

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2478

research definitely will not be hurt. He moved and asked unanimous consent that HB 135 be passed out of committee with a "Do Pass" recommendation. Mr. Borer objected. He asked if federal funds would be affected by this transfer, and Mr. Sackett said no. Mr. Borer asked why "(6) money from any other source" can't be deleted, and Mr. Ray said that that is just a provision to cover anything that might have been missed. Mr. Borer removed his objection and so HB 135 ^{amended} was passed out of committee with a unanimous "Do Pass" recommendation.

HB 95

Mr. Ray moved and asked unanimous consent that HOUSE BILL 95 (An Act repealing the Disaster Relief Tax) be considered by the committee. No objection, so ordered. He said there are no general fund monies involved, and moved and asked unanimous consent that the bill be passed out of committee with a "Do Pass" recommendation. Mr. Borer objected. He asked what the balance of the disaster tax is, and Mr. Ray directed Mr. Dean to find out. There was a discussion on how this fund was set up in the first place. Mr. Borer asked how much of this is collected from non-residents. Mr. Bradner said it would be whatever percentage of non-resident workers were in the state. Mr. Borer requested that the subcommittee chairman, Mr. Ray, find out. Mr. Haugen said that he was curious how this would be replaced. There was some discussion and it was stated that should a need again arise there would just be another special session, which there would have to be under the existing statutes anyway if the Governor wanted to spend more than \$250,000 to take care of a disaster. Mr. Croft said he wondered what was

going to be done about the other legislation on the books, stating that he is in favor of having disaster relief money, but is just opposed to the head tax method of deriving the money. Mr. Bradner said he wants to know if this bill includes the disaster fund. Mr. Sackett wanted to know if there were any expenses against the fund initially. Mr. Bradner said another question to research is the amount of the outflow of cash for the Fairbanks flood. Mr. Dean came in at this point and said that \$2,000,000 was put into the General Fund to repay part of what had been used for disaster purposes, but said there is still \$4,000,000 to be repaid. Mr. Ray moved and asked unanimous consent that the bill be returned to the subcommittee. No objection, so ordered.

Mr. Borer moved and asked unanimous consent that HB 94 be brought up for consideration. Mr. Ray objected, stating that he wants to hold all tax items until the full package is before the committee.

Adjournment: The meeting adjourned at 4:30.

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

Present: All members of the House Finance Committee.

Also present were Mr. Strandberg, Commissioner; Mr. Tracy D. Kaldor, Administrative Director; Herbert J. Lockert, Director of Marine Transportation; Pat Grove, and Harry Aase all from the Department of Public Works.

Department of Public Works
Mr. Ray called the meeting to order.

Division of Marine Trans. Mr. Strandberg said they had worked up and given the committee a sheet which shows revenue forecast with revised revenue

Administration:

estimates and a summary of where they are today (see department file).

Personal Services:

Mr. Ray commented on the fact that the increase in personal services doubles the authorization of this year, and asked why. Captain Lockert said the increase is in ships, the reservation system, and Seattle operation, Anchorage office, etc., and Mr. Strandberg added that one of the major increases is the transfer of the terminal operators to Administration thereby removing them from Southeast and Southwest Operations.

Inter-Agency Charges:

Mr. Ray questioned the \$32,500 Governor's allowance for Inter-Agency Charges (code 900). It was pointed out by Mr. Strandberg that \$28,500 of this was for data processing and \$4,000 for central duplicating.

Travel:

There is an \$1,800 increase in travel and Mr. Ray asked what the reason for this increase is. Captain Lockert said the increase is on inside travel. They do have another station

in Anchorage and they had never adequately covered their station in Southwest. The main reason for the increase, however, is that their entire operation is increased by two ships and a good number of people. It was noted, however, that there is a decrease in outside travel.

Contractual Services:

There is an increase in contractual services of \$52,100, and Mr. Ray wanted to know the reason for this. Mr. Aase explained that \$42,400, or the majority of the increase, is for the installation of the TELEX system, additional teletype machines and adding new stations on the line, generally increasing costs. There are small increases throughout in the areas of printing and advertising; repairs, services and alterations; insurance and bonding; and rents and utilities at new locations. Mr. Ray asked if one of the biggest increases then was in the teletype network and setting it up, and Mr. Aase replied yes. In response to Mr. Ray's question as to whether \$25,300, which is almost the entire amount of budget last year, would be putting these teletypes into operation and Mr. Strandberg said that this communication is largely tied in with the reservation system. Mr. Ray said this \$25,300 - putting teletype machines in Tok-Juneau-Ketchikan-Haines-Petersburg-Skagway-Wrangell-Prince Rupert-Fairbanks-Anchorage-Seward offices - is apparently a new item. Captain Lockert said much of this was from Operations in SW ferries and SE ferries.

Mr. Ray commented then that he expected those budgets to go down accordingly.

In answer to Mr. Croft's question regarding what specific items under Contractual Services are related to the reservation system, Captain Lockert replied the teletype and TELEX systems and noted the TELEX is new. There are two new stations, Tok and Fairbanks, on the teletype system. In answer to Mr. Croft's question regarding whether the increase is due to the installation of the reservation system or due to the transfer of the teletype from operations to Administration, Captain Lockert replied partly due to the transfer, but also due to the installation of the reservation system; however, the TELEX is the main reason.

Mr. Sackett asked why they would have a teletype at Fairbanks and Tok, and if they are located in the State buildings, his reason for asking being that they have always utilized tourist information agencies. Captain Lockert replied that they use the tourist building in Tok, however, they pay the teletype service. In Fairbanks they have an office for that purpose.

Mr. Strandberg said they have had all these problems with reservations last year, the major problem being that a person could not find out whether he could get aboard a vessel or not. The purpose of the reservation system is that they will be able to tell a person in Fairbanks, for example, if he gets to Skagway at a certain date he can get

aboard a vessel, that there is space for him, and make a reservation.

Mr. Sackett wondered if this couldn't be handled through a tourist agency. Mr. Strandberg said that they have to have control, and communications between their people and Central Office. The teletype is not only for reservations, but also for operations, and that any transportation system must have a good reservation system if they expect to properly serve the public. In answer to Mr. Ray's question as to whether or not it would be feasible to run the teletype system 12 months a year in the Interior, Mr. Lockert said Tok and Fairbanks would be seasonal for five months.

Mr. Ray said then actually the addition of the Tok office and Fairbanks office doesn't have a full yearly impact and could be considered a supplemental charge. Mr. Ray said it should also be noted that the estimated toll charges for the ferry system amounts to \$53,400.

Commodities: There was an increase in commodities of \$2,500, this, according to Mr. Strandberg is based on actual 1967-68 costs. In reply to Mr. Ray's question, Mr. Strandberg told him the entire budget for Marine Transportation this year is \$10,787,700. No questions.

Equipment: There is an increase in equipment of \$5,600. The reason for this, according to Captain Lockert, is new positions and reservations. Mr. Ray asked if they had no new positions, could they get along with possibly \$1,000. Captain Lockert

replied that if they didn't have any new positions they wouldn't need any equipment. Mr. Strandberg supplemented this remark with the fact that some of these positions had already been approved via Executive Order.

Inter-Agency Charges:

Inter-agency charges has already been discussed. The Governor's allowance is \$28,500 for data processing and \$4,000 for central duplicating. This shows an increase of \$11,000 in data processing. Mr. Ray asked what increased benefits they anticipate from the increase in data processing, but they didn't know, since this charge was allocated by Department of Administration.

Southeastern Ferry System

**Operations
Personal Services:**

Mr. Ray noted that personal services showed an increase of \$1,141,500, almost the size of last year's budget. He asked for an explanation, and Captain Lockert said the Wickersham is in this budget. Mr. Strandberg said that they had sent over one copy of a special report. Mr. Ray requested that Public Works furnish the committee an additional six copies (See Public Works file).

Travel:

There is an increase of \$3,500 in travel and Mr. Ray again asked for an explanation of the increase. Captain Lockert explained that this is based on the actual expenses for the previous year. He also pointed out that they have just about exhausted their supply of Alaska seamen, and must go outside or Anchorage or Fairbanks.

Contractual Services:

Contractual services shows an increase of \$295,500, or approximately 25 percent. Mr. Ray noted that under Code 330, Rents and Utilities, the Juneau terminal lease payment is \$17,100. This was an agreement entered into previous to the purchase of the Wickersham and it was Mr. Ray's understanding

that the Wickersham by itself requires the same amount of money to tie up as the other three vessels combined.

Mr. Strandberg said that it costs more. Mr. Ray said that it also stays in port longer and the longshore costs or tie-up costs are more because the crew is standing by, and wondered if they would like to increase it; Mr. Ray thought this was justifiable. In round figures they could increase it \$10,000 a year. Mr. Strandberg said the budget is not based on any additional cost, and could give the committee the figures.

In response to Mr. Ray, Mr. Strandberg said they have a supplement in, and Mr. Kaldor said they had made a transfer the day before from the Southwestern to the Southeastern system. If they don't get the supplement, they will be running out of money by the end of the month - the Southeastern operation is \$18,000 in the hole as of last Friday.

Mr. Croft took over the chair, as Mr. Ray had to leave.

Communications: Mr. Croft noted a decrease in communications (code 310) of \$7,300, and believed that part of this was the transfer of the teletype to Administration.

Rents & Utilities: There is an increase of \$61,100 in rents and utilities.
No questions.

Repairs, Services & Alterations: There is a decrease of \$88,700 in repairs, services and alterations. In answer to Mr. Croft's question, Mr. Strandberg said that the dock repairs would be a major item of decrease, they don't anticipate any dock repairs.

Insurance
and Bonding:

There is an increase in insurance and bonding of \$220,000.

Mr. Croft questioned the insurance rate percentage of 1.875 for all the vessels and wondered if that is the actual rate for the Wickersham. Mr. Strandberg replied that there is no increased rate for the Wickersham.

Mr. Borer wondered why we are insuring the Wickersham for only \$8,000,000; and why all the vessels aren't valued either at cost or current replacement value. He further questioned why three of them are valued at replacement value and one at cost. Mr. Strandberg explained that these values were worked up with the insurance broker. In the case of the Taku, Matanuska, and Malaspina, he believed the locations and the discretions have been in the mill for some time, and didn't believe the \$7,000,000 would represent replacement costs if it had to be built in the American yard today. It would cost around \$11,000,000 to build. These insurance rates are just a negotiation between insurance brokers and the state and a reasonable valuation of the ship. Mr. Strandberg didn't think one could be rebuilt for any of the prices listed on the budget sheet. The other alternative would be to leave the prices at \$4,000,000.

Mr. Croft asked why the Wickersham was not valued at its anticipated replacement cost. Mr. Strandberg replied there had been a great deal of acceleration in costs of the Matanuska, Malaspina and Taku. He didn't know what an insurance broker would do if they asked for American yard replacement cost of the Wickersham; they just can't get a figure. An American yard would probably give a figure

from \$14,000,000 to \$18,000,000 replacement for the Wickersham. The \$8,000,000 for the Wickersham is over the purchase price and since an insurance broker is willing to accept this, they feel this is the best they can do. Mr. Croft asked if a clearance could be obtained on the Jones Act, would that have any effect on custom fees on the Wickersham, to which the answer was yes.

Commodities: The overall increase in commodities is \$334,400. The majority of this increase is for motor vehicle parts, supplies and accessories. Mr. Strandberg said that fuel would be the largest item of that increase, again because of the addition of the Wickersham. The Seattle run also takes more fuel. There was discussion on the types of fuel being used.

Mr. Croft noted the decrease of \$29,900 in maintenance and construction materials. The actual expenditures last year in that item was \$76,620, and Mr. Croft wondered why they were requesting an amount that is \$16,000 less than before they had the Wickersham. Mr. Strandberg said that in cutting the budget down and bringing it into line, they cut the items that are the least sensitive, and would say that this is probably one of them.

Recess:

Meeting recessed at 10:00 a.m.

AFTER RECESS

1:30 p.m.

Southeastern
Ferry System
(cont'd)

Mr. Ray called the meeting to order.

The discussion continued on the use of fuel for the three Southeastern vessels and the Wickersham. It was noted that it would cost approximately \$200,000 for fuel for each of the three Southeastern vessels as compared to \$240,000 for the Wickersham. Mr. Strandberg said that detailed information is included in a special report entitled "Report 1969-1, 1966 Bond - M/V Wickersham Operating Costs and Comparisons", which has been furnished the committee, but gave a brief summary of the report.

Mr. Ray left the meeting at this time and Mr. Croft took over the Chair.

There is an increase in office furniture and equipment of \$100. There is an increase of \$24,800 in equipment peculiar to the program. Mr. Croft asked what this increase was for. Mr. Strandberg explained that the main increase is for gear for vans. They sustained one loss where one van toppled over and ruined cars. That was about a \$35,000 - \$40,000 loss.

Mr. Croft asked if they limit the weight of the vehicles that they take on the ferries. Captain Lockert said yes, 7,600 pounds which matches up with most highways. Washington and Canada also have a highway limit.

Equipment
Classification:

**Shop & Maintenance
Equipment:**

There is a \$10,100 increase in shop and maintenance equipment. Mr. Croft asked what basically this is for. Captain Lockert said that each year they try to get more of this equipment, their crews do a lot more maintenance work and need the machinery. Mr. Aase said this was set up by the Corps of Engineers, and he based it on inventories of the various ships that were in. He selected those items that would provide a better ship's capability. Going on a 24-hour schedule they can handle a lot of the work if they have to if they have the means available. At this time they are taking one piece and switching it from one ship to another when one goes into dry dock, making do with what they have and this hasn't proved satisfactory. Mr. Aase believed the items in this budget would give the four ships capability in Southeast. They have some of the equipment already and are only requesting two or three units of the items they do have. Mr. Croft asked if they anticipate recovering this cost in the first year. Mr. Aase said he thought so. Captain Lockert said the cost of outside labor would more than justify it plus the fact that they can't obtain any outside labor. There were no further questions.

Steward Functions

There is a \$984,300 increase overall in Steward Functions. There is a \$827,900 increase in personal services. Mr. Croft asked if they would like to make any comment on that. Mr. Aase commented that \$531,900 is for crew costs on the Wickersham alone. The remainder of \$296,000 covers a transfer of approximately \$80,000 for the chief stewards. This was

formerly carried under Contractual Services, however, they were placed under the union contract so funding-wise in the budget they were moved out of contractual services into Personal Services. It was mentioned that they still have a contract with Universal Services. Before the chief stewards were directly responsible to Universal Services and were paid by them; Universal was reimbursed by Public Works. In addition, there is the normal increase for negotiated wages, and extra personnel on the Seattle run.

It was noted that the committee didn't have copies of the SA-10's that Public Works had in their budget books and occasionally referred to; however, they would furnish the committee copies.

Travel:

There is a \$700 increase in travel. Mr. Aase said that this increase in travel is due mainly to trips for interviewing crew members and supervision of personnel.

Contractual Services:

There is a decrease in contractual services of \$53,200. Mr. Aase said the reason for this decrease goes back to the transfer of the chief stewards from contractual services. This decrease would be approximately \$80,000 without the addition of the Wickersham.

Commodities:

There is an increase of \$195,700 in commodities. Mr. Aase said that generally speaking this increase is due to the addition of the Wickersham; consumable items such as food and liquor for the dining room and various items. Their figures show a \$42,500 increase on the existing vessels for

consumable foods for the dining room, snack bar, etcetera, and also for crew member feeding. The remainder, \$153,200, would cover the Wickersham.

In answer to Mr. Croft's question, Mr. Strandberg said these revenue projections in relation to these items are included in the special report previously furnished the committee.

Mr. Sackett was excused to do subcommittee work.

Equipment:

There is an increase in equipment of \$13,200. Captain Lockert said this was primarily for the purchase of a truck; however, Mr. Aase added that the truck had been deleted by the Governor's Budget Review Committee. The Governor's allowance was \$7,100. Items 1,2 and 3 shown on page 123 (Book 2 of Public Works Budget Request) were deleted.

Mr. Strandberg said he may have to go back into the budget review on the truck; it was cut out and they may be hurting pretty bad.

There were no further questions on the Southeast Ferry System.

Southwest Ferry System

The overall increase in the Southwest Ferry System is \$629,800. Operations is the principal part of it, \$511,600. Mr. Aase said that there were two main items in the increase - they dropped the program "Other Ferry Operations", and they added the Bartlett for a full year's funding rather than three months. Mr. Croft asked how much of an increase that constitutes, and Mr. Aase replied that it is split throughout each program; however, they ran an individual sheet on it and it totals \$809,000 a year for the Bartlett (they would

furnish the committee of copy of that).

Mr. Borer said there is a \$629,800 increase in the total Southwest Ferry System and yet it is costing \$809,000 to operate the Bartlett, and asked what else was being cut out. Mr. Aase replied that administrative personnel were transferred from this item to General Administration as had been discussed earlier which was \$36,300. There had also been a reduction of \$28,600 with recalculated wages for the Tustumena based on what they felt were more realistic formulas, a revised method for computing personnel benefits. The \$809,000 Mr. Aase spoke of was a full year's operation; the \$629,800 for operation and stewards represents the increase over last year. Included in the previous authorization is three months operation of the Bartlett, or one-fourth a year. They estimate that it costs a little over \$800,000 to operate the Bartlett for a year. Dividing that by four would be \$200,000; that added to \$629,800 will be just about the operating cost of the Bartlett. There may be some shifts back and forth, according to Mr. Aase, and even though \$200,000 will be used in this fiscal year, they are using this as an analysis. They have a delivery date of May 1 for the Bartlett. In answer to Mr. Croft's question: do they anticipate the Bartlett going on the line May 1 or a lapse of \$60,000 - \$70,000 as far as the Bartlett is concerned in this year's budget, Mr. Strandberg said no, they have in the supplement they put in that the Bartlett will not

be available on May 1. They anticipate transferring any funds that may be left over because of the lack of a month in the operation of the Bartlett up north to the Southeast System to pick up a portion of the deficit.

Mr. Croft then asked that the reason for the net increase in their request for the Southeast Ferry operation is, in effect, the Southwest Ferry System. Mr. Strandberg said primarily, yes, but there may be some variation.

Mr. Croft referred to the bottom of page 124 of Book 2 of the Public Works Budget Request, and asked why the reduction in permanent full and part time positions. Mr. Aase said that there are two reasons: One is the transfer out of this program into program administration of the shore-side people (that would be Seward and Anchorage). The other reason is that when the budget was drawn for the three-month period for the Bartlett, the crewing was not known, it was the best guess at the time. There had been a loss of people actually from 25 positions to 18 positions, a decrease of seven.

Adjournment: There were no further questions and so the meeting adjourned at 2:30 p.m.

HOUSE FINANCE COMMITTEE MEETING
Wednesday, March 5, 1969
9:00 a.m.

Present: All members.

HOUSE
BILL 63

Mr. Haugen moved and asked unanimous consent to bring HOUSE BILL NO. 63 (appropriating to Fish and Game to persons for loss of personal gear due to accident) before the committee. There being no objection it was so ordered.

Mr. Haugen cited the various reasons why these employees of Fish and Game needed reimbursement (see bill file for complete breakdown). Summing it up, it was a combination of boat accidents and fires. Mr. Haugen told the committee of his discussion with Mr. Robert Mahoney, Assistant Attorney General, on the liability of the state, and it was the opinion of Mr. Mahoney, after researching the statutes, that the state is not absolutely liable for personal losses of employees while on duty with the state. Mr. Haugen said that in discussing this with the Commissioner of Fish and Game, Mr. Reetz, that he felt these were valid claims that had been properly justified, and that these employees should be reimbursed. Mr. Haugen said that based on the above discussions, he would move and ask unanimous consent that HOUSE BILL NO. 63 be reported out of committee with a "do pass" recommendation. Mr. Borer objected and said he felt that in a number of these cases, especially fire losses, should have been covered by personal insurance and he did not feel that the state was liable. Mr. Haugen

after a brief discussion with Mr. Borer, withdrew his motion and said he would bring the bill before the committee again at the next meeting.

Mr. Ray admonished the members that these supplementals must start moving out of committee so that they will be able to tell just where the state stands financially and how much will be going towards supplementing the FY68-69 budget.

HOUSE
BILL 204

Mr. Borer moved and asked unanimous consent that HOUSE BILL NO. 204 (relating to employee accounts in the Public Employees' Retirement System) be considered by the committee. There being no objection it was so ordered.

Mr. Borer explained that a committee substitute had been drawn on this, told the members what the changes were, and then moved and asked unanimous consent that the committee adopt CSHB NO. 204 in lieu of the original HB 204. Mr. Sackett objected briefly, then withdrew his objection and CSHB NO. 204 was adopted by the committee.

Mr. Borer moved and asked unanimous consent that CSHB NO. 204 be reported out of committee with a "do pass" recommendation. There being no objection it was so ordered.

HOUSE
BILL 95

Mr. Ray moved and asked unanimous consent that the committee consider HOUSE BILL NO. 95 (repealing the Disaster Relief Tax). There being no objection it was so ordered.

The committee discussed in great detail the payment of this tax by residents versus nonresidents and Mr. Borer felt quite strongly that by repealing this tax, that nonresidents would again be getting the best of the deal. Mr. Ray pointed out to him that there were more residents than nonresidents and

that he was more interested in seeing the residents given a fair break. After each member contributed his thinking on this, Mr. Ray called Mr. Stevenson of the Department of Revenue and reported back to the committee that on checking over the income and school tax returns for comparison purposes, Mr. Stevenson said approximately 17,000 were nonresidents; however, 1,000 of these were under age, so he would give a rather uneducated guess of \$150,000 roughly collected from out of state residents. He also pointed out that the disaster tax is paid only if a person makes over a certain amount of money. Since they collected \$1,010,000, this would indicated that about 15% of this was collected from non-residents. Mr. Ray felt that ratio favored the resident Alaskans and again Mr. Borer argued with him and stressed the point that Alaskans were getting the benefit of this fund; therefore, they should not mind paying it.

Mr. Ray moved and asked unanimous consent that HOUSE BILL NO. 95 be reported out of committee with individual recommendations. No objection, so the recommendations are as follows:

"do pass": Messrs. Ray, Hohman, Bradner and Sackett.

"no recommendation": Messrs. Borer and Haugen

Mr. Ray wanted the committee to reconsider HOUSE BILL NO. 63 (appropriating to Fish and Game to persons for loss of personal gear due to accident) and moved and asked unanimous consent to bring it before the committee. No objection, so he then moved that it be reported out with individual recommendations.

HOUSE
BILL 63

Legisla-
tive Intent

Mr. Borer objected, then removed his objection when Mr. Haugen moved and asked unanimous consent that LEGISLATIVE INTENT be written concerning the matter on personal losses by state employees while on the job. There was no objection, and the following recommendations were recorded:

"do pass": Messrs. Ray, Hohman, Bradner, Sackett
and Haugen.

"no recommendation": Mr. Borer.

Recess: Meeting recessed at 10:00 a.m.

JOINT FINANCE COMMITTEE
Wednesday, March 5, 1969
9:00 a.m.

Present: All members of the Senate Finance Committee were present. House members were unable to be present as they were required to be on the Floor. Representing the Department of Education were Commissioner Hartman, Nat Cole, Administrative Assistant, Merle Armstrong, Director of State-Operated Schools, and Mr. Conn, Comptroller. Also present were Mr. Martini and Miss Harris of Budget and Management, Senators Begich and Merdes, and Mr. David Harrington and Mrs. Betty Wanker, representing the District 1 Education Association.

DEPARTMENT OF
EDUCATION

Senator Vance Phillips called the meeting to order and explained the absence of the House Finance Committee. Dr. Hartman introduced the people on his staff who were present and requested that the committee first go into the subject of State Operated Schools.

State Operated
Schools

Dr. Hartman said that there is considerable change in the Director's Office this year due to two major reasons. The first is that they are anticipating a move of the purchasing division for the State Operated Schools to the Director's Office in Anchorage. For the past several years the purchasing section has been within the Department with its primary purpose to serve the State Operated Schools, District 1. He continued, stating that there is very little purchasing within the Department itself and what little they have can be handled through the Department of Administration, Division of Supply. All of the materials that are ordered by the

state for District 1 schools come in by request and purchase order directly from Mr. Armstrong and so rather than have the orders shipped from Juneau to Anchorage and paying for telephone communications between Juneau and Anchorage, they feel it would be much more efficient and effective and would ultimately cost less to have this section in Mr. Armstrong's office. The other increase factor was moving outside travel for District 1 schools to the Director's Office from the various sections so that he has control over this and knows where the Division stands as far as travel is concerned. Senator Blodgett asked if the move will cause any change in rental space or cost. Mr. Armstrong said that they have a pretty good lease in Anchorage. He said he doesn't know what the state was charging in Juneau in terms of rent, that State Operated Schools were not specifically charged for rent, but said he thinks that their per footage rental cost in Anchorage is as good or better.

Personal
Services

Senator Blodgett noted that the four requested new positions were deleted. One of the deleted positions was an Education Specialist to supervise and administer the lunch programs, both Type A and Type B for the Division. Senator Blodgett indicated marked distress over this deletion by the Governor's Budget Review Committee. He said that 35 children died of malnutrition in Alaska last year, and said "Let's make productive people out of these taxpayers - Keep them alive." The Administrative Assistant III which had been requested was also deleted. This position was to

to "assist the personnel supervisor in clerical and technical operations requiring planned and systemized administrative procedures concerned with the employment and contracting of approximately 900 teachers to staff the State-Operated Schools." Senator Phillips asked what the advantages of this position would be, .

.. and Mr. Armstrong said that this position would be fulfilling the duties as indicated in the narrative justification in the budget book. The person doing that now is secretary to the Deputy Director and he is not getting assistance in that area because her time is spent doing this other work. This position would provide indirectly the secretarial assistance to the Deputy Director that he does not now have. She cannot do both jobs adequately. Senator Blodgett said that this increased load here is due to the takeover of BIA schools in Anchorage. Mr. Armstrong said that they have not requested additional positions. They have requested positions from other areas to be put into the Director's budget and that is why there is a high increase shown. These positions have been reduced from other budgets. In answer to Senator Phillips Mr. Armstrong said that with the positions they have requested they feel that they can do an adequate, competent job. The reduction of positions will mean some things will just not be done, or not be done properly. Senator Phillips asked if the lunch program is being administered adequately. Mr. Armstrong said that the only reason they have been able to do this job is that the federal

government has provided the administrator of the State lunch program with a position of nutritionist which they were not ready to fill at this point, and they have loaned this position, so there is a person administering this program now. However, this is a borrowed position and if this has to be withdrawn, due to press of total state requirements, Mr. Armstrong said they are going to be in trouble in this program. They have needed this program desperately, because this is another position that has been spread around with no one specifically responsible. He said that he feels Senator Blodgett's complaints in this matter are justified. Senator Lewis requested a more comprehensive outline of what the lunch program amounts to. Mr. Armstrong said that the schools that have a complete kitchen enough to operate a Type A (hot) lunch program do so, and those lacking the kitchen facilities (about 65 schools) use teachers' quarters and equipment is sent out to them to prepare a Type B (snack) program. This includes hot soup and some of the commodities from the federal government like peanut butter and raisins. The state buys pilot bread and soup. To put Type A programs into the schools with the Type B programs would require some kind of construction, providing some kind of kitchen facility and space and storage. In some of the schools now there is not adequate storage for food. Senator Blodgett stated that some of the schools don't even have the soup program. Mr. Armstrong said that they sent letters to all the advisory boards and teachers asking if they

wanted to participate and almost everyone wanted to. The only ones who don't have the lunch program now are those that didn't want it. Senator Blodgett said that some of those that don't are due to the influence of teachers who didn't want it. He said that McGrath doesn't have a lunch program. Senator Phillips asked if the advisory board in McGrath had turned down the offer and Mr. Armstrong said yes. Senator Blodgett requested a letter to that effect. Mr. Armstrong said that any school requesting the snack program has the snack program. They got started late this year, he said, due to the transportation problem caused by low water, and in fact they still have a lot of food on barges on sandbars on the Kobuk. In answer to a question by Senator Lewis, Mr. Armstrong said the food comes from the Department of Agriculture. He said there have been some shipments made to the schools but that has not worked out so they are starting to bring large shipments into Anchorage and redistributing from there. In that way the Director's Office is sure that the supplies have been received. Senator Miller asked if the Department has proposed an integrated stage program of implementing a real hot lunch program in the schools beyond the snack program. Dr. Hartman said they prepared figures for the cost of construction that would be necessary in order to do this last year. He said that last year during the legislative session a request came over to the Department by various legislators asking what the cost of implementing a hot lunch program of Type A standard in rural schools would be. These

figures were sent over to the committee but the Legislature did not make provision for this so there has been an effort on the part of the Department to upgrade. Senator Miller asked again if the Department has ever proposed an integrated stage program for implementation of this. Dr. Hartman said that they would recommend upgrading where there are a sufficient number of students to justify doing so. Senator Miller said he would like to have^{the} benefit of the Department of Education's thinking on what steps they would like to see taken and requested that a memorandum be sent to the committee on this. Senator Blodgett said that it would take \$2,000,000 to launch the program in every rural school and \$5,000 a year thereafter for operation. Under federal law as equipment deteriorated it would be 100% replaced by the federal government. Somewhere along the line the Department picked up \$10,000 Senator Blodgett said, because they put it into kitchen equipment for the Teller school. He asked if there is a chance of that happening again. Dr. Hartman said there is this possibility from year to year, but they are limited in the funds from the federal government to only about \$10,000 to \$12,000 for equipment statewide. Senator Lewis asked with reference to the hot breakfast program where this is being served and why when some places cannot serve the lunches. Dr. Hartman said that there are considerable funds available for breakfast programs, but that it is not likely this year that the state will use all the funds in this program that are available to it. In district schools it is up to the local administration to

establish a hot lunch or breakfast program or not. Many of these schools have not felt a need for this breakfast program, and that is their decision. There are three or four hot breakfast programs going in the state district schools. Senator Lewis asked if this money goes direct from the federal government to the school and Dr. Hartman said that it is a "pass through". The state has to supervise. One disadvantage to this program is that there is so much red tape - everything must be kept completely separate from the hot lunch program. Senator Koslosky asked about the rural schools in the Wasilla area, and Mr. Armstrong said there are hot breakfast programs in Twin Hills and Delta Junction. Senator Haggland asked what is required to be eligible for a breakfast program, and Dr. Hartman said it is for children from families with an income of less than \$3,000. This is the criteria for eligibility. Senator Koslosky expressed concern that these same people sending their children to school for breakfast are being paid by Welfare to feed their children. Dr. Hartman said this is probably so and said that this would be a desirable program but for the red tape. It was noted by Dr. Haggland that in many cases the children are not being fed now even though their parents are being given the money to feed them. Senator Phillips asked if administrative costs are covered in this breakfast program, and Dr. Hartman said

no, that that would have to be provided by the district. Senator Phillips asked how much money the state is eligible for, and Dr. Hartman said for \$60,000 or \$70,000. Senator Miller asked if they get food on the same basis for the breakfast as the lunch program, and was answered yes. He asked how they could justify serving breakfast in one area as well as lunch, and neither in another. Dr. Hartman said that those schools wanting a lunch program have it. He said that the nutritional and caloric value is almost as high in the Type B lunches as the Type A. One of the big differences between the two lunch programs is the refrigeration of milk for example. Type A requires serving milk. In response to Senator Miller questioning on this further, Mr. Hartman reiterated that there is very little difference in the nutritional value between the two. Senator Blodgett said he thinks there is a conflict there. In answer to Senator Haggland, Dr. Hartman said the approximate cost of the Type A lunch is \$1.25 per student and the Type B is \$48.03 per student. Type A involves more personal services and refrigeration. In response to the question of why couldn't powdered milk be used, Dr. Hartman said they must comply with regulations and in order to have Type A they must have refrigeration. He said the state takes responsibility to comply with the regulations. Dr. Haggland said that that was impractical. Dr. Hartman said that the state has liability. Senator Begich asked if any of the stoves that were purchased recently

would be used for the hot lunch program and was answered no, that they were vocational education funds to be used for homemaking in Fort Yukon which already has kitchen facilities.

Travel:

Mr. Armstrong said that they have been approved \$43,000 for travel. One of the things that they feel most important in rural schools is getting assistance out to the teachers. The only way they can provide this is to have their people travel in the field. He said this is one of the most important things they do.

Bush travel is expensive. They feel it is also important to the staff to know what is going on out in the bush. They also feel there are times when teachers need to get to professional meetings. Although this travel may look like a considerable amount, as far as the staff is concerned it is not more than about one trip for a staff member per year. Due to Alaska's isolation it is especially important to keep current. Senator Phillips, asking about the increase, was told this is because travel for these people was pulled out of other sections. The tremendous increase in the total travel is really a reshuffling. Senator Phillips asked what the real percentage increase was, and Mr. Armstrong said that he was unable to provide that information, but agreed to send it to the committee. Senator Blodgett noted that there are now more schools. Senator Miller noted that there is still travel in the other sections and in fact it is increased

in regional schools. Dr. Hartman said that a percentage of this is that chartered travel has been moved from contractual services to travel.

Contractual:

Contractual Services was increased from \$34,500 last year to \$82,500 authorized by Budget Review this year. Mr. Armstrong said that the biggest increase is in Communications where they have put in a communications system. Senator Blodgett asked in rents and utilities why they don't get space in the McKay Building for these offices. Mr. Armstrong said that there is none. Senator Blodgett asked if the state fills the entire building, and Senator Phillips said no, that the top two or three floors are private offices and apartments. Senator Blodgett said that the idea of the McKay Building was to consolidate all the state offices in Anchorage. The film library, PERCY, was one of the things they needed space for, and Senator Blodgett said that it could be in the basement of the McKay Building. Mr. Armstrong said that they are working with Public Works trying to consolidate Division of Buildings warehouse and their warehouse together in a common facility in the interest of efficiency. Senator Blodgett indicated that perhaps it would be wise to construct a state office building in Anchorage, and Senator Phillips said it well could be, and that a hard look should be taken at this by the subcommittee.

Equipment:

Mr. Armstrong said that most of this is because the 1960 Chevrolet that the office is now using for official business

needs replacing. Senator Blodgett asked if that doesn't come out of the working capital fund, and Mr. Armstrong said that they have to buy one before they will maintain it. Senator Haggland asked if the state doesn't have a car pool, and Mr. Armstrong said that they do but that the cars are only available for short periods of time.

Recess:

The meeting recessed at 10:00 a.m. for 10 minutes.

AFTER RECESS

10:15 a.m.

At this point Senator Phillips stated that David Harrington and Betty Wanker, two teachers in the state-operated school system, were present to testify before the committee and invited them to speak. Mr. Harrington said that they are interested in dealing with problems in State Operated Schools under their jurisdiction and those that will affect their districts. They are concerned for small districts who are having financial troubles which may have to be turned back to the state if they cannot succeed independently and so would enlarge the state operated school system. They are concerned with a cut in equipment or commodities and said that a number of senators have indicated to them that they have received communications from teachers on this point. Last year the budget for rural schools in Equipment and Commodities was cut considerably. Senator Phillip's asked what the schools were short on last year. Mr. Harrington said that, for example, upgrading projects in curriculum could not be done without money for texts and materials, and

a ditto machine would prevent hours of typing with carbons, allowing more time to be spent with students and their problems. Senator Phillips asked Mr. Armstrong if he has a list of schools that might be short of equipment and asked how equipment needs were determined. Mr. Armstrong said at on-base schools, Elmendorf for instance, principals in the schools get together with teachers to determine equipment needed.

Senator Bradshaw noted that in Commodities they were given everything they asked for. Mr. Harrington said that they were referring to last year's problem. Senator Miller asked what the cut last year in equipment to State Operated Schools was, and was answered a 50 percent reduction. Mr. Miller said that the figure he had been quoted by several rural and on-base school teachers was 85 percent. He said he heard bitter comment from teachers on this. Mr. Armstrong said that in rural schools in 1967-68 their actual expenditure was \$108,000 and last year they were authorized \$25,000. This year they requested and have been granted by Budget Review \$41,500.

They want to get some far reaching programs going during the year on crucial education problems throughout the state. Senator Phillips asked how they evaluate what they need. Mr. Harrington said that at the local level committees are designed in curriculum to design programs needed in that particular school as those needs depend on the school.

Senator Phillips asked if dialogue doesn't come through The Board of Education. Mr. Harrington said that they seem to lose contact in the process going on up the line. Senator Begich said that these people have had many cuts to their budgets already in the process their requests go through before they reach the legislature. He said that they don't have a voice before the School Board. Senator Miller asked if the association would be interested in a school board for State Operated Schools. Mr. Harrington said that this is a definite concern of the teachers. He said that it is a unique situation in Alaska where the State Board of Education is expected to run the school system in addition to its regular function as a State Board. Even the Board members have expressed concern, he said. They are just unable to allow sufficient time to act as a School Board.

Senator Miller asked if they would favor a State Operated School Board. Mrs. Wanker said that they are in an awkward position. She said that this Board would be favored by the District I Education Association. She said they have tried working with the State Board, and have unified so as to present a unified front rather than as scattered individuals. She said they feel a separate board might eliminate some of the problems, facilitate finances considerably, and make things run a lot smoother. She said they wanted to go on record for supporting change in the School Foundation formula

which would upgrade independent small schools. She said that while their problems are considerable they realize there are others with more serious problems. Senator Miller said that the last legislature recognized the problem of the smaller schools and put in a formula to help them. Senator Blodgett said in the area of these District 1 schools that the on-base schools are in good shape by comparison with the rural schools. Rural schools have been "swept under the rug". They have advisory school boards which are very nebulous and at least the on-base schools have PTA's and interested people. Mr. Harrington said that they do recognize the problems of the rural schools and are making an effort to make their board representative and have representatives from Nome, Nikolai, and Glennallen in this association. There was to have been a representative of the rural schools down but he was held up by bad weather. Senator Phillips asked what happened in schools due to the cut in equipment. Mr. Harrington referred to the Elmendorf budget. He said in Code 590, where there had been a \$2,485 request, or about \$1 per student per year, there was \$500 authorized, or about 15 or 17 cents per student. This money was to have been for projectors, screens, record players and such. Senator Phillips asked how they evaluate their needs, and asked if they conduct some kind of inventory. Mr. Armstrong said that they do not, from his office, make any evaluation. They employ superintendents to work with

teachers and principals in determining what they need to do the job they intend to do. He gave an example of overhead projectors, which for three years were not being utilized but now, with new ways of teaching, are being found to be more and more effective. He said if their teachers have to go down to the office to get these projectors, chances are they are less likely to make use of them than if they were more available. Senator Phillips noted that this year the Budget Review Committee granted the entire request for Equipment. Mr. Armstrong explained that the extreme cut last year led to a reduction in the request for this year, because they did not expect to get more. Senator Phillips asked what the program on TV education is at on-base schools, and Senator Begich said there is none. They just have hard core programs. Pointing up another example of the effect of insufficient equipment costs, Senator Begich said that at on-base schools they are trying to establish a rotating system of typewriter replacement every two years but were unable to do so with only a very limited amount in the budget. Senator Bradshaw asked if Mr. Harrington and Mrs. Wanker disagree with the Department request, to which they indicated yes, and so Senator Bradshaw asked if they had anything made up for the committee indicating how much more they feel is needed to make the programs adequate. Mr. Armstrong interjected that the request for State Operated Schools for equipment was \$95,000 and had been cut by the

department to \$73,100. Senator Bradshaw asked if a \$95,000 increase would have been adequate, and Mr. Harrington said that if they're going to move ahead and instigate new programs he would not be convinced that that would be adequate, but that he could not come up with a figure. Senator Bradshaw indicated that the Finance Committee has to act on something more than that. Senator Lewis asked what some of these new programs are. Mr. Harrington said one would be improved reading programs, at an early level. Senator Begich said examples would be renovating the reading program, bringing in modern math, replacing texts, and developing better science programs. Mr. Harrington said another is developing an improved special education program. Senator Lewis requested that a list of these programs be sent to him. Senator Begich suggested to the subcommittee that if they want justification for what was asked for before the cuts were made, they are filed, and he said that there were substantial cuts made by the Department of Education. Senator Bradshaw asked Dr. Hartman if, when he goes to Budget Review if he goes with the department figures only or also with the figures from the lower level and he said with his own only. Dr. Hartman explained that figures come in from Mr. Armstrong's office. Mr. Armstrong has reviewed them before they come to the department and the superintendents have reviewed the principals' and teachers' requests before they come to Mr. Armstrong. Dr. Hartman said an example of an item he cut was

a \$7,500 request in Equipment to replace some faculty room furniture that he felt was not necessary to replace at this time. He said that he doesn't know about changes in Commodities, that he has heard about no real shortage in teaching material or equipment. In fact, he said, he saw a memorandum recently from the equipment officer out of Anchorage saying that he found some equipment and material at Big Delta and Tok that they are anxious to transfer elsewhere. He said that when Mr. Armstrong's office is more efficient in terms of inventory he thinks more situations will be found. He noted that Mr. Armstrong has only had one year in that office. Senator Begich said that there are real shortages and that rural schools definitely are not adequately supplied. Dr. Hartman said they have a tremendous amount in programs in Title I, a great deal of which is for equipment and supplies to PERCY which provides films and equipment on a rental basis for rural schools. This is over and above what is shown in the budget. He said that in Title I ESEA Funds, District 1 receives approximately \$1,000,000 from the federal government to enhance district programs for rural schools. (On-base schools are not included in this due to higher economic status). The instructional program is somewhat supplemented by this, Dr. Hartman said. Mr. Harrington said he does feel there are critical problems in education that will face and are facing the state. He said that the District 1 Education Association hopes to continue to have opportunities like

the situation with he and Mrs. Wanker coming to the Finance Committees, and indicated that he feels there should be an opportunity for rural teachers in the bush to tell the Legislature what they think of their program - if they feel they are adequately supplied. Senator Bradshaw asked if the big deficiency is in professional and scientific supplies, and was answered yes. Mr. Armstrong said there was only about \$6,000 cut from the original request to the department and Dr. Hartman indicated if the cut from \$33,400 to \$32,800 would make the difference he is in favor of putting it back. Mr. Armstrong said that the equipment request that came in from the superintendents to him was \$427,700 and he doesn't know exactly where the cut was made - it wasn't necessarily all from professional and scientific supplies, and he was answered yes. Senator Lewis again requested a letter stating what new program they intend to initiate. Senator Begich said that he hopes the subcommittee takes a good look at the cuts that were made at lower levels. He said there is a big problem.

Recess:

Committee recessed for five minutes.

AFTER RECESS
11:15 a.m.

Regional
Schools
Personal
Services:

Dr. Hartman said there is a reduction of one certificated teacher at Beltz school. Senator Blodgett asked why, and Mr. Armstrong said that the reduction has come through the consolidation of positions where they have had two counselors and a dorm manager. The dorm manager position has been eliminated because the person who was in the position, the Division felt was not very effective and they want to go a different way with counselors accepting more responsibility in the dormitory. Senator Blodgett asked if that means there is one counselor for 160 students, and Mr. Armstrong said that they have two. Dr. Hartman said that they have 17 teachers on the Beltz staff which makes the Teacher Pupil Ratio about 10 to 1. He said that the school is in a favorable position as far as TPR. Senator Blodgett said when they consolidate, TPR will increase. Dr. Hartman said yes, but they will increase staff too and they should have more efficiency with 300 students than 168. Senator Bradhsaw asked what the new position of custodian was for and Senator Blodgett said that that was on the basis of the new gym but the gym will not be reading in 1970. Mr. Armstrong said that students have been doing quite a bit of the custodial work. He said they are doing all of it in the dorm and a lot in the cafeteria. They have been using a custodian as a bus driver. He said they have been trying to get a custodial position that could be used as a bus driver and

custodian. He said there is no custodial service in the teachers' apartments, they do it all themselves. This person would also fill in there. Senator Blodgett said he thinks it is reasonable to delete that position for now. Dr. Hartman said that the person would bring students back and forth into Nome.

Travel:

Senator Bradshaw said that transportation in Alaska increased \$8,000 and asked why and Dr. Hartman requested that Susie Harris explain the accounting change here. Miss Harris said that charter aircraft which used to be designated as contractual is now being put in travel where it belongs. Dr. Hartman said that contractual services was decreased by \$3,200 which makes up part of the additional travel. Mr. Armstrong said that the decrease last year was actually more than they could stand. Senator Bradshaw and Senator Blodgett noted the \$5,500 for a 27 man advisory board. Mr. Armstrong said this is the advisory board they brought in with members representing the areas with students coming to Beltz school. He said they hope they will come in and meet with the teachers and administration once each year. They are electing a 3-member executive board who will act as a school board meeting 3 times a year. They have never had a school board for boarding schools before. Senator Blodgett recommended cutting the board in half and rotating between the villages every other year, and then taking half of the \$5,500 and using it for the 3-man executive committee. Senator Bradshaw asked if there are minutes of the advisory committee meetings. Mr. Armstrong said yes, and agreed to furnish them for the committee. Senator Phillips asked what

the law is on the number of times the committee will meet and Dr. Hartman said there is no law but they feel responsible to develop some adult leadership in the villages. Senator Bradshaw asked if this is the idea, to have advisory boards for regional schools then will each of the regional high schools have one when there is a regional high school system, and Mr. Armstrong said this is what they would hope. Senator Blodgett said when Nome is consolidated and two new dorms are constructed, the enrollment will change considerably, due to students currently going outside to school, but the advisory board should not change appreciably. Dr. Hartman said that somewhere in the next few years it is going to be necessary to find a way of organizing the unorganized borough and having some kind of board representing the students and families of the various communities. He said he doesn't know how this is going to go. Senator Blodgett said they are proceeding to organize a 3rd class borough now up there. Senator Lewis asked what the concept behind the advisory board is, what it is supposed to advise on and to whom. Mr. Armstrong said the members are to come to the school and meet with the superintendent, administration and teachers. If they can sit down together and talk about feelings and reactions and what kind of education the parents feel their children should be getting. He said no one really is sure what kind of education these students should be receiving. Senator Lewis asked if they have had any meetings, and the answer was yes. He requested an example of a suggestion,

and Mr. Armstrong said one man said the students need more Eskimo food. The school cook proceeded to get some Eskimo food for them and every so often they have an Eskimo meal. He said it does make a difference, because the students feel consideration of their likes is being made. Another improvement due to the board Mr. Armstrong mentioned is the fact that the first year of operation when the students were homesick or discouraged they would write home and their parents would tell them to go ahead and come home, but with improved teacher-parent contact, the parents are more aware of what is happening and so they now tell their children to stay.

Equipment: Senator Bradshaw asked if most of the equipment increase is for the Beltz school and was answered yes. Mr. Armstrong said that they have some electric typewriters, two new machines and extra in contractual for repairs on the old ones. Mr. Armstrong said that they hope to get equipment money from vocational education to do more than they have been able to do. Senator Blodgett said he is not satisfied with the breakdown in equipment and requested a breakdown giving quantities.

Inter-Agency Charges: There is \$75,100 in this area to Division of Buildings for maintenance of buildings, to take care of room repair, boiler pump repair, and such other items as the Department cannot take care of itself. Senator Blodgett asked if there was any involvement with the working capital fund here, and was answered no. There is, Senator Blodgett said, a gray

area between capital, Division of Buildings and Education. Miss Harris explained that this line item, Inter-Agency Charges, is to show the amount of money applicable to the education program with regard to maintaining education buildings. The Division of Buildings will do the work. Education has to pay Buildings for the work. In response to questioning by Senator Blodgett, Miss Harris explained that funding for Buildings comes out of Inter-Agency receipts and not the general fund. Senator Blodgett said this matter warrants careful examination.

Senator Phillips announced that the balance of this budget will be covered in subcommittee.

Adjournment: The meeting adjourned at 12:00 p.m.

AFTER RECESS
2:15 p.m.

Mr. Ray called the meeting to order and made the following
bill assignments:

HOUSE BILL NO. 26 (loans to processors of agricultural
& fisheries products) -- Bradner

HOUSE BILL NO. 27 (appropriation - Natural Resources)
-- Bradner

HOUSE BILL NO. 66 (appropriation - Highways) -- Croft

Mr. Ray then asked the members to give a brief resume' of
status of their bill assignments and when they would be
reporting out same. Following this report, by the members,
Mr. Borer moved and asked unanimous consent that the committee
consider HOUSE RESOLUTION NO. 5 (recreational area - Nome).
No objection, so ordered.

Mr. Borer told the committee that under capital improvements,
1968-69FY budget, that \$40,000 (\$20,000 state and \$20,000
federal funds) was appropriated for the purpose of surveying
historical sites and making plans for structures. As yet
the federal funds have not been made available but the Nome
program as suggested in HR 5 will be included in this project
as soon as the program is finalized and the funds are received.
Mr. Borer felt it was adequately taken care of and, therefore,
moved and asked unanimous consent that HR 5 be returned to
the files until such time as the money is available. There
being no objection, it was so ordered.

HOUSE
RESOLUTION

Whereupon, Mr. Borer moved and asked unanimous consent that the committee consider HOUSE BILL NO. 122 (increasing the annual corporation tax). No objection so ordered. The philosophy, morality and individual sentiments were thoroughly aired by the committee members on the subject of raising the annual corporation tax from \$15 to \$100. Mr. Borer was most emphatic in backing the Governor's legislation and was supported by Mr. Ray on this point. Mr. Croft argued for some time against the bill and requested it be held for further research. Mr. Borer reminded Mr. Croft that in the tax study, Review of the Alaska Tax Structure, by Peat, Marwick, Mitchell and Company, the study recommended this increase.

Mr. Borer moved and asked unanimous consent that HB 122 be reported out of committee with individual recommendations. Mr. Croft objected and again asked the committee to hold this for further research; whereupon, Mr. Ray allowed the committee to go back over the prior discussion. Mr. Croft was still dissatisfied after a quite lengthy debate. However, Mr. Borer removed his motion for individual recommendations and made a new motion that HB 122 be reported out with a "do pass" recommendation. Mr. Croft again objected and the bill was reported out as follows:

"do pass": Messrs. Ray, Haugen, Borer, Sackett, and Croft.

"no recommendation": Messrs. Hohman and Bradner

Mr. Ray made the following bill assignments:

HOUSE BILL NO. 133 (Commission on Youth) -- Bradner

HOUSE BILL NO. 83 (qualification of Asst. Adj. General)

-- Borer

HOUSE BILL NO. 220 (Appropriating ANH program) - Haugen

HOUSE BILL NO. 68 (Appropriation - Dept. of Public

Works) -- Ray

Mr. Borer moved to consider HOUSE BILL NO. 83 at this time
but was ruled out of order by the Chairman.

Recess: The meeting recessed at 3:00 p.m.

AFTER RECESS

3:00 p.m.

Present: All members except Mr. Ray and Mr. Sackett. Also present were Mr. Strandberg, Commissioner; Mr. Tracy Kaldor, Administrative Director; Herbert J. Lockert, Director of Marine Transportation; Pat Gove, and Harry Aase all from the Department of Public Works.

S.W. Operations

Personal Services:

Mr. Croft said this was up \$239,300 over FY69 and \$207,700 of that being the work load change for the Bartlett.

Mr. Croft said he understood that the \$96,500 is transferred to this item and Mr. Aase said this is for the Chilkat which was a separate program and they had now closed this out and transferred it all into the Southwestern system, as a cost. Mr. Aase said that \$96,500 is put in this section but they reduced it by \$36,300 because of transfer of personnel to Program Administration. He explained the Chilkat was funded as though it would be in the same place because at the time the budget was prepared they did not know what the disposition of the Chilkat would be.

Travel: Mr. Croft said there was an increase in travel of \$400.

Contractual Services: Mr. Croft said there was an increase in contractual services of \$102,600. He asked about the public demand for getting a garbage disposal and Mr. Strandberg said they had gotten a lot of complaints from the Coast Guard and the Department of Health and Welfare and they had requested to put in garbage disposals systems aboard the vessels. Mr. Strandberg said because of the number of ferries most of the debris coming on shore is from the ferries.

Commodities: Mr. Croft stated this was an increase of \$151,000 and this was again a transfer in on the Chilkat.

Mr. Bradner left the meeting.

Equipment: Mr. Croft said \$8,900 is budgeted both for the Tustumena and the Barlett, and \$300 for the Chilkat. The Chilkat is servicing Valdez, Cordova, and Whittier and the Tustumena is presently in Seward and Kodiak. Mr. Strandberg said that right now their planning engineers were setting up a whole series of routes and proposals. Mr. Croft asked what the proposed route is for the Tustumena and Mr. Strandberg said Seward (home port)-Homer-Cordova-Kodiak and Anchorage; and the Bartlett is Whittier-Valdez-Cordova, replacing the Chilkat. Mr. Croft asked if they had any idea as to when the decision would be made on the Chilkat and Mr. Strandberg said they hoped by April 1 and Mr. Croft added then that there is a possibility that this item would be taken out of the Southwestern budget.

Mr. Croft asked if the employees listed under Southwestern Operations were budgeted at Step C and Mr. Aase said they were not and explained they were budgeted according to the union scale and they don't have step increases as such. He said there are three unions for four contracts.

Mr. Croft asked what caused the decrease in employee benefits and Mr. Aase said they had revised their formula on benefits and that the formula corresponds with those used in the Southeastern system.

Contractual Services:

Mr. Borer asked on Code 330 about the tie-up charge for the Bartlett and Captain Lockhert said this is the longshore charges passed from the city to them. Mr. Borer asked why it takes more people to tie up at Valdez than it does at Cordova and after a brief discussion on this Mr. Strandberg said they would check this out.

Mr. Borer asked if it would be possible, without running afoul of unions, to hire some reasonably stable, local people to tie these boats up both at Valdez and Cordova and Mr. Strandberg said they might run into some union problems by doing this. Mr. Borer questioned the fact that it was costing twice as much for crew laundry in Southwestern in comparison with Southeastern and said one of these two figures must be wrong. Under Code 390, Southeastern Ferry system, this amount is \$6.50 per man/mo. and under Code 390, Southwestern, it is \$13.00 per man/mo.

Mr. Sackett entered the meeting.

Commodities: No questions.

Equipment: No questions.

Mr. Croft asked about the operation of the Tustumena to Anchorage and Mr. Strandberg said the original intent at the time of the bond issue was that the vessel would go to Anchorage.

Mr. Borer asked if \$400,000 is additional gross revenue they expect and Mr. Strandberg said it is additional Tustumena revenue that they would not collect if they didn't go into

Anchorage. There was a brief discussion on this and Mr. Strandberg said they would furnish the breakdown on it. Mr. Strandberg further explained that at the time the ferry bond issue was proposed a report was prepared for Southeastern and a supplemental for Southwestern and in that report it was stated there was no way to make the Southwestern system pay unless it went into Anchorage. It did go into Anchorage for awhile until the earthquake. Originally the Chilkat was moved from the Southeast to the Southwest to operate between Valdez and Cordova and Mr. Strandberg said they changed the Tustumena schedule to include Kodiak, Seldovia, Cordova, Seward, Valdez and Homer. Now they're adding another vessel to the fleet to take care of Whittier, Valdez and Cordova and so they would have less traffic on the most expensive vessel and added that they should be able to get into the Anchorage market. Mr. Croft asked if they would furnish the committee a copy of the study prepared at the time of the ferry bond issue. Mr. Borer said he presumed the Bartlett will be going into Whittier and asked if they had to build a facility there. Mr. Strandberg said they had built it and there was a contract out for the one at Valdez.

Mr. Borer asked about the \$800 a day car ferry that was paid the Alaska railroad and Mr. Strandberg said this was a very popular route and is booked full most of the time. Mr. Borer asked what was generated on this this year and Mr. Strandberg

explained that they pay a subsidy to the railroad. Mr. Borer asked if the additional capacity the Bartlett would provide would cut this subsidy. Captain Lockert said it might and Mr. Strandberg said if it did they would renegotiate this. Mr. Borer asked about tie up fees at Whittier for the Bartlett. Captain Lockert said they plan to use the crew and explained they could do this because it was their own terminal. Mr. Borer discussed the possibility of the state buying the city dock at Cordova.

Following a discussion by Mr. Borer regarding why the state paid tie up fees at Valdez and Cordova, Mr. Strandberg said they would check into this.

Mr. Croft said this was an overall increase of \$118,200.

He said this was an increase of \$53,000. No questions.

This showed an increase of \$1,100. No questions.

Commodities: An increase of \$57,700 and Mr. Croft said \$9,700 is the transfer in from the Chilkat.

Equipment: Showed a \$500 increase. No questions.

Mr. Croft explained that the other ferry operations had been eliminated from the budget.

Adjournment: Meeting adjourned at 3:45 p.m.

Steward
Functions
Personal
Services:
Travel:

HOUSE FINANCE COMMITTEE MEETING
Thursday, March 6, 1969
8:30 a.m.

Present: All members were present with the exception of Mr. Hohman and Mr. Croft.

HOUSE BILL 46

It was moved and unanimous consent was asked that the committee consider HOUSE BILL NO. 46 (An Act providing for payment of attorney's fees in the successful prosecution of a claim for compensation or medical and related benefits). There being no objection, it was so ordered.

Mr. Bradner said he had talked to the Director of the Workmens' Compensation Program, who indicated no direct financial cost to the State from this proposed change. This would come under Workmens' Compensation.

Mr. Ray questioned the portion of the bill that is amended to read "and related benefits," feeling that this would give blanket coverage for people to collect anything they want. Mr. Bradner felt it would entitle the other side to representation.

Mr. Ray read the report from the Judiciary Committee, which is as follows:

"The situation covered by this bill was brought to attention of the Governor by the Alaska Industrial Board, with a recommendation that the bill be submitted.

"The bill is designed to cover the occasional case where the applicant seeks only medical and related benefits, and where the insurance company resists payment. Although such a case may involve considerable legal service, no fee may

be awarded under present law. The applicant must bear the cost of such legal services. The bill would also permit the Board or Court to set a fee on the total value of the service performed.

"The bill is in proper form and accomplishes the intended purpose. It has the support of the State A.F.L.-C.I.O."

Mr. Ray moved and asked unanimous consent that this bill be reported out of committee with "do pass" recommendation.

Mr. Bradner objected, and the following vote was taken:

"No recommendation": Messrs. Sackett, Haugen and Borer.

"Do pass": Messrs. Ray and Bradner.

It was then decided to hold the bill for signing by the members who were not present, Messrs. Croft and Hohman, before deciding what the majority report would be.

(Messrs. Croft and Hohman later signed the bill "do pass," thus passing it out of committee with the majority concurring in a "do pass" recommendation.)

HOUSE BILL 83

It was moved and unanimous consent was asked that the committee consider HOUSE BILL NO. 83 (An Act relating to qualifications of an assistant adjutant general). There being no objection it was so ordered.

There was a State Affairs amendment attached to the bill, which read: "page 1, line 19: Delete material after 'Army' on line 19 and add 'National Guard or the Alaska Air National Guard on initial'."

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

Present: All members except Mr. Ray who was excused. Mr. Bradner chaired the meeting and announced that a group of students from the University of Alaska were present to discuss the proposed legislation for a new Student Union Building for the University.

University
of Alaska
Students

The following were the students from the University of Alaska student body: Phil Holland, Glenn Bacon, Sue Fison, Mike Sciber, Dennis Freeman and Bill Bradshaw, son of Senator Bradshaw.

Mr. Bacon, as spokesman for the group of students, told the committee that they were here to discuss and answer questions concerning the proposed student union building for their campus. His first point was that the present building was built in 1956 for an enrollment of 800 students. Since that time, enrollment has tripled and needless to say, it is hopelessly overcrowded. He said at times there are 30 students in line waiting to be served. He cited other conditions within the building, i.e., a 9'x 12' room with three desks.

Mr. Bacon noted the educational aspect; the social aspect; and finally, the recreational aspect of this building and explained how each related to the other in solving some of the student problems. He concluded his presentation with the remark that the students envision this building as the focal point not only for the University community but for the Fairbanks community as well.

Following the above presentation, the committee members and students had an informal discussion on the building and the University.

Recess: Meeting recessed at 9:30 a.m.

JOINT FINANCE COMMITTEE
Thursday, March 6, 1969
9:30 a.m.

Present:

All members of the Senate Finance Committee were present with the exception of Senator Miller. Also present was John Sackett representing the House Finance Committee. Presenting the Military Affairs Budget were Major General C. F. Necrason, Adjutant General, Brigadier General C. E. Reid, Assistant Adjutant General (Army), Brigadier General Kenneth M. Taylor, Assistant Adjutant General (Air), Lt. Colonel Glenn Byington, Director of Facilities and Fiscal Division, and Mr. James Isbell, Director of the Alaska Disaster Office. Also present was Mario Martini of Budget and Management.

Department
of
Military Affairs:

The Committee began their review of the Military Affairs Budget with a look at the goals and objectives the Department has set out for itself in the early pages of the Budget Workbook. Their first point in long range goals is the construction of 11 new village armories for the Scout Battalions at Gambell, Savoonga, Arctic Village, Nightmute, Ambler, Venetie, Kaltag, Nunapitchuk, Kotlik, St. Mary's Mission and Goodnews Bay. The next was the expansion of the Anchorage Armory to accomodate revised stationing of Army National Guard Units. Senator Blodgett requested a breakdown on the cost of this expansion. General Reid said this would be 75 percent federally funded. Senator Blodgett asked

Long Range
Goals:

how the Department of Military Affairs is proceeding to integrate with the communications network. General Necrason said that they have coordinated with the Director of Communications. Senator Blodgett asked if they have corresponded with the FCC. General Necrason said they do not deal directly with the FCC. Senator Lewis asked about the organization and partial equipping and training of a state militia, which is listed as a long range goal of the department. General Necrason said the primary purpose of the state militia is to replace units of Army National Guard when they are called into active service so the Governor still has some one to call on. There would be five officers, 20 NCO's and the balance would all be members of the so-called un-organized militia, able-bodied civilians between 18 and 65 years of age. Another of their long range goals is moving the Alaska Disaster Office from its present location to the McKay Building for closer liaison with the Office of the Adjutant General.

Senator Blodgett asked where they are now located, and Mr. Isbell said on 5th Avenue in the old State Police Building. Senator Blodgett asked what kind of overhead they have in their present location, and Mr. Isbell said that the building they are presently located in does not measure up to the safety code and they stand the risk of being thrown out if the city presses. The building is difficult to maintain - last year they put in a new ceiling. Senator Bradshaw asked if they budget for maintenance. Mr. Isbell said that for two years there was not a penny spent on maintenance, but they spent a little this year to get the new ceiling. It was

so cold last year they had to send a girl home, they couldn't get the temperature above freezing. Senator Koslosky asked if space is still available in the MacKay Building and was answered yes. Senator Koslosky indicated that he felt this would be an ideal place for the Alaska Disaster Office to be. General Taylor said that 50 percent of the rent money paid would be reimbursed by the federal government. Senator Blodgett indicated that he does not feel the space at the MacKay Building would be sufficient; he feels that a state office building for Anchorage would be the answer and suggested that the department give some time to determining the footage they would require in a state office building. General Necrason said what they really should work on if a fallout shelter (partially federally funded) under ground with offices on top for maintaining Military Affairs and Public Safety. Senator Blodgett said that what some legislators are thinking about is a building that would consolidate all state offices in the Anchorage area. Going to short range goals, one of their short range goals is attaining 97.4 percent priority strength in all units. Senator Blodgett said that he is aware that the second battalion is in remarkably good strength, and asked about the others. General Reed said that only the 1st Battalion (in the villages) is submarginal. He said they would appreciate anything the Senator could do to help them get their village battalion in good shape.

Short Range
Goals:

Senator Blodgett said that he feels there is a need for a crash program. General Necrason agreed and said that they have got to get out and "sell" to the first battalion area. The second short range goal is to maintain quarterly staff visits to major subordinate units. Senator Blodgett noted that the Legislature has been liberal in the area of travel for the military. The next point is reorganization of the existing Ordinance Platoon into a light Maintenance Company for direct and general support of tactical units of the Alaska Army National Guard. Number three is the conversion to improved personnel reporting system utilizing automatic data processing procedures and conversion to mechanized military payroll procedures for all unit payrolls. Senator Blodgett asked how this conversion will be done, wondering if they will teach people to handle data processing. General Necrason said that their accounting is not done in the State Data Processing System, but in the U. S. Property and Fiscal Office and that they have trained personnel already. He said that this goal has already been accomplished. With reference to number four, providing for travel necessary for purposes of improving Military Occupational Testing, Senator Blodgett asked if that could be conducted during the training period, and General Necrason said that a portion could be but the bulk cannot be because the training period is completely blocked up. Number five, relates to non-commissioned officers academies. Senator Blodgett asked

in response to General Necrason's comment that they had 34 graduates out of 35 in their last academy, what the reason for failure by the one was, and General Reid said it was a low education level and difficulty with the language.

In Number 7, expansion of a radio communications net to 12 National Guard communities is programmed with installation of 6 at the present.

The next point is increased organization of the state militia in cadre form. Next is the completion of construction of Army Aircraft hangers at Nome and Bethel airports. The target date here is 1969. The target date for construction of operations and training building for AIR National Guard is 1971. General Taylor said they have been requested to split this into two buildings. No. 11 is the construction of a new combined support maintenance shop in Anchorage at estimated and approved cost of \$858,000,000. The target date on this is 1969. In answer to a question by Senator Blodgett, General Reid said that after the hangers are built the state must maintain and operate them, with a 75% reimbursement. (The construction is 100% federally funded.)

Senator Haggland asked about the floor in the Fairbanks Armory and was told that the wooden floor was replaced with a cement floor.

The committee then went on to discuss the construction of state armories at Kenai and Sitka. General Reid said that their estimate is \$476,000 federal funds for each one and

state funds will be about \$170,000. Colonel Byington said that the \$170,000 had been their original estimate for the state portion but that they have increased it to \$200,000. Senator Blodgett asked what the status of that \$200,000 is, and Colonel Byington said that right now it was in the capital improvements program and was turned down for the coming fiscal year. Senator Blodgett suggested that perhaps the Sitka Armory could be funded this year and the Kenai at a later date. General Necrason said that the need at Kenai is greater than at Sitka. Kenai has no armory at all. Senator Blodgett asked what the unit strength at Kenai is and General Reid said their assigned strength is 63 and the actual is 57. General Necrason said that the program is justified on the growth factor alone, but that there just was not the money in the capital improvements program. The City of Kenai has given them 5 acres of choice land, and right now the Department feels that if they can get a commitment from the State that they will authorize money next fiscal year the federal funds will be obligated so the armory can be constructed one year sooner than would be possible otherwise.

Adjournment: The joint committee adjourned at 11:30 a.m., the House subcommittee to meet on this budget at 1:30 p.m. and the Senate to meet again at 8 a.m., March 7.

HOUSE FINANCE SUBCOMMITTEE
Thursday, March 6, 1969
1:30 p.m.

Present: Generals Necrason, Reid, and Taylor, Colonel Byington, and Mr. Isbell were all present to meet on the Military Affairs Budget with Subcommittee John Sackett.

Military Affairs

Mr. Sackett asked the Military Affairs representatives to finish discussing their short range goals.

General Necrason said that on the Sitka and Kenai armories, \$200,000 is needed for the Kenai armory and they have no figures at this point for Sitka. Colonel Byington said that construction of the armory at Sitka has been moved up to 1974. General Necrason said they are hoping for state funds for Kenai in 1971. Mr. Sackett asked what the reasons for placing Kenai on a higher priority than Sitka are. General Necrason said that first, there is no armory in Kenai, and Sitka has a fairly decent building right now, which they do figure will need replacing eventually but is now satisfactory. Other reasons are there is a unit strength of about 70 in Kenai and 40 in Sitka and because Kenai is growing so rapidly.

Mr. Sackett asked if General Necrason would care to comment on the reconstruction of Camp Carroll and rehabilitation of the Field Training Equipment Concentration Site which they have listed as their 13th short range goal. General Necrason said that the rehabilitation of Camp Carroll is

Short range
Goals:

something that is necessary because of its complete inadequacy. He said that they have a very inadequate building for training. He said this is a federal program completely. Between 1961 and 1967 the federal government spent no money for the Army Guard in Alaska for construction, but now they have allocated over \$2,500,000 for the Army Guard construction program in Alaska, and there is reason to believe this support will continue. This is a five-year rehabilitation project.

Number 14, is to affiliate the newly created Naval Militia as an integral part of the Department of Military Affairs. Mr. Sackett asked what other plans are being made for the years to come, asking if they are anticipating an increase in the number of people in this area. General Necrason said that it is difficult to say what will be done, that a Naval Militia expert would have to say. He did say that in the State of New York the state budgets \$140,000 and gets \$5,000,000 federal matching money. They do not actually know what sort of surface unit they will get, but said he would not anticipate a budget in the first few years of more than \$60,000 or \$70,000 if they get the same rate as New York in federal funds. (They do not know what the federal funding would be.) On number 15, upgrading certain of their state employees, General Necrason explained that this is an attempt to retain personnel in their administrative section in Anchorage, by upgrading them.

OTAG and
Armories

Mr. Sackett asked for a statement on this section, noting that the Governor allowed \$450,500 for this program. General Necrason said that there is nothing startling or new in this portion of the budget.

Personal
Services:

Increases in personal services are due to step increases and 2 percent employee benefits. There is one new position, a naval operations and training officer, due to the organization of a naval militia approved by the legislature last year.

Travel:

Mr. Sackett asked if they receive additional travel from the federal government. In addition to their allowance in the budget. General Necrason said that they get federal funds for travel in the Adjutant General's Office, in the Disaster Office, and for some of the National Guard people. General Reid said that they get federal funds under the service contract for conducting maintenance inspections.

Mr. Sackett noted that the Department had requested \$15,000 and was granted \$12,100, and asked what had been cut out. General Necrason explained that during this year they actually expended \$12,100, by using other funds for travel, and so the Governor granted the amount of their actual. He said they could live with this.

Contractual:

Contractual Services increased \$6,400. \$7,000 is to support the Adjutant Generals' Conference in Alaska in 1970.

Code 360 is increased \$3,000. Colonel Byington explained that this is for Xerox rental. He said that they do not have their own Xerox in Anchorage but use the Governor's and reimburse them. There is a decrease in Communications.

Commodities:

Governor's allowance for Commodities was \$41,200. Colonel Byington said there was a slight increase for fuel. There was a slight increase in maintenance which, Colonel Byington explained, has to do with the fact that as the years go by the buildings require more maintenance. Mr. Sackett asked what the policy is on organizations using the armories. Colonel Byington said that non-profit organizations use them free unless they are doing it to raise money in which case they are charged for operation costs, and other organizations are charged rental. General Necrason said that they encourage use by non-profit organizations.

Equipment:

The \$1,000 for equipment is for the replacement of one typewriter purchased in 1955 and purchase of an additional machine for Operation and Training Division replacing a federal machine which is not authorized.

Inter-agency Charges:

Mr. Sackett asked about the \$28,300 charged by the Department of Public Works. General Necrason said that the breakdown is on page 34 of the budget book.

For Maintenance, General Reid said that they know from past experience certain things are going to happen, although they can't be specific. They have to use previous year's experience as a basis to determine what they are going to need. General Necrason said that it is really a preventative maintenance program.

Air National
Guard

Mr. Sackett noted that they had received allowance from the Governor for their total Air National Guard request. He requested a quick analysis. General Necrason said that he thinks the general picture here is much the same as the rest of the budget. There is an increase in employee benefits. There is one new requested position which is for a Guard I to allow 24-hour security for Kulis. Mr. Sackett noted that the salary for the guard is quite low (\$5,992). General Necrason said usually people in this position are "moonlighting" - it is not their total income.

Personal
Services:

Contractual:

Mr. Sackett noted that this section has increased \$10,000 since two years ago. The largest increase is in Repairs, Services and Alterations. This is due in large to the fact there are so many old, spread out buildings, General Necrason said. He said they are planning to build a consolidated building for Kulis and anticipate this construction for 1971. This should mean quite a cut in Repairs. Colonel Byington said that the facilities must be kept up to military standards.

Army National
Guard

Contractual:

There is a \$3,500 increase in Contractual. General Reid said that there are four new facilities: Bethel Hanger, Nome Hanger, Consolidated Support Maintenance Shop in Anchorage, and Organization Maintenance Shop in Anchorage. Due to the location of these positions additional telephone communications are necessary. Colonel Byington explained that telephones

are not under the service contract. An increase in Repairs and Services was noted, the explanation of which is on page 47 of the budget book.

Commodities:

Increase in commodities is in large part due to the new facilities.

Federal Scout Armories

General Reid said that they have some 53 federal scout armories, which are 100 percent federally funded, including utilities. The only increase is in maintenance costs, travel for maintenance technicians and fuel costs which go up every year. The state funds a portion of a federal government employee doing some state work.

Camp Carroll

General Reid said that the increase in Personal Services involves employee benefits for two employees.

Personal Services:

Mr. Sackett asked if General Necrason would care to make a general statement regarding the entire program. General Necrason said that the program for the National Guard in Alaska, both the air and army guards, have been very much improved. The Air Guard two years ago was scheduled for deactivation in 1970. They have gotten that deactivation removed from the program documents and in fact have gotten an increase in the Air Guard to just about three times the size previously authorized. Hopefully the state will continue to support the Guard in the same manner as the federal government is. The same applies to the Army Guard. With the reorganization of the Army Guard in Alaska, it has faired better than any other of the 50 states.

They were very fortunate last year in both guards. They are receiving indications of complete support for new facilities and improved operations on the part of the federal government and he said he thinks that it is very important they they also be supported from the state. Mr. Sackett said that with reference to the employees last year and the rents and utilities, the finance committee was concerned about the number of space in the MacKay Building for 32 employees. He said he had been told that this office would be partitioned off to make more offices, and asked if this had been done. General Taylor said there are a total of 50 some employees, only 32 of them are state funded. General Necrason said that the office space also includes the conference room used by all the offices in the MacKay Building. In response to a question by Mr. Sackett, General Necrason said that their rent situation in Anchorage was looked into by the last Legislative Audit and they were all satisfied with the Adjutant General's office.

Alaska Disaster
Office

Mr. Sackett requested a general statement. Mr. Isbell said that the largest increase in this office is in the Personnel and Administrative Program. The reason for this is that last year their guidelines required them to budget for Step C rather than the actual level of their people, and they wound up with a large deficit, since the average Step is E in this particular office. Mr. Isbell said that he was aware of this fact when he prepared his budget last year, but he had been told that the overall state average was Step C and that there still would be money to pay his people; this did not work out however. He had one position he was unable to fill this year; he took money from this position to pay other personnel. He said he doesn't expect to take anything out of contractual or travel, but he does expect to have to ask to transfer money into travel. He said they are way ahead of themselves in travel. He said that they had nothing budgeted for any form of disaster but the lack of water has required assistance from his office. Mr. Sackett asked again if they have taken any money from other line items at this date, and Mr. Isbell said that they have not and hope not to, but that they are suffering from the lack of the typist position.

Administrative
Program

Personal
Services:

The increase in Personal Services is due to budgeting at Step E and the 2% employee benefits. Mr. Sackett said that the Governor has not taken anything out for lapse. Colonel

Byington said that any lapse is probably federal funds because they spent almost down to the nickel in state money. Mr. Sackett noted that there had been \$4,813 lapsed in 1967-68. Colonel Byington didn't know why this was, and said he would find out the explanation before the meeting was over.

Travel: There is a \$1,500 increase in travel, which is necessary to do the job Mr. Isbell said.

Contractual: The decrease in rents and utilities is due to a move to the Facilities and Equipment portion of the budget.

Recess: The committee recessed at 2:30.

After Recess

Mr. Sackett asked if the Disaster Office is still at its old location, and Mr. Isbell said that it is. He said they could not budget for a move, because of the 5% increase limitation on budgets this year. He said that they still want to move very much. General Necrason said that they could not justify to themselves budgeting for this move, after the opposition presented by the House Finance Committee last year. Mr. Isbell said that their two buildings are sub-standard and do not measure up to the City of Anchorage Building Code, and they estimate it would cost \$7,000 to put a foundation under one of the buildings to bring it up to standard. There is a considerable amount needed for the other building too, such as the necessity of replacing the roof. He said that the walkway between the buildings is

really a hazard in the winter.

Mr. Sackett noted the increase in repairs, and Mr. Isbell said that janitorial services were not included in his budget last year because he had anticipated moving into the MacKay Building where it would not have been necessary. He said that he has requested a supplemental which is now in the Department of Administration to help with this year's unplanned costs.

Commodities: The only increase here is in fuel, which was not budgeted for last year, again due to the anticipated move to the MacKay Building.

Hardware

Mr. Sackett asked if this was a new program and Mr. Isbell said it is just a new way of budgeting. Mr. Sackett asked where it was before. Colonel Byington said it was under Personnel and Administration, in the various projects, but they felt it would be more convenient to have it separated from the projects.

Commodities: Mr. Sackett asked about the \$300 for plastic and holders for ID cards. Mr. Isbell explained that during the Fairbanks flood there was no way of identifying authorized personnel and there was a lot of looting going on, so they want to be prepared to give out these cards to their personnel in case of disaster.

Equipment: Mr. Isbell explained that the \$1800 increase here is for badly needed furniture replacement and for a printing calculator necessary for their accounting, because they keep

all their own records. On the subject of furniture, he said they have had only junk furniture and he himself actually used a table for a desk for 18 months.

Facilities & Equipment

Mr. Sackett asked about the decrease in contractual services, and Mr. Isbell said it was a bookkeeping matter and reflects a change to Inter-Agency Charges.

Contractual Services:

Commodities:

The increase in Commodities is due to fuel and incidental materials for the warehouse, which is not eligible for matching funds.

ADO Participants

Anchorage and Fairbanks both have Civil Defense Directors who come under this program. Their salaries are authorized for matching funds. The cities pay half and the federal government pays half.

Community Shelter

This program is 100% funded by the federal government. Mr. Sackett asked if they could get more federal money in the program if they wanted it, and Mr. Isbell said that two years ago they could have gotten all the money they wanted.

Radiological Program

This is another 100% federally funded program. This is for maintenance and calibration of radiological instruments donated by the federal government to the state.

Administration & Personnel

Colonel Byington stated at this point that with reference to earlier question on the lapsed funds in Alaska Disaster Office in 1967-68, there was an error in their encumbrance and it did not go through the IBM machine and they were required to follow what they had in the IBM breakdown. They really lapsed only \$135.

Civil Air Patrol

General Necrason said that Colonel Carter could not make the trip. He stated that the CAP budget had been approved

by the Governor, and said that Colonel Carter considers this amount satisfactory for their 1970 program, that this is an adequate operating budget. However, there are other things required for CAP in Alaska and the Colonel has prepared a comprehensive study, "Search for Tomorrow," and had discussed it with several legislators. The General said that Colonel Carter hopes some of the legislators will take a very close look at this study and give him permission to start doing some of the things in CAP that he feels are vitally necessary. General Necrason also said the Colonel hopes that the first year he would be given a total of \$600,000 and \$400,000 during the next 36 months for the purchase of planes and construction of hangers.

General Necrason indicated that he feels very strongly that this program should be carefully considered.

Travel:

There is an increase in Travel, mostly for travel outside of Alaska. General Necrason explained that a reason for this outside travel is that surplus aircraft can often be purchased very inexpensively if one can be present at places where they are being offered for sale. In answer to a question by Mr. Sackett, General Necrason said that there are 186 planes and pilots in the CAP. Mr. Sackett asked if most of the planes are privately owned, and General Necrason said that they are. The state has nine L 20's and six other planes. He stated that CAP personnel do not collect per diem.

Contractual
Prices:

Communications is decreased due to increased use of recently purchased radio equipment which reduces the need for telephone calls and telegrams. General Necrason said that a real problem in the CAP is their reliance totally on getting by as cheaply as they can by going directly to different vendors and getting aircraft at often cheaper costs, which does not comply with state regulations. Therefore, Colonel Carter is going to request the legislature for some sort of exemption to present policy of state procurement regulations because he is able to go to certain service people and get better planes cheaper.

Commodities:

Mr. Sackett noted the increase in clothing and fuel. General Necrason said that a lot of flying equipment is needed. He said that their people have not had adequate flying equipment in terms of clothing such as gloves. He said he supports this increase. The fuel increase is due to additional training. Mr. Sackett asked if they didn't have training programs before. General Necrason said that programs haven't been on such an organized basis previously and also that people have been using their own funds for CAP purposes.

Equipment:

The increase here is for two new vehicles to replace a couple that are more than 15 years old.

Mr. Sackett asked about item 530, \$8,400 for radio-aircraft and fixed stations, and asked if this was for new or existing aircraft and was answered existing aircraft. Mr. Sackett asked if there had not been enough in the budget for last

year, and General Necrason said this is a different type of radio. He said they must have flexibility from the plane but also ground control must be able to talk to the aircraft.

**Inter-Agency
Charges:**

Mr. Sackett asked the reason for the \$5,000 decrease in Grants, Claims and Shared Revenue. General Necrason did not know, so Mr. Sackett directed him to have Colonel Carter write down an explanation.

Adjournment:

The meeting adjourned at 3:30 p.m.

HOUSE FINANCE COMMITTEE MEETING
Friday, March 7, 1969
8:30 a.m.

Present: All members. Mr. Ray announced to the committee that they would proceed with a bill session, after he had made the following bill assignments:

HOUSE BILL NO. 25 (sale of fish) -- Mr. Haugen

HOUSE BILL NO. 178 (claims - damage of boats - Fairbanks flood) -- Mr. Ray

HOUSE BILL NO. 184 (sale of land to persons engaged in shore fisheries) -- Mr. Ray

CSSB70 am Mr. Ray moved and asked unanimous consent that the committee consider CSSB70 am (supplemental \$87,000 Legislative Affairs). There being no objection it was so ordered.

Mr. Ray explained how the original SENATE BILL 70 had been for \$200,000 and then came out of the Senate at \$87,000. He felt the Legislative Council had approved the original \$200,000 figure and therefore moved and asked unanimous consent that the committee adopt HOUSE COMMITTEE SUBSTITUTE FOR COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 70 in lieu of CSSB70 am. (HCSSB70 returns the figure to the original \$200,000). There being no objection it was so ordered. He then moved and asked unanimous consent that the committee report out HCSSB70 with unanimous "do pass" recommendation. There being no objection it was so ordered.

HOUSE
BILL 64

Mr. Hohman moved and asked unanimous consent that HOUSE BILL NO. 64 be considered at this time by the committee. There being no objection it was no ordered.

Mr. Hohman started off explaining the bill but Mr. Ray interrupted him to question the appropriation from the International Airport Revenue Bond Construction Fund. Mr. Borer thought the appropriation had been reversed. Mr. Ray interjected the thought that this money had been spent without prior approval or authority.

Mr. Ray suggested that Mr. Hohman should contact Mr. Freer and find out from him if this could be an error. Mr. Hohman moved and asked unanimous consent that HOUSE BILL 64 be returned to subcommittee. No objection so ordered.

HOUSE
BILL 160

Mr. Sackett moved and asked unanimous consent that HOUSE BILL NO. 160 (authorizing transfer between certain appropriations made to the Department of Health and Welfare for the fiscal year ending June 30, 1969) be considered by the committee. No objection so ordered.

Mr. Sackett cited the following reasons why Public Welfare needed these additional funds:

- 1) VISTA workers -- in attempt to educate these people;
- 2) BIA hired more social workers;
- 3) more divorces this year;
- 4) more girls getting pregnant; and
- 5) the newly created Work Incentive program, they must continue to make AFDC payments while people are under this training program.

Mr. McDonald, Commissioner of Health and Welfare, had told Mr. Sackett that he had no way of determining for positive

if this is why they need more money but he felt these were possible reasons for it. Mr. Ray asked if Mental Health, Public Health, YAA and Administration can afford these transfers, and Mr. Sackett said he had been assured that these divisions would be lapsing these various amounts as shown in HOUSE BILL 160.

Mr. Ray moved and asked unanimous consent that HOUSE BILL 160 be reported out with a "do pass" recommendation.

Mr. Borer objected and stated that he would like more time to read the rather voluminous report presented to him just a few moments ago. Mr. Ray withdrew his motion and said the committee would return after the session and further consider this bill.

Recess:

Meeting recessed at 9:00 a.m.

AFTER RECESS
10:45 a.m.

Present: All members.

HOUSE
BILL 160

HOUSE BILL NO. 160 was again before the committee.

Mr. Sackett referred to information (see bill file) he had received from Mr. McDonald, Commissioner of Health and Welfare, concerning expected lapses in these various divisions, and Mr. McDonald had assured him that these other divisions would not be short. With this assurance passed on to the committee, Mr. Sackett moved and asked unanimous consent that HOUSE BILL NO. 160 be reported out with unanimous "do pass." No objection so ordered.

Mr. Ray reminded the members of the urgency of reporting out their bill assignments as soon as possible and several members reported they would have bills ready by Monday.

HOUSE
BILL 70

Mr. Hohman moved and asked unanimous consent that HOUSE BILL NO. 70 (appropriating to the Department of Public Works) be considered by the committee. No objection so ordered.

Mr. Hohman quoted for a letter from Commissioner Strandberg, citing reasons for HB70, as follows: "If the new Anchorage Terminal is to have second level loading as designed and suitable parking, this construction is a must. Otherwise, baggage will have to be hand carried upstairs to the ticket counters and baggage rooms for all outgoing passengers. Complaints would be terrific! If Anchorage is to be the showplace entrance to Alaska via air, the facility must be completed. It would be to your advantage to review the plans

on file in this office for a more detailed picture of the problem..."

Mr. Sackett wanted to know how much money was in the bond fund, and Mr. Hohman told him that \$1,922,000 as of March, 1968, but he would be getting a more up-to-date figure shortly. Mr. Hohman offered the following amendment tax for purpose of technical correction:

Page 1, line 13: Delete words "Revenue Bond"

After assuring the committee that he had discussed this amendment with Mr. Freer, he moved and asked unanimous consent that the amendment be adopted. No objection so ordered.

Mr. Hohman moved and asked unanimous consent that HOUSE BILL NO. 70 as amended be reported out of committee with "do pass" recommendation. Mr. Sackett objected on the basis he wanted to know how much was in the fund before determining how he would vote. All members signed "do pass" with the exception of Mr. Sackett who signed "no recommendation." Mr. Croft asked to be excused to attend another committee meeting.

HOUSE
BILL 71

Mr. Sackett moved and asked unanimous consent that the committee consider HOUSE BILL NO. 71 (appropriating supplemental to Department of Education). No objection so ordered.

Mr. Sackett explained that he had a committee substitute drafted for the purpose of breaking out the figures so that the members would better understand the bill; whereupon he moved and asked unanimous consent that the committee adopt

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 71 in lieu of
HOUSE BILL NO. 71. No objection so ordered.

Mr. Sackett told the committee he had a statement from
Legislative Audit, the finance officer about present lapses,
a statement from the Commissioner, and background on all
previous years. After reading from the material he had
assembled (see bill file), Mr. Sackett then moved and asked
unanimous consent that CSHB 71 be reported out of committee
with "do pass" recommendation. Mr. Borer and Mr. Haugen
objected. Mr. Borer then moved and asked unanimous consent
that the general fund figure be amended from \$1,055,400
to \$900,000 and objection was heard. Mr. Ray asked the
purpose of the amendment and Mr. Borer said he was offering
it because he thought they (Department of Education) were
lying. Mr. Sackett vehemently disagreed with this statement;
Mr. Ray seemed inclined to agree with Mr. Borer, but wanted
Mr. Borer to be more specific. Mr. Borer said they were
lying somewhere within the \$1,055,400 but he didn't know where.
Mr. Ray then moved and asked unanimous consent that the
amendment of \$900,000 be amended to \$600,000. Mr. Ray said
he was not satisfied with any of the reasons given for coming
in so late for a deficit in 1967-68 FY. Mr. Borer asked
how many students were they dealing with, and Mr. Sackett
said in FY67-68 there were 50,695 and in FY68-69 there were
54,912.

Mr. Ray reiterated he was not satisfied, then moved and asked
unanimous consent to table both motions (his and Mr. Borer's
to amend the bill) and that he wanted Mr. Freer to appear

before the committee on Monday morning and also Dr. Hartman from the Department of Education. There being no objection it was so ordered.

Recess: Mr. Ray then recessed the meeting until 1:30 p.m.

AFTER RECESS

1:40 p.m.

Present: All members except Messrs. Croft and Borer. Dick Freer, Budget and Management, was also present. Chairman Ray called the meeting to order.

CSHB 71

It was moved and unanimous consent was asked that the committee consider COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 71 (appropriation - Dept. of Education). No objection, so ordered. Mr. Ray said they were concerned with this supplemental appropriation for FY67-68 for the School Foundation Program and said they had another supplemental for the same year. As the School Foundation Program is predicated at 3.5 mills and has a tax revenue Mr. Ray asked how this could be reconciled and why this wasn't taken care of in the proper year. Mr. Freer said the Department of Education requested a supplemental appropriation because they didn't have enough money to make district payments, so they got a supplemental but they had underestimated their supplemental so they used that up and had to dip into the current year to pay off for last year. Thus, they had a double set of appropriations for FY67-68. Mr. Ray said there is a \$50,000,000 total budget a portion of which is federal funds. Mr. Ray questioned why the Department couldn't make a true evaluation. Mr. Freer explained that what happened was at the end of last fiscal year when they make their final settlement a lapse may occur but will not appear in that year. In answer to a question by Mr. Ray, Mr. Freer said on June 30, they still have unsettled accounts with the districts.

He said additional information would have to be provided to give the committee more detail, and this information comes to their accounting office to encumber these funds. Mr. Ray said that the Department of Education is furnished reports three times a year as to what they expect the expenses of the School Foundation to be. He said in 1967-68 they asked for a supplemental to cover this and now they are asking for an additional supplemental. Mr. Freer said the supplemental would have been prepared about January and they were projecting ahead to the end of that fiscal year.

Mr. Ray commented on the 4,000 pupil increase saying these pupils must come from another place in the budget. He said the state school-operated system does not include ADM.

Mr. Ray asked if there was a possibility that a great deal of these pupils came from the state school-operated system. He said that he has seen no indication there will be a lapse in the state operated schools.

Mr. Ray said why, if they have a record of the expected increase, did they make one error and then another error. Mr. Sackett said they asked for a supplemental because they were cut back last year. Mr. Freer said there was a time where they were getting excessive funds but they gradually got down to a point where they didn't do that because the figures were reflecting what they needed. Mr. Freer said they should go back two years and see what the actual figures turned out to