbor work. In most cases these smaller communities do not have funds available, and places like Kake and Angoon will be out of luck, since they do not have the tax base to raise the money to match federal funds.

Mr. Borer said that \$25,000 at Whittier was inadequate, and asked what their plans are. Mr. Statter said they are completing a fairly comprehensive study on Whittier right now and will furnish the committee a copy when it is completed. Mr. Borer referred to the Corps of Engineers, and asked if they have had any communications as to what they are going to have to do about the government floats with the outhouses. Mr. Statter felt it would eventually be a problem. They have had some contact with Health and Welfare on that, but he felt it would be out of order to require individual boat owners to have sewage systems when it all ends up in the bay anyway. Until all the communities in Alaska have adequate sewage disposal, he didn't think there would be much pressure brought to bear against individual boat owners, nor any action at present to do away with the public outhouses on the floats.

Getting back to the projects, Mr. Statter said that Kodiak is at the present time hard pressed for facilities. The answer is not simple; the Corps of Engineers is currently

studying a new harbor site on the other side of the island and it looks like this report will be out in a year or so. Meantime, they got together with the City of Kodiak and came up with interim project to repair existing facilities and add additional moorage. It won't provide them with what they need, but will help, according to Mr. Statter. Mr. Bradner referred to fire and domestic water systems and wondered if this had any effect on boat owners' insurance. Mr. Statter said he didn't think so, but that the reason for the water system was to protect the state's investment. Mr. Borer said that with the water pollution law that passed last year, they can't use creosote on the pilings any longer, and are operating in violation of the law if they do. Mr. Statter said they intend to keep using it, since plastic is about three times the cost, concrete is about double. The way things are now they are so hard pressed for funds that the needs are beyond their means and they have to use the most economical method. He felt as long as sewage was allowed to pollute the water, Health and Welfare would not enforce the law with creosote.

Sitka Harbor
Facilities:

Mr. Statter said this is the third phase of the Sitka Harbor which was started in 1965. The harbor will cost \$1,250,000 and they have completed two phases of four. It has cost \$184,000 to date and they are hoping with the requested \$135,000, plus another appropriation in the following budget

it will be complete. Mr. Strandberg told the committee that with all these projects, they never have enough money to complete any project at one time, and as a result it is costing more. If they could do it all at one time, they would save a great deal of money. In answer to Mr. Bradner's question as to the total cost of the Sitka project, Mr. Statter replied it will probably be \$350,000.

Petersburg Harbor
Facilities:

Mr. Statter said this is quite a perplexing problem. Briefly, this is probably the first project in the state to fall in this category in which local interests are required to underwrite a good portion of the harbor cost. A study was started back in 1962-63, shortly after statehood. With statehood they got the responsibility of more participation in the harbor projects, and the Corps of Engineers policy does pertain to the State of Alaska as the other 49 states. The local interest, in addition to providing land and rights-of-way, must assume most of the underwriting. In the case of Petersburg, it is very unique by its location, it requires no entrance channel, which is usually done by the Corps of Engineers. In order to qualify a project to get them to recommend it to Congress, it requires a ratio of at least one to one. The Corps of Engineers study indicated they would need a 200 boat basin, and although it was very favorable, it required that the City of Petersburg come up with \$200,000. The City of Petersburg was not able to do this due to its bonded indebtedness situation. About this time, according

to Mr. Statter, the state met with various people to try to come up with some solution.

There are a few alternatives. The Corps is authorized to build what is referred to as anchorage basins, and does not require local funding. King Cove, for example, is designed as an anchorage basin and does not require local participation or local funding. For an anchorage basin, they have to have a larger area, and do not have separate berths. Alaska District Corps of Engineers had tried this anchorage basin at Hoonah but didn't get away with it, so there are only two in the state, one at Old Harbor and one at King Cove. Mr. Statter didn't think the state would see many of these classified though, as anchorage basins. He felt from here on in local interests are going to have to do the funding and in the case of Petersburg, the local share will be far greater than the federal. In answer to a question by Mr. Borer, Mr. Statter said that the percentage of local participation will vary with the project. The Kake boat harbor does not require much local participation because of its location. All Kake had to do was provide the space, they had a natural harbor within the breakwater. In the case of Petersburg, their share will be \$400,000, so the local share goes completely out of reason.

Mr. Ray returned at this point.

Mr. Ray questioned Mr. Statter as to the status of the condition of the Harris Harbor. Mr. Statter said the Corps recently completed dredging of the harbor, they were able to coordinate their efforts with the Corps to remove

Harris Harbor
Juneau

all old facilities and replace them with new logs. It worked out well, however, the state didn't budget for enough last year to complete the entire project. Mr. Ray asked how much more they would need, and Mr. Statter replied \$60,000 - \$75,000 to complete the Harris Harbor. Last year, said Mr. Ray, the Harris Harbor was budgeted for considerably more than they got; however, through efforts of some of the members of the Finance Committee they looked at other projects in the state which were more unfortunate than this and the money went elsewhere. In order to finish up Mr. Ray wanted to know if they have to renegotiate a contract if it would cost in the area of another \$15,000. Mr. Statter said if they had another \$15,000, they could write a change order and complete this phase of the project.

Mr. Statter referred to a letter to Senator Vance Phillips dated February 26, 1969 regarding priorities recommended, new projects, if the tax was increased.

Craig Harbor
Facilities:

It was estimated by Mr. Statter that over 30 new boats would be home porting at Craig as soon as the new Cold Storage is in operation. The state has several small installations in Craig and work there will be to replace old log construction which is in an extremely deteriorated state of repair, and would extend the boat harbor. In answer to a question by Mr. Bradner, Mr. Statter said that the City operates the basin.

Mr. Ray left the meeting.

Letnikof Cove
Facility:

Mr. Statter said that Letnikof Cove is on the Chilkat River and on the other side of the peninsula from Haines. There are no mooring facilities, on the Chilkat side, however, and they are proposing to install a small floating break-water near the cannery. It will be very useful in reducing the amount of action of the seas and swells. This will also supplement Haines boat harbor, which at the present time is completely inadequate, according to Mr. Statter. The state owns the Haines boat basin, it is in bad shape and needs to be expanded two-fold, but is an extremely expensive operation.

Bethel
Bulkhead:

Mr. Statter reminded the committee of the \$55,000 that was appropriated in FY67-68 for harbor improvements. The project started off in a good manner; however, due to a change in administration in Bethel and other circumstances, this project deteriorated, and as a result the state terminated its contract with the City. They had about \$5,000 left and it will take about \$35,000 more to finish up the work. Mr. Statter didn't think the problems were all the City of Bethel's fault, but felt it would be best if the state went in and finished the job.

Skagway Boat Harbor
Facilities:

Actually, the existing harbor is large enough at the present time Mr. Statter said, but the industrial projection growth justifies this expansion. They would tie the Letnikof and Skagway as one project, and take the average for cost.

Douglas Dock Repair:

Mr. Statter went on to say that this was another project they inherited since the state owns the dock. The dock itself is basically sound (the understructure), but the decking has completely deteriorated. If they don't repair it it will have to be abandoned or condemned. They can make the dock usable, Mr. Statter explained, by redecking for a nominal expenditure. The City of Douglas feels they can utilize the dock. In answer to Mr. Bradner's question of anticipated use, Mr. Statter said that was a good question, he saw no great usage of the dock - its either condemn it or repair it.

Emergency Repair
Projects and
Contingencies:

Mr. Statter said that in many of the projects, repair work must be done and there are projects they couldn't possibly envision, and this is what they use this money for. Mr. Bradner suggested they run over the projects as outlined in the letter furnished by the Senate Chairman from Mr. Strandberg, dated February 26 (see letter appended.) Mr. Strandberg said they were asked to prepare an analysis of what they propose to do, which also included some backup on collections. Mr. Strandberg said they forecast \$800,000 for FY-70. Mr. Bradner asked if new tax would add another \$250,000. Mr. Statter said their budget was based on \$850,000; the reason they fell behind on this was that, boat owners do not pay tax on fuel that is used for cooking purposes. Unfortunately, people have taken advantage of

this loophole, and many of them claim the bulk of their fuel is for cooking. Mr. Statter said he would list the projects they are recommending in order of priority. The City of Anchorage has been corresponding with Public Works recently on the construction of a small boat launching ramp in cooperation with the City of Anchorage. They have concrete deck planks they want to use. They estimate \$10,000 would do the job. It was not included in the budget this year because it was after the fact.

Seward Small Boat Harbor Facilities

Mr. Statter explained that Seward is quite a large area, and this project is speculated for additional boats and dock facilities for handling gear used in the scallop area. They are crowded for dock space, but more for moorage space.

Petersburg Small Boat Harbor Facilities

Mr. Statter stated that the February 26, 1969 letter to the Senate Chairman indicated \$15,000 for the Petersburg Small Boat Harbor Facilities, but thought this was a typographical error and should have been \$50,000. He would check it out. He referred to the explanation in the letter, said they just need more money to do the job.

Craig Harbor Facilities:

Mr. Statter said that they would need another \$15,000 to finish this job.

Mr. Bradner asked if there were any questions. A general discussion followed regarding the one-cent increase in marine fuel tax for which a bill has been submitted. Mr. Statter said that he has not found anyone opposed to eliminating fuel tax exemption for cooking provision and

he thought the people in favor of the bill last year were not vocal enough to support it. Mr. Haugen concurred on this and felt the state was losing much revenue because of this exemption. In response to Mr. Bradner's question of determining priorities of all the projects, Mr. Statter answered that money was the first consideration. It usually starts out from the Harbormaster who has so many boats that need moorage space and no place to put them. They take all the projects and try to figure out which area is in the worst need.

Mr. Strandberg mentioned that there is a poor situation in Anchorage. They have to pay a large percentage of the fuel tax. Mr. Statter said there is a move to have the Kenai and Anchorage harbor studies pulled out from this Cook Inlet study. The Corps have had one study in effect for some years and ran out of money. Through renewed interest in Anchorage they are going to hit this area real hard. One thing brought up was looking at a dry land boat harbor. This is the one consideration that has never been brought up before.

Communications

There being no other questions, Mr. Bradner went on to Communications. Mr. Charles Buck, Director of Communications, was present. Mr. Strandberg said this is a service agency geared entirely to service the communication system throughout the state. He referred to the letter they submitted outlining each one of the Department's general budget requests. The increases are minor, and the major one was in equipment. Mr. Bradner stated that he is not completely familiar with the function of this Department, and asked if their supervisors install and operate communications in all agencies. Mr. Buck said that they act in an advisory capacity and see that everyone operates within the letter of the law. Mr. Sackett added that they also operate bush radios.

Personal Services

Mr. Buck said that they have an increase in personal services and called attention to the fact that this is their first increase in personal services in four years. The requirements of each agency grow as the agency grows.

Travel

The increase in travel is relatively minor and tied to actual growth of the agency.

Contractual Services

The increase of \$3,600 in contractual services is tied directly to services to other agencies. The biggest portion goes to the teletype service and each agency pays only charges on this statewide teletype system that they use. In answer to Mr. Bradner's question as to whether they are operating the teletype, Mr. Buck said they pay the essential long-line; the Department of Highways has stations on the facilities.

Commodities

There is an increase of \$2,000 in commodities. Mr. Buck

said this is the "nuts and bolts" operation of the division.

Equipment

Commissioner Strandberg pointed out that the major item in the budget is as usual a request for new equipment. Some of this is due to the takeover of remote area schools by the Department of Education. Public Safety has a large request, and Mr. Buck pointed out that each request in this equipment item is tied into the program of the agency. Each agency has a copy of Communication's budget sheet, SA 14-C, which they received when the budget was prepared. While Public Works is asking for the money, the agencies have the actual listing and amount shown in their budget. If their programs are disallowed, then of course the equipment is cut out.

Personal Services

Mr. Strandberg said the new positions for Communications are on page 10 of the workbook. Mr. Buck added that they have budgeted for three electronic technicians, one each for Anchorage, Fairbanks and Juneau. The justifications for these positions are on pages 11, 12, and 13 of Public Works Book 2, but essentially it is due to takeover of more remote area schools. In Southeast the biggest impact has come from the schools. Mr. Sackett commented that the radios in these schools are used for school business, and Mr. Buck agreed. Mr. Bradner asked if as far as emergency usage is concerned did their agency have any objection to these radios being used. Mr. Strandberg said absolutely not.

Mr. Buck said the Department of Public Safety is having new radio equipment installed, and they have eleven stations

scattered around the state being operated by state troopers. Again, this is a demanding type of service; they expect their equipment to work on a 24-hour basis. In Southeast they have marine transportation service, and when they require service, they require it immediately. Mr. Bradner asked how many technicians, and Mr. Buck replied that there are two at present and are adding one; in Anchorage there are five and are adding one; and in Fairbanks there are two and are adding one. Mr. Buck and Mr. Hohman discussed the necessity and availability of an emergency frequency. They have proposed two frequencies; each has been rejected, because the Atomic Energy Commission wants it for Amchitka. Once they get a frequency they feel they can implement it in a matter of weeks. Mr. Hohman asked what is wrong with using the same frequency used during the day. Mr. Buck replied that each zone is using a different frequency. Mr. Hohman said we already have a frequency available to us, and all they have to do is use them for a 24-hour period. In reply to Mr. Hohman, Mr. Buck said that to the best of his knowledge the hospitals are monitoring the Bureau of Indian Affairs system. They are trying to get an emergency system set up to make something available for everyone. It sounds complicated, but getting through the first step is the bad part. Mr. Kaldor said that last year the Commissioner's position was a Step A. There is \$1,000 overtime for the Commissioner's secretary which has never been in there before. The vacancy factor is an item they had to add in there which is over

Administration
Office of the
Commissioner

one-third of the total increase. Mr. Kaldor summed up by saying the increase is \$1,000 overtime, Step C for the Commissioner, and employee benefits based on the new rates.

Travel

Mr. Strandberg said the travel is up about \$1,800, and still does not reflect the amount of travel that has been done by the Commissioner and Deputy Commissioner during the past year. It is felt that the Commissioner must get on at least periodic trips throughout the State to understand what is going on.

Contractual
Services

Mr. Bradner commented that there is an increase in contractual services. Mr. Strandberg said that the main increase is telephone, telegram and long-distance calls. So much of their operation is based on quick communication and they do have many items to settle quickly, thus the telephone rental, telegram and long-distance calls.

Inter-Agency
Charges

Code 900 items were placed in the budget by the Department of Administration for the data processing charge and central duplicating.

Mr. Ray returned, and took over the meeting. The committee having finished with the Office of the Commissioner, went on to Administration.

Administration
Personal Services

Mr. Kaldor noted the overtime for \$2,000 and explained it by saying that if a payroll hits on a weekend, they have only three days to do it. When their ships are between stations, their time sheets have to be mailed in, and their girls have to work overtime. The budget includes a temporary clerk for four months to help process tickets. The rest is employee benefits and the vacancy factor.

Travel

Mr. Kaldor went on to say that they have heavy leasing operations - 300 leases for concessions, land, rents, etcetera, to the airports. They have to get to the airports to process the agreements. Mr. Ray couldn't understand why they have to travel to see them, and why these people couldn't come here.

Adjournment

Mr. Ray then adjourned the meeting at 12:00 to be reconvened at 9:00 a.m. the following day.

STATE OF ALASKA

KEITH H. MILLER, Governor

DEPARTMENT OF PUBLIC WORKS

OFFICE OF THE COMMISSIONER

POUCH 2 - JUNEAU 99801

February 26, 1969

The Honorable Vance Phillips, Chairman
Senate Finance Committee
Alaska State Senate
Pouch "Y"
Juneau, Alaska 99801

Dear Senator Phillips:

In compliance with the Finance Committee's request I have listed below, in order of priority, the projects which I would recommend be added to the Water and Harbors' program in the event that a one-cent increase in marine fuel tax is passed during the current session of the Legislature. Also, I have attached a copy of a recent memorandum prepared by Mr. Don Statter, Director of the Division of Water and Harbors, which includes pertinent statistical information that may be of interest to the Finance Committee. You will note that expenditures for Division III (Southwest Alaska) are expected to run over 3 million dollars in the next five years.

The total estimated revenue to accrue from a one-cent increase is \$250,000.00.

RECOMMENDED NEW PROJECTS Fiscal Year 1969-70

1. Anchorage Boat Launching Ramp \$ 10,000.00
Construction of a small boat launching ramp at Ship Creek in cooperation with the City of Anchorage. (See attached memo from Water and Harbors.)
2. Seward Small Boat Harbor Facilities 175,000.00
Extension of existing float system and construction of additional docking facilities for gear handling.

3. Petersburg Small Boat Harbor Facilities \$50,000.00
(In addition to current budget request)

Recent subsurface investigations made by Division of Water and Harbors personnel indicate that an extensive layer of blue clay exists at the proposed harbor site. This could result in dredging costs running considerably higher than we have indicated in our original Capital Improvement Project proposal. If this is the case, the \$230,000 as currently requested would be insufficient to construct the inner harbor improvements (floats). This would mean that Petersburg could not expect to receive any relief from the acute moorage problem until the next budget year. Please refer to the attached Capital Improvement Project proposal, form SA 16, for a full explanation of the Petersburg small boat harbor situation.

4. Craig Harbor Facilities \$15,000.00
(In addition to current budget request)

Preliminary plans for this project have been completed and revised cost estimates indicate that additional monies will be needed to complete all of the items of work listed in the project proposal. (See attached SA 16). Since Craig is considered a remote area as far as marine construction contractors are concerned, it would be regrettable not to take full advantage of equipment mobilization costs. The alternative is to reduce the scope of work and budget for the remaining work in 1970-71.

I would like to elaborate briefly on one point which I consider rather significant to the matter of overall apportionment of watercraft fuel tax funds and one which was brought up every year while I was on the House Finance Committee. I am sure the Committee realizes that it would be completely impractical, if not impossible, to attempt to apportion all revenue to the judicial division in which it was received each year. Too many major Water and Harbors projects are dependent upon developments by the Corps of Engineers to do this.

The Honorable Vance Phillips
Page 3
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If, because of the impatience of some of our communities, we step in and start building harbors which the Corps of Engineers is currently investigating, the State is not only going to "lose out" on the Federal funding on these projects, but we are liable to jeopardize the effectiveness of the whole harbor program in the State. Certain exceptions are in order, of course, such as the case of Petersburg where the greatest portion of the project cost had to be borne by the City and where no other alternatives are available.

Another pertinent factor which I believe is worthy of mention is the fact that all of the harbors that were destroyed in Southwest Alaska by the earthquake (except Kodiak) were reconstructed to at least twice their original size. Berthing capacities were quadrupled in some cases. These harbors are, again with the exception of Kodiak and possibly Seward, in relatively good shape as far as berthing space is concerned. The apparent imbalance between projects currently budgeted for in Southwest Alaska as compared to Southeast Alaska is primarily a result of the fact that no new Federal harbor projects are scheduled for completion in that part of Alaska this year. This situation is expected to reverse itself within the next few years as new Federal harbor projects are completed at Kodiak, Kenai, Anchorage, King Cove, Sand Point and Dillingham.

The installation of Inner Harbor improvements at Sand Point for instance is estimated to cost over \$400,000. Due to the extremely high cost of equipment mobilization in that area of Alaska, it would be economically impractical to spread the work over several years as has been done in many of the Southeast Alaska harbors. If the proposed Kenai small boat harbor were completed in the same year, it can be seen that it would take almost the entire Water and Harbors' budget to complete these two projects alone.

Finally, I would like to point out to the Committee that the current Water and Harbors' budget request of \$850,000 is geared strictly to the amount of revenue expected to accrue to the watercraft fuel tax fund during Fiscal Year 1969-70 and is based on the three cents per gallon rate. It does not reflect the true needs of the boating public in Alaska today.

As outlined above, the revenues that would be derived from an increase in the fuel tax would help substantially. I do not believe

The Honorable Vance Phillips
Page 4
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the general fund should support capital improvements of this type and, therefore, if the program is to be expanded, it should be by General Obligation Bonds.

Sincerely,


Harold D. Strandberg
Commissioner

Attachments

cc: The Honorable Bill Ray, Chairman
House Finance Committee

Mr. Walter Kubley, Legislative Assistant
Office of the Governor



TO: Harold D. Strandberg, Commissioner
Department of Public Works

DATE: February 10, 1969

FROM: Don Statter, Director
Division of Water & Harbors

SUBJECT: Interim harbor facility
developments as proposed by
the City of Anchorage -
Statistical information as
requested.

Attached are copies of recent correspondence pertaining to possible State participation in construction of a launching ramp or boat haul-out at Anchorage. As you can see the City of Anchorage would like some financial assistance from us next summer. They apparently have some concrete deck planks on hand which would be ideally suited to the construction of a launching ramp. A rough estimate of the cost to install these planks plus the casting and placement of additional precast planks as may be required to complete the job, would run somewhere between \$5,000 and \$10,000. I would say the project has considerable merit.

It should be noted that this is the first formal request for boating facilities improvements that the Department of Public Works has ever received from the City of Anchorage. Although we certainly have been aware of the problem we have more or less attempted to steer clear of any involvement until such time as the Corps of Engineers harbor study is completed. This is basically in keeping with the department's policy of not soliciting its own work. Normally, proposed Water and Harbors improvement projects are initiated by request from members of the legislature, local government entities, Chambers of Commerce and other interested groups or individuals. Since the Division of Water and Harbors has never had anywhere near enough revenue to fulfill all the requests received over the past 8 years, we have attempted to adhere to the non-soliciting policy as closely as possible.

In anticipation of some of the questions that may be asked by interested legislators, I have listed below certain statistical information that may be of some assistance.

Inventory of Water and Harbors Fac.

Total value of all Water and Harbors facilities in Alaska	- 7.6 million dollars
S.E. Alaska only	- 4.3 million dollars

February 10, 1969

Boat Registration

Total registered boats in the State - 9,954
S.E. Alaska only - 4,657
These figures do not include approx. 4,000 documented
vessels, most of which are registered in S.E. Alaska
or approx. 3,659 Alaska based vessels which are
registered in other States.

Marine Fuel Tax receipts since 1963
(by Judicial Div.)

DIV. I	DIV. II	DIV. III	DIV. IV	TOTAL
1,254,093 36%	73,092 2%	2,073,181 59%	103,387 3%	3,503,753 100%

It should be noted that prior to 1963 the revenues from
DIV. I (S.E. Alaska) exceeded those received from DIV. III
(S.W. Alaska) however these records are incomplete and cannot
accurately tabulated. It would also be well to point out
that several major development projects are tentatively
scheduled for DIV. III in the next 5 years. These include
Cordova, Homer, Seward, King Cove, Sand Point, Unalaska,
Dillingham, Kodiak and Whittier. The Kenai and Anchorage small
boat harbors could also be constructed within this period.
Approx. expenditures required to complete the harbor improve-
ments at these locations is estimated at over 3 million
dollars or nearly the same as has been expended in all areas
of the State over the past 5 year period.

DS:hb

Attachments

Department of Administration

INDIVIDUAL CAPITAL IMPROVEMENT PROJECT PROPOSAL

1970-75 Capital Improvement Program

1. Agency: Department of Public Works 2. Program: Operations
3. Project Title: Petersburg Boat Harbor Facilities 4. Priority: 70 - 3
5. Proposed Year to be Funded: 1969-70 6. Date Completion Required: May 1970

7. Justification For Project: Petersburg, located on the northeastern end of Mitkof Island and 107 miles southeast of Juneau, is a major commercial fishing, logging and lumbering town. Present population of the City of Petersburg and environs is estimated to be about 2,000 persons.

The Petersburg boat harbor which was designed to accommodate 196 small craft is presently seriously overcrowded. A recent Army Corps of Engineers study (Detailed project report on Petersburg Harbor, Alaska, May 1966) indicates that some 277 resident and 88 transient craft used the harbor in 1966. In addition there are some 200 small recreation craft located in the area.

The Corps study determined that the 200 boat harbor that they planned was economically justified and that benefits would exceed costs by a ratio of 3.5 to 1. Unfortunately, in projects of this nature the Federal Government requires local interests to underwrite the cost of dredging that area of the harbor which will be utilized for berthing vessels. Because of Petersburg's bonded indebtedness situation, the City was unable to finance its share of the project cost, estimated at \$200,000. This amount does not include approx. \$300,000 in inner harbor improvements which would have eventually been provided by the State. The Corps has since placed the project on inactive status.

8. Description of Project: (7. con't on page 2)

The proposed State financed project will consist of dredging a 200'x1000' berthing basin and the installation of approximately 10,756 S.F. of standard polystyrene float, construction of a 1,200 S.F. timber approach, construction of a standard gangway, and the installation of a domestic water and fire protection system.

9. Status of Land Required for Project:

The tideland to be utilized is owned by the City of Petersburg. As the proposed facilities are to be constructed for operation by the City, there is no land organization problem.

10. Expected Net Effect on Annual Operating Budget: \$ None

Under the lease agreement, routine maintenance and operating costs will be borne by the City of Petersburg.

11. Estimated Annual Revenue to result from Project: \$ None

No revenue will be received by the State and berthing and other fees collected by the City of Petersburg will be used to offset the costs of providing harbormaster and other services plus necessary maintenance.

12. Estimated Cost of Project:

a. Planning & Engineering.....	\$	<u>37,000</u>
b. Land Acquisition.....	\$	<u> </u>
c. Demolition or Moving.....	\$	<u> </u>
d. Site Improvements.....	\$	<u> </u>
e. Construction.....	\$	<u>193,000</u>
f. Landscaping.....	\$	<u> </u>
g. Furniture & Equipment.....	\$	<u> </u>
h. Other.....	\$	<u> </u>
i. Allowance for Contingencies.....	\$	<u> </u>
 TOTAL	\$	<u>230,000</u>

(e) Dredge 50,900 cu. yds. of common material @ 2.00	101,800
Furnish and drive 3,250 L.F. creosote piling @ 6.00	19,500
Construct 1,200 S.F. of timber approach structure @ 8.00	9,600
Construct and install 10,756 S.F. of polystyrene float @ 5.50	59,100
Construct and install one 6'x50' gangway per L.S.	3,000
	<u>193,000</u>

13. Proposed Method of Funding Project:

a. Federal Funds (.....)	\$	<u> </u>
b. Program Receipts (.....)	\$	<u> </u>
c. General Obligation Bonds.....	\$	<u> </u>
d. Revenue Bonds.....	\$	<u> </u>
e. Special State Funds (. Watercraft fuel. tax. account.)	\$	<u>230,000</u>
f. General Fund.....	\$	<u> </u>
g. Other (.....)	\$	<u> </u>
Total State Administered Funds.....	\$	<u> </u>
h. Local Matching Funds (.....)	\$	<u> </u>
 TOTAL PROJECT FUNDING	\$	<u>230,000</u>

NOTE: Estimate is based upon previous construction cost for similar work plus appropriate factors for anticipated increase in labor and materials costs.

Date Submitted: _____ Department Head: _____

Recognizing the importance of the Petersburg fisheries to the State's economy the Division of Water and Harbors at the request of local interests, has determined that a smaller harbor can be constructed by the State as shown on the attached plan. While the 76 - boat facility will alleviate the crowded and unsafe conditions that presently exist, it is recognized that eventually there will be a need for the larger 200 - boat facility planned by the Corps. Very preliminary study indicates a favorable benefit cost ratio. Benefits to be derived include: reduction in fire hazard and damage to boats from collision due to impaired maneuvering space. Provision of additional harborage will facilitate operation of boats used by the U.S. Forest Service, U.S. Coast Guard and Alaska Department of Fish and Game.

The proposed project will provide the additional berthing spaces needed to stimulate Petersburg's marine - oriented economy. Specific activities to be benefited are the salmon, halibut, crab and shrimp fisheries; logging and lumbering industries; minerals exploration and extracting industries; and the increasingly important recreation - tourist industry.

Department of Administration

INDIVIDUAL CAPITAL IMPROVEMENT PROJECT PROPOSAL

1970-75 Capital Improvement Program

1. Agency: Department of Public Works 2. Program: Operations
3. Project Title: Craig Harbor Facilities 4. Priority: 70-4
5. Proposed Year to be Funded: 1969-70 6. Date Completion Required: Nov. 1969

7. Justification For Project: Located in Klawock Inlet, Craig is the largest community on the West Coast of Prince of Wales Island (pop. approx. 300) and is the major logging and commercial fishing center in that area. It is connected with the native village of Klawock by a 9 mile road. Completion of the Craig to Hollis forest highway is scheduled for completion in July 1969. A new Cold Storage plant is scheduled to be in operation early in 1969 and is expected to have a significant effect on the local economy.

The town's 3 separate moorage facilities (North Cove float, South Cove float and City float) are presently adequate to accomodate the local resident fleet, however, it is estimated that approx. 30 new boats will be home porting at Craig as soon as the new Cold Storage is in operation. In addition there is expected to be a 100% increase in transient vessel traffic.

The existing South Cove float facility is of native log construction and in an extremely deteriorated state of repair. Complete replacement of this facility is mandatory in order to provide safe adequate facilities. Construction of additional mooring facilities is planned in the North Cove harbor to accomodate the anticipated growth as mentioned above.

8. Description of Project: The project will consist of the complete replacement of the existing South Cove facility with 3000 S.F. of new polystyrene floats and related mooring piling. Work will also include reconstruction of the existing approach structure and installation of a new steel gangway. Proposed work in the North Cove harbor will consist of the removal and realignment of the existing polystyrene float and construction of 4500 S.F. of new polystyrene float and related mooring piling.

Status of Land Required for Project: City owned tide and submerged land. Authorization to construct harbor facilities in navigable waters is by Corps of Engineers permit.

10. Expected Net Effect on Annual Operating Budget: \$ None

By virtue of a 10 year lease agreement the City of Craig provides management functions necessary for proper operation of the harbor and also assumes normal maintenance responsibilities.

11. Estimated Annual Revenue to result from Project: \$ None

12. Estimated Cost of Project:

a. Planning & Engineering.....	\$	<u>14,000</u>
b. Land Acquisition.....	\$	<u> </u>
c. Demolition or Moving.....	\$	<u>4,000</u>
d. Site Improvements.....	\$	<u> </u>
e. Construction.....	\$	<u>60,000</u>
f. Landscaping.....	\$	<u> </u>
g. Furniture & Equipment.....	\$	<u> </u>
h. Other.....	\$	<u> </u>
i. Allowance for Contingencies.....	\$	<u> </u>

TOTAL \$ 78,000

(c) Remove and realign existing floats per L.S. 4,000

(q) Construct 7,500 S.F. polystyrene float @ 5.50 41,000

Furnish and drive 1,600 L.F. creosote piling @ 5.50 8,800

Construct 900 S.F. of timber approach structure @ 8.00 7,200

Construct and install 6'x50' steel gangway per L.S. 3,000

60,000

13. Proposed Method of Funding Project:

a. Federal Funds (.....)	\$	<u> </u>
b. Program Receipts (.....)	\$	<u> </u>
c. General Obligation Bonds.....	\$	<u> </u>
d. Revenue Bonds.....	\$	<u> </u>
e. Special State Funds (Watercraft fuel tax account..)	\$	<u>78,000</u>
f. General Fund.....	\$	<u> </u>
g. Other (.....)	\$	<u> </u>
Total State Administered Funds.....	\$	<u> </u>
h. Local Matching Funds (.....)	\$	<u> </u>

TOTAL PROJECT FUNDING \$ 78,000

NOTE: Estimate is based upon previous construction cost for similar work plus appropriate factors for anticipated increase in labor and materials costs.

Submitted: _____ Department Head: _____

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

Present: All members with the exception of Mr. Borer.

General Meeting: Chairman Bill Ray called the meeting to order at 1:30. Mr. Hohman moved and asked unanimous consent that HOUSE BILL NO. 119 (An Act relating to big game tags for musk oxen) be brought up for consideration by the committee. There being no objection, it was so ordered. Mr. Hohman noted that this bill had been passed out of Resources with a unanimous "Do Pass" recommendation. He said that there are two cost factors involved in this bill. One is the costs of printing up and processing application forms. The costs of printing up application forms, about 3,000 or 4,000 of them, is estimated at \$100, and another \$300 is entailed in the processing of these forms. The second cost factor is the employment of Fish and Game people, a biologist and a protection officer who would be present to ensure that game regulations are complied with.

HB 119

There are two hunting periods of 14 days each. These 28 days involving two men come to a total of 56 man days. Per diem is estimated at \$1200, pay for the two men at \$1800 and transportation at \$760. The total cost estimate then is \$3,760. In answer to Mr. Ray's question about revenue estimates, Mr. Hohman said that they are talking about taking 30 animals for this year. Income would vary from \$15,000 to \$30,000 depending on the distributions of

resident and non-resident tags. (Non-resident tags would be \$1,000 and resident tags \$500.) Mr. Ray asked what benefits the state would derive from trimming the herd. Mr. Hohman said that experts have said the herd should be trimmed because the range is not capable of supporting a herd of its present size. Mr. Hohman said that he has questions about the guiding provisions in this bill and so feels he would like to vote "no recommendation." Mr. Hohman moved and asked unanimous consent that the bill be put out with individual recommendations. There being no objection, it was so ordered. Mr. Haugen asked if the figures in HB 119 are the same ones that came out of Finance Committee last year and Mr. Ray said they are, to his recollection. Mr. Bradner said that he has questions about the number of resident and non-resident tags issued and how selection will be made. Mr. Hohman said that it is his understanding that the selection will be completely chance, and no certain number of either resident or non-resident will be chosen. The motion having been made and passed unanimously that the bill be passed out of committee with individual recommendations the Chairman requested a show of hands of those voting "Do Pass". There were four "Do Pass" votes, with Messrs. Hohman, Croft, and Borer voting "No recommendation."

HB 67

At this time Mr. Ray announced that Mr. Jackson, Chairman of the Judiciary Committee, had requested to come before the Finance Committee. Mr. Jackson said he was present to request the Finance Committee to reconsider their position

on HOUSE BILL 67 (Supplemental appropriation to Department of Law). He said that the Attorney General has again appeared before the Judiciary Committee and ^{that} that committee does agree that a reduction in the amount requested by the Governor is appropriate, but feels there are two areas that should be reconsidered. He said the Judiciary Committee feels that the Other Contractual Services (Code 390) should be raised from \$5,000 to \$11,000. He said that the bar exam results are just now out. The Board of Governors met last weekend and a number of attorneys they expected to continue in the Department as attorneys did not pass the bar, so it is going to be necessary to transport people. Second, with reference to the school bond question, and the decision that this cannot be used for existing debts but must be used for other construction, the Department wants to hire consulting bond counsel to make an opinion. Third, the native land claims bill came in and turned out to be about \$1,000 higher than they had estimated it to be; and finally, there are pending reclassifications of attorneys which would raise two of their attorneys to division head status salary-wise. The attorney general feels there is no leeway in his budget to compensate for these matters. Mr. Jackson continued, saying that Judiciary requests that Professional Fees be increased \$5,000 and Other Contractual Services be increased \$6,000. Mr. Sackett asked if Mr. Jackson is proposing the increase so they can litigate against the land claims, and Mr. Jackson said just so they can pay the bill they already have. Mr. Ray noted that the Department ^{will} have until June to make transfer of funds

between line items, and Mr. Jackson said that is fine if a Department is able to do this. Mr. Ray indicated that there are factors behind the Finance Committee's decision on this bill that possibly Mr. Jackson and his committee are not fully aware of. Mr. Jackson asked what sort of lapse in personnel the Department has anticipated and Mr. Ray said they never anticipate any. Mr. Haugen moved and asked unanimous consent that the bill not be reconsidered. No objection, so ordered.

HB 135

Mr. Sackett moved and asked unanimous consent that HOUSE BILL NO 135 (An Act providing for the placing of revenue derived from the sale of sea otter pelts into the general revenue fund) be brought up before the committee. There being no objection so ordered. Mr. Sackett said that when the committee went over this bill before there was a question on changing the revenue from the Fish and Game fund to the General Fund. He said that he has since been told that the Department felt this is a natural resource and so should go into the General Fund. In 1967 there was \$107,736 in revenue derived from the sale of sea otter pelts, with \$27,600 expenses for a net gain of \$80,136. In 1968 the figures from the recent sale are not yet available, but the expenses were \$53,500. This coming year \$79,900 in expenses are anticipated. Revenue cannot be determined until the sale takes place. Another question that had arisen was the research matter, Mr. Sackett continued. He read from a letter from the Deputy Commissioner of Fish and Game which said: "The Federal aid to Wildlife Restoration Act (P-R) prohibits the use of federal funds for harvest of game or

fur bearers, therefore, all monies expended on the sea otter harvests have come from the Fish and Game Fund. This has amounted to about \$81,100 during the past two years. Expenses for research work are approvable under the PR program, and during the past 3 years approximately \$72,900 have been expended on these activities." Mr. Sackett said that in his opinion it would not be hurting research at all to switch this money over to the general fund. In response to questioning by Mr. Croft, Mr. Sackett said that monies charged for research are reimbursed by the federal government. Mr. Ray proposed an amendment on page one, line 26, to delete the word "revenue" and moved and asked unanimous consent that the amendment be adopted. There being no objection, it was so ordered. Mr. Ray moved and asked unanimous consent that HB 135 be tabled until after the regular session. There being no objection, it was so ordered, and the committee recessed at 2:00.

Recess:

After Recess
3:30 p.m.

HB 135

Mr. Ray moved and asked unanimous consent that HB 135 be brought up again for consideration. No objection, so ordered. Mr. Sackett said that when this fund was in the Governor's Office initially it was a special fund and could be used for nothing but Fish and Game purposes; then it transferred to ^{the} Fish and Game fund and now they are trying to transfer it to the general fund. He said that he has no strong feelings on the bill, but does feel the revenues should be used for other than just Fish and Game matters. He said expenses will not be hurt by this transfer and