

HOUSE FINANCE COMMITTEE

Monday, March 31, 1969

9:10 a.m.

All members were present with the exception of Messrs. Hohman and Sackett. Also present was Mr. Richard Freer from Budget and Management.

Chairman Ray called the meeting to order.

Mr. Ray moved the following figures:

Personal Services:	\$ 116,200*
Travel:	14,000
Contractual Services:	27,800*
Commodities:	2,600
Equipment:	800
Inter-Agency Charges:	<u>7,600</u>
	\$ 169,000

*The \$2,200 cut from the Governor's allowance in personal services is due to the vacancy and turnover factor; the \$2,300 cut in contractual services is in Code 380, professional fees and services, for which the Department requested, "Professional consulting fees for research and guidance in connection with the consideration and establishment of new development programs. Travel and miscellaneous expenses of special groups for on-site inspection of Alaska's resources at State's invitation. Travel promotion and other miscellaneous public relations and promotion."

Mr. Ray moved and asked unanimous consent that the figure of \$169,000 be adopted. No objection, so ordered.

Department
of Economic
Development

Office of the
Commissioner

Mr. Ray moved the following figures:

Personal Services:	\$ 24,100
Travel:	1,400
Contractual Services:	2,800
Commodities:	400
Equipment:	<u>1,200</u>
	\$ 29,900

In answer to Mr. Haugen's question as to why the Commissioner wants this office, Mr. Ray referred to page 19, which reads, "Due to the increase of activities of the statewide Industrial Development program and the rapid development of the oil reserves in the Kenai and North Slope areas a positive need for the expansion of the Anchorage branch office is necessary." Mr. Ray commented that he doesn't understand essentially what they are going to do. Mr. Croft wondered if there has been any thought to putting it in another department again; Mr. Ray said he has given some serious thought to it. He said, however, that it is a policy decision that the committee will have to make for themselves as to whether they want to go along with it. Mr. Haugen said he couldn't see any reason to change it, that Economic Development is functioning in a more responsible manner than before, and under good direction. Mr. Ray said that he didn't like it before; however, if the committee wanted to leave it in, he would move and ask unanimous consent that the total figure of \$198,900 be adopted for the Office of the Commissioner. No objection, so ordered.

Industrial
Development

Personal
Services:

Mr. Ray recommended the vacancy and turnover factor be increased by \$1,700, which reduced personal services to \$202,700.

Commodities:

Mr. Ray asked for a reduction in commodities of \$1,000 from the Governor's allowance of \$4,000, the reason being that the Department requested only \$3,000.

Grants, Claims
& Shared Revenue:

Mr. Ray moved the figure of \$75,000 for grants, claims & shared revenue. Mr. Borer objected to the figure and noted the Department requested \$100,000 for the Development Loan Fund, and \$75,000 for the Reindeer and Agricultural Program. Mr. Borer stated that these monies for the Development Loan Fund are used in connection with small business development corporations, and that he has received their report and they have helped substantially in providing adequate amounts of equity in various areas, most of which has been handled by the Greater Anchorage Development Corporation. He stated that they had \$100,000 for the Development Loan Fund last year and have built a considerable amount of housing.

Mr. Borer moved and asked unanimous consent that the figure be kept at last year's level. Mr. Ray objected, the proposed figure agreed with the Governor's allowance. Mr. Borer said the Department requested the same figure as last year. Mr. Freer said that when this was reviewed there had not been a great deal of activity as far as they could tell, that \$60,000 had not been used. Mr. Borer

argued that it brought in \$1,750,000 in Federal funds and couldn't see why money for these projects should be cut out. Mr. Ray said that to his knowledge it hadn't been particularly successful; however, he moved and asked unanimous consent that Code 700 be established at \$100,000 for the Development Loan Fund, the same figure as a year ago. Motion failed 3 - 2.

Mr. Borer then moved and asked unanimous consent that the \$75,000 for the Reindeer and Agricultural program be deleted. Mr. Ray ruled the motion out of order.

Mr. Ray asked why they couldn't go through the Small Business Administration, and Mr. Borer replied that they couldn't manage on the short terms set by the Small Business Administration. These are long-term loans, and this is what is needed by these particular borrowers.

Mr. Ray moved and asked unanimous consent that Code 700 be increased \$25,000 over the Governor's allowance to \$100,000 and that legislative intent show this is to be used for both programs or whichever has highest priority for development in Alaska at the discretion of the Commissioner. No objection, so ordered.

The figures moved, therefore, are as follows:

Personal Services:	\$ 202,700
Travel:	23,200
Contractual Services:	91,500
Commodities:	3,000
Equipment:	800
Grants, Claims & Shared Revenue	<u>100,000</u>
	\$ 421,200

Legislative Intent:

Mr. Ray moved and asked unanimous consent that the figure of \$421,200 be adopted for Industrial Development. No objection, so ordered.

Alaska Travel

Mr. Ray moved the following figures:

Personal Services:	\$ 173,000*
Travel:	21,100
Contractual Services:	353,200*
Commodities:	30,700
Equipment:	2,500
Grants, Claims & Shared Revenue:	14,100
Inter-Agency Charges:	<u>6,900</u>
	\$ 601,500

*Mr. Ray recommended the vacancy and turnover factor be increased by \$3,500, which reduced personal services to \$173,000; and the \$50,000 cut in contractual services is for the ferry brochures which should not have been in this Department since it is a direct expense to the Marine Highway System and should appear under inter-agency charges. They anticipate putting this under the Marine Highway System.

Mr. Ray moved and asked unanimous consent that the figure of \$601,500 be adopted for Alaska Travel. No objection, so ordered.

Mr. Ray then moved and asked unanimous consent that the total figure of \$1,221,600 for Economic Development be adopted. No objection, so ordered.

After Recess

9:45 a.m.

Department of
Education

Chairman Ray said the committee would now close out the Department of Education.

Board of Education

Mr. Ray said that he recommends reducing Travel for the Board of Education to \$10,900. He said that by law the Board is only required to meet quarterly, and he feels that meeting every two months is unnecessary. Mr. Freer noted that the request for this year has increased due to consolidation in this section of the Board of Education and the Board of Vocational Education.

Mr. Ray moved a total figure of \$24,000. Mr. Brer objected. The figure \$24,000 was accepted.

Commissioner's
Office

Mr. Ray moved the following figures for the Commissioner's Office:

Personal Services	\$ 81,400	(\$800 cut for vacancy and turnover)
Travel	9,800	(\$900 reduction)
Contractual Services	3,200	
Commodities	3,500	(\$500 cut)
Inter-Agency Charges	4,300	
	<u>\$102,200</u>	

Mr. Ray moved and asked unanimous consent that the total of \$102,200 be accepted. No objection, so ordered.

Advisory Commission

Mr. Ray moved the following figures for the Advisory Commission:

Personal Services	\$2,000	
Travel	32,000	(\$5,000 cut)
Contractual	63,800	
Commodities	<u>200</u>	
	\$98,000	

Mr. Ray moved and asked unanimous consent that a total figure of \$98,000 be accepted. No objection, so ordered.

Scholarship Loans

Mr. Ray moved and asked unanimous consent for acceptance of the Governor's Allowance of \$50,000.

Mr. Borer objected. He said that with only the \$50,000 they will only be able to maintain those students selected last year. Mr. Bradner said he thought they should keep it at \$50,000 until the law is changed.

He said that now in public schools like the University of Alaska it is not possible for the students to expend all of the money allocated. Mr. Borer moved and asked unanimous consent that the figure of \$100,000 be accepted. Objection was heard, and on vote the motion failed 3-2 with Messrs. Borer and Haugen voting yea. Figure of \$50,000 was adopted.

Arctic Education Center

Mr. Ray said that to get started on this program they were allowed six people and hired only 5; they hired consultants and different people to come in and paid them honorariums and such. He recommended decreases and moved the following figures:

Personal Services	\$ 77,500	(\$1200 cut for vacancy and turnover)
Travel	14,000	(\$2,000 reduction)
Contractual	33,000	(\$10,000 cut)
Commodities	9,300	
Equipment	2,800	
	<u>\$136,600</u>	

Mr. Borer pointed out that much of this program is federal funds, and Mr. Ray pointed out that very often

what happens in federally funded programs is that federal funds are withdrawn in a later year and the state is left with 100% responsibility.

The figure of \$136,600 was accepted for the Arctic Education Center.

Staff Development

Mr. Ray moved and asked unanimous consent that the Governor's allowance of \$10,000 be accepted. No objection, so ordered.

General Administration - Total

Mr. Ray moved and asked unanimous consent that a total figure for General Administration of \$420,800 be accepted. No objection, so ordered.

Administrative Services
Director's Office

Mr. Ray moved the following figures for the Director's Office in Administrative Services:

Personal Services	\$83,200	(\$10,000 cut due transfer of supply officer)
Travel	5,000	(\$300 cut)
Contractual Services	5,000	(\$500 cut)
Commodities	500	
Equipment	600	
Inter-Agency Charges	<u>128,700</u>	
	\$223,000	

Mr. Ray asked Mr. Freer about the additional \$66,800 for ADIC in Inter-Agency Charges. Mr. Ray said this is a figure determined by the Department of Education and the head of Data Processing in Department of Administration. Mr. Borer asked about payment to Lockheed, and Mr. Freer said that this is the final payment; they are phasing out relations with Lockheed. Mr. Ray questioned the amount for ADIS, and indicated that he felt this might not be quite a legitimate request. Mr. Ray moved and

asked unanimous consent that a total figure of \$223,000 be accepted. No objection, so ordered.

Budget & Accounting Mr. Ray moved the following figures for Budget and Accounting:

Personal Services	\$158,000	(\$1500 reduction for vacancy & turnover)
Travel	400	
Contractual	3,000	(200 cut)
Commodities	1,000	
Equipment	1,400	
	\$163,800	

Mr. Ray moved and asked unanimous consent that the figure of \$163,800 be accepted. No objection, so ordered.

Purchasing
Property

Mr. Ray moved and asked unanimous consent that the figure \$71,100 be accepted for Purchasing and Property, thus implementing the program which the Department had requested be transferred to State Operated Schools.

Mr. Ray said it is here that the Supply Officer transferred to. Mr. Borer objected. Mr. Borer moved that the figure be deleted, per Department request.

Mr. Ray said that the motion failed, and so the \$71,100 remains in this place in the budget.

Data Processing

Mr. Ray moved and asked unanimous consent for acceptance of \$53,800 for Data Processing and Statistics. No objection, so ordered.

Secretarial
Services

Mr. Ray moved a figure of \$74,800 for Personal Services, the decrease due to Vacancy and Turnover, and he moved and asked unanimous consent that a total figure of \$84,400 be accepted. No objection, so ordered.

School Lunch and Milk

Mr. Ray moved the following figures for School Lunch and Special Milk Program:

Personal Services	\$ 46,200	(\$500 cut due to vacancy & turnover)
Travel	7,000	(\$1,000 cut)
Contractual	1,500	
Commodities	500	(\$200 cut)
Equipment	500	
Grants, Claims, Shared Revenues	<u>405,000</u>	
	<u>460,700</u>	

Mr. Borer objected to the fact that there was no breakdown of Code 700, Grants, Claims and Shared Revenues.

Mr. Ray moved and asked unanimous consent for acceptance of \$460,700. No objection, so ordered.

Mr. Ray moved and asked unanimous consent for a total for Administrative Services of \$1,056,800. No objection, so ordered.

Administrative Services - Total

Instructional Services

Director's Office

Mr. Ray moved the following figures for the Director's Office in Instructional Services:

Personal Services	\$31,200	
Travel	6,100	(\$2,000 cut)
Contractual	10,000	(\$9,000 cut - RUPS Program)
Commodities	1,900	
Equipment	300	
Inter-Agency Charges	<u>3,600</u>	
	<u>\$53,100</u>	

Mr. Ray moved and asked unanimous consent that a total of \$53,100 be accepted for the Director's Office.

No objection, so ordered.

Federal Programs

Mr. Ray moved and asked unanimous consent for acceptance of the Governor's Allowance in Federal Programs of \$3,500,800. No objection, so ordered.

Adult and Pre-School

Mr. Ray moved the following figures for Adult and Pre School Programs:

Personal Services	\$49,800	
Travel	12,500	(\$2100 cut)
Contractual	17,300	(\$5,000 cut- Univ. of Alaska contract)
Commodities	3,600	
Equipment	2,900	
Inter-Agency Charges	1,700	
	<u>\$87,800</u>	

Mr. Ray said that he objected to the \$5,000 for the University of Alaska to contract to evaluate Adult Basic Education Programs in the state, and said he feels this should be the kind of service provided by the University to the State. Mr. Haugen moved and asked unanimous consent that the program be zeroed out. Mr. Croft objected. The motion failed on a 2-3 vote. Mr. Ray moved and asked unanimous consent that \$87,800 be accepted as a total figure. Motion carried.

Consultant Services

Mr. Ray recommended in Consultant Services a decrease in Personal Services to \$137,000, the cut due to vacancy and turnover. He recommended also a \$10,000 cut in Contractual Services, to \$71,300. Mr. Croft objected to this cut and asked why Mr. Ray recommended cutting it below last year's level. Mr. Ray read off the justification for Contractual Services in the budget workbook and the committee seemed to feel their requests were excessive. Mr. Ray also said that Inter-Agency

Charges shown this year were in Contractual Services last year. Mr. Ray moved and asked unanimous consent for a total of \$263,200. Mr. Haugen amended the motion to \$200,000, and the amended motion passed on a 4-1 vote.

Legislative Intent

Mr. Haugen said that he would like legislative intent general fund to state that the money is to be utilized in the best way for receiving federal matching monies, and that the majority of the cut should be in Contractual Services.

Certification

In response to comment by Mr. Ray, Mr. Freer said that all full-time employees are to get 14% benefits, are now getting 12%, and half-time employees are getting 6%. Mr. Ray recommended reducing Personal Services to \$37,000 (\$300 cut) and Travel to \$2500 and moved a total figure of \$50,100. Mr. Borer amended the motion to \$38,000, to keep all costs at last year's level. The motion as amended passed 4-1.

Correspondence

Mr. Ray said increases are due to an increased number of students taking correspondence courses. Mr. Ray moved and asked unanimous consent for acceptance of the Governor's allowance of \$80,900. No objection, so ordered.

Special Education

Mr. Ray moved for reduction of Personal Services to \$47,500 (decrease due to vacancy and turnover) and moved and asked unanimous consent for acceptance of the figure \$66,400. No objection, so ordered.

Technical Services

Mr. Ray moved to reduce Equipment to \$1,000 from \$1800 because he said last year they were given \$1200 for equipment. This is for furniture they want for the

teacher's lounge. He moved and asked unanimous consent that a total figure of \$55,100 be accepted. No objection so ordered.

Instructional
Services

Mr. Ray moved and asked unanimous consent that a total figure of \$4,082,100 be accepted for Instructional Services. No objection, so ordered.

Recess:

The meeting recessed at 11:10, until 1:30.

AFTER RECESS
1:30 p.m.

Present: All members except Mr. Borer. Mr. Richard Freer from Budget and Management was also present.

Dept. of Education

Book II

State Operated Schools

Director's Office: Mr. Ray moved the following figures for

Director's Office:

Personal Services:	\$338,000
Travel	40,000
Contractual Services	74,000
Commodities	4,000
Equipment	<u>-0-</u>
	\$456,000

Personal Services:

Mr. Ray explained that personal services had been reduced to \$338,000. This had been reduced because the Purchasing Section had been taken out of State Operated Schools and returned to Purchasing and Supply.

Travel:

Mr. Ray noted this code had also been reduced to \$40,000 from the Governor's allowance of \$43,100 which also would reflect the change of the Purchasing Section.

Contractual Services:

Mr. Ray noted that contractual services had been reduced to \$74,000 from the Governor's allowance of \$82,500. The \$74,000 figure was obtained by taking away the rental of property in Anchorage which would have been required by the transfer of Purchasing.

Mr. Ray moved and asked unanimous consent that the total figure of \$456,000 be adopted by the committee. No objection so ordered.

Rural Schools: Mr. Ray moved on the following figures for Rural

Schools:

Personal Services	\$5,400,000
* Travel	15,000
Contractual Services	795,300
Commodities	662,400
Equipment	30,000
Land & Structures	-0-
Inter-agency Charges	<u>818,000</u>
	\$7,720,700

Personal Services:

The Governor's allowance was \$5,440,900 and Mr. Ray stated the new figure was \$5,400,000 which showed an increase in vacancy and turnover of \$40,900.

Travel:

* Mr. Ray asked that this figure be \$5,000 saying that he believed there was some travel, at least \$10,000, that had been transferred to the Director's Office. Mr. Freer said he did not think that this travel had been budgeted in the Director's Office and said this is for eight Area Superintendents to travel to the schools in their areas. Mr. Croft added that these superintendents have to go out to the schools that they take care of and he moved and asked unanimous consent that the committee adopt the figure of \$15,000 for travel. Mr. Ray objected. Motion passed.

Contractual Services:

Mr. Ray questioned the \$408,900 allowed by the Governor on Code 330, rents and utilities, when the Department had only requested \$260,000. Mr. Freer said this was for ASHA rentals. [Refer to page 711 of minutes for a more detailed explanation.] Mr. Ray moved and asked unanimous consent that the figure of \$408,900 for code 330 be adopted.

No objection so ordered. Mr. Ray then moved and asked unanimous consent that the total of contractual services of \$795,300 be adopted. No objection so ordered.

Legislative Intent

He moved and asked unanimous consent that it be the legislative intent that ASHA furnish a breakdown to cover their expenses to these schools to be lined out in the future. No objection so ordered.

Commodities: Mr. Ray moved and asked unanimous consent that the committee adopt the Governor's allowance of \$662,400. No objection so ordered.

Equipment: Mr. Ray moved and asked unanimous consent that equipment be cut down by \$11,500 making a total of \$30,000. He said that he felt a 20% increase is enough. Mr. Sackett objected saying they were taking over more schools. Mr. Haugen amended the figure to \$35,000. Motion failed. A vote was called for the figure of \$41,500, which is the Governor's allowance. Motion failed. A vote was called for the figure of \$30,000 and the motion carried.

Land, Bldgs.

Non-structural Improvement:

Mr. Haugen moved and asked unanimous consent that code 600 be -0-. Mr. Ray moved the figure of \$5,000 and Mr. Haugen objected. Mr. Haugen again moved and asked unanimous consent that this figure be -0- and the motion carried.

Inter-Agency

Charges:

Mr. Bradner questioned whether there was any information given about estimated income and Mr. Ray said that the charges are for general maintenance work. There was a brief discussion on this and Mr. Ray moved the figure of \$765,200 for Division of Building charges and the total

figure of \$818,000 for Inter-agency Charges. No objection so ordered.

Mr. Ray moved and asked unanimous consent that the total figure for Rural Schools of \$7,720,700 be adopted. No objection so ordered.

On-Base Schools

Mr. Ray moved on the following figures:

Personal Services	\$7,060,000
Travel	15,000
Contractual Services	432,400
Commodities	421,600
Equipment	50,000
Inter-Agency Charges	<u>120,000</u>
	\$8,099,000

Personal Services:

Mr. Ray explained his recommendation of personal services at \$7,060,000 instead of the Governor's allowance of \$7,106,800 was to allow for the vacancy and turnover factor.

Contractual Services:

The Governor's allowance was \$438,400 and Mr. Ray recommended that this be cut by \$6,000 making a total of \$432,400.

Commodities: There was a brief discussion on this and a question was raised as to how many pupils the hot lunch program in Adak was for and it was answered later in the meeting that there are 556 pupils in Adak. It was moved and unanimous consent asked that the Governor's allowance of \$421,600 be

adopted. No objection so ordered.

Equipment: Mr. Ray recommended that the figure be \$50,000 with \$4,000 in code 520, office furniture & equipment, and \$46,000 in code 530, equipment peculiar to the program. Mr. Hohman moved and asked unanimous consent that the figure of \$50,000 be adopted by the committee. Mr. Sackett objected. Mr. Sackett said he felt that the equipment in rural schools was "rotten right now." A vote was taken on the \$50,000 figure and the motion failed.

Mr. Borer arrived.

— There was a brief discussion regarding the salaries paid to employees working for state-operated schools and Mr. Bradner said he thought there was something wrong in these areas and questioned whether the employees are actually getting the salaries shown in the budget.

The committee returned to the discussion on Equipment and Mr. Croft asked if Mr. Ray's figure for equipment allowed about \$5.00 a year per pupil per year.

Mr. Croft also asked what percentage of federal funds was involved. Mr. Freer said he couldn't relate to federal or state funds but that this represents the difference between what the state is paying out today and what it will be reimbursed in two years. Mr. Borer added that the state will get every penny back on this but there is a two year lag. Mr. Ray moved and asked unanimous consent that the committee adopt the \$50,000 figure. Motion carried.

Recess: The meeting recessed at 2:20 p.m.

AFTER RECESS

2:50 p.m.

Inter-Agency
Charges:

Mr. Ray moved and asked unanimous consent that the figure of \$120,000, which is the Governor's allowance, be adopted by the committee. No objection, so ordered.

Mr. Ray moved and asked unanimous consent that the figure of \$8,099,000 be adopted for On-Base Schools. No objection, so ordered.

Regional Schools

Mr. Ray moved on the following figures:

Personal Services	\$435,700
Travel	21,500
Contractual Services	145,300
Commodities	140,000
Equipment	16,000
Inter-Agency Charges	75,100
	<u>\$833,600</u>

Personal Services:

Mr. Ray explained that his recommended figure for personal services of \$435,700 showed an increase of \$2,200 in vacancy and turnover.

Travel:

Mr. Ray said he recommended the figure of \$21,500. The Governor's allowance is \$25,100. Mr. Ray said the figure he recommended showed an increase of \$5,100 over last year. Mr. Ray moved and asked unanimous consent that the figure of \$21,500 be adopted for travel. Mr. Sackett objected. Motion carried.

Mr. Sackett questioned why the state operated schools do

Mr. Ray said they have teacher contracts for a certain number of days -- 180 days within 190-day period. Mr. Sackett pursued this and wanted to know why they can't spread out the time in state-operated schools like they do in district schools, and would like to see a change made so the students would be allowed to go home at Christmas time. Mr. Ray felt this should be discussed with Dr. Hartman and see if this is possible.

Contractual
Services:

Mr. Ray recommended this figure be the same as the Governor's allowance of \$145,300.

Commodities:

Mr. Ray moved and asked unanimous consent that the committee adopt the figure of \$140,000 for commodities. No objection, so ordered.

Equipment:

This figure was the same as the Governor's allowance of \$16,000.

Inter-Agency
Charges:

Mr. Ray noted that this showed an increase of \$35,100. However, he moved and asked unanimous consent that the committee adopt the Governor's allowance of \$75,100. No objection, so ordered. Mr. Ray noted that the committee would like to have these charges broken out.

Mr. Ray moved and asked unanimous consent that the committee adopt the total figure of \$833,600 for Regional Schools. No objection, so ordered.

Federal Program (Rural)

Mr. Ray moved and asked unanimous consent that the committee adopt the Governor's allowance of \$1,050,000 for the State Operated Schools saying that this is all federal money. No objection, so ordered.

Boarding Home Program

Mr. Ray moved and asked unanimous consent that the figure of \$1,107,700 be adopted by the committee. No objection, so ordered.

P.E.R.C.Y.

Mr. Ray moved and asked unanimous consent that the committee adopt the figure of \$270,000. No objection, so ordered.

Legislative Intent

Mr. Ray moved and asked unanimous consent that the legislative intent would be that under no circumstances will the state increase their share unless the federal funds are increased commensurately with the state share.

No objection, so ordered.

Mr. Freer explained that the P.E.R.C.Y. program is something that has been going on but that it has just been pulled together in the budget. He added that the state's share of this is \$10,000.

Mr. Ray moved and asked unanimous consent that the figure of \$19,537,000 be adopted for the total of State Operated Schools. No objection, so ordered.

District School Support
Public School
Foundation Program

Mr. Ray moved and asked unanimous consent that the committee adopt the figure of \$27,000,000. Mr. Croft objected. Mr. Ray explained the reason for the cut was that if they needed more funds they could come in with a supplemental.

Pupil Transportation

Mr. Ray recommended the figure of \$3,000,000 for this program. Mr. Croft objected. Mr. Ray said that they could come in with a supplemental if necessary. Mr. Croft said legislative intent should be indicated by noting the committee is not trying to restrict the program. Mr. Ray disagreed. Mr. Ray said by authorizing \$3,000,000 they were still allowing a substantial increase. Mr. Ray called for a vote of all those in favor of \$3,000,000 and the motion passed. Mr. Croft asked what the increase in pupils is for this and Mr. Ray said 12 percent.

State Share of Teachers' Retirement

Mr. Ray recommended the committee adopt the figure of \$1,040,000.

Non-Resident Tuition

Mr. Ray moved and asked unanimous consent that the figure of \$1,000,000 be adopted. Mr. Croft objected. There was further discussion on this and the meeting adjourned at 3:15 p.m.

Adjournment:

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

Present: All members. Mr. Richard Freer from Budget and Management was also present.

Dept. of Education

Book II

District School Support

State Share of

Teachers' Retirement

The committee continued there discussion from the previous day concerning the State Share of Teachers' Retirement. Mr. Ray questioned Mr. Freer as to why this comes out of the general fund. Mr. Freer said this is the state's share of this program and that the state has to put up a portion of the retirement. Mr. Ray moved and asked unanimous consent that the figure of \$1,040,000 be adopted. No objection so ordered.

Non-Resident Tuition

Mr. Ray moved and asked unanimous consent that the figure of \$1,000,00 be adopted. Mr. Borer and Mr. Sackett objected and Mr. Ray said that they had discussed this with Dr. Hartman and he had said this cut wouldn't hurt the program and they would accept as many children as ^{are} qualified. Mr. Ray again moved and asked unanimous consent that this be adopted and as there was no objection the figure of \$1,000,000 was adopted.

Johnson-O'Malley Aid Mr. Ray questioned why this amount is going down each year and Mr. Freer said he didn't have the answer. Mr. Ray requested that he inform the committee at a later time on this and Mr. Croft noted in the Budget Document the Bureau of Indian Affairs provides supplemental assistance to school districts with a substantial number of Native pupils where

there is a demonstrated need under the Johnson O'Malley Aid. Mr. Ray moved and asked unanimous consent that the figure of \$100,000 be adopted. No objection so ordered.

Juveniles in Detention Mr. Ray said it was his understanding of this program that they send teachers on a once-a-week basis to correctional institutions to give juveniles who want an opportunity to learn. He noted that juveniles who are being held for any length of time would be at a correctional institution such as McLaughlin or Alcantra and that these institutions provide instruction opportunities.

Mr. Ray moved and asked unanimous consent that this program be adopted with a figure of \$60,000 which is a \$32,600 cut. No objection so ordered.

Mr. Haugen said he would like to have the Commissioner of Education provide a narrative on this program and Mr. Croft noted this should be requested from both the Commissioner of Education and the Commissioner of Health and Welfare.

Sabbatical Leave Mr. Ray moved and asked unanimous consent that the figure of \$37,900 be adopted. No objection so ordered.

Mr. Haugen asked how long the teachers are required to teach after they return to the state and Mr. Ray said two years.

Total: Mr. Ray moved and asked unanimous consent that the figure of \$32,237,900 be adopted for the District School Support. No objection so ordered.

Mr. Freer asked the committee what consideration had been given to the fact that the state cannot use P.L. 874 funds any more for part of their local matching funds.

Mr. Borer said that this money will go directly to the districts. Mr. Freer said this is already going to the districts and added that the state is going to have to put in another \$1,369,000. Mr. Borer added or they would have to reduce the 3 1/2 mill requirement. Mr. Ray said he thought there was a bill pending on this and Mr. Bradner concurred saying the Governor had sent dow a bill.

Mr. Freer said that the districts have been using 50% of P.L. 874 funds as part of their local efforts and now the federal government says they can no longer do this.

Mr. Sackett said either the millage is raised or the state will have to pick up this slack. Mr. Ray said they would look into this and it would be discussed further at a later date.

Vocational Education

Mr. Ray moved the following figures for Vocational Education:

Personal Services	\$245,000
Travel	50,000
Contractual Services	75,500
Commodities	8,600
Equipment	2,000
Grants, claims & shared rev.	1,805,600.
Inter-agency charges	54,600
	<u>\$2,241,300</u>

Personal Services:

Mr. Ray said the figure of \$245,000 for personal services was reduced because of the vacancy and turnover factor. He moved and asked unanimous consent that this figure be adopted. No objection so ordered.

Travel: Mr. Ray moved and asked unanimous consent that this be cut to \$50,000. No objection so ordered.

Contractual Services: Mr. Ray moved and asked unanimous consent that the figure for contractual services be increased to \$75,500. This would include funds for a Fire Service Training Officer. Mr. Hohman objected. Mr. Ray said this position would be to provide funds for HOUSE BILL NO. 6 (an act creating the office of supervisor of fire service training in the Dept. of Education). Mr. Ray moved and asked unanimous consent

Legislative Intent that the legislative intent be that the Department of Education is to seek out matching federal funds to finance this program and that the Department would provide the finance committees with a progress report next session. No objection so ordered.

Commodities: Mr. Ray moved and asked unanimous consent that the committee adopt the figure of \$8,600. No objection so ordered.

Equipment: Mr. Ray moved and asked unanimous consent that the committee adopt the figure of \$2,000. No objection so ordered.

Grants, claims & shared revenues: Mr. Ray moved and asked unanimous consent that the figure of \$1,805,600 be adopted. Mr. Borer objected saying he questioned the \$215,000 shown for the Department of Public Safety. Mr. Ray requested that Mr. Freer find out what the \$215,000 is for and Mr. Ray moved and asked unanimous consent that the \$1,805,600 be adopted. Mr. Borer objected. Motion carried.

Inter-Agency Charges: Mr. Ray moved and asked unanimous consent that the committee

adopt the figure of \$54,600. No objection so ordered.

Mr. Ray moved and asked unanimous consent that the total figure of \$2,241,300 be adopted for Vocational Education.

No objection so ordered.

HOUSE BILL
NO. 127

Mr. Ray moved and asked unanimous consent that the committee consider HOUSE BILL NO. 127 (an act creating a public defender agency; and providing for an effective date). No objection so ordered.

Mr. Croft said at the present time there is approximately \$200,000 that would not be needed in the Court System budget if this bill was adopted. He said the original fiscal note on this bill by the Court System was \$409,106. He said that Mr. Martini had informed him, however, the Court System did not include 14% for employee benefits in this note and so he came up with a new figure of \$429,470. Mr. Croft said he had gone through the budget and compared the cost of the statewide district attorney offices and felt that on certain items, particularly in travel the fiscal notes were too high. He said he would place a fiscal note on this bill of \$413,870 and that the figure of \$400,000 is roughly correct. He said that all of that would not be used the first year because they won't get into full operation. He said the plan calls for nine lawyers, nine steno-typists, three investigators (the Public Defender's Office would include 1 Public Defender, 1 Executive Secretary I;

the Anchorage office, an Asst. Public Defender, 2 Asst. Public Defenders, 1 Investigator, 1 Secretary III, 2 Clerk-Steno III; Juneau Office, 2 Asst. Public Defenders, 1 Investigator, 1 Secretary II, 1 Clerk Steno III; Fairbanks Office, 2 Asst. Public Defenders, 1 Investigator, 1 Secretary II, 1 Clerk-Steno III; Ketchikan, an Asst. Public Defender, and a Secretary II).

Mr. Croft said this bill would allow the state to meet its responsibility for providing attorneys for indigent people and the bill puts this agency in the Office of the Governor. He said the bill provides that a Public Defender Office must be provided in each judicial district of the state.

Mr. Ray said one of the things he objected to was on the appointment and term (page 1, line 17) and said he felt this position should be confirmed by the Legislature.

Mr. Croft agreed saying this would increase the stature of the office. Mr. Bradner suggested using the existing language but adding "confirmed by the legislature."

Mr. Ray said on page 2, line 26 the "compensation of persons appointed under this section shall be fixed by the public defender" should be changed to "...fixed by the Personnel Division." Mr. Bradner noted on line 25, page 1 "If the governor decides to retain the public defender he need not call for nominations from the judicial council" and questioned this.

Mr. Croft said the court will determine those cases in which a person is entitled to council.

There was a discussion on who would be called an indigent person and his ability to pay and Mr. Croft said it was more equitable to leave this up to the judge. Mr. Ray said he was concerned with maximum protection of the public and wanted to be sure that this bill would cover people who are not able to pay.

Mr. Borer said he was concerned with page 5, line 7 - 10 which reads: "At the conclusion of all services by the public defender to the person, the public defender shall release to the attorney general all information received under this subsection except information that might incriminate or tend to incriminate the person." He said this would prohibit the public defender from being able to disclose the information if he found out the person actually wasn't an indigent. Mr. Croft said that he thought the Public Defender would bring that to the attention of the judge. Mr. Ray said he thought the subsection (b), line 19, page 5 should be deleted. This gave the public defender authority to contract with private attorneys. Mr. Croft said if the Attorney General's office had the right to hire experts then the Public Defender should also have this right. He said if the Attorney General had the right to hire an expert and the Public Defender didn't this could actually put the Public Defender "way out of his class" at a trial.

Mr. Bradner said he thought this should be left in and after a brief discussion it was decided this section would remain.

The Finance Committee requested that a FINANCE COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 127 be written.

Mr. Bradner moved and asked unanimous consent that FINANCE COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 127 be accepted in lieu of HOUSE BILL 127 and be reported out with a "do pass" recommendation. Mr. Borer and Mr. Haugen objected. A vote was called with the following result:

"Do pass": Messrs. Ray, Croft, Hohman, Bradner and Sackett

"Do not pass": Messrs. Borer and Haugen

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

AFTER RECESS
10:35 a.m.

Mr. Bradner was absent

Dept. of Education
Book II

Mr. Ray announced that the committee would continue with the closeout of the Department of Education, Book II.

State Libraries Mr. Ray moved the following figures:

Personal Services	\$137,000
Travel	9,000
Contractual Services	10,400
Commodities	40,000
Equipment	3,000
Grants, claims & shared rev.	<u>170,100</u>
	<u>\$369,500</u>

Personal Services:

Mr. Ray moved and asked unanimous consent that the figure of \$137,000 be approved. No objection so ordered. He said the decrease was for the vacancy and turnover factor.

Travel:

Mr. Ray said this figure was cut to \$9,000 and moved and asked unanimous consent that this be adopted. No objection so ordered.

Contractual Services:

This figure remained the same as the Governor's allowance of \$10,400.

Commodities:

Mr. Ray moved and asked unanimous consent that this figure be \$40,000. No objection so ordered. He said even though this figure had been cut from the Governor's allowance of \$49,300, it still allowed almost a \$6,000 increase.

Equipment:

Mr. Ray moved and asked unanimous consent that this figure of \$3,000 be adopted by the committee. No objection so ordered.

Grants, claims & shared revenue:

Mr. Ray moved and asked unanimous consent that this figure of \$170,100 be adopted. No objection so ordered.

Mr. Ray moved and asked unanimous consent that the total figure of \$369,500 for State Libraries be adopted. No objection so ordered.

Vocational Rehabilitation

Mr. Ray moved and asked unanimous consent that the total for the Division of Vocational Rehabilitation be adopted. This figure is the same as the Governor's allowance -- \$1,540,300. No objection so ordered.

Mr. Ray moved and asked unanimous consent that the committee adopt \$61,485,700 as a total figure for Department of Education. Mr. Sackett objected and pointed out that Rural Schools had been cut. Motion carried.

After Recess
10:45 a.m.

Present: All members were present with the exception of Messrs. Bradner and Sackett. Also present was Mr. Richard Freer from Budget and Management.

Alaska Court System
Supreme Court Mr. Ray called the meeting to order, and noted that the Governor's allowance for the total budget is \$10,300 over the Department's request.

Personal Services: Mr. Ray moved a decrease of \$8,400 from the Governor's allowance for personal services, or a figure of \$600,000. This increase over the previous year is due primarily to the vacancy and turnover factor.

Travel: Mr. Ray moved a figure of \$30,000 for travel; and the following figures for contractual services:

Contractual Services:

Communications	\$ 17,000
Printing and Advertising	3,300
Rents & Utilities	132,600
Repairs, Services & Alterations	5,000
Transportation of things	3,000
Equipment Rental	20,000
Insurance & Bonding	1,900
* Professional Fees & Services	25,000
Other Contractual Services	300
	<u>\$ 208,100</u>

*In professional fees and services, Mr. Ray deleted funding for Forma Pauperis Appeals.

Recess: Meeting recessed at 10:55 a.m.

After Recess

11:25 a.m.

Mr. Ray moved the Governor's allowance for those remaining line items be adopted.

The figures moved, therefore, are as follows:

Personal Services	\$600,000
Travel	30,000
Contractual Services	208,100
Commodities	38,700
Equipment	11,200
Lands & Structures	5,000
Inter-Agency Charges	52,500
	<u>\$945,500</u>

Mr. Ray moved and asked unanimous consent that the committee adopt the total figure of \$945,500 for the Supreme Court.

Mr. Borer objected and moved that this figure be amended to \$900,000.

Mr. Ray objected, and a vote was taken to adopt the figure of \$900,000. Motion failed 2 - 3.

A vote was then taken to adopt the figure of \$945,500.

Motion carried 3 - 2.

Superior Court

Personal
Services:

Mr. Ray moved the figure of \$940,000 for personal services.

This approves the positions of three Attorneys (\$45,000) three Deputy Clerks of Court (\$24,000) and two supporting positions (\$13,000) not to exceed \$85,000. In answer to

Mr. Croft's question, however, Mr. Ray said he would prefer not to specifically approve the Marriage Counselor, that this should be left to the discretion of the Chief Justice as to where he needs the positions most.

Mr. Croft moved that the committee accept the figure of \$940,000 with Legislative Intent that the committee specifically approve the position of Marriage Counselor.

Mr. Borer objected; however, Mr. Ray asked to let the ^{show} Legislative Intent/that the committee respectfully requests the Chief Justice seriously consider establishing the position of Marriage Counselor in Anchorage within the funds provided. No objection, so ordered.

Legislative Intent:

Travel:

Mr. Ray moved the figure of \$35,000 for travel, which is a 25 per cent increase. Mr. Croft proposed amending the figure to \$37,000 on the basis that there are two new judges. Mr. Ray objected and a vote was taken to adopt the figure of \$37,000. Motion failed; whereupon, the figure of \$35,000 was accepted.

Contractual Services:

Mr. Ray moved the figure of \$451,700 for contractual services. Mr. Borer objected, and Mr. Ray explained that under Code 380, professional fees and services, he deleted the Court Appointed Attorneys amounting to \$165,020, which left a balance of \$451,680, rounded to \$451,700. Motion carried with Mr. Borer still objecting.

Commodities:

Mr. Ray moved the figure of \$16,300 for commodities. No objection, so ordered.

Equipment:

Mr. Ray moved the figure of \$11,000 for equipment.

Mr. Croft objected since equipment was almost \$11,000 in FY68-69, and they now have eight new positions. Mr. Ray replied that it only takes \$11,000 to supply those eight new positions.

The figures moved, therefore, are as follows:

Personal Services	\$ 940,000
Travel	35,000
Contractual Services	451,700
Commodities	16,300
Equipment	11,000
	\$ 1,454,000

Mr. Ray moved that the figure of \$1,454,000 for the Superior Court be adopted by the committee, thus resulting in a decrease from the Governor's allowance of \$235,400.

No objection, so ordered.

Magistrate Court

Personal
Services:

Mr. Ray moved the figure of \$820,000 for personal services, and questioned the differences in salaries for magistrates at various locations in the same district, and deleted the contingency fund for increases in magistrates remuneration of \$10,000. Mr. Ray felt the reduction of \$14,200 allowed enough leeway in this budget with all the various positions, etcetera, and that the figure of \$820,000 is realistic.

Mr. Hohman objected, and said they need another magistrate in the Nelson Island District, and moved the figure of \$822,000. Mr. Ray objected, and requested the figure

Legislative Intent:

be kept at \$820,000 with Legislative Intent that the Chief Justice will establish a magistrate's position at Nelson Island within the amount in this budget.

No objection, so ordered.

Travel:

Mr. Ray moved the figure of \$27,000 for travel.

Mr. Croft objected, stating that they requested an increase in travel on the basis of increased supervision. Mr. Ray said he allowed \$14,000 for transportation within Alaska and \$13,000 for per diem, and again moved the figure of \$27,000. Mr. Croft withdrew his objection. Now, being no objection, so ordered.

Contractual Services:

Mr. Ray moved the figure of \$400,000 for contractual services.

Mr. Croft objected. Mr. Ray said under Code 380, professional fees and services, he deleted \$39,035 for Court Appointed Attorneys and took out an additional \$8,000. He noted that they are still getting an increase of \$36,300.

Mr. Croft referred to the \$24,000 in Code 380 for Autopsy - Medical, and mentioned that he introduced a bill at the request of the Judicial Council that transfers the function of the Coroners to the Commissioner of Public Safety, and that this figure, if the bill goes through, probably should be taken out of the Court System budget and transferred to Public Safety since it is the State Police or the District Attorney's office who decides whether there will be an autopsy or not. Mr. Freer said they should appropriate money where it belongs, and that if the bill passes the committee should then take this action.

Commodities: Mr. Ray moved the requested figure of \$23,800 for commodities;
Equipment: and reduced equipment by \$7,500 to \$40,000. No objection,
so ordered.

Mr. Borer felt that under the circumstances, the \$35,000 for the microfilm system in the Anchorage District should be deleted. Mr. Croft objected, and Mr. Borer said they just approved a Records Management Specialist position for Administration and would rather wait a year and see what they come up with. Mr. Borer moved and asked unanimous consent that the figure of \$12,500 be adopted by the committee. Mr. Ray took a vote as to how many supported Mr. Croft in his objection. With no one supporting it, the objection was denied and the figure of \$12,500 was accepted.

Land, Buildings,
Non-structural
Improvement:

Mr. Ray moved the figure of \$5,000 for leasehold improvements. No objection, so ordered.

Inter-Agency
Charges:

Mr. Ray moved the figure of \$19,600 for inter-agency charges. He stated that he objected to it in his own mind, but couldn't find a valid reason to cut it. No objection, so ordered.

The figures moved, therefore, are as follows:

Personal Services	\$ 820,000
Travel	27,000
Contractual Services	400,000
Commodities	23,800
Equipment	12,500
Land, Buildings & Non-Structural Improvement	5,000
Inter-Agency Charges	19,600
	\$ 1,307,900

Mr. Ray moved and asked unanimous consent that the committee adopt the figure of \$1,307,900 for the Magistrate Court.

No objection, so ordered.

Judicial Qualifications
Commission

Mr. Ray then temporarily moved the figure of \$3,707,400 for the Court System budget since the committee had to decide where to put the \$7,000 for the Judicial Qualifications Commission.

Mr. Freer suggested making it a separate line appropriation since the Court System feels it doesn't belong in their budget. The Statute provides they make out the budget each year for this commission.

Mr. Borer questioned whether this was the same \$7,000 as on page 20. The Judicial Qualifications Commission determines whether a judge is qualified to remain on the bench and the one on page 20 determines a judge's qualification to be appointed to the bench. Mr. Borer wondered why they couldn't be combined into one board.

Mr. Ray moved that the \$7,000 be line itemed as a separate function in the Court System budget to be called the Judicial Qualifications Commission. No objection, so ordered.

Mr. Ray moved and asked unanimous consent that the new total figure of \$3,714,400 be adopted for the Court System.

No objection, so ordered.

Recess:

Meeting recessed at 11:55 a.m.

HOUSE FINANCE COMMITTEE
Tuesday, April 1, 1969
2:00 p.m.

Present:

All members were present.

Discussion on
benefits for
State Employees

The committee began discussing HOUSE BILL 174 (An Act relating to state employees' salaries). Mr. Croft said that the Department says the Governor's bill only costs 55% of the total amount, and HB 174 would cost much more. Mr. Sackett said that this is correct; the various agencies under the Governor's bill will absorb the other 45% of the cost. He said that the increases are in the amount of 3.7 million dollars, two million of which is funded in this year's budget, and the remainder of which is to be absorbed.

Mr. Ray said that he would like the committee to consider the lower 14 grades. He said he would like to see a definite increase in wages by some \$500,000 to be spread out through the lower 14 pay grades.

There was some question raised as to how the agencies are supposed to absorb the 1.7 million dollars in the Governor's bill and Mr. Sackett suggested that perhaps this was to have been taken care of by vacancy and turnover. Mr. Croft suggested that rather than giving the full percentage increase as of July 1, they might give perhaps a 5% increase at that time, another 2% in October, and another 1% in January, or something like that. This would help the state financially, and also, Mr. Croft felt, might have a psychological advantage, as people would be getting 3 raises instead of only 1. Mr. Ray felt that people would object to that

Mr. Ray said that there is about \$1,000,000 in the budget being used for reclassifications, and he said he feels some of this is being used to increase pay rather than really being reclassifications. He said, too, that he thinks there have been reclassifications downward in the lower ranges; for example personnel clerks have been dropped and now are just clerks and clerk typists. Mr. Ray said that the unofficial position of Mr. Hunt is to negate the last pay raises in as many areas as possible through reclassifications downward. Mr. Ray mentioned the situation of temporary (seasonal) full time employees who do not get any benefits including paid holidays. He said in a previous administration a memo had gone out stating that these employees on a monthly salary would be paid for holidays. However, Commissioner Ward on December 16 of this past year rescinded this action, and Mr. Ray indicated there are some hard feelings about this. He said that it is his opinion that these valuable employees, who do not get any other benefits, might at least have this one, and he plans to request that Mr. Ward's action be rescinded.

Bill Assignment

Mr. Ray assigned HOUSE BILL 3 (Per diem for state employees) to the subcommittee of Messrs. Ray, Croft and Haugen who are handling all the bills relative to state employees.

HB 297

Mr. Croft moved and asked unanimous consent that the committee consider HOUSE BILL 297 (Providing for relocation assistance and authorizing payments to

persons displaced by highway activities). No objection so ordered. Mr. Croft passed out copies of a finance committee report to go into the journal (copy attached) and said that the bill is required to conform with the Federal Highways Act of 1968. Almost all of the provisions in the bill are identical to the provisions in the Federal Highways Act of 1968, Mr. Croft said; he said the only exception he has been able to find is page 9, line 5, that portion reading "not to exceed 50 miles." There was brief discussion by the committee. Mr. Croft moved and asked unanimous consent that the bill be sent out of committee with a unanimous "do pass" recommendation. No objection, so ordered.

Mr. Ray announced that the committee would go over every bill now in the Finance Committee, and by vote of the committee would determine which bills they intend to consider this year and which they will hold over until next year. He said that any bill in the "hold over" category can be removed from that category by vote of 4 members of the committee. He proceeded then to read the list of bills.

HB 2

HOUSE BILL 2 (Relating to the wage and hour act)

Mr. Borer said before this bill is considered he wants time enough so some of his constituents in the canneries in Cordova can get down to Juneau to be heard.

Mr. Ray assured him that there will be hearings held on the bill. On committee vote of 4 to 3 it was decided that HB 2 be held over until next year.

HB 3

HOUSE BILL 3 (Relating to per diem for state employees)

FINANCE COMMITTEE REPORT ON HOUSE BILL 297

This bill conforms to the Federal Highways Act of 1968. (Public Law 90-495, 82 Stat. 830-82 Stat. 834, 23 U.S.C.A. 501 through 511.) Passage of this bill is necessary in order for the state to receive federal matching funds in this regard. Cost of this program is borne approximately 94% by the federal government and 6% by the state after July 1, 1970.

According to information supplied by the Department of Highways there will be no cost to the state from this program through June of 1970 as all payments until then are 100% funded by the Bureau of Public Roads. No precise estimate can be made as to the cost to the general fund of this bill after that date as the ultimate cost will depend upon the extent of Highways' construction and amount of property condemned; however, merely as an estimate it could be noted that the Department of Highways projected for FY 1970 the anticipated cost to the Bureau of Public Roads will be \$233,600,000 which if it were not 100% funded by the Bureau of Public Roads would result in a cost to the state of approximately \$14,000.

This bill will be considered Friday night along with the other bills relating to state employees.

HB 4

HOUSE BILL 4 (Establishing a system of wilderness trails and campsites) The committee decided on a 6-1 vote to hold this bill over until next session.

HB 6

HOUSE BILL 6 (Creating the office of supervisor of fire service training in the Department of Education)
The committee voted to hold this bill over.

CSHB 8

CSHB 8 (Relating to assistance to certain dependent children) Mr. Ray said this would raise the amount of assistance from \$105 to \$150. Mr. Sackett said that he needs the time between now and next session to research this, and so the committee voted to hold it over until next year.

CSHB 25

COMMITTEE SUBSTITUTE FOR HOUSE BILL 25 (Relating to sale of fish) MR. Ray said this provides that a person must have sold fish for five years or put up or bond of \$50,000, have a certificate verifying that the purchaser owns property in the state having a value of \$150,000 at least. The committee voted 6-1 to hold this bill over to next year.

HB 26

HOUSE BILL 26 (Providing for loans to processors of

HB 27

agricultural and fisheries products and HOUSE BILL 27 (Appropriation to the Department of Natural Resources)
These two bills, the second being the appropriation for the first, were voted on by the committee and on a 5-2 vote it was determined that they be held over until next year.

HB 42

HOUSE BILL 42 (Repealing the disaster relief and school

per capita taxes, providing for refunds of those taxes due and payable in the 1969 calendar year, and establishing substitute revenues to the state.

The committee vote 7-0 to hold this bill until next session.

HB 48

HOUSE BILL 48 (Western Interstate Nuclear Compact)

Mr. Ray moved and asked unanimous consent that this bill be considered by the committee at this time.

No objection, so ordered. Mr. Bradner said that one thing wrong with the bill is that it is the Board of the Compact who will present the budget to the State of what is necessary, and the state would be expected to appropriate that amount; another is that there is no kind of pro rata or formula distribution of costs, but rather there is equal divisions between all member states; and it takes two years to withdraw from the Compact. Mr. Ray moved that the bill be returned to the subcommittee for further study. No objection, so ordered.

HB 50
(and CSHB 50)

HOUSE BILL 50 (Amending the Teachers' Retirement Act)

Mr. Ray moved and asked unanimous consent that the bill be brought up for discussion at this time. Mr. Borer objected. Mr. Ray moved to return the bill to subcommittee for further work. No objection, so ordered.

HB 60

HOUSE BILL 60 This is the BUDGET.

HB 61

HOUSE BILL 61 (Appropriation to University of Alaska) has been withdrawn.

HB 66

HOUSE BILL 66 (Appropriation to Department of Highways)

This is the bill for appropriating for costs incurred in constructing a winter road north of Fairbanks this

current year. This is a supplemental appropriation. Mr. Sackett asked when they would hear either the Governor's Office or North Commission on how North Commission funds were spent. Mr. Ray said they would take care of this in the next few days.

The committee voted to consider this bill this session.

HB 72

HOUSE BILL 72 (Appropriating to the Department of Natural Resources) This is a \$13,000 supplemental for the Division of Lands. Mr. Ray moved and asked unanimous consent that the bill be indefinitely postponed. Mr. Sackett objected. He said that the Department says they do not have the funds to absorb it, although he is not convinced of this himself.

The committee voted to indefinitely postpone HB 72.

HB 75

HOUSE BILL 75 (Relating to revenues from oil and gas properties) Mr. Ray asked that a finance committee substitute be prepared by the Chairman for presentation to the committee. Mr. Croft indicated that he feels there should be a hearing. Mr. Ray said there had been. Mr. Sackett said he would like a letter from the Department of Natural Resources on how much this is going to bring in. Mr. Ray said that he has such a letter from the Department of Revenue. He asked unanimous consent that the bill be kept for action this session. No objection, so ordered.

HB 76

HOUSE BILL 76 (Relating to the Japanese World Fair of 1970) and HOUSE BILL 78 (Appropriation to Department of Economic Development \$120,000 to construct and operate an exhibit in the Japanese World Fair of 1970)

Mr. Ray directed Mr. Borer to be ready with these bills to present them to the committee before the end of the week.

HB 81

HOUSE BILL 81 (Relating to unitization and unitized operation of oil and gas pools) Mr. Croft moved and asked unanimous consent that HB 81 be considered by the committee at some time this year. The motion was defeated on a 3-4 vote, and so the bill will not be considered this year.

CSHB 81

Mr. Ray moved and asked unanimous consent that COMMITTEE SUBSTITUTE for HOUSE BILL 81 be considered some time this year. Mr. Sackett objected. He asked if this would have any financial implications for the coming year, and was answered possibly. Mr. Croft moved and asked unanimous consent that earlier committee action be rescinded and that all Committee Substitutes for HB 81 along with the original bill be considered at some time this year. On committee vote of 4-3, Mr. Croft's motion was adopted.

HB 94

HOUSE BILL 94 (Repealing the school tax)

Mr. Ray moved and asked unanimous consent that this bill be held over until next year. No objection, so ordered.

HB 96

HOUSE BILL 96 (Changing the rates of liquor tax)

Mr. Ray moved and asked unanimous consent that HB 96 be held over until next year. Mr. Croft objected. Mr. Croft removed his objection. Mr. Sackett objected. Mr. Bradner asked if this is recommended by the tax study, to repeal the school tax and add more liquor tax. Mr. Ray said no. On a vote of 6-1 the committee

voted to hold this bill over.

HB 97

HOUSE BILL 97 (Relating to the ad valorem tax exemption on oil and gas production) Mr. Ray moved and asked unanimous consent that HB 97 be held over. No objection, so ordered.

HB 99

HOUSE BILL 99 (Appropriation to the Legislative Affairs Agency) This is an appropriation for student guests to the Legislature. Mr. Ray moved and asked unanimous consent that this be placed in the Legislative Affairs Budget for this coming year. Mr. Sackett objected. He felt there were more important priorities. He said that about 40 students have been funded out of Title 3 education funds from Fairbanks, and that this can be done in other schools. Mr. Ray amended his motion to bring the bill up before the close of the session. No objection, so ordered.

HB 120

HOUSE BILL 120 (Relating to an appropriation to the Department of Education) This is for funding the adult basic education for the balance of the fiscal year. Mr. Ray said this has been funded in the budget.

HB 106

HOUSE BILL 106 (Amending the State Personnel Act and Creating the Alaska Civil Service Commission) This bill is presently in the House Judiciary Committee. However, Mr. Ray assigned it to the subcommittee on state employee legislation.

HB 128

HOUSE BILL 128 (Relating to cooperative arrangements made by school districts) Mr. Ray moved and asked unanimous consent that HB 128 be held over. No objection, so ordered.

HB 129

HOUSE BILL 129 (Relating to the sale of tobacco)

products) Mr. Ray said this bill provides an increase in the tobacco tax. He moved and asked unanimous consent that this bill be held over until next year. No objection, so ordered.

HB 133

HOUSE BILL 133 (Creating the Alaska Commission on Youth)

Mr. Bradner moved and asked unanimous consent that HB 133 be brought up, and he put a price tag on it of \$6,000 to \$10,000. Mr. Ray said that he objected to the concept of the bill. Mr. Bradner suggested that the bill be considered at the same time as the student guests bill (HB 99). No objection.

HB 140

HOUSE BILL 140 (Appropriation to Fish and Game)

This is for a Fish and Game attorney. Mr. Ray said this has been taken care of in the budget.

HB 142

HOUSE BILL 142 (Relating to the education of

exceptional children within the state) Mr. Ray asked

Mr. Hohman to work on this with Representative Helen Beirne and get it ready to present to the committee.

HB 144

HOUSE BILL 144 (Appropriating to the Department of

Natural Resources) This money is for the purpose of expending equal amounts in constructing multipurpose buildings on the Alaska State Fair properties in the Tanana Valley and in the Matanuska Valley. Mr. Ray moved that this bill be held in abeyance until they bring up the Natural Resources budget. No objection.

HB 147

HOUSE BILL 147 (Relating to P.L. 81-874 funds and to

state aid under the Public School Foundation)

Mr. Ray moved that this be brought up at the same time as they discuss with Dr. Hartman the 1.3 million

additional for Public School Foundation. No objection.

HB 148

HOUSE BILL 148 (Relating to the Alcoholic Beverage Control Board) Mr. Ray moved and asked unanimous consent that HB 148 be held over. No objection, so ordered.

HB 149

HOUSE BILL 149 (Relating to the number of days in a school term) Mr. Ray moved and asked unanimous consent that HB 149 be held over. No objection, so ordered. Mr. Ray said this has already been taken care of.

HB's 156-158

HOUSE BILLS 156, 157, and 158 all will be taken up Friday night at the state employees' legislation hearing

HB 159

HOUSE BILL 159 (Relating to adoption of technical changes of the Internal Revenue Code in the collection of corporation income taxes) Mr. Ray moved and asked unanimous consent that HB 159 be held. No objection, so ordered.

HB 162

HOUSE BILL 162 (Providing for teacher aides) Mr. Ray moved and asked unanimous consent that HB 162 be held over until next year. No objection, so ordered.

HB 165

HOUSE BILL 165 (Appropriation to Department of Education pay part of the cost to This is to implement cooperative plans between districts) Mr. Ray moved and asked unanimous consent that HB 165 be held over. No objection, so ordered.

CSHB 168

HOUSE BILL 168 (Relating to electrical safety) Mr. Ray said the cost of this would be approximately \$21,000. He said he feels it is important, and asked unanimous consent that the bill be considered this session. No objection, so ordered.

HB 171

HOUSE BILL 171 (Relating to construction of campus activities center; ...creating campus activities center revenue fund) Mr. Ray moved and asked unanimous consent

that HB 171 be brought up at some time this session.
No objection, so ordered.

HB 173

HOUSE BILL 173 (Relating to the deposit and investment of state funds) HB 173 will be brought up this week.

HB 174

HOUSE BILL 174 (State employees' salaries) This will be considered Friday night.

HB 178

HOUSE BILL 178 (Claims arising from damaged boats during Fairbanks flood) Mr. Ray moved and asked unanimous consent that this bill be left open for consideration should it become necessary this session. No objection, so ordered.

CSHB 186

COMMITTEE SUBSTITUTE FOR HOUSE BILL 186 (Relating to sales of competitive oil and gas leases) Mr. Ray requested Mr. Hohman to be ready to report on this tomorrow.

HB 193

HOUSE BILL 193 (Appropriating to the agricultural revolving loan fund) Mr. Ray moved and asked unanimous consent that the committee consider this bill this session if they have the time. No objection, so ordered.

CSHB 195

HOUSE BILL 195 (Relating to the bank tax) The committee voted to hold this bill.

HB 199

HOUSE BILL 199 (Appropriating to Department of Natural Resources) The committee voted to hold this bill.

HB 220

HOUSE BILL 220 (Appropriation to Alaska Native Housing Program) This bill was withdrawn by the Governor.

HB 231

HOUSE BILL 231 (Relating to winter roads) Mr. Croft moved and asked unanimous consent that this be considered at the same time as HB 66. No objection so ordered. Mr. Ray assigned HB 231 to Mr. Croft.

HB 233

HOUSE BILL 233 (Relating to sale of timber and materials)

Mr. Haugen has been assigned this bill and said he would report the bill when the committee is ready.

HB 240

HOUSE BILL 240 (Appropriation to University of Alaska, for a study of commercial fishing gear license limitation) Mr.

Ray suggested this study be put under the Legislature's budget and put under the direction of Legislative Council. Mr. Haugen said he does not want the University of Alaska to do this. The University of Washington recently did a study and Legislative Council could study that. The committee indicated they would put this in the Legislative Council budget with legislative intent

Legislative Intent
HB 242

that the study not be contracted out to the University of Alaska.

HOUSE BILL 242 (Appropriation to Department of Commerce)

This is to the Division of Veterans' Affairs, Alaska World War-II veterans' revolving fund. Mr. Ray moved and asked unanimous consent that this bill be held over. No objection, so ordered.

HB 251

HOUSE BILL 251 (Relating to purchase of primary services by the Department of Health and Welfare from private voluntary institutions and agencies) Mr. Ray said there will be hearings held in

Anchorage and Fairbanks during the interim. Mr. Croft is subcommittee chairman, and Mr. Ray said all members of the

Legislative Intent

committee are invited to be on the subcommittee. Mr. Croft asked that they express the intent of the Finance Committee that the Department of Health and Welfare set up certain cost accounting criteria and that they do it prior to July 1.

HB 259

HOUSE BILL 259 (North Star Borough Hospital) The committee voted to keep this bill open for this year in case the money is needed.

HB 268 and
269

HOUSE BILL 268 (Providing for loans to certain rural communities for the purpose of establishing boarding home dormitory facilities for school children) and HOUSE BILL 269 (Appropriation to the Rural Community Boarding Home Revolving Fund) Mr. Hohman

moved and asked unanimous consent that the bills be brought up and passed out with a "do pass" recommendation. Objection was heard, and on vote of the motion it failed 2-5. Mr. Ray suggested this be put in the Rural Development Agency, in the sum decided by the committee for a pilot program of boarding cottages. He moved and asked unanimous consent that the bill be kept open for this year. No objection, so ordered.

HB 276

HOUSE BILL 276 (Appropriation to Health and Welfare) Mr. Ray asked that HB 276 be held until next year with the understanding that the budget on alcoholism requested in the Department of Health and Welfare, office of coordinator will be approved in the amount of \$97,900 which is the full amount of the request. He moved that the bill be held over. Mr. Borer objected and the motion passed 5-2.

307

HOUSE BILL 307 (Relating to the licensing of boiler operators) This has been assigned to Mr. Haugen who said he would bring it up after all the bills had been gone through.

HB 303

HOUSE BILL 303 (Relating to limitations on acreage in coal leases and prospecting permits) Mr. Ray assigned this bill to Mr. Bradner.

HB 313

HOUSE BILL 313 (Appropriating to Mr. Werner Borher) Mr. Croft said he has asked for an Attorney General's opinion on this bill and is waiting for it.

HB 307

Mr. Haugen moved and asked unanimous consent that HB 307 be considered at this time. No objection, so ordered.

It was moved and asked unanimous consent that the bill be passed out of committee with a "do pass". Objection was heard. On vote of the committee the bill was reported out with four "do pass" recommendation and 3 "no recommendation" votes.

Adjourned:

Meeting adjourned at 3:40 p.m.

HOUSE FINANCE COMMITTEE MEETING
Wednesday, April 2, 1969

9:05 a.m.

Present: All members

HB 233

Mr. Haugen moved and asked unanimous consent that the committee consider HOUSE BILL NO. 233 (an act relating to sale of timber and materials). No objection, so ordered. Mr. Haugen explained that this bill allows more than one sale of timber to an individual within a one-year period. He said the existing law limits this to one. He said there is a demand for rough sale timber in the North Slope area, and Mr. Ray explained under the existing statute if a person buys 75,000 feet he can't make another purchase from the state that year and HOUSE BILL NO. 233 will allow him to purchase up to 500,000 board feet. Mr. Ray moved and asked unanimous consent that HOUSE BILL NO. 233 be reported out of committee with a "do pass". Mr. Sackett objected saying people have been going into the Minto area and getting timber that is necessary for the local people to use for firewood. Mr. Croft suggested amending this bill by saying that anyone who participates must be an Alaskan resident. There was more discussion on this and Mr. Haugen said he had discussed this with the Department of Natural Resources

and this is not necessary because the people who are engaged in the sale of timber are Alaskan residents and anyone who was engaged in the export of timber would be on competitive bid basis so this does not relate to the bill. Mr. Sackett withdrew his objection.

It was again moved and unanimous consent was asked that HOUSE BILL NO. 233 be voted out with a "do pass" recommendation. Objection was heard and following recommendations were made:

"no recommendation": Messrs. Croft, Hohman, Bradner and Sackett

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

Mr. Ray moved and asked unanimous consent that the committee consider sponsorship for a HOUSE BILL (an act authorizing a program of state aid for local school and other municipal purposes and providing a source of revenue to the state to meet the costs of the program; and providing for an effective date).

Mr. Ray said he would request individual recommendation on this bill. Mr. Ray said this was a compilation of the program of state aid for local school and other municipal purposes (See HOUSE BILLS NOS. 317, 318, 319, 320, 321, 322, 323, 324, 325). Mr. Ray said this is both the revenue sharing package and the increase of severance tax in one bill. Mr. Ray suggested that the committee either pass the bill as a whole or take the local government bill and the severance tax separately and predicate the increase of

the severance tax on what part of the package is passed. He said they could put them both together and amend a figure upwards or downwards, and therefore, he was requesting recommendations from the committee on how to handle this.

Mr. Sackett said he felt this should be handled in two bills.

Mr. Ray said it would be expedient if the Rules Chairman would place the local sharing on first, and then the members could make up their minds on the percentage increase on severance tax. Mr. Bradner said he did not think the severance has to be predicated on this. Mr. Ray said the severance tax for:

FY69-70 for 3% is	\$5,866,100
FY70-71 for 3% estimated	6,152,000
FY71-72 for 3% estimated	5,700,000

and said these figures were obtained from the Department of Revenue.

Mr. Ray said if the tax is increased it would be effective on October 1 instead of July 1 and therefore would just be for three-fourths of the next fiscal year. Mr. Sackett said he would like to take exception to the figures Mr. Ray gave, saying he is trying to get revised figures on this from the Department of Natural Resources.

Mr. Ray gave the following figures obtained from the Department of Revenue. These are based on a 8% tax:

8% (for 3 quarters for 1969-70	\$13,198,000
8% (full year) 1970-71	16,400,000

8% (full year) 1971-72 \$15,175,000

Mr. Ray suggested that the returns on gas and oil production tax should be filed on a monthly basis instead of a quarterly basis.

Mr. Sackett said that Dale Wallington, Deputy Commissioner of Natural Resources, is obtaining new revised figures for this and said that last year on a 3% tax this amounted to \$2,774,200 and the new revised figure for FY69-70 is \$2,340,000 based on the number of barrels. Cook Inlet is not going to be increasing and they are not going to put in any new platforms so they can project no increase in this area.

Mr. Croft asked what the figure for FY70 was and Mr.

Sackett said the Department of Natural Resources is trying to get this.

Mr. Ray read the following from a memo dated March 22nd from R. D. Stevenson, Chief of the Excise Tax Section:

"In general new oil from development drilling has offset the production decline for the past six months with the total state production holding fairly steady around 190,000 barrels per day. A reduction in estimated income for Fiscal 1968-69 is because production declines have been more severe than originally anticipated and productivity of later wells in the McArthur River Field has not been as large as the first wells. More drilling trouble has been encountered than originally considered resulting in fewer wells being completed in a given time period.

Production from known fields is declining at a rate of 50 per cent per year. Installation of artificial lift equipment has retarded the decline in some cases, but the decline is to be rapid until pressure maintenance projects are installed and effects realized. Since this work is progressing

rapidly in some fields and slow in others, the overall result will be a small, gentle increase in 1970-71 and start of decline thereafter until the North Slope comes on production. The estimated daily oil production in barrels is as follows:

1968-69	202,250
1969-70	197,580
1970-71	208,390
1971-72	191,650
1972-73	274,180
1973-74	409,400

Mr. Ray asked Mr. Borer what his recommendation on this bill would be and Mr. Borer said he wants to look at the bill and see the costing out of these different packages. He added he wanted this bill treated like all the others. There was a brief discussion on this and the meeting recessed at 9:40 a.m.

Recess:

AFTER RECESS
2:20 p.m.

Present: All members except Mr. Sackett. Senator Terry Miller and Representative Gene Guess were also present.

Mr. Ray called the meeting to order and said the committee would discuss the possibility of sponsorship of a bill entitled "an act authorizing a program of state aid for local school and other municipal purposes and providing a source of revenue to the state to meet the costs of the program; and providing an effective date."

Mr. Ray said there were some Finance Committee members who wished some information on this and wanted to know the cost estimates.

Senator Miller said referring to Section 1 of the bill they had raised the average daily membership of the different districts to make them equal and then increased \$50 across the board and the cost on this is about \$3,171,000.

Mr. Croft asked if this amends the Public School Foundation Act and Senator Miller said yes, upward.

Mr. Borer asked how they arrived at the \$3,171,000 figure and Senator Miller said they asked the Commissioner of Education about this and used the \$60,000 ADM, 1% of this year's budget.

Mr. Borer asked how many students are in Southeastern and Senator Miller said he didn't have those figures but would get them for him. Mr. Borer asked how many are in Central and Northwest and said he would like to know how many are in the two categories and also how many Southeastern

students and how many Central and Northwestern students. Mr. Ray quoted the following statistics from the recapitulation as of November 12, 1968 by the Department of Education:

A total of 58,932 ADM, which brought in \$6,492,802 from the 3.5 mill tax effort; \$1,369,662 from PL 874 funds; and \$27,334,000 state aid.

In answer to Mr. Borer's earlier question on breakdown of the number of students, Senator Miller gave the following figures:

10,968	projected for Southeastern, FY1970
11,515	projected for Central and Northwestern, FY1970
36,449	projected for Southcentral
<u>58,932</u>	total

SENATE
BILL 279

In response to a question, Senator Miller said the fiscal note on SENATE BILL 279 (an act relating to state and local school districts) is \$3,171,000.

Mr. Croft asked what was meant by the past legislative intent to bring Southeast equal to Southcentral and Senator Miller said he was probably referring to the last time the legislature increased the state employees' pay to within 1% of Southcentral based on cost of living and 1 1/2% in Central and Northwestern, but the cost of living gap was getting larger.

Mr. Croft said then as he understood it the state is contributing roughly \$1,000 per pupil and that this bill raises it another \$50. He said they are increasing the state's share about 10%.

Mr. Ray said it is the only equitable way to provide lessening of tax requirements of the local tax sharing.

Mr. Borer asked if this would change anything relative to

the classification of district schools and various locations. Mr. Ray said the only difference is the amount of money and the formula that was adopted by ADM would still be used and this just increases it \$50 per student. Mr. Borer added except in these two areas where it has increased \$60. Mr. Ray requested the committee discuss Sec. 14.12.025, on page 1, "State Aid for District School Facilities." He said this is for the construction, rehabilitation, repair and maintenance of district school facilities.

Mr. Ray read from the Bill the following:

"(1) a basic allotment to each district according to average daily membership, as follows:

Average Daily Membership	Basic Allotment
0 - 999	\$15,000
1,000 - 2,499	12,000
2,500 - 4,999	9,000
5,000 - 9,999	6,000
10,000 or over	3,000"

Mr. Croft asked if there is an existing program for state aid in school construction and Mr. Ray said there is the bond bill but no law that he knew of.

Mr. Sackett entered the meeting, and also Mr. Van Haute.

Mr. Borer questioned the "152° west longitude" (page 1, line 21) and Mr. Ray said this is the way the statute reads now.

In response to Mr. Ray's question concerning page 2, line 16 (\$50 times ADM) Senator Miller said the financial impact of

this part of the bill would be \$3,300,000. Mr. Borer said he came out with a figure of about \$3,357,000. There was a question on this and Mr. Borer noted they had not included the additional \$15,000 for the grant portion. Mr. Croft asked for the breakdown on this and it was:

19 - 15,000
3 - 12,000
1 - 6,000
1 - 3,000

The basic allotment for the grant portion is \$357,000.

Mr. Croft asked why they use a different formula in Central and Northwestern and part of Southcentral in the first portion of the bill but not in the construction and maintenance part.

Mr. Ray said in construction and maintenance it is predicated on members within the district. Senator Miller said they came up with a package that is salable and it doesn't consider the differences in construction cost.

Mr. Ray said the more complicated the formula the less interest will be shown on the floor.

Mr. Croft said he thought that the present ADM came to about \$500 a student and yet the bill only has a figure of \$215 to \$235. Mr. Ray said the original ADM is \$145 for Southeastern, \$155 for Southcentral, \$200 for Northwestern and \$175 for Central. Senator Miller said ADM is just part of the formula. The next section of the bill on page 2, "State Aid to Districts Affected by State Activities" Mr. Ray said is "for a school district which provides free public education to a student whose parent works on or lives on state property shall receive

an additional yearly allotment..."

Senator Miller said this is probably the most complicated part of the bill and said essentially this part provides that the state adopt a program similar to the P.L. 874 program. The intent, he said, is that as nearly as possible the state would follow the same formula and guidelines as used by the federal government except it applies to state land instead of federal. Mr. Ray said 50% is provided for a student whose parent lives and works on state property and 25% for those students whose parents work on state property.

Senator Miller said more work on this part of the bill will be done by the Department of Education and will probably be revised to include a third category - 25% for a student whose parent lives on state property. Senator Miller said this will benefit Anchorage, Juneau and Fairbanks especially where there are numerous state employees.

Mr. Guess said one of the things in considering this bill is they are attempting to come up with a method for a number of areas of the state that do not pay assistance or anything in lieu of taxes and this is an attempt to remedy that situation. It is the same approach as the federal and Senator Miller felt this was the most equitable way of doing this.

Mr. Haugen asked how much would this reduce the University of Alaska budget and Senator Miller said this could conceivably reduce it by \$22,000.

Mr. Croft quoted from page 2:

"A school district which provides free public education to a student whose parent works on or lives on state property shall receive an additional yearly allotment under this chapter equal to the percentage of the state average cost of education,..." and questioned how this works.

Senator Miller said this is part of the formula used in the Public School Foundation Act. Mr. Ray again summed it up by saying this gives a P.L.874 impact for state property, the same as federal property.

Mr. Croft asked if they peg it to the state portion does that indicate the district cannot afford to pay more and Mr. Van Haute said the underlying circumstances are basically the state has control of the amount of money given a school district and if you maintain the control of the percentage the state will always be the controlling factor.

Mr. Ray said ADM is predicated on the assessed value of the property in any one district or city. If it is state property that lessens the ADM amount because it is not on this valuation roll, this takes up the slack and gives those areas that have a larger impact of state land the same possible amount of assessed valuation.

Mr. Croft said if there is so much state property that the district is having to pay more of the cost than the state then it seems they should peg the allotment to the district. Senator Miller said the state average cost of education is

what is used in the deferral formula and does not apply just to the state share.

Mr. Croft asked if there is a section in this bill that provides for the Department of Education to set regulations when a person moves or when a child is from a separated family, etc. Mr. Van Huate said this is done under P.L.874 and the state would do the same thing. Mr. Ray said the Department of Education by law has regulatory authority. From looking at the architecture of the bill, Mr. Ray said, he didn't feel that any area of the state would be left out. In answer to Mr. Bradner, Mr. Van Haute said, in the case of Hoonah, there is not much assessed valuation because of so much federal land and 90 per cent of the school cost is paid by the state because of the foundation program. He said the poorer districts get far more support from the state.

Mr. Croft said if that is the case and if they provide in this section of the bill that the increase is equal to the percentage of the state's cost is the bill really doing what they want? Mr. Croft felt they are trying to give aid to those districts that share higher percentage. Anchorage bears 55% of total cost compared to another area which bears 20%, and he thought it should be based on district average. Mr. Bradner defined small school districts, and said some of these have no business being a school district but he did feel they need an incentive to get in the business of sharing. Mr. Ray asked for a cost estimate for this section on state property and Senator Miller said a very rough estimate would be \$700,000. He said he had gotten this figure from

Dr. Hartman and that the Department of Education is trying to find out how many parents are working or living on state property. He added there is no way of knowing right now if this estimate is correct.

Mr. Borer asked where they are taking care of the districts that have a high percentage of tuition pupils. Mr. Guess said they did not consider that point. Senator Miller said it should be figured out on the tuition formula.

Mr. Ray said under nonresident there is a regular formula used and this would be whatever the Department of Education brings out.

Mr. Ray requested they go to the next article "State Aid for Local Police Protection" on page 3 of the proposed bill.

Mr. Ray read the following from the bill: "During each fiscal year the state shall pay to a city or organized borough of any class which has power to provide for police protection and exercises the power a sum to be used for protection services equal to \$5 per capita for the population of the city or borough..." Mr. Ray thought the point of this section was clear and asked for the estimated cost figure for this. Mr. Guess said \$1,200,000 and this was obtained from the Department of Public Safety but they didn't have the breakdown for districts. Senator Miller said these estimates were predicated on a 225,000 population in cities and/or boroughs that have a police function; however, he thought the estimate a bit high and was probably closer to 150,000.

Mr. Ray asked if Senator Miller would support this bill and Senator Miller answered in the affirmative.

Mr. Guess said they had discussed this with Mr. Personett, Commissioner of Public Safety, and that if this bill were enacted this particular article, (article 2) should free about 17 policemen.

Mr. Bradner said Fairbanks would be a good example of what might happen should this bill become law, saying that they might find the troopers cut down about 60 per cent.

Mr. Ray brought up the next section of the bill "State Aid to Local Government" on page 3, reading from the bill the following: "During each fiscal year the state shall pay to a city or organized borough of any class which has power to provide for air or water pollution control or both and exercises the power a sum to be used for control purposes equal to \$1 per capita for the population of the city or borough..."

Mr. Ray asked what the cost factor for this would be and Mr. Guess said about \$225,000 based on the \$1 per capita. This is \$225,000 for air or water pollution. Mr. Ray said they should combine air and water pollution and let the local government decide whether it should be for air or water. Mr. Guess said in order to get federal grants, particularly for water pollution control, the matching federal funds requires planning and in some instances other matters, and though this is not a lot, it would help an area in planning for matching federal grants.

Mr. Ray said where water would be a problem the local government

could use this money for water pollution or where they had air pollution it could be used for that. He said in the realm of economy they could put these together. Let them use it where they want between the two.

Mr. Croft asked Mr. Guess if it were necessary for the state to set this up, as water or air pollution, in order to get federal funds and Mr. Guess said no. Mr. Ray said they could combine this and Mr. Guess had no objection.

Mr. Guess said this \$225,000 would be for air or water pollution control and then the local government could use it as they see fit.

With reference to page 4, "Financial Aid to local Governments. During each fiscal year the the state shall pay to a city or organized borough of any class which has power to provide for land use planning and exercises that power to a sum to be used for the planning servcies equal to \$1 per capita for the population of the city or borough..."

Mr. Guess said this again is an incentive, even more so than the others. Mr. Ray commented that this is the only section he has reservations on, and added that this would cost out at another \$225,000.

Mr. Ray said the next "State Aid to Local Governments" and read from the bill the following: "During each fiscal year the state shall pay to a city or organized borough of any class which has power to provide for road maintenance purposes equal to \$1,000

a mile for each mile of municipal road, street or highway maintained by the local government..." Mr. Borer asked if this includes alleys (no one was sure); and Mr. Haugen asked if this would apply to those cities that have contractual arrangements with Highways and asked if that money would be taken away from them.

Mr. Ray summarized it by saying that where the state has been maintaining city streets on contract, then the cities won't receive any of this money; however, if the city should then take this function over and maintain streets themselves, then they would get the maximum, probably of \$1,000 a month. Mr. Ray said when they are talking about districts this is a Highways district, e.g., Juneau District encompasses from Ketchikan to Yakutat.

Mr. Guess estimated the cost of this section at \$500,000.

Mr. Sackett questioned why one section of the bill says "Financial Aid to Local Government" and the other section says "State Aid to Local Government". Mr. Ray said this could be corrected to read "state aid..."

Mr. Ray read from the next section on pages 4 and 5 of the bill "State Aid for Local Fire Protection" and read the following:

"...a sum to be used for fire protection services equal to \$2.50 per capita for the population of the city or borough..."

Mr. Ray asked what the estimated cost of this is and Mr. Guess said \$575,000 and quoted from the bill "the state shall pay to a volunteer fire department registered with the state fire

marshal and serving an area not in an organized borough or a city a sum for protection purposes equal to \$2.50 per capita for the population served by the department..." Mr. Ray said the entire package contained in this one bill would be about \$9,897,000 but stressed this is an estimate. Mr. Guess said the figures on police protection will probably be off substantially. Mr. Borer said he had come up with a figure of \$10,007,000 with reference to the 8 per cent for oil and gas tax. Mr. Ray quoted the following memo from Mr. Stevenson of March 22nd: (see attached letter - section in quote)

TO: The Honorable Gene Guess
Chairman, Local Government Committee
Alaska State Legislature
Juneau, Alaska

DATE : March 22, 1969

FROM: *R. D. Stevenson*
R. D. Stevenson
Chief, Excise Tax Section
Department of Revenue
Alaska Office Building
Juneau, Alaska

SUBJECT: House Bill No. 325, An Act relating to the oil and gas properties production tax; and providing for an effective date.

House Bill No. 325 provides, effective July 1, 1969, for an increase in the oil and gas properties production tax from its present rate of three per cent to a new rate of eight per cent of the gross value at the well of all oil and gas produced in the state, less the value of any part, the ownership or right to which is exempt from taxation. The tax is upon the whole production, including what is commonly known as the royalty interest.

Reference is made to pages 14 and 51, copies of which are attached, of the document entitled "State of Alaska - Revenue Sources - 1968-1974" concerning Code Item 115 - Oil and Gas Production Tax.

Without regard to the North Slope, the estimates of revenue for fiscal years 1969-70; 1970-71 and 1971-72 for Oil and Gas Production Tax at the three per cent rate are as follows:

<u>Fiscal Year</u>	<u>Estimated Tax Revenue</u>
1969-1970	\$5,866,100.00
1970-1971	6,152,300.00
1971-1972	5,690,700.00

While the increase from three to eight per cent is an effective increase of 166-2/3% of the original rate, revenues for the fiscal year 1969-70 will not increase by such percentage increase for the reason that the tax on gas and oil production for the months of April, May and June of 1969 will be paid at the three per cent rate on a quarterly return to be filed on July 31, 1969 or during the fiscal year 1969-70. The next three calendar quarters will be taxed at the eight per cent rate to complete collections for the fiscal year 1969-70 revenues. For fiscal years 1970-71 and 1971-72 and succeeding fiscal years, of course, the revenue estimates could be upped by 166-2/3%. Accordingly, increased revenues for the next three fiscal years, without regard to the North Slope, could be projected as follows:

1969-70

Estimated full year revenue at three per cent	\$ 5,866,100.00
One quarter of \$5,866,100 at three per cent is	1,466,525.00
Three quarters of \$5,866,100 at three per cent is	\$ 4,399,575.00
April, May and June of 1969 paid in July of 1969 at old rate of three per cent	\$ 1,466,525.00
Next three calendar quarters paid in October of 1969 January of 1970 and April of 1970 at old rate of three per cent	4,339,575.00
Add: 166-2/3% of \$4,339,575.00 for 8 per cent rate	7,332,625.00
Total revenue for 1969-70 under House Bill No. 325	\$13,198,725.00
Less: Estimated revenue for 1969-70 at three per cent rate	5,866,100.00
INCREASED REVENUE FOR 1969-70 under House Bill No. 325	\$ 7,332,625.00

1970-71

Estimated full year revenue at three per cent	\$ 6,152,300.00
INCREASED REVENUE for 1970-71 under House Bill No. 325 is \$6,152,300 X 166-2/3%	\$10,255,832.00
Total revenue for 1970-71 under House Bill No. 325	\$16,408,132.00

1971-72

Estimated full year revenue at three per cent	\$ 5,690,700.00
INCREASED REVENUE for 1971-72 under House Bill No. 325 is \$5,690,700 X 166-2/3%	9,484,500.00
Total revenue for 1971-72 under House Bill No. 325	\$15,175,200.00

SUMMARY:

Fiscal Year Period Involved	Estimated Revenue of Gas & Oil Production Tax at eight per cent	Estimated Revenue of Gas & Oil Production Tax at three per cent	Estimated Additional Revenue
1969-70	\$13,198,725.00	\$ 5,866,100.00	\$ 7,332,625.00
1970-71	16,408,132.00	6,152,300.00	10,255,832.00
1971-72	15,175,200.00	5,690,700.00	9,484,500.00
Totals	\$44,782,057.00	\$17,709,100.00	\$27,072,957.00

The above statistics have been prepared strictly by standard arithmetic. If production in the Cook Inlet area should not come up to the estimated daily oil production in barrels as set forth by the Department of Natural Resources on page 14 of the document entitled "State of Alaska - Revenue Sources - 1968-1974", the revised estimates due to increase in rate of tax would have to be adjusted. Similarly the revised estimates would have to be adjusted if there are further variances in the "well head" prices as

was experienced during fiscal 1968-69 when the tax rate was increased from one per cent to three per cent.

It is respectfully submitted that consideration be given to the method of filing returns and paying tax for the Gas & Oil Production Tax. At present returns are filed and payments made on a quarterly basis. For better treasury management as is now the case with other major excise taxes (cigarette tax, motor fuel oil tax and alcoholic beverage excise tax) returns should be filed and tax payments made on a MONTHLY BASIS.

RDS:se

cc: The Honorable Bill Ray
 Chairman, House Finance Committee
 Alaska State Legislature
 Juneau, Alaska

SECTION I
 DETAIL OF STATE REVENUES
 FISCAL YEARS 1968-74

CODE	REVENUE SOURCE	ACTUAL		ESTIMATE		ESTIMATE		ESTIMATE		ESTIMATE		ESTIMATE		
		F.Y. 1968	F.Y. 1969	F.Y. 1970	F.Y. 1971	F.Y. 1972	F.Y. 1973	F.Y. 1974	F.Y. 1968	F.Y. 1969	F.Y. 1970	F.Y. 1971	F.Y. 1972	F.Y. 1973
		Budget	Revised	Revised	Revised	Revised	Revised	Revised	Revised	Revised	Revised	Revised	Revised	Estimate
		Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate

GENERAL FUND - UNRESTRICTED REVENUE

INCOME, EXCISE, OCCUPATION AND PROPERTY TAXES

101	Alcoholic Beverage Excise Tax	\$ 3,707,900	\$ 4,030,400	\$ 4,245,100	\$ 4,471,500	\$ 4,710,100	\$ 4,961,500	\$ 5,226,500
102	Cigarette Tax (3c portion)	970,000	950,000	969,000	988,400	1,008,200	1,028,400	1,049,000
104	Insurance Premium Tax	2,150,000	2,150,000	2,300,000	2,400,000	2,500,000	2,600,000	2,700,000
105	Alaska Business License Tax	3,497,000	3,897,000	3,967,000	4,058,000	4,150,000	4,243,000	4,337,000
	Sub-Total	\$10,324,900	\$11,027,400	\$11,481,100	\$11,917,900	\$12,368,300	\$12,832,900	\$13,312,500

Income Taxes

106	Individual Income Tax	\$22,582,090	\$25,000,000	\$25,240,000	\$29,817,000	\$32,202,000	\$34,785,000	\$37,566,000	\$40,572,000
107	Fiduciary Income Tax	16,940	12,500	14,000	14,600	15,000	15,000	16,000	16,000
108	Corporation Income Tax	3,865,353	4,100,000	4,050,500	4,394,200	4,603,500	4,812,700	5,022,000	5,231,200
	Sub-Total	\$26,464,383	\$29,112,500	\$29,394,500	\$34,225,800	\$36,820,500	\$39,612,700	\$42,604,000	\$45,819,200
109	Mines and Mining Tax	\$ 57,575	\$ 30,000	\$ 50,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000
110	Inheritance Tax	169,650	105,000	105,000	110,000	115,000	120,000	125,000	130,000
	Sub-Total	\$227,225	\$135,000	\$155,000	\$140,000	\$145,000	\$150,000	\$155,000	\$160,000

Commercial Fish Taxes

112	Raw Fish Tax	\$ 1,929,244	\$ 2,417,300	\$ 2,247,100	\$ 1,678,200	\$ 3,841,500	\$ 2,223,100	\$ 2,836,600	\$ 1,806,300
113	Fish Tax - Cold Storage	233,207	220,000	200,000	200,000	210,000	215,000	215,000	215,000
114	Fish Tax - Freezer Ship	126,935	120,000	110,000	110,000	105,000	105,000	105,000	105,000
	Sub-Total	\$ 2,289,386	\$ 2,757,300	\$ 2,557,100	\$ 1,988,200	\$ 4,156,500	\$ 2,543,100	\$ 3,156,600	\$ 2,126,300

115	Oil and Gas Production Tax	\$ 1,186,991	\$ 6,308,400	\$ 5,771,900	\$ 5,866,100	\$ 6,152,300	\$ 5,690,700	\$ 6,447,100	\$ 7,896,300
118	School Tax	956,971	971,300	997,000	1,035,800	1,077,200	1,120,300	1,165,100	1,211,700
119	Property Tax	2,580	297,000	297,000	326,000	358,000	383,000	420,000	445,000
120	Electric and Telephone Co-op Tax	274,676	274,676	274,676	274,676	274,676	274,676	274,676	274,676
	Sub-Total	\$ 2,421,213	\$ 7,856,700	\$ 7,065,900	\$ 7,227,900	\$ 7,587,300	\$ 7,194,000	\$ 8,032,200	\$ 9,553,000

Fuel Taxes

131	Highway Fuel Tax	\$ 6,277,445	\$ 6,180,000	\$ 6,625,000	\$ 6,950,000	\$ 7,297,000	\$ 7,662,000	\$ 8,045,000	\$ 8,447,000
132	Aviation Fuel Tax	778,486	700,000	1,280,000	1,415,000	1,486,000	1,350,000	1,620,000	1,690,000
133	Marine Fuel Tax	749,891	770,000	770,000	800,000	830,000	865,000	900,000	935,000
	Sub-Total	\$ 7,805,822	\$ 7,650,000	\$ 8,675,000	\$ 9,165,000	\$ 9,613,000	\$ 10,077,000	\$ 10,565,000	\$ 11,072,000

Total Income, Excise, Occupation and Property Tax	\$49,674,582	\$57,556,400	\$58,785,000	\$64,228,000	\$70,240,400	\$71,945,100	\$77,345,700	\$82,043,000
---	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------

862

Revenue
Code

115 Oil and Gas Production Tax (Continued)

In general new oil from development drilling has offset the production decline for the past six months with the total state production holding fairly steady around 190,000 barrels per day. A reduction in estimated income for fiscal 1968-69 is because production declines have been more severe than originally anticipated and productivity of later wells in the McArthur River Field has not been as large as the first wells. More drilling trouble has been encountered than originally considered resulting in fewer wells being completed in a given time period.

Production from known fields is declining at a rate of 50% per year. Installation of artificial lift equipment has retarded the decline in some cases, but the decline is to be rapid until pressure maintenance projects are installed and effects realized. Since this work is progressing rapidly in some fields and slow in others, the overall result will be a small, gentle increase in 1970-71 and start of decline thereafter until the North Slope comes on production. The estimated daily oil production in barrels is as follows:

1968-69	202,250
1969-70	197,580
1970-71	208,390
1971-72	191,650
1972-73	274,180
1973-74	409,400

Revenue
Code

116 Disaster Severance Tax

Rate:

The disaster severance tax is levied at 1% of the gross value at the well head, after deduction of Federal and State royalties.

Allocation:

Revenue from the disaster severance tax are paid into the General Fund and a special account kept of the money deposited for appropriation to the Disaster Relief Fund.

Mr. Guess said they had been checking on this with the Department of Revenue up until the day before they brought this package bill down and were told that each 1 per cent would be equal to \$2,000,000 in revenue.

The estimated full year 1969-70 at 3 per cent was \$5,866,100 and Mr. Ray said the figure of the increase over and above that already allocated would be \$7,332,625.

Mr. Borer said if he understood this package they were just reducing the general fund balance by \$2,000,000. Mr. Guess said they were told by the Department of Revenue that these projects would be funded by this increase, but they had since written a memo to him lowering their estimate.

Mr. Guess said the figure of \$7,300,000 that the Department of Revenue came up with three days after they had said it orally was \$10,000,000. Mr. Ray said if the projection of \$10,000,000 was right at the rate of 8 per cent it would be an overall tax figure of \$15,642,933 for FY69-70. For a full year's estimate at 3 per cent (which is technically already spent) this would be \$5,866,100, so you would subtract that from \$15,642,933; then you also come down for the first quarter of 1969-70 for which you would only gain 3 per cent and again subtract the figure of \$1,400,000. Then, according to Mr. Ray, one can come pretty close to the estimate.

Mr. Bradner said as he sees it, they are up against a three-fourths of a year prediction as opposed to a full year.

Mr. Sackett said in computing percentage increase why didn't they take the percentage per barrel.

Mr. Guess said they had the figures on projections already and the feeling of his committee is that the per barrel in Alaska is not fair to the companies because first, they are dealing with different calibers of oil, different prices and, second, they would be discriminating against the North Slope oil because it is not tide oil.

Mr. Ray said if there was a slight reduction in ADM impact and the possible deletion of one area in budgeting they could come nicely within the expected increase of \$7,000,000.

Mr. Guess said there is a difference of opinion each year in this matter of revenue sharing and they are attempting in this manner now to set a pattern for future years that will be fair to all areas. Mr. Bradner asked if they had considered a large block grant, Mr. Guess said he had sent out over 30 letters and these are the areas in which the cities were requesting municipal grants. Mr. Bradner referred to the multitude of federal grants that are so restrictive and he thought if the state gave a lump sum basis, basically unrestricted, they wouldn't be missing any areas.

Mr. Van Haute said they might have a community like Kotzebue or Barrow which might be trying to provide fire protection and doesn't come under A.D.M. and this way they could get some aid

on this basis which they are not eligible for under school district basis.

Mr. Ray said some of them are already in these federal programs and they need some assistance from the state to continue the programs and this would be an incentive in some areas and a life saver in other areas.

Mr. Guess thought they would have a problem in figuring out a formula for this. Mr. Bradner said his only concern is whether they are getting into the same mess as the federal government has put the state in. Mr. Bradner said that right now in Education they have so many grants they don't know where they stand.

Mr. Ray said through the Borough Act the state has already put some areas into picking up their own tab.

Mr. Borer said what they are really doing is making it easier to stay outside of a borough but they have to get some of these areas to begin to assume some local support.

Mr. Ray said what he would like to see is the entire concept (referring to the bill) go to the floor and have some debate and discussion on this. He said it should go to caucus or whatever, but in the end he feels it must be settled on the floor. He said he didn't like to have the responsibility for removing sections of this bill without giving everyone an opportunity to see the whole package. Mr. Bradner said the block grant has

some good possibilities and should be considered. Mr. Ray said he would request the bill be corrected eliminating the one or two mechanical problems they had: 1) the 25 per cent on page 3; 2) changing the word "financial" aid to "state" aid; 3) and deleting all material on page 6 except the effective date.

Mr. Ray said that by sending the entire bill down all the people would be afforded the same opportunity to see what's going on and then they can pass a severance tax increase.

HB 350

Mr. Ray moved and asked unanimous consent that they prepare this bill (later numbered HOUSE BILL NO. 350) with the corrections and send it out with individual recommendations.

There was a brief discussion on this and Mr. Haugen said there is quite a bit of concern for areas that don't pay any taxes and also noted they were putting this responsibility on one industry. He said the Finance Committee is obligated to come up with some other ways of funding this besides the oil industry. The following vote was recorded:

"Do pass": Messrs. Croft, Ray and Bradner

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

Adjournment:

Meeting adjourned at 4:00 p.m.

HOUSE FINANCE COMMITTEE MEETING
Thursday, April 3, 1969

9:00 a.m.

Present: All members except Mr. Haugen.

SB 212

Mr. Croft briefly touched upon CSSB 212 amended (relating to the legal rate of interest) and said it sets the usury rate at 8 per cent for most loans. However, he wanted to do some more research on this and would come back in possibly with a committee substitute. CSSB 212 amended was returned to subcommittee. Mr. Borer added the comment that he felt there should be no ceiling and no bottom and if someone is being abused, then they can put it back on next year.

HJR 26

It was moved and unanimous consent was asked to consider HOUSE JOINT RESOLUTION NO. 26 (relating to relaxing of interest rates on savings and time deposits in Alaska).

No objection, so ordered.

Mr. Borer pointed out that the state has nothing to say about this, it is governed by the federal; however, it was moved and unanimous consent was asked to report HJR 26 out with a "do pass" recommendation. All members signed "do pass" except Mr. Sackett who signed "no recommendation."

Mr. Ray told Mr. Croft to get all of the "money" bills ready at one time and the committee would work on them tomorrow.

HCR 2

Mr. Ray moved and asked unanimous consent to consider HOUSE CONCURRENT RESOLUTION NO. 2 (relating to leasing office facilities from ASHA). Objection was heard and motion failed.

HCR 18

Mr. Ray moved and asked unanimous consent to consider HOUSE CONCURRENT RESOLUTION NO. 18 (relating to construction of airfields at Chevak and Scammon Bay). Objection was heard, but motion carried 4 - 2. Mr. Croft moved to amend HCR 18 on line 23 by deleting "requested to direct" and inserting "urged to request" and a "do pass" recommendation. Motion failed 3 - 4. Mr. Bradner moved that HCR 18 be reported out with individual recommendations. Mr. Borer objected and it was reported out with Messrs. Ray, Bradner, Croft and Hohman signing "do pass" and Messrs. Sackett and Borer signing "no recommendation."

HCR 29

Mr. Ray brought up HOUSE CONCURRENT RESOLUTION NO. 29 (relating to the leases from ASHA) and then it was decided to hold it until a later time.

HOUSE CONCURRENT RESOLUTION NO. 43, HOUSE CONCURRENT RESOLUTION NO. 44 and HOUSE RESOLUTION NO. 8 were briefly mentioned and the committee decided to take these up also at a later date.

HJR 10

It was moved and unanimous consent was asked that the committee consider HOUSE JOINT RESOLUTION NO. 10 (relating to the establishment of a cabinet level office of fisheries). There was no objection and it was then moved and unanimous consent was asked that it be reported out with a "do pass" recommendation.

No objection, so ordered.

HJR 31

It was moved and unanimous consent was asked that the committee consider HOUSE JOINT RESOLUTION NO. 31

(requesting the Department of Education to institute an environmental education plan for the state and to establish the position of conservation and environmental education consultant in the Department). No objection, so ordered. Mr. Hohman moved that HJR 31 be reported out with individual recommendations. Mr. Sackett moved to table HJR 31. Mr. Ray asked for a show of hands of how many wanted to report it out of committee and on a vote of 2 - 6, it was held in committee.

HB 142

Mr. Ray announced that HOUSE BILL NO. 142 (relating to education of exceptional children within the state) would be brought up later in the day.

Recess:

Meeting recessed until a call of the chair at 9:35 a.m.

HOUSE FINANCE COMMITTEE MEETING
Friday, April 4, 1969
9:00 a.m.

Present: All members except Mr. Ray. Messrs. Dickerson Reagan and William Jacobs, from the Alaska Legal Services Corporation were also present.

Mr. Haugen took over the chair in Mr. Ray's absence and called the meeting to order.

Mr. Jacobs began his presentation by saying he appreciated the committee finding time to hear their testimony. He said that he is the Director of the Alaska Legal Services Corporation and explained this is a private, non-profit corporation with a Board of Directors, composed of seven attorneys and six non-attorneys. He said they contract with the federal Office of Economic Opportunity to set up and operate a private office to provide civil (non-criminal) services for people who are too poor to pay for these services. As a part of the overall war on poverty, he said it is extremely important for people in our society to be represented by a lawyer. He said the overall reason for this program is to bring justice to these people and in Alaska possible as many as one-fourth of the population are unable to pay for legal representation.

Mr. Jacobs said they are appearing before the committee to request an appropriation of \$40,000 for this coming year. In the past two years \$20,000 for this program has been represented as part of the Governor's budget. He said the

reason they are requesting the \$40,000 appropriation is there has been a federal law prohibiting them from paying over a \$15,000 a year salary. In 1968 the federal law was changed to make it possible to use federal money to pay salaries that exceed \$15,000. He said they have been dickering back and forth on negotiations with OEO since late January to determine whether they could get this additional money from the federal government and the state administration has received word as of April 1 that they would allow this program to pay over \$15,000 for salaries but no money was made available for this by the federal government. He said they have 17 attorneys working for the Corporation and they are especially concerned with rural Alaska. He said they have five supervisor attorneys in the program and these positions can't be filled for \$15,000 a year. He gave an example of a VISTA volunteer who was working for them, saying he had graduated from law school in 1968, and had been hired for \$15,000 a year in Fairbanks. He said they couldn't hire a lawyer with three or four year's experience for this amount of money and added they are very lucky to get them at \$20,000 a year.

Mr. Borer asked if the Public Defender bill passes, what the necessity of this office would be. Mr. Jacobs explained the Public Defender office, if it is set up, is intended to carry out an obligation by the state to provide an indigent person an attorney in criminal cases. He said

8

about 90% of the people in this category can't afford an attorney. He said his program does not handle criminal cases and they have completely separate functions.

Mr. Borer asked if this Corporation tells people if they can qualify for welfare. Mr. Jacobs said yes in some cases they do and explained if there is a welfare law on the books it would be their obligation to inform these people that they could qualify for aid to dependent children, aid to the blind, etc. He said they would be unethical if they disguised from their clients the fact that the law says they are entitled to these various welfare programs.

8

Mr. Jacobs told the committee if they were unable to obtain this appropriation the program would only be able to last a few months. He said their total budget with 17 lawyers and 9 offices is \$620,000. Of this, \$500,000 is federal funds. Of the balance of \$120,000, \$80,000 is contributed in time by private lawyers. He explained these lawyers contribute their time and are not paid anything for their services.

8

He said a logical question the committee would ask is are these lawyers really worth more than \$15,000 a year. He referred to a memo written to Walley Kubley saying most of these lawyers were earning over \$20,000 a year at the time they were hired. He said with the assistance of the state they are running a really good program to really give

good legal representation to the people and to do this they need high class, skilled lawyers to work for the Corporation. In answer to a question from Mr. Bradner, Mr. Jacobs said the federal government would not allow them to pay over \$15,000 a year for a salary and they could take this from their travel or rent budget but they would be out of their office if they did this.

In answer to another question from Mr. Bradner, Mr. Jacobs said the federal government would allow them to take this from other parts of their budget only if they felt like they could carry on a successful program. He said there are about 52 programs in the 7 western states, one of which is Alaska, which had to accept a \$1,000,000 cutback. He said this program was one of only three out of 52 that was refunded at the same level and said the size of the program increased by 17%.

Mr. Bradner questioned the amount of divorce cases handled by the Corporation, and Mr. Jacobs said approximately 1/3 of the number of law suits are divorce actions. He said he is personally not in favor of divorce and in the Anchorage office they are instituting a practice of asking these people to consult with priests, ministers, etc. He said they do this to see if divorce is in the best interest of the people and children involved.

Mr. Jacobs and Mr. Reagan left the meeting.

Representative Carl Moses appeared before the committee to represent his views on HOUSE BILL NO. 2 (an act relating to the wage and hour act). Mr. Moses said there has been a lot of concern regarding hiring practices of the oil industry on the North Slope and said this is a situation that has been going on for at least 60 years in the fishing industry. He said that HOUSE BILL 2 will go along way in correcting this. Mr. Moses discussed some of the problems the workers in canneries have, saying the Filipinos are paid on a monthly basis while the Eskimoes who are hired are on an hourly basis. He said some of the canneries are only paying 20¢ an hour on overtime, and after 12 or 14 hours a day, the worker would get another 15¢ an hour.

In answer to Mr. Borer, Mr. Moses said Dick Jensen had testified on this bill but he did not have testimony from any of the Alaskan canneries unions.

Mr. Sackett asked how much the Filipinos are making on a monthly salary and Mr. Moses said around \$450 a month.

Mr. Sackett asked how this compared with what the Alaskans were making. Mr. Moses said he was sure the Filipinos were making more. He said the Department of Labor had this information but it was confidential. Mr. Sackett asked if the Filipinos have the top jobs or if they do menial work. Mr. Moses said they do a little bit of everything.

Mr. Moses said if the canneries have to pay time and a half for overtime he thought there would be a big change in the number of Filipinos who were being brought up and they would

hire more Alaskans.

Mr. Moses left the meeting.

HCSCSSB 212 Mr. Croft moved and asked unanimous consent that the committee consider HOUSE COMMITTEE SUBSTITUTE FOR SENATE COMMITTEE SUBSTITUTE FOR SENATE BILL 212 (relating to the legal rate of interest). No objection so ordered.

Mr. Croft said that there are two proposed committee substitutes for this bill, one prepared by Mr. Fink and the other by himself. He said that the bill primarily sets the Alaska interest ceiling at twice the federal reserve discount rate which until yesterday was 5% and is now 6%, which would make Alaska's usury limit 12%. He said that in his committee substitute, subsection b, establishes the right to prepayment of the loan without penalty. This really allows people to make up their own mind. Subsection C removes the Federal Administration Mortgage rate from the maximum rate requirement, as this is regulated by the federal government. Subsection D allows a person purchasing an Alaska Business license to contract for a loan up to 10% interest. Mr. Croft said that the interest ceiling he believes is primarily designed to protect those people needing some kind of protection, and he feels that people in business ought to be able to take care of themselves.

Mr. Fink's committee substitute, Mr. Croft said, takes the idea of Senate Bill 212 but changes it from twice the amount

of federal reserve discount rate to 4 percentage points above it.

The discussion on this bill was interspersed with references to and comments on HOUSE BILL 234 (relating to bank hold companies) which would permit chartering foreign persons for banking business in the state.

Mr. Croft added to his committee substitute for Senate Bill 212 at the end of subsection d, the words "except contracts in section b. Mr. Croft moved and asked unanimous consent that his COMMITTEE SUBSTITUTE FOR SENATE BILL 212 be moved out of committee with individual recommendations. No objection, so ordered. The bill was passed out of committee with 1 do pass and 6 no recommendations.

CSHB 72

Mr. Ray moved and asked unanimous consent that COMMITTEE SUBSTITUTE FOR HOUSE BILL 72 (an act relating to depositing of state funds; and providing for an effective date) be considered by the committee at this time. No objection, so ordered. Mr. Croft said at the present time the state has from \$30,000,000 to \$35,000,000 on deposit with state banks and \$10,000,000 in bond fund in transit. At the present time the state requires these deposits to be 100% secure and Mr. Croft said this bill relaxes the collateral to 50% for certain qualified banks.

Mr. Borer said that something that should be considered is as of June 30, if the state doesn't get a bonus from the oil discovery, the state will need all the money they have

and if the collateral is only 50 per cent it may take the banks more time to return the money to the state. There was a brief discussion on this and Mr. Croft said the state deposits can be withdrawn any time. The whole problem with these funds is they are so short ranged they can't be used for long term loans. Mr. Hohman asked how much money this would involve and Mr. Croft said possibly \$5,000,000. Mr. Borer said this might mean as much as \$10,000,000 to \$15,000,000. It was moved and asked unanimous consent that COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 272 be passed out of committee.

"Do pass" recommendation: Messrs. Bradner and Croft

"No recommendation": Messrs. Ray, Hohman, Borer and Haugen

Recess: The meeting recessed at 10:45 a.m.

AFTER RECESS
3:30 p.m.

HOUSE
BILL 350

Mr. Ray moved and asked unanimous consent that the committee consider HOUSE BILL 350 (an act authorizing a program of state aid for local school and other municipal purposes; and providing for an effective date). No objection so ordered. It was moved and unanimous consent asked that the committee adopt COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 350 in lieu of HOUSE BILL 350. No objection so ordered. Mr. Ray moved and asked unanimous consent that this bill be reported out with individual recommendations. COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 350 was reported out of committee with 4 "do pass" and 3 "no recommendations."

Adjournment: Meeting adjourned at 3:30 p.m.

HOUSE FINANCE COMMITTEE
Saturday, April 5, 1969
9:00 a.m.

Present: All members were present.

CSHB 168

Mr. Ray moved and asked unanimous consent that COMMITTEE SUBSTITUTE FOR HOUSE BILL 168 (Relating to electrical safety) be considered by the committee. No objection, so ordered. Mr. Croft asked what the cost of the bill would be. Mr. Ray said he understands \$21,000. Mr. Croft then asked what the income would be coming in from inspection fees. Mr. Ray said there was no fiscal note on the bill, and so the bill was tabled until further information was gathered.

HB 48

Mr. Bradner moved and asked unanimous consent that HOUSE BILL 48 (Western Interstate Nuclear Compact) be considered by the committee. No objection, so ordered. Mr. Bradner said that he is informed that that the need for membership in this compact is because the administration would like to be able to talk with other states, especially with reference to the use now of Amchitka as a testing ground. Mr. Ray said that last year the Governor allocated \$5,000 for this in the Governor's Office. They feel it is necessary. Mr. Croft asked what the compact does, and Mr. Ray said the compact members all sit down and discuss what they know, what they feel should be done, and in case of real problems bring a greater force to bear than just one state would be able to. Mr. Borer asked how Alaska's contribution is determined. Mr. Bradner said that is one of his chief objections. Alaska would pay an equal portion to the other states, arrived at by dividing the total budget. He said that leaves a lot of latitude. Mr. Hohman said that he is not convinced of the need.

Mr. Haugen said that he thinks what they are concerned with is the effect of the nuclear testing on wildlife, resources, and such. This compact would give these states that have mutual concern a chance to work things out and share ideas. He said that he thinks for \$5,000 the state can give it a try, and he said he will vote "do pass". Mr. Bradner said there is another problem - it takes two years to resign from the compact. Mr. Ray said he had sent for Mr. Kubley from the Governor's Office to come up to answer questions. Mr. Borer said the committee also ought to consider if this testing in Amchitka is permanent and problems develop, the increased strength they would have with the support of the other states in the compact.

Mr. Ray said the committee would hold this bill in abeyance until the arrival of Mr. Kubley.

2
Mr. Sackett moved and asked unanimous consent that HOUSE BILL 2 (Relating to the wage and hour act) be considered at this time. No objection, so ordered. Mr. Hohman moved and asked unanimous consent that HB 2 be passed out of committee with individual recommendations. Mr. Borer objected. Mr. Ray objected also, stating that there have been numerous requests for hearing on this bill. Mr. Borer said there should be a public hearing. Mr. Ray said there isn't really time. Mr. Ray moved that HB 2 be put back in the file and considered at a later date if there was time. Mr. Hohman moved and asked unanimous consent that a public hearing be scheduled for 1:00 p.m. April 12. Objection was heard and the motion failed 3-4.

HB 48
Mr. Kubley came in and the committee reverted back to HB 48. Mr. Ray requested Mr. Kubley to explain further the nuclear compact. He said that the committee is concerned about the

possibility of inflating costs to the state, and that with the binding two year disengagement clause this could cause problems. Mr. Kubley said that for one thing, one legislature cannot be binding on another, and if a program is not funded it just is not funded. He said it was only \$5,000 this year and he has heard nothing to indicate that the cost to Alaska is going to increase over that.

Mr. Kubley said that Mr. Ward, Secretary of State, would like to testify on this bill. Therefore, the committee moved to hold the bill until Mr. Ward could testify on it.

HB 2

Mr. Ray moved and asked unanimous consent that HB 2 be brought up again for committee consideration. No objection, so ordered.

Mr. Ray asked Mr. Borer how long it would take to get his people down here. Mr. Borer said he would like at least five days notice. Mr. Ray said that there would be a public hearing on April 11, Friday, at 8 p.m. on House Bill 2, and he directed the staff to prepare a press release to that effect. Mr.

Borer requested that a letter be sent to Mr. Harold Hansen informing him of the same. Mr. Ray appointed Mr. Haugen, Mr. Borer, and Mr. Hohman subcommittee for this bill, with Mr. Haugen as chairman.

Legislature

Mr. Ray said the committee would now discuss the Legislature budget. Mr. John Elliott, Director of Legislative Affairs, was present at this time to present the budget to the committee. Mr. Elliott said that the budget in the budget book is completely obsolete. He said the revised budget has been submitted to both finance committees at the direction of the new legislative council, which has been reviewing the budget submitted to the Governor in November, and said that he was instructed to make

numerous changes. He said that the increase shown in the total figure should actually be \$217,000 rather than \$417,087 since \$200,000 was allocated to them by supplemental this year.

Personal
Services:

The major increase, Mr. Elliott said, is in Personal Services. Everything in the budget is based on a 90 day session rather than a 60 day session. In addition to the increase in Personal Services due to the additional 30 days, there is a raise in the special allowance for legislators from \$300 to \$1,000, salary increases for Legislative Affairs staff, and three new hires, those being fiscal counsel, legislative counsel and a deputy director. Mr. Elliott said that temporary employees were budgeted at the same salaries as this year, although now their salaries may change since it is up to Rules Committee what they earn.

Mr. Elliott justified the position of Deputy Director, stating that this would free him of some of his administrative duties and enable him to do more legal work and supervision of the legal work done by his staff, which he feels is important. The additions are sorely needed, he said. The Legislative Affairs staff has not increased since 1962, although the workload has greatly increased.

He said he was aware that there are some rather startling salary increases. However, he said, they took job descriptions over to Personnel and had the Director, Mr. Hunt, figure out what these people would be earning with the duties they do were they in the regular classified service. He said the figures in the budgets are a result of Mr. Hunt's statements. The employees have been underpaid. He cited as an example the fact that he has had to start his attorneys at \$10,000 a year, whereas the

Department of Law starts them at \$15,000.

Travel:

Mr. Elliott said that the greatest portion of the Travel increase is due to the increase of per diem for legislators due to budgeting for a 90 day session. Also there are increases due to excess baggage allotment of 500 rather than 100 pounds and increased travel for Council Chairman and Secretary, Speaker of the House, and President of the Senate during the interim between sessions (for one trip per month to Juneau).

Contractual:

There is a normal increase here due to increased costs of rental equipment, supplies for the boiler room, and indexing Alaska Statutes from concordance to topical indexing. This indexing will be done by the Mitchie Company.

Commodities:

Mr. Ray asked why there was an increase here, and Mr. Elliott said that with the additional number of bills being put out, the duplicating room needs more paper supplies. This is a normal increase based on the volume of work done.

Equipment:

No questions.

Mr. Sackett asked if the lounge is being changed. Mr. Elliott explained that this is in a letter attached to the revised budget, but the money would have to go into Public Works to do the remodeling. The amount for this is \$633,400. At this point the committee recessed to look at the remodeling plans in Mr. Elliott's office and then to go to the floor.

Adjourned:

Meeting adjourned at 10:00.

HOUSE FINANCE COMMITTEE MEETING
Monday, April 7, 1969
9:05 a.m.

Present: All members

CSHB 202

Mr. Ray called the meeting to order and moved and asked unanimous consent that the committee consider COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 202 (an act relating to the regulation of public utilities, defining the composition, powers and duties of the Alaska Public Service Commission; and providing for an effective date). No objection, so ordered.

Mr. Ray said one of the points he was concerned with is on page 1, line 20 ... "This member shall serve as chairman for a term of four years, but may be appointed for successive terms." Mr. Ray said this would not allow a member who had been appointed for a term of two years to serve as chairman. He said, on page 2, line 27, "two members of the commission shall constitute a quorum for the transaction of business... and said this should read "the chairman and two other members..." or "the chairman and one other member of the commission..."

Ernie Lahn entered the meeting.

Mr. Ray said he would like to call the following to the attention of the committee, page 4, line 3, "The executive director and all other employees and agents of the commission, other than legal counsel, are in the classified service under AS 39.25."

Mr. Croft questioned page 2, line 11, which read "Removal of Commissioners. (a) The governor may remove a commissioner from office by and with the consent of a majority of the legislature..." Mr. Croft questioned whether with these regulatory agencies they are trying to isolate them from being solely responsible to the executive branch.

Mr. Ray questioned what was meant by line 5, page 6, " (a) The administrative adjudication procedures of the Administration Procedure Act (AS 44.62) do not apply to adjudicatory proceedings of the commission except that final administrative determinations by the commission are subject to judicial review under that Act as provided in sec. 551(a) of this chapter."

Mr. Haugen remarked some of the people are opposed to this bill because on a minor complaint they can throw a whole utility into an "uproar".

Mr. Ray referred to page 7 of the bill, saying that all public utilities will have to have a new certificate or they can't stay in business.

There was a brief discussion on the power that the commission should have.

Mr. Haugen asked if there was any place in the bill where it showed the qualification of the Commissioner and Mr. Ray said no.

Mr. Ray read from page 24, line 6, "When the commission finds, after providing notice and an opportunity to be heard, that a public utility has been in violation, and is charged under

secs. 571 and 581 of this chapter, the commission shall determine the extent and duration of the violation, the circumstances under which it occurred and the amount of the civil penalty, if any to be levied. A levy of penalty shall be made by written order of the commission."

Mr. Croft said on page 23 it says "The commission may apply to the superior court..."

Mr. Ray also noted on page 6, line 5, "(a) the administrative adjudication procedures of the Administrative Procedure Act (AS 44.62) do not apply to adjudicatory proceedings of the commission except that final administrative determinations by the commission are subject to judicial review under that Act..."

Mr. Croft said he thought Mr. Haugen's point concerning the fact that the bill does not set out qualifications of an executive director should be considered.

Mr. Ray questioned page 25, line 18, "EXPENSES OF HEARING. After a public hearing held under this chapter the commission shall allocate the actual costs among the parties, including the commission, as is just, subject to a hearing at the request of any party. In assessing costs, the commission shall consider the results, inability to pay, evidence of good faith, other relevant factors and mitigating circumstances. The commission may determine and allow a reasonable time in which costs shall be paid. An order of the commission that increases a rate of a public utility does not take effect until the costs assessed against the public utility are paid..."

Mr. Van Haute entered the meeting.

Mr. Croft said he thought what was meant by the section Mr. Ray read was that this puts an incentive on the company to pay the cost.

Mr. Ray also questioned page 26, line 14, of the bill which reads "...the commission shall order the information withheld from public disclosure if in its judgment a disclosure of the information would adversely affect the interest of that person and is not required in the interest of the public."

Mr. Borer gave an example of a company in Cordova -- Club Enterprises -- saying they are selling heat and hot water to a couple of local businesses and they had started doing this after the earthquake. Mr. Borer questioned whether this would be a public utility under this bill. It was decided after a brief discussion this particular company probably would be considered a utility as "(5) 'public' or 'general public' means the public generally, or any limited portion of the public..."

There was a brief discussion as to whether this bill would apply to "sauna baths".

Mr. Ray noted on page 31 the bill refers to "the council" and said the public utilities might be in a borough.

He said on line 3 it should read "publicly by the council or borough"; line 9, "reasonable exceptions the council or borough requires"; and on line 13 "the council or assembly may regulate, fix, ..."; line 15, "given to the city or

borough"; line 23, "If the council or assembly considers..."; line 26, "to be held before the council or assembly at a time..."

Mr. Borer said that this bill is adding a tremendous amount of cost to those municipalities who operate their own system.

Mr. Bradner said as he sees this bill, the idea is to have a full time commissioner trying to get at the problem of marring together the actions of the commission.

Mr. Ray questioned whether the set up is to have the chairman and executive director one in the same person.

Mr. Ray left the meeting and Mr. Haugen took over the chair.

HB 365

Mr. Haugen moved and asked unanimous consent that the committee consider HOUSE BILL NO. 365 (an act amending the Pacific Fisheries Compact). No objection, so ordered.

Mr. Haugen gave a brief explanation of this bill and said last year this compact cost the state \$20,100 and under this bill it will cost \$15,000. Mr. Dean said this bill loosens up the language. He said under this bill 50 per cent of the cost will be on an equal share no matter what the commercial catch is and then proportion catch pays for the balance of the cost. Under this new bill Washington and Oregon's cost will go up and California and Alaska's share will go down. Mr. Dean said the state law has to be in effect before the next commission meeting takes place.

Mr. Sackett asked how much more this would cost and Mr. Haugen explained it would be \$5,000 less. Mr. Haugen moved and asked unanimous consent that the committee consider HOUSE BILL NO. 48 (an act entering into the Western Interstate Nuclear Compact). No objection, so ordered.

Mr. Robert Ward, Secretary of State, was present to testify before the committee.

Mr. Ward said as far as the compact itself is concerned he does see some advantages in this. He said there is much Alaska can gain by being a member of this compact. He noted other aspects that other states are doing in terms of not only nuclear emergencies and radiation but that the explosions are being considered for harbor development, underground work for canals, etcetera. The charges are much cleaner now and there is less fallout, Mr. Ward said. He said in terms of budgetary requirements since it is a new program it will be hard to determine and the only thing he could go by is the publication of an eight year program. He said there are five states that have adopted this legislation. This indicates the first year's total cost would be around \$68,000 and then it would range from \$68,000 to \$135,000, toppling off after eight years. He said it would require a member's share of \$10,334.

Mr. Ray said the committee is concerned with Alaska paying the same share as California and questioned whether Alaska wanted to share equally with the more populous states. Mr. Ray noted that after a state serves written notice it takes two years to withdraw itself from this compact.

Mr. Ward said he appreciated Mr. Ray's concern and apologized for not having a better answer. Mr. Ray explained this is a model program and had to be enacted as written.

CSHB 202

Mr. Ward left the meeting and Representative Tom Fink and Art Peterson, of the Legislative Affairs Agency entered. Mr. Ray moved and asked unanimous consent that the committee consider COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 202 (an act relating to the regulation of public utilities, defining the composition, powers and duties of the Alaska Public Service Commission; and providing for an effective date). No objection, so ordered.

Mr. Ray said that there was no fiscal note attached to the bill and Mr. Fink said the fiscal note they have is \$408,000 for the entire commission but that \$18,000 should be added to include the salary for the chairman.

Mr. Bradner asked what the increase of this would be and Mr. Fink said he understood there was \$196,000 budgeted for this year and Mr. Sackett noted the exact amount was \$196,400.

Mr. Croft asked if the Governor did not have a bill to "beef up" the Commission.

Mr. Fink said yes, this was SENATE BILL NO. 128 (an act relating to the regulation of public utilities, defining the composition, powers and duties of the Public Service Commission; and providing for an effective date). Mr. Fink said the only difference between this bill and HOUSE BILL No. 202 is that it didn't completely cover municipalities. Mr. Ray discussed some of the points that had been taken into consideration earlier in the meeting with Mr. Fink.

The first one, Mr. Ray said, refers to page 1, line 21, "this member shall serve as chairman for a term of four years,..." Mr. Ray said this would automatically rule out the person who had a two year appointment. Mr. Fink said in setting this up they were trying to eliminate the political aspect and to provide more security. He said by setting this up for a four year period a new governor could not come in and appoint someone else when the chairman had only served for a couple of months.

Mr. Ray brought to Mr. Fink's attention line 27 on page 2, "Two members of the commission shall constitute a quorum..." and said this should be the chairman and one other member. Mr. Fink said they were assuming the chairman would always be there. He also said he would have no quarrel with rewording this.

In answer to a question from Mr. Ray, Mr. Fink said the executive director might be a member of the commission. He added one of the things this bill eliminates is a hearing officer.

There was a brief discussion on whether this position would be exempt or classified. Mr. Croft said if the chairman was also a member they should make mention in the bill that he could not receive both salaries.

Mr. Fink said the salary of the executive director could not exceed that of the Superior Court Judge. Mr. Croft said they didn't want him to get two salaries -- as chairman and

executive director. Mr. Fink said the total amount would not exceed that of a Superior Court Judge, but they did not care if he received two salaries as long as it did not exceed the salary of a Superior Court Judge.

Mr. Ray said he would suggest that if he is a board member, then he is unclassified.

Mr. Ray asked what was meant by the term on page 6, line 5, "The administrative adjudication procedures of the Administrative Procedure Act..."

Mr. Peterson explained that the Administrative Procedure Act isn't entirely adequate and this is why it was made applicable to the Public Service Commission. He said the ideas are applicable if they are talking about rate hearings. There was a brief discussion on this.

Mr. questioned page 6, line 18, "A commissioner who has not read or heard the entire record, including the argument, may not participate in making a decision of the commission."

Mr. Fink said the third member would have to read or listen to the record. He added this would provide protection for the public utilities and would assure that the member had read the record before he was allowed to make a decision. There was a brief discussion on how they would determine if a member had read the record. The committee then discussed the fact that the bill did not set up any qualifications for the chairman or executive director. Mr. Croft said since this allowed a commissioner to be a director, they should have some qualifications for a director. Mr. Peterson said

the members still have qualifications which are provided in A.S. 42.05.040 which provides, "Members shall be qualified as follows: one member shall be a graduate of an accredited school of law; one member shall be a graduate of an accredited university with a major in engineering; one member shall be a graduate of an accredited university with a major in finance, accounting, or business administration." Mr. Ray questioned the right of the Commission to decide if public utilities have the right to use public streets, alleys, etcetera, and Mr. Fink said that someone has to make the decision for this and this makes the Public Service Commission the final authority.

There was an example of a problem in Anchorage given and Mr. Haugen said it was grossly unfair for the rest of the state to pay for the problems of certain areas.

Mr. Fink said this gives the Commission authority to establish reasonable regulations throughout the state and isn't intended to help one little area of the state. Mr. Fink said the biggest argument on the entire bill is whether or not they are going to have regulations if the majority of the House wants regulations then this is a necessary part of it.

Mr. Ray questioned page 23, line 23 which provides only a \$500 penalty. Mr. Fink said the Judiciary Committee didn't argue over the amount of the fine. He said the present Director of the Public Service Commission had given a brief to the Judiciary Committee and they incorporated some of his

ideas and Mr. Fink said he was not sure if the fine was one of his ideas or not. In answer to a question from Mr. Ray regarding the expenses of a hearing, Mr. Fink said under the bill anyone can request a hearing and this would provide a method of allocating the costs.

There was a brief discussion on what utilities would be covered by the bill and the "sauna bath" and Club Enterprise was again mentioned. Mr. Peterson said this is a slight rewording of the old law and if the utility wasn't covered before it probably wouldn't be covered under this bill.

Mr. Croft said he was not satisfied with the term "public" or "general public". Mr. Croft said if they set up the standards then the commission would be free of those charges of political motivations.

There was a brief discussion on the regulations that might be set up by the commission.

Mr. Ray again mentioned that the borough or assembly was not included in this bill. Mr. Peterson said they are all included by reference to Title 7. He said the borough has the same power as a first class city. There was a brief discussion on Title 7.

Mr. Croft questioned page 26, referring to the fact that the commission can keep information secret. Mr. Fink said the discussion he had listened to indicated that if someone is giving inside information on a company the best interest in this would be that it might not be made public until the hearing is made public. Mr. Croft said then this is not limited just to the time of the hearing.

Recess:

The meeting recessed at 10:45 a.m.

AFTER RECESS

11:10 a.m.

CSHB 202

Mr. Ray moved and asked unanimous consent that the committee pass out COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 202 with a "no recommendation" vote. There were 5 "no recommendations" and two "do not pass".

HB 48

Mr. Ray moved and asked unanimous consent that the committee pass out HOUSE BILL NO. 48 (an act entering into the Western Interstate Nuclear Compact). No objection, so HOUSE BILL NO. 48 went out of committee with 3 "do pass" and 4 "no recommendation" vote.

Mr. Ray left the meeting and Mr. Croft took over the chair and brought up the Legislative Budget.

Legislative
Affairs Agency

Mr. Croft moved and asked unanimous consent the figure of \$1,363,200 be adopted for the Legislative Affairs Agency. No objection, so ordered.

Legislative
Audit

There was discussion on the budget for Legislative Audit and Mr. Croft asked the estimate of the fiscal note pertaining to HOUSE BILL NO. 36am. It was determined this would cost an additional \$3,500 and Mr. Croft moved and asked unanimous consent the figure of \$223,900 be adopted for Legislative Audit which would include an additional \$3,500. No objection, so ordered.

Mr. Croft moved and asked unanimous consent that the committee adopt the total figure of \$1,587,100 for the legislative budget. No objection, so ordered.

Recess:

Meeting recessed at 11:30 a.m.

JOINT FINANCE COMMITTEE PUBLIC HEARING
Monday, April 7, 1969
7:30 p.m.

Present: In addition to the general public, all members of the Senate and House Finance Committees were present with the exception of Senators Bradshaw, Lewis, Miller and Phillips.

Chairman Ray called the meeting order and apologized to the public for postponing the public hearing last Friday. He outlined the rules for the hearing stating that those wishing to come forward and give testimony on bills may do so as the committee goes through them, that the committee if they desire would question the witnesses, and asked that when giving testimony the witness direct questions and answers to the chair to keep order. Chairman Ray then introduced the members of the committee and supporting staff.

HOUSE
BILL 106

HOUSE BILL NO. 106 (an act amending the State Personnel Act; and creating the Alaska Civil Service Commission) was opened for discussion. Mr. E. W. Lahn, Executive Secretary for the Alaska State Employees Association, and State employee lobbyist came before the committee to testify on HOUSE BILL NO. 106. He stated that HOUSE BILL NO. 106 has a companion bill, SENATE BILL NO. 187, and both are identical in original form. Both have been moved out of State Affairs Committee and he thought they were both in Judiciary Committee at this time.

Mr. Lahn felt the existing State merit system has failed to do the job its authors intended it to do. People have not been able to get grievances when requested, and the system has generally failed in all aspects important to a merit system. Testing is not maintained and very often tests are not relevant to the job, and there are questions on the tests which shouldn't be on them. He went on to say that there has been a general lack of maintenance of the merit system, and because of this system, which has been in effect almost ten years, many people in state employment and state associations have sought another way of doing the same job. This is basically the reason this Civil Service Commission bill is before the Legislature this session.

Mr. Haugen asked Mr. Lahn if he could give the committee an idea of the costs of setting up this commission.

Mr. Lahn said there seems to be substantial disagreement on this point, there is a fiscal note on the bill that runs around \$100,000. He said he couldn't tell the committee where this \$100,000 is needed. He said the authors of this bill intended the existing system be put under different leadership - the Director of Personnel would be taken from under the Commissioner of Administration and put under the Civil Service Commission.

Mr. Borer asked Mr. Lahn how long he has been trying to get the Civil Service Commission bill passed. Mr. Lahn said they had a Civil Service bill in the last session of the previous legislature, which didn't get very serious

consideration. This is the first session there has been any serious consideration of the bill. Mr. Borer then asked if it was only a year ago he became concerned about the situation, and Mr. Lahn said he had only been in his position a little over a year, but to say there were not problems before is not fair, the problems are more out in the open today than two or even five years ago. In answer to Mr. Borer's question as to who was hiding these problems if they were problems, Mr. Lahn said he thought probably Administration was hiding them and said he felt confident in that answer. The association was successful in bringing them out in the open.

Mr. Bradner asked that if the Director of Personnel is to be appointed by the Commission with the approval of the Governor, what the provisions are for his removal. Mr. Lahn replied "cause" as specified on page 2 of the bill.

Mr. Bradner referred to the problems mentioned earlier by Mr. Lahn with the present system, including minimum qualifications, and said he assumed Mr. Lahn also meant there were problems of reclassification. Mr. Bradner asked if the problems weren't also due to budgetary problems and lack of staffing, and stated that if the legislature did pass this bill it would not necessarily solve these problems. Mr. Lahn said that is a necessary point, and one of the biggest weaknesses of the in the bill. He said that before

either of the bills pass, hopefully there will be a provision giving guidelines for funding the Division of Personnel. He said the only problem they have is the Constitutional limit on charging funds against future legislatures. Mr. Lahn said for funding he would like to see the Division of Personnel get one percent of what is budgeted for the total state budget to do an adequate job. He also mentioned that he had heard via the grapevine that the 12 positions they had budgeted for, for the Division of Personnel, had been cut to seven. He said a merit system is not a simple thing to operate, and testing, qualifications, etc., which they don't like to fund, are necessary to the system. He would certainly hope these committees will not cut any of the twelve positions.

Senator Lewis came in.

Mr. Sackett took exception to Mr. Lahn's statement about hearing via the grapevine, and said none of the committee members know exactly what the ultimate figure will be.

Mr. Ray said the point was well taken.

Mr. Lahn admitted that it was probably improper to go by the grapevine, but that even the twelve positions are completely inadequate and if they could find 21 it would help.

In answer to Mr. Bradner's question, Mr. Lahn said if the present system were funded the way it should have been it would be a going system today, and that the proposed

system would not prove adequate unless properly funded. In answer to Senator Lewis' question, Mr. Lahn said in his opinion it takes both labor and management to make a going operation. Frequently, the purpose of management is not necessarily the same as labor or the employee, and both sides are needed for representation.

Senator Koslosky noted that the Civil Service Commission budget is approximately one-and-a-half million dollars. Mr. Lahn said that to fund a merit system or Civil Service Commission, a system that involves the type of program this does, would run in the State of Alaska about one percent of what is budgeted - not for the Civil Service Commission, but to run the Division of Personnel.

In answer to a question from Senator Merdes, Mr. Lahn said that in his opinion when any management group is unable to rid itself of the "deadwood" there is inadequate management. It is the responsibility of management to get rid of them. He said if the evaluation system was working the way it should, once a year they would document good and bad employees. Too many of the state's supervisors are not trained in this and don't know how to document a case. If a man isn't doing a good job it should be reflected in his record, and this, Mr. Lahn said, could be done under the Civil Service approach.

Mr. Bradner asked how Mr. Lahn say the relationship between the Director and the commission if with six-year terms a

member couldn't be removed except by cause. Mr. Lahn said he hoped it would be a harmonious relationship, otherwise it would not be conducive to getting the job done. Mr. Bradner felt six years is a long time and if commission members couldn't be removed except by cause, then in order to remove him it would have to be done through the same process as any other employee. Mr. Bradner asked how they would handle this type of situation. Mr. Lahn said he hadn't given the question serious consideration, but they have had four directors of Personnel employed by the state in the last ten years. He didn't think any of them were fired, but on a practical basis if a Director of Personnel wasn't liked by the commission, the Governor, the Legislature, etc. it would be a very untenable position. All the commission would have to do is ask for his resignation and he would probably quit. Mr. Lahn didn't feel there would be too much difficulty in getting rid of him.

Mr. Bradner maintained that a director could cause quite a problem if he so chose, and felt it would be better if the director served at the pleasure of the commission.

Senator Koslosky asked Mr. Lahn if he had polled the members of the association as to their acceptance of this legislation. Mr. Lahn said their legislative course was determined by the directors of the association scattered throughout the state; that there is one director for every 25 members and hopefully each director reflects the opinion of those members.

Senator Blodgett said he has been aware of charges being filed against Civil Service employees by supervisors throughout the years and removed from service by Civil Service action. He said he has also been aware that when a supervisor has removed three or four people for cause, they soon get a new supervisor, regardless of how right he may have been. Senator Blodgett said the Federal Civil Service System is not all it's cracked up to be, and from his interpretation of this bill he doesn't think it is either. He said rules are promulgated over which there is very little control, and he is very apprehensive about this. Senator Blodgett added that the six-year tenure is not palatable, and asked Mr. Lahn what his thinking would be of amending it to two years. Mr. Lahn didn't think he would support a two-year tenure, but if the Legislature thought a four-year tenure was adequate he would go along with this. In answer to another question from Senator Blodgett, Mr. Lahn said the six-year terms are staggered. Mr. Lahn said he could see advantages to a short term, but the disadvantage is that it takes a good length of time to learn the system, and a short term wouldn't be adequate. He added that there is a tremendous lack of knowledge in Alaska as to what a Civil Service System is and how it functions.

Representative Schwamm said that Representative Chance and he had discussed the length of terms of this office and

8

have worked out a schedule they are going to propose to the Judiciary Committee as an amendment to this bill. He said there are different ideas on this, but felt a four-year term would be adequate and give sufficient staggering.

Representative Harris wondered what percentage of state employees belong to the Alaska State Employees Association. Mr. Lahn said this is a difficult question to answer, that there are about 4,500; however, after eliminating teachers, employees on the ferry system, and temporaries, even though they are eligible but do not have any real interest in it, the membership then would be slightly over 2,200.

3

Mr. Bradner referred to the bottom of page 6 of the bill which provides for a classification plan for all positions in the classified and partially exempt services; and on page 7 referred to the maintenance and development of a pay plan; and asked if it was their anticipation that the commission would develop and maintain this pay plan to have the effect of law. Mr. Lahn said the language is identical to what is in the law today. This would not take away the funding responsibility of the Legislature. Representative Chance said they have some recommended changes, in addition to bringing the director's term down to four years, regarding political reasons for dismissing employees. She said they have quite a few petitions, letters and telegrams from employees around the state. It was her impression that a large percentage

of the failure of programs stems from personal programs and problems, and she said she had heard politics have played an important part of this. Mrs. Chance said that in testimony before the State Affairs Committee, the Secretary of State and the present Personnel Director both testified that they couldn't say the Civil Service System could not work and realized that either one should work, and pleaded for at least one more year for the present system. Mrs. Chance said that her contention is that the state has had its present system for ten years and it still has not worked, and can no longer afford this as the number of employees increase. She said the state needs to create a good system to keep these employees regardless of political influence. If the state is going to operate like an efficient business it should provide a Civil Service System in order to provide political immunity to the state employees. Mrs. Chance said that about two years ago she started compiling information on the Civil Service System and has a model system. She said she could see no reason for it to be as restrictive as other Civil Service Systems are; Alaska led the way in the strong executive concept of state government, and feels a Civil Service System will strengthen that concept.

In answer to Mr. Bradner's question as to the basic reasons why the present system has failed to function, Mrs. Chance said one of the reasons is inadequate staffing; she strongly favors the minimum of twelve additional personnel in the Division of Personnel. She also felt there has been a strong political influence in personnel matters.

3

Senator Lewis asked Mrs. Chance why she feels they are inadequately staffed. Mrs. Chance replied that they do not have personnel to carry out the job of classification and reclassification, that the positions to carry out this work have not been approved by the Legislature. At one point last summer, Mrs. Chance said, the Director told her he was 18 months behind in reclassification. People leave the positions and the departments are faced with recruiting others.

3

In answer to Mr. Bradner's question as to why she chose that the commission consist of three members, Mrs. Chance said she wanted to keep it as close to the present personnel system as possible. Mr. Bradner thought there was danger with three, and Mrs. Chance said it might equally be so with a commission of five.

In answer to another question from Mr. Bradner, Mrs. Chance said the communications she has received have asked for both a pay raise and a Civil Service System, but there was no preference stated as to which they would rather have.

HOUSE BILL NO. 175 (An Act providing for overtime pay for state employees; and providing for an effective date) was opened for discussion. Mr. Lahn testified that the intention of this bill is to bring employment up to a level with other industries. Business should be done on a regular work schedule; if it cannot, employees should be paid a premium pay. The situation existing in State employment today is many of the employees receive no compensation at all for overtime work. Some departments promise compensatory time and don't pay overtime, and some tell the employees outright that they will be required to work overtime with no compensation. Employment in the State should be on an equal basis with other businesses. Mr. Bradner said this overtime pay provision is not just a means of remunerating employees, but also eliminating employers from discriminating against employees; and asked if this act, if enacted, would bring about a drastic drop in the number of hours worked overtime. Mr. Lahn replied yes, it would.

Senator Blodgett said that if this overtime act is passed they would proceed to put time clocks in all of the State offices. This would give them a check and balance in control of these departments who are now requiring their people to work overtime and are not giving them any compensation.

Mr. Borer asked Mr. Lahn if what he is saying is that he

wants the State employees to be treated as other employees in the state, and asked if he was suggesting the State go to a 40-hour week and be compensated time-and-a-half for overtime after the 40 hours. Mr. Lahn said no, the discussion of a 37-1/2-hour week has come up several times. In his opinion, this is a fringe benefit, and if for some reason this should be taken away he would object to it, would say it is regressive and there is little justification for it. He said there have been some employees suggesting the State work a 40-hour week and get paid overtime, and this he has also resisted.

Mr. Borer asked if this 37-1/2-hour week is sort of a fringe benefit for not getting paid for the overtime worked, partial compensation, and Mr. Lahn replied that in a way it is.

Senator Blodgett said that with the State work-week predicated on 37-1/2 hours, if overtime were required it would be his belief that the time up to 40 hours would be on a straight-time basis and anything after that would be on a time-and-a-half basis; in other words, anything over eight hours a day would be time-and-a-half.

Mr. Lahn said that anything the Legislature would do in this area that was equal to Federal law would be quite palatable. The Federal Government is moving in in these areas. There are certain State employees required by Federal law to get time-and-a-half. These people are employees

working in nursing homes, the Pioneer's Home, API, etc., but this is only in certain groups, and there are probably no more than 50 - 60 of these people in the state. In answer to Senator Blodgett's question, these are not Federal funds, funding has nothing to do with it. Mr. Bradner asked which State agencies and division are the worst offenders for imposing on the employees. Mr. Lahn said that the Department of Highways is the best department for compensating its employees for overtime, and the Department of Fish and Game is probably the worst. The Department of Highways pays straight-time for overtime worked, and maybe some get compensatory time, it varies from time to time.

Mr. Bradner asked how they differentiate between the departments as to whether they can or cannot pay overtime. Mr. Lahn said he believed it is left up to the administrators of the individual departments.

Mr. Ray questioned whether there is any emphasis on the fact that monies spent by the Department of Highways for overtime is Federal money. Mr. Lahn said he has never heard that funding has any bearing on it. Mr. Ray thought possibly this feeling of being autonomous, a part of but yet apart from the State, might engender itself down to the budgetary factors; however, Mr. Lahn said that this is something delegated to them from the Department of Administration.

Mr. Bradner asked what method of appeal a classified State employee has if he has a complaint on his pay. Mr. Lahn said a classified employee can go through the grievance procedures; however, there is nothing in the personnel rules that requires the State to pay even straight-time for overtime. It is left up to the individual agencies. The only legitimate grievance is with the personnel rules; if there is no violation of the personnel rules there is no grievance, so where overtime is concerned the employee really has no recourse.

Mr. Ray left and turned the chair over to Mr. Croft.

HOUSE BILL NO. 218 (An Act extending employment security coverage to employees of the state; and providing for an effective date) was opened for discussion.

Mr. Lahn said HOUSE BILL NO. 218 is identical to SENATE BILL NO. 91, and follows the same pattern to bring State employment coverage up to the same level of private employment. As explained in the attachment, these bills would extend Employment Security Coverage (Unemployment Insurance) to State employees on a non-contributory basis. This program is needed in many parts of the state to put the State as an employer in a competitive position with private employers. The non-contributory program can be provided at less than one half of the cost (to the state) as a contributory program. A man looking for employment has a choice of going to work for the State or private industry. With the State having no unemployment insurance, he takes private industry.

Senator Blodgett asked who developed this information and how they went about it. Mr. Lahn said he couldn't testify to that although it was employees of the Department of Labor. Senator Blodgett thought it essential the matter be pursued.

Mr. Borer asked how many ASEA employees want this employment security coverage, and Mr. Lahn replied the response was through the chapters primarily organized in city areas/and these are not the people in the outlying areas. Mr. Lahn said he could testify to the fact that every time he takes a trip through these outlying areas the people ask him about this. There are about 650 members of ASEA who are not in organized chapters and these are the people it would have the greatest impact on.

Senator Blodgett felt that more information on the cost was necessary and requested this information be furnished at an early date.

HB 246

HOUSE BILL NO. 246 (An Act relating to state employees pay; and providing for an effective date) was opened for discussion. Mr. Lahn said that HOUSE BILL NO. 246, SENATE BILLS 155 and 301 are all similar to the extent that they would require the state to conduct an annual salary survey to determine the relative position of State salaries to non-state salaries, and the cost of living in the various districts of the state. The need for this comes from the situation that there is not adequate information available to judge what state employee salaries should be. This bill would put it into law and require the Director of Personnel to conduct a survey on an annual basis. As the bill is written they would have the assistance of the Department of Labor which has statisticians and data processing equipment needed for this type of survey. Given a chance, Mr. Lahn feels this could be a very worthwhile thing. The one significant part of the act is that this requires the legislature to act on a pay bill submitted to them by the Director of Personnel within the first 40 days of the session; if they do not act on it it becomes law without action.

Senator Blodgett said that with the last two pay raises, employees in Range 14 on down haven't really benefited. He said he would be disposed to considering legislation along the lines of correcting inequities in the lower ranges, feeling that it's always the "chiefs" who benefit, and never the "braves." He said he would not support any legislation along the lines presented until there are clear cut provisions for those in

the lower ranges.

Mr. Lahn said that one response to Senator Blodgett's comments is that as much as they may disagree with the two pay bills submitted and before the committee, and with a flat percentage being applied straight across the board, they are still faced with the unpleasant fact that it is a supply and demand situation. Mr. Lahn said he would support a minimum take home pay rate.

The only other response Mr. Lahn said he had is that in ASEA they fly with the wind - if full parity with the Federal Government looks like it stands a chance, they support it; if minimum take home pay rate looks like it stands a chance, then they swing their support to that. They simply haven't the staff to research and strongly support something with no chance of success and still be able to support something that might stand a chance. He said that the annual salary survey approach has worked in other states for a long period of time and still others have just adopted it and are finding it successful. Representative Chance said this annual salary survey sets up one pay schedule instead of a series of pay schedules, covering the various areas of the state.

(Messrs. Ray and Borer returned.)

The Director of Personnel is to prepare this schedule and submit it to the Legislature. This survey shall also reflect the cost of living in various house election districts of the state.

The Department of Labor would supply the statistics.

This way the employee would not have to worry about taking a cut in pay if transferred; he gets the same rate of pay plus a cost of living allowance for where he is in the state. When requiring this annual salary survey be conducted and submitted

to the legislature it is not anticipated that the result will be large pay raises every year or two, but merely adjustment by the legislature; the adjustments would be within each classification and the cost of living.

HB 156 and
HB 174

HOUSE BILL NO. 156 (Relating to compensation for state officers and employees) and HOUSE BILL NO. 174 (An Act relating to state employees' salaries) were opened for discussion.

Mr. Harvey Golub, President of the Juneau Chapter of the Alaska Society of Professional Engineers testified before the committees, and a copy of his testimony (in the form of a letter directed to Mr. Bill Ray, Chairman of the House Finance Committee) is attached.

Mr. Robert Cooksey, Alaska Education Association, testified that he is in favor of a significant salary increase. Talking with people from some of the other department in trying to fill vacancies, he said, the problem has come up of salaries in other states as compared to Alaska. Because of the low level of salaries here people in advisory positions are continually spending time to train people for jobs.

Mr. Cooksey pointed out the fact that the Commissioner of Education, as an example, is making less money than many other people in the state, and a school superintendent in Anchorage makes more money than the Commissioner. Consultants in the Department make less than they could be making as principals. And, he said, the Governor's salary can be compared to that of an insurance agent. Mr. Cooksey encouraged the committee to look at an arbitrary figure of say \$50,000 for the Governor, etc. In respect to filling vacancies, there are approximately one dozen vacancies

in the Department of Education of a professional nature that aren't being filled. He encouraged the committee to make money available to have additional positions filled in the Department.

Senator Koslosky asked Mr. Cooksey if he would support an increase in taxes to fund these positions, and Mr. Cooksey replied that he is not opposed to an increase in taxes and didn't feel the taxes are completely out of line. Senator Blodgett commented that Mr. Cooksey indicated the teachers support the philosophy of an increased severance tax, and stated that he felt they may be trying to make a "whipping boy" out of the oil industry. Mr. Cooksey said that as a personal response he would say there are certainly other things that need looking at.

Senator Blodgett said there is no severance tax on timber and yet there are a lot of state schools that are in the forestry area.

Mr. Cooksey urged the committee to find a reasonable salary adjustment upward. In the Department of Education they had the directors of three divisions leave within a month.

Mrs. Madeline Sturm, Accountant for the Division of Buildings, Department of Public Works, testified on the take home pay of custodial workers, Grade 8, 3/31/69, as compared to 3/31/68 (her comparisons for sixteen positions are attached). She testified that many of these people have families with school children and have to go to Welfare for additional help. She explained that their take home pay with a 4.2% gross increase

would still be at least \$10 less than a year ago. It would take a 10% raise to give these people about \$10 more than a year ago.

Mr. Haugen commented that part of the difference in take home pay that occurred this last year was the surtax imposed on wages, and other normal payroll deductions.

Mrs. Chance said that recruitment is difficult because standards are far below that of other states, and this is a problem all personnel officers in the state face.

The actual percentage of the Governor's bill to be funded in the budget would be 55%, with the additional 45% to be picked up by the agencies in vacancy and turnover. Mrs. Chance's bill would require a large percentage to be funded, because there would be less turnover and vacancy. Therefore, although HOUSE BILL NO. 174 would require more state funds initially, it would be a saving to the state inasmuch as the cost of recruiting and then breaking in personnel, would be cut considerably.

Mr. Thomas R. Branton, Administrative Officer for the Division of Corrections, Department of Health and Welfare, testified that he had been reviewing various aspects of the various pay bills. His testimony is attached in the form of a letter to the Joint House-Senate Finance Committee.

Mr. Ken Grieser from the Department of Education testified that although he hasn't researched the entire matter of the state employees pay raise, he would like to comment on the

Department of Education, with which he is familiar. He said there are 36 professional positions in Range 20 and above, and 11 are vacant at the present time. A few positions are new, but some have been open a year-and-a-half to almost two years. Of the 11 professional people in one division, five who were there three years ago are not there now and people have come and gone since then. In most cases, they have had to go to advanced placement to fill positions, starting a person at Step C. Mr. Grieser said that experienced teachers in Anchorage are making the same salary in nine months as he makes in a year.

Mr. Walt Jones, Division of Corrections, Department of Health and Welfare, testified that he was representing 21 line probation payroll officers in the interest of trying to get higher income for them. These types of positions are being raised in the "South 48"; people are finding better opportunities down south with better working conditions and lower caseloads, and as a result last year out of 21 positions ten turned over and two of them twice. This makes it difficult to recruit, Mr. Jones said, and they personally write letters to candidates trying to explain to them why they should come to work for the Department, and rely on hunting and fishing aspects to attract the candidates.

In answer to a question from Mr. Haugen, Mr. Jones said qualified line officers, are Range 16, and those without degrees are Range 13. The basic requirements are a degree in behavioral sciences plus one or two years experience, or

one year in Alaska.

Mr. Lahn's testimony is attached. During his testimony he referred to a document prepared by the Division of Personnel, and the Chairman requested Mr. Lahn furnish the committee a copy.

Mr. Lahn said he couldn't live with HOUSE BILL NO. 156 in any way, shape or form. However, he mentioned that if the committee was willing to pass HOUSE BILL NO. 174, he thought Administration could find a way of living with that.

HOUSE
BILL 3

HOUSE BILL NO. 3 (an act relating to per diem for state employees; and providing for an effective date) was opened for discussion; however, Mr. Ray said he thought the committee understood this bill and unless anyone had any questions, or if the committee would like anyone to give pertinent information, they would go on to the next bill.

There were no questions, and Mr. Ray asked for a show of hands as to how many would like to have per diem increased - the majority was in favor of increasing it.

HOUSE
BILL 157

HOUSE BILL NO. 157 (a bill changing rate of pay increments in remote locations; and providing for an effective date) was then opened for discussion. Mr. Lahn's testimony on this bill is also attached.

Mr. Jones mentioned the high rise in the cost of living in Fairbanks area due to the North Slope, and said that perhaps this could include Fairbanks as a remote post. Mr. Ray said this could be an asset or a detriment in applying basic salary to the cost of living index.

Adjournment: Meeting adjourned at 10:35 p.m.

ALASKA STATE EMPLOYEES ASSOCIATION

Notes for the presentation of E. W. Lahn to the Joint Finance Committee public hearings, April 4, 1969 at 7:30 p.m.

PAY

HB 156 - The Administration's pay Bill averages 10 per cent, but is as low as 4.2 per cent in Grade 6 and goes up to over 24 per cent in Grade 27.

HB 174 - averaging 21 per cent, goes from 13.3 per cent to about 46 per cent in the same grades.

HB 156 comes nowhere near parity with Federal, and HB 174 is below Federal by about 4 per cent.

HB 174 was developed from a study done by the University of Alaska comparing Federal with State salaries and is based on a realistic approach with factual information. The report will be made available to the Committee if desired.

Both HB 174 and HB 156 are similar in that they are integrated and relieve compressions of salaries at the upper grades.

HB 174 is identical to SB 132 in Senate Finance.

Much of the difference between State and Federal salaries has been caused by the Federal "comparability" program that was started in 1967 to provide full parity in Federal pay with private industry-- this was an obvious recognition by the Federal government that it had a need to compete so as to recruit qualified personnel. The State of Alaska must make the same recognition.

Another significant weakness in the State's pay plan is that there are only six steps for merit increases as compared to the Federal's ten steps. Thus, a State employee may reach his maximum earning capacity in 4½ years whereas in Federal work he may have a goal to work toward for 15 years or more. Currently the State has nearly 20 per cent of its workforce at the "F" Step level (top Step).

Now, cost of living increases have been between 4 per cent and 5 per cent annually. The last State employee increase was in July 1967 so that the two years since then of cost of living would be near 9 per cent. Obviously an increase of 4.2 per cent will not begin to cover cost of living. We find that the vast majority (about 65 per cent) of the State employees would get less than a 9 per cent increase through HB 156.

COST

The Governor, in his budget message, included a little over \$2 million to fund HB 156. HB 174 is slightly more than double HB 156 so we may conclude its cost would be about 4.9 million. This is further borne out by the detailed analysis made by the Division of Budget and Management, and in testimony by Dick Freer, the Director of the Division. Actually the Division has become quite sophisticated in its estimates of pay increases and I am able to accept their figures. (Refer to cost analysis and explain)

As to the State's ability to fund HB 174. We are of the opinion that the General Fund budget will increase between \$27 million and \$30 million next fiscal year over this year. If the Legislature does fund the 516 new positions requested, this would cost near \$6 million leaving over \$20 million in additional funding.

Historically, Personal Services have accounted for over 50 per cent of the State's General Fund expenditures, thus we can conclude that over \$10 million of the increase could be available for salary increases. If this is not true, then we must conclude that the money is being spent elsewhere. We feel strongly that the State would be wise to pay at least prevailing rates to its employees before it extends its efforts into other areas of endeavor. The old adage "You get what you pay for" applies here. If the State pays substandard wages it will not only lose its trained workforce but will be unable to attract new or additional qualified personnel.

HB 157 affects only the remote area pay provision now in Statute. Currently remote areas are paid 3 and 6 per cent more, based on a definition of remoteness. This Bill would change the 3 and 6 per cent to an amount equal to one step or two steps. Actually this is an increase to the extent that HB 156 has a difference of 3.75 per cent between steps and HB 174 has a difference of 4 per cent between steps. This use of "steps" for remote area differential is more easily handled administratively than the current arbitrary percentages, as well as more closely reflecting the additional costs in remote area living.

Also of importance to State employees is the staffing of the Division of Personnel. The ability of this Division has direct effect on virtually every State employee and many of the problems now existing in the Merit System can be traced directly to under-staffing of the Division. It is impossible to maintain current and accurate tests, minimum qualifications, procedures, classifications, and realistic Personnel Rules, without staff. The Division of Personnel has been under-staffed for years. The Administration has requested 12 new positions for the Division and I understand this has, or will be, cut to 7 by the Finance Committee. The 12 positions requested by the Administration are an absolute minimum to do the very basic work necessary to maintain the current system in its present state of inadequacy. In fact, we know that the Director could effectively use more than the 12 positions requested and we not only request that this Committee fund the full 12 positions requested, but fund additional positions that could be properly utilized by the Director. Gentlemen, the decay of the State of Alaska's Merit System should not be laid at the feet of the Legislature through underfunding. This could well happen in the next year because the system is in poor health today and under considerable pressure.

OTHER BILLS IN FINANCE

HB 3 - Raises Per Diem from \$21.00/day to \$30.00/day. The \$21.00 rate has been on the books since Statehood. Obviously cost of travel has increased substantially since then. Today we find State employees paying \$18.00/\$21.00 and even \$23.00 for room rent alone, and absorbing the difference into their personal budget. We do not intend that State employees "make money" on their per diem allowance, but we feel even more strongly that they should not be forced to pay for the cost of travel on State business from their personal income.

HB 246 - requiring an Annual Salary Survey. Lack of adequate statistics on non-State pay and Cost of Living has long been a stumbling block in developing proper pay plans for State employees. HB 246 would require the Director of Personnel to conduct a survey annually to determine the relative position of State salaries to non-State salaries. In the same survey the Director would determine the Cost of Living in the various House Districts so that this element of pay could be handled on a more factual basis. The Bill has another important element in that it requires the Legislature to act on the pay schedule as submitted by the Director in the first 40 days of the session, thus removing State employee pay from the political sphere to a large degree. It still leaves the funding of pay in the hands of the Legislature.

OTHER BILLS NOT YET IN FINANCE

The following Bills are now in other Committees and may progress to Finance this session. HB 106 and SB 187 would establish a Civil Service Commission covering most State employees. Again, much of the impetus for the Civil Service Commission can be traced to failures in the existing system that resulted from underfunding the Division of Personnel.

HB 175 and SB 106 would require the State to pay premium pay for overtime hours worked. This is intended to put State employees on an equal basis with employees in the private sector.

HB 218 and SB 91 would extend Employment Security Coverage (Unemployment Insurance) to State employees on a non-contributory basis.

This program is needed in many parts of the State to put the State as an employer in a competitive position with private employers. The non-contributory program can be provided at less than one half of the cost (to the State) as a contributory program.

I have attempted to make my remarks as brief as possible and still make a meaningful presentation to the Committee. I thank the Committee for conducting this public hearing & appreciate the opportunity to appear before the Committee. I will be pleased to attempt to answer any questions the Committee may have at this time.

THE ALASKA SOCIETY OF



PROFESSIONAL ENGINEERS

March 25, 1969

Honorable Bill Ray, Chairman
Finance Committee
Alaska House of Representatives
State Capitol
Juneau, Alaska

Sir:

The Alaska Society of Professional Engineers, an organization composed of and representing Professional Engineers licensed to practice in Alaska, is concerned about the several bills being considered by your committee, which would affect the salary schedule for State employees.

As Professional Engineers, we are interested in the welfare and advancement of engineers in Alaska; as citizens of Alaska, we are interested in seeing that State agencies hire and retain the best available engineering employees to carry out their responsibilities for the expenditure of millions of dollars in public funds.

To serve these interests, we have conducted a study of engineering salaries within the State Merit System, as compared to Federal salaries and those of neighboring States. The purpose of this presentation is to acquaint your committee with the results of this study.

A direct comparison of salaries for professional and subprofessional engineering positions, utilizing the entering monthly compensation on Schedule I (Southeast) has been made with entering Federal Salaries scheduled to go into effect on July 1, 1969, adjusted for the 25% tax free cost of living allowance paid to Federal engineers in Alaska and with an average of the entering salaries paid by the states of Washington, Oregon and California, corrected for a 25% cost of living differential. This comparison is graphically represented on the first accompanying exhibit. There are difficulties encountered in such a comparison, due to such factors as Federal discretion for hiring engineers of outstanding ability at higher grades than normal, different numbers of step increases in the various salary schedules and small disparities of experience requirements for positions. We believe, however, that these results do represent a fair compromise of these discrepancies and indicate a true picture of the situation.

From the exhibit, it may be seen that the present Alaskan salary schedule for engineering positions lags the Federal schedule by percentages ranging from 8.2% at the lower end to 39% at the top. The Corresponding gap between Alaska and her neighbor states ranges from 13% to 36%, again, with the greatest discrepancies in the higher grades.

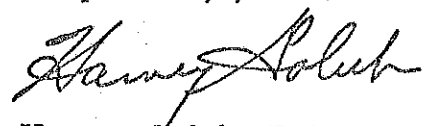
On the second exhibit, we have superimposed the affect which each of two bills, presently under consideration, would have.

Various State agencies have experienced a great deal of trouble recruiting and retaining career engineering employees of consistently high caliber. At present, almost one quarter of the budgeted engineering positions in the Department of Highways are unfilled, seriously handicapping its ability to carry out the long range highway construction program in an orderly economical manner.

Nationwide data gathered by engineering educators indicate that both undergraduate and graduate enrollment in engineering curricula continue to show a small but steady decrease each year. We are in the position of competing for an ever-decreasing supply of engineers in the face of an increasing demand. The latest forecasts predict an average salary for the graduating engineer this June will be more than \$800 a month. If Alaska is to remain competitive in this market, serious consideration must be given to upgrading its salary schedule.

We would not presume to advise this committee on how all of the divergent factors which must be considered in working out a salary schedule should be reconciled, but we hope that the information herein presented will aid you in your deliberations.

Respectfully yours,

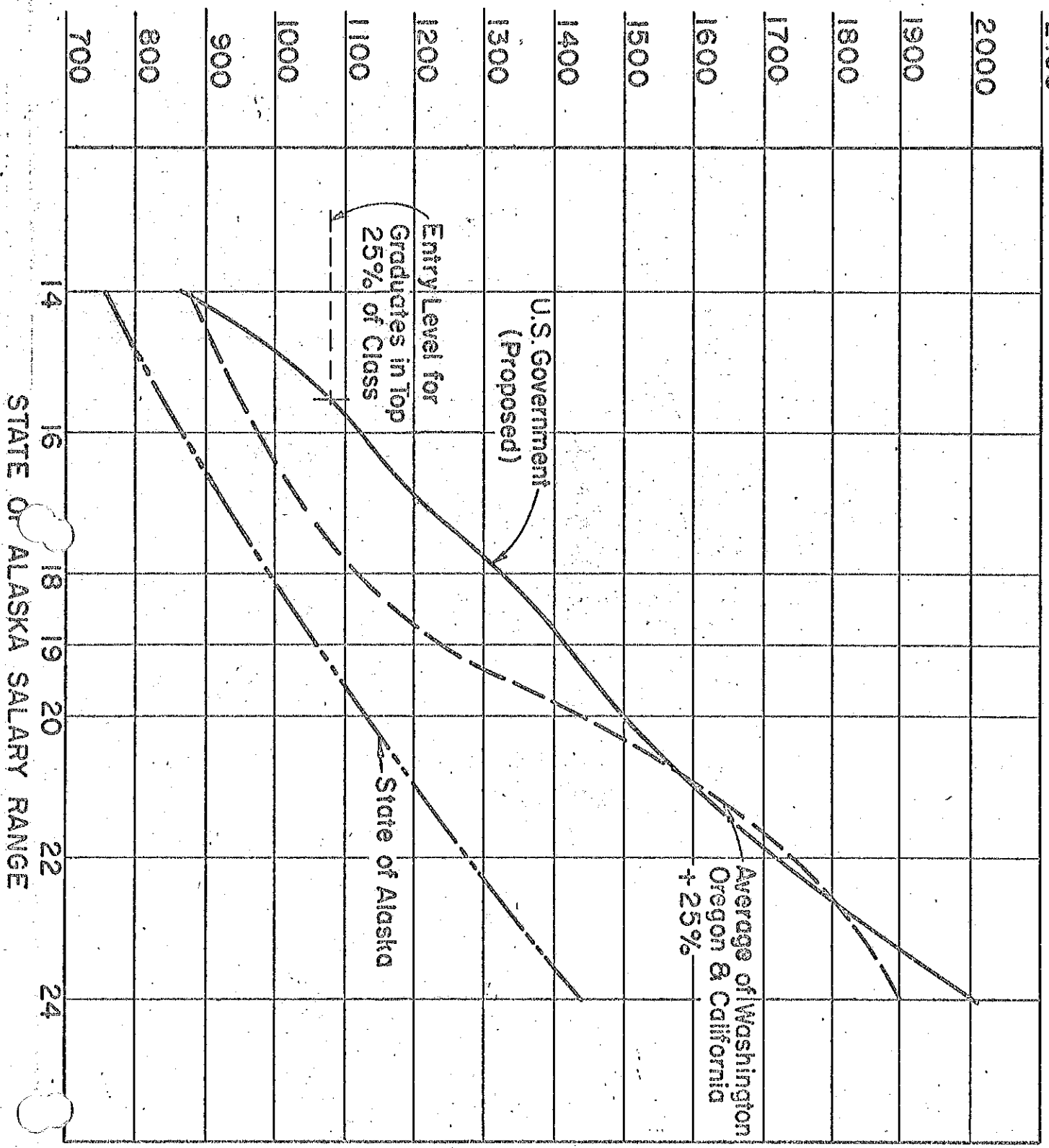


Harvey Golub, P. E.
President, Juneau Chapter

Attachments

SALARY STUDY
ALASKA SOCIETY OF PROFESSIONAL ENGINEERS
APRIL 1969

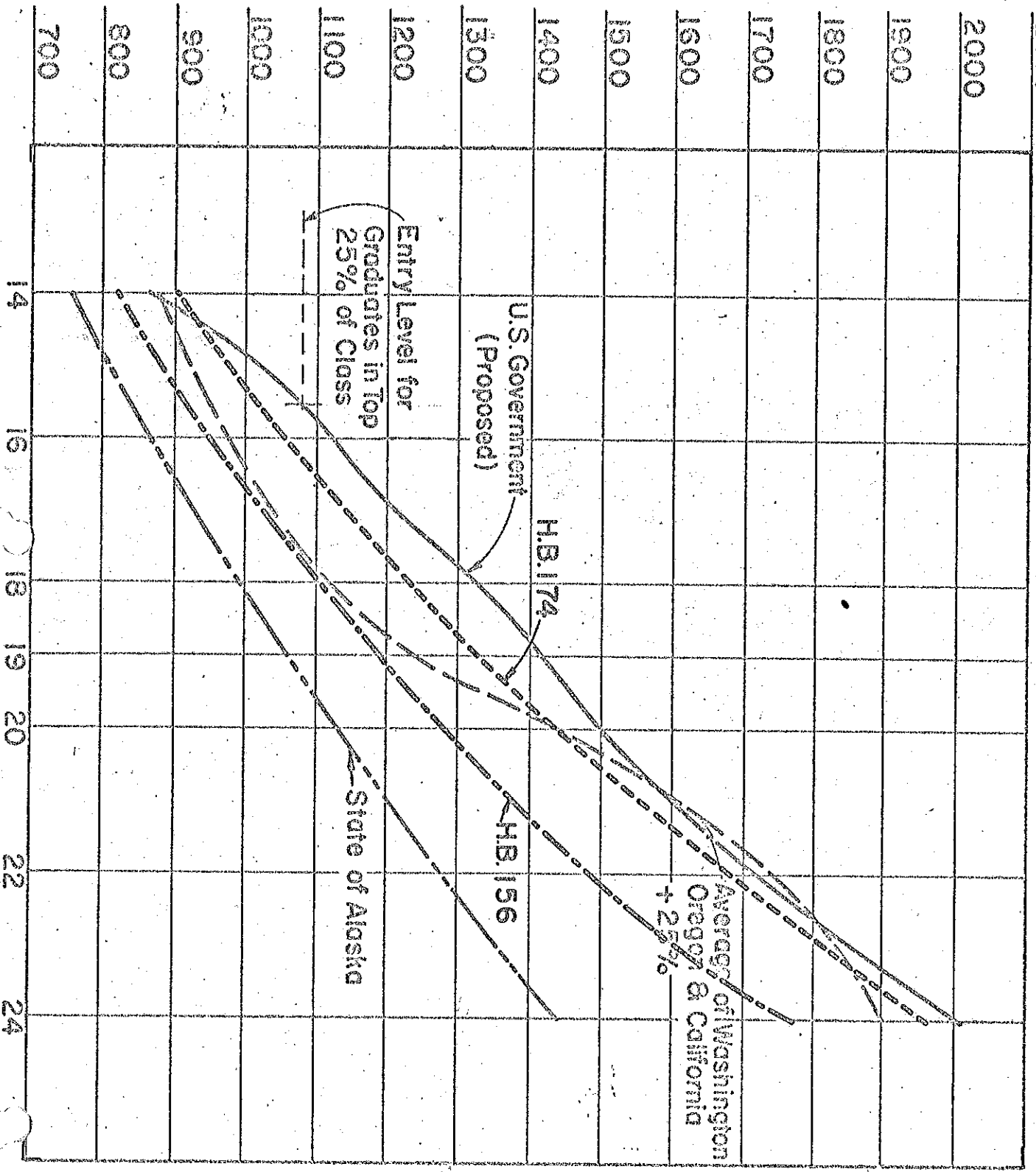
MONTHLY SALARY (DOLLARS)



STATE OF ALASKA SALARY RANGE

SALARY STUDY
ALASKA SOCIETY OF PROFESSIONAL ENGINEERS
APRIL 1969

MONTHLY SALARY (DOLLARS)



STATE ALASKA SALARY RANGE

Take Home Pay, Custodial Workers II Grade 8

	3/31/68	3/31/69	4.2 Gross Inc = 3.2 T.H. Inc	10. Gr Inc = 7.6 T.H. Inc
1.	384.98	360.63	372.17	388.04
2.	420.94	392.45	405.00	422.28
3.	450.84	409.82	422.23	440.97
4.	406.68	394.21	406.82	424.17
5.	395.82	304.27	314.00	327.39
6.	418.62	407.34	420.37	438.30
7.	369.10	355.25	366.62	382.25
8.	454.41	443.00	457.18	476.67
9.	394.24	365.73	377.43	393.53
10.	461.66	452.93	467.42	487.35
11.	367.05	363.47	375.10	391.09
12.	394.96	364.27	375.92	391.95
13.	404.94	379.42	391.56	408.26
14.	432.88	416.59	429.92	448.25
15.	461.39	456.49	471.10	491.18
16.	478.13	450.13	464.53	484.34
	<hr/>	<hr/>	<hr/>	<hr/>
	6,696.64	6,323.00	6,518.07	6,796.02
Average	418.54	395.19	407.38	424.75

April 7, 1969

Joint House-Senate Finance
Committee
State Capital Building
Juneau, Alaska 99801

Attention: Chairman

Gentlemen:

RE: STATE EMPLOYEES' PAY BILL

In order to fully understand the reasonableness of any pay bills currently submitted, I have gathered some material to develop what, in my opinion, would be necessary if any pay bill is to allow me as a State employee to maintain my purchasing power.

The United States Department of Labor has established the cost of living for Alaska as being approximately 24.25% above that in Seattle and specifically in Juneau at 28% over Seattle. We shall use the 24% figure for the basis of my calculations.

The Alaska Agricultural Experiment Station retail price average on forty grocery items establishes the cost of living increase from September 1967 to September 1968 as 5.2% in Seattle and 5% in Juneau.

There have been increases in Federal and State taxes, FICA, health insurance, P.E.R.S., as well as additional disaster relief taxes assessed all State employees since April of last year. In my case this amounts to 6.4% decrease in my take-home pay. When added to the cost of living increase of 5%, I am faced with 11.4% decrease in purchasing power between now and April of last year.

Any pay adjustment effective July 1 will reflect in my pay envelope August 30; therefore, five months is the earliest any relief is in sight; another 3% increase in cost of living will take place at that time. If I am to have the same purchasing power in August of 1969 which I had in April of 1968, 14.4% pay increase will be necessary. There is no provision made for the approximately \$1,019.00 loss in cash which the inflation and additional deductions have taken. This is money forever lost.

Joint-House-Senate Finance
Committee

Page Two

April 7, 1969

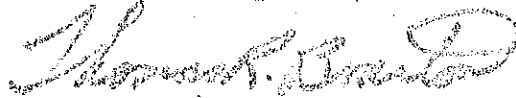
To maintain my purchasing power beyond the August 30 date will require a cost-of-living increase of 5% per year which means a 21.4% increase will be required to maintain my buying power of 1968 unless additional increases are granted in 1970 and 1971. No provision is herein made for any increased taxes, social security payments, insurance payments, etc.

My salary compared to a similar position in Wisconsin adjusted by 24% for cost of living is 22% less for the same work. When compared to similar positions in Oregon, it is 10-14% less.

The advantages of living in Alaska, I am a 20-year plus resident, will offset the raw salaries as paid by Wisconsin and Oregon, but I would endorse a pay bill providing a minimum of 14% effective July 1 with a built-in cost of living index for each year thereafter. This will not increase my salary, but will preserve the status quo of the year 1968.

Thank you.

Very truly yours,



Thomas R. Branton

HOUSE FINANCE COMMITTEE MEETING
Tuesday, April 8, 1969
9:00 a.m.

Present: All members with the exception of Mr. Borer were present. /
Also present was Mr. Jess Harris.

HB 168 Mr. Ray moved and asked unanimous consent that COMMITTEE
SUBSTITUTE FOR HOUSE BILL 168 (Relating to electrical safety)
be considered by the committee. No objection, so ordered. Mr.
Harris said that Commissioner Moore said the cost of this would
be \$21,000. He said that the state had had an electrical code
for years until someone challenged it in court; it did not have
permissive enabling legislation and there has been nothing since.
Mr. Ray asked what would be done with the \$21,000 and Mr. Harris
said he would assume that another electrical inspector would
be hired along with necessary support.

Mr. Borer came in at this time.

Mr. Croft inquired about subsection (2) on page 1, line 22
under "DUTIES OF THE DEPARTMENT OF LABOR". Mr. Harris said
that this is a pretty standard provision.

Mr. Ray said that as the bill is written he feels it would create
problems for the Department of Labor, as they only have a limited
amount of money. Making inspections in the small, remote
villages would be difficult as they haven't personnel or funds
available. There was considerable discussion on inspections in
rural areas, relative to who should and who should not be
inspected. Mr. Croft asked if the danger of fires isn't less
in less congested areas, and Mr. Harris said actually it is
greater. The area of EXCEPTIONS would discussed at length.

The committee finally decided to propose two amendments to the committee substitute for the bill. The first was on page 2, beginning with line 22, in the area of EXCEPTIONS, to read "The Department of Labor may (deleting shall) issue rules and regulations providing for (replacing exempting from) inspection in small towns and villages under 500 population or remote areas on utilities systems that are impractical for the department ("for the department" being inserted) to inspect. The second was on page 3, line 26, inserting after "who" the wording ", after receiving the notice required by sec. 650 of this chapter,". Mr. Harris said he had no objections to these amendments. It was moved and unanimous consent requested that the bill be passed out of committee with individual recommendations. The bill was reported out with 5 "do pass" recommendations and 2 "no recommendations."

HB 50

It was moved and unanimous consent requested that HOUSE BILL 50 (Amending the Teachers' Retirement Act) be considered by the committee. No objection, so ordered. It was moved and unanimous consent requested that the bill be passed out of committee with individual recommendations. All members signed "no recommendation" with the exception of Mr. Hohman who signed "do pass."

HJR 31

Mr. Chuck Juraz, a biology teacher at the Juneau Douglas High School, was present at this time to testify in favor of HOUSE JOINT RESOLUTION 31 (Requesting the Department of Education to institute an environmental education plan for the state and to establish the position of conservation and environmental consultant in the department). Mr. Juraz testified that the Biology II material being presented in the high school here could be digested

easily by those considerably younger than the juniors and seniors taking the course now. He indicated that he feels there is a considerable lack here of adequate education in conservation and environment, and that although there is interest shown by various parties, accomplishment is difficult because of lack of coordination. He said that there is considerably more done down south than there is here in Alaska where one would expect considerably more, due to the large part Alaska's resources play in her economy. He passed out prepared statements to the committee which cite the instance of a small town in Wisconsin paying more than the state of Alaska in this field. (copy in the file) Mr. Juraz said that he feels this position and programs belong in the Department of Education rather than in Fish and Game or Forestry in Natural Resources, because he feels it should be ensured that this is a continuing program. Mr. Ray asked about the possibility of working this through the Alaska Sportsmen, perhaps having them make a grant each year to the Department of Education. Mr. Juraz said it would be good to have involvement by the Alaska Sportsmen but that he would rather use monies from them for advertising. If they are the ones funding the position, there is no assurance that the program will be funded every year.

In response to questioning on costs, Mr. Juraz said that the position, which would be the priority item, would be \$25,000 and the cost of setting up programs in Fairbanks, Anchorage, and Juneau would be about \$75,000. Mr. Ray asked if he has worked with Dr. Hartman on this, and Mr. Juraz said yes.

Mr. Lahn and Representative Moses came in at this time.

Mr. Ray said that the program is certainly commendable, but

said that given the financial condition in the state right now it may not be feasible to undertake this project at this time. There being no further questions by the committee, Mr. Ray thanked Mr. Juraz and Mr. Juraz left.

HB 2 Mr. Moses asked the committee about HOUSE BILL 2 (Wage and hour act) and inquired as to why there had been no publicity on the hearing scheduled for Friday night. Mr. Ray said that the committee was unaware that there had not been sufficient notice given, as they had made arrangements, and said he would see to it immediately that the public was informed.

Mr. Fritz and Mrs. Bayer arrived.

HB 142 Mr. Hohman moved and asked unanimous consent that HOUSE BILL 142 (Relating to education of exceptional children within the state) be brought up for discussion. No objection, so ordered.

Mr. Ray raised the question of whether this bill discriminated against parents who want their children sent outside, and expressed the feeling that if the state were to pay 100% of costs within the state and only 50% or \$3000 of costs outside the state, that that may be inequitable. Mr. Hohman said that it is true 75% or \$3,000 only is paid for those going outside the state. Mr. Ray asked that further discussion be postponed until Dr. Beirne, author of the bill, could be present for testimony. No objection was heard, so the bill is postponed.

Department of
Commerce
Insurance
Division

Mr. Fritz, Director of the Division of Insurance, and Mrs. Bayer, also with the Division, were present to testify on requested changes in the Division budget. Also present was Mr. Fink. and Mr. Ray left the meeting at this time, /requested subcommittee chairman Mr. Sackett to assume the chair.

Mr. Fritz testified that his budget request originally was small because they were told to keep within certain limits in preparing budgets, and so it was not possible to request some important additions. He said that the Division of Insurance is one of the largest revenue producers in the state, ranking third or fourth.

Mr. Metcalf came in at this time.

Mr. Fritz said that in Alaska the percentage of revenues brought in by insurance used for insurance division purposes is less than any other state - 3.7% where in most states it is 5% and even in those other states it is not a sufficient amount. He said that states are not doing an adequate job of protecting and the public in the field of insurance/that for this reason the federal government is threatening to take over the state insurance operations. This in Alaska would mean a goodly loss of revenue to the state. He said that there are at least two bills in the federal congress right now dealing with this. The only action the state can take to try to prevent this is to provide adequate coverage so that the claims of the federal government are not right.

He said one thing he wants to do is place a deputy director in Anchorage who will let the people know what services are available to them. He said people are not aware that they have an insurance division to help them with their claims, although he said he has worked at informing people. There has been a 100% increase in claims handled since he became director.

He then spoke about risk pool insurance. When a person cannot for various reasons be insured by a private company he can apply for risk pool insurance. At this time this is done out

of a San Francisco Office, and takes 30 to 60 days. Mr. Fritz proposes that this service be available here in Juneau. This will require another man in the Insurance Division office. They want to get a man who can fill this function and also that of an actuary. Mr. Fritz said that agents and brokers in the state are so concerned that they have volunteered to pay additional funds into the Department if the money would be used for the operation of this division.

At the request of Mr. Croft, Mr. Fritz agreed to furnish to the committee copies of a revised budget containing his requested changes, to the amount \$183,588.

Recess: The committee recessed at 10:45.

After Recess
11:15

SB 81 It was moved and unanimous consent requested that COMMITTEE SUBSTITUTE FOR SENATE BILL 81 (Relating to oil and gas leases) considered by the committee. No objection. In going over the bill the committee discovered that it would be necessary to have some questions answered by Commissioner Kelly, and so they decided to postpone the discussion until Mr. Kelly could be present.

HB 142 Mrs. Beirne arrived at this time to testify on HOUSE BILL 142 (Relating to education of exceptional children within the state). Mr. Ray asked her about the question which had earlier arisen on whether or not this bill discriminated against people who wanted their children to go outside for special education. Mrs. Beirne said that her attempt had been to make an equitable arrangement in order that people could keep their children in the state if they so desired. She said she certainly had no

objection to increasing the amount for those going outside.
Mr. Ray felt perhaps increasing the amount of \$3,000 to
\$6,000 would be a suitable arrangement/ Mrs. Beirne
for those going outside.
had no objection to such an amendment. Mr. Ray said then that
an amendment to that effect would be prepared.
There were no further questions by the committee.

CSSB 81

CSSB 81 was again brought up briefly for discussion, but the
committee again decided to wait for Mr. Kelly.

Recess:

Meeting recessed at 11:50.

After Recess

1:30 p.m.

HB 142

It was moved and unanimous consent was asked that the committee
continue to consider HOUSE BILL NO. 142 (Relating to education
of exceptional children within the state). No objection, so
ordered. Mr. Hohman moved and asked unanimous consent that the
committee adopt the following amendment:

"* Sec. 3. AS14.30.295(b) (2) is amended to read:

(2) the Department of Education shall pay whichever of the
following amounts is less, but not to exceed \$6,000
[\$3,000]:"

It was then moved and unanimous consent asked that the House
Finance Committee express the following Legislative Intent to
accompany HOUSE BILL NO. 142 if it is amended as per the
committee amendment.

Legislative
Intent

"It is the intent of the legislature that the Department
of Education shall fund for the remaining fiscal 1969 up
to the limits of the existing budget."

There being no objection, so ordered.

It was then moved and unanimous consent asked that HB 142 as

amended be reported out with "do pass" recommendation. No objection, so ordered.

Department of
Commerce
Division of
Insurance

Mr. Ray moved and asked unanimous consent that the budget for Division of Insurance be closed out at \$213,200, which is an \$87,600 increase over the Governor's original request. Mr. Sackett objected and asked to amend Mr. Ray's figure to \$156,400, or an increase of \$30,800 which would give the Division an examiner-auditor and rate analyst specialist. Mr. Ray objected because he felt the Insurance Division needed more money than that. The chairman called for a vote on the \$213,200, and motion failed 1-6 with Mr. Ray voting in the affirmative. Mr. Croft then moved for \$183,600 and Mr. Sackett objected with the comment that that was the figure Mr. Fink wanted. Mr. Croft's motion failed 3-4. Mr. Sackett renewed his motion for \$156,400 and the motion carried on 4-3 vote.

Legislative
Intent
Engineers &
Architects

With reference to the House minutes (page 615) the committee wishes to express in legislative intent that the Board of Engineers and Architects be given more flexibility in its travel and per diem allotment of \$2,000, with allocation to either per diem or travel, but left to the discretion of the board.

Mr. Ray moved and asked unanimous consent that the House Finance Committee go on record disallowing examination or publication of the minutes of hearings held by the committee until such time as the budget has been reported out of the committee and passed to on/the floor of the House. No objection, so ordered.

ourned:

Meeting adjourned at 2:00 p.m. so members could report for the meeting on the floor.

HOUSE FINANCE COMMITTEE MEETING
Wednesday, April 9, 1969
8:50 a.m.

Present: All members except Mr. Ray.

HOUSE
BILL 376

The meeting was called to order and it was moved and unanimous consent asked that the committee consider HOUSE BILL NO. 376 (an act relating to the tax on motor fuel used by watercraft; and providing for an effective date). No objection so ordered.

Mr. Dean had prepared two drafts of the bill: #1, which raised the watercraft fuel tax one cent, included fuel used for heating and cooking, and combined presently existing statutes in A.S. 43.40 as a "clean-up" measure; and #2 which raised the watercraft fuel tax one cent, included fuel used for heating and cooking, but did not combine the existing statutes.

Mr. Dean explained under the present statutes there are two difference sections where there is a tax on motor fuel. Mr. Dean explained this was probably done because at the time one section was enacted it had a termination date on it but the legislature removed the termination date and the tax was left in two different sections.

Mr. Dean said, referring to #1, on page 1, line 16, the motor fuel tax for boats is raised from two to four cents a gallon, which is a net increase of one cent a gallon as the one cent per gallon tax existing in another section is repealed. He said this is the only actual rate change in the bill.

Mr. Dean explained that the last page of bill #1 repeals A.S. 43.40.110 and A.S. 43.40.120 which was where these additional taxes were levied. He explained he had talked to Vernon Snow, Department of Revenue, and he had agreed that nothing has been changed as far as any of the other taxes are concerned. After further discussion on this, Mr. Dean said that both he and the Department of Revenue thought the draft of #1 was the better one.

Mr. Tom Parke from the Department of Revenue entered the meeting. Mr. Parke said as far as the Department of Revenue was concerned they felt the "clean-up" legislation was very good and explained this would put all the tax in one section. Mr. Dean explained on page 2, line 15 of draft #1, "(d) A person who uses motor fuel for heating and cooking aboard boats and watercraft is entitled to a refund of four cents a gallon if (1) the tax on the motor fuel has been paid; and (2) the motor fuel is not used in an engine to propel a boat or watercraft." He explained this would tie it in with other Department of Revenue refunds. He said the Department felt like the bill he had drafted would be too heavy an administrative burden and they want to change this to up to 10% of the fuel at the time of purchase. He said at the time of purchase the buyer would sign an affidavit saying it would be used for cooking and heating with the provision that the Department of Revenue could check this out. Mr. Borer said this would just provide an automatic 10% reduction.

8

In answer to a question from Mr. Croft, Mr. Dean said the refund system in the bill he drafted is tied in with the existing refund system in the Department of Revenue. Mr. Croft asked if the Department needed additional authority to set up regulations for the refund. Mr. Dean said he felt they already had the authority and read A.S. 43.05.080: "The department shall prescribe and public regulations necessary for the enforcement of the tax, license, or excise tax laws administered by it. The department shall prepare and distribute all forms necessary or useful in the administration of tax, license, and excise tax laws."

3

Mr. Dean asked what the committee would think if they limited the refund to 10% of the total gallons. Mr. Borer said this was way too high and Mr. Haugen said it was probably actually less than 5%.

Ernie Lahn and Mr. Ray entered the meeting.

Representative John Sweet entered the meeting.

In response to a question, Mr. Dean said the Attorney General felt the state couldn't tax fuel used for heating and cooking aboard a boat when they don't tax this fuel in homes.

There was a brief discussion on the inconvenience to the people to have to keep the motor fuel slips necessary for a refund and Mr. Borer said they have to save these slips for income tax purposes and he did not feel it would be any inconvenience. Mr. Dean said he would like to add on page 2, line 16, after the word gallon, "on all motor fuel utilized for heating and cooking..." Mr. Haugen moved and asked unanimous consent that HOUSE BILL NO. 376 be passed out

of committee with a "do pass" recommendation. No objection so ordered. There were 6 "do pass" recommendations and 1 "do not pass" recommendation.

HOUSE
BILL 147

Representative John Sweet appeared before the committee for the purpose of discussing HOUSE BILL NO. 147 (an act relating to P.L. 81-874 funds and to state aid under the Public School Foundation Program; and providing for an effective date). He explained that this bill was put in by the Health, Welfare and Education Committee and at a later date HOUSE BILL NO. 300 (an act relating to the Public School Foundation Program; and providing for an effective date) was introduced at the request of the Governor. He explained that HOUSE BILL NO. 300 had a few paragraphs which should be included in HOUSE BILL NO. 147 which would make it more compatible. He requested that the Finance Committee introduce a Committee Substitute for House Bill No. 147 and incorporate these paragraphs. Mr. Ray said the committee would consider his recommendation and Mr. Sweet left the meeting.

HOUSE
BILL 300

Mr. Lahn explained he was present because he had understood the committee planned to discuss HOUSE BILL NO. 3 (per diem allowance for state employees). Mr. Lahn was informed the committee did not plan to discuss HOUSE BILL NO. 3 at this time but he would be informed of the discussion time so he could attend the meeting.

HOUSE
BILL 375

Mr. Ray moved and asked unanimous consent that the committee consider HOUSE BILL NO. 375 (an act authorizing the transfer between certain appropriations made to the Department of Natural Resources for the fiscal year ending June 30, 1969; and providing for an effective date). No objection so ordered. Mr. Ray explained this is a Finance Committee bill which transfers \$41,000 for Promotion and Regulation of Agriculture, Small Grain Incentive Program, to Land Management.

Mr. Ray moved and asked unanimous consent that HOUSE BILL NO. 375 be passed out of committee with a "do pass" recommendation. No objection so ordered. There were 7 "do pass" recommendations.

HOUSE
BILL 251

It was moved and asked unanimous consent that the committee consider HOUSE BILL NO. 251 (an act relating to the purchase of primary services by the Department of Health and Welfare from private voluntary institutions and agencies). No objection so ordered. Mr. Croft explained that he had talked to Mr. Richard Gilbert of the Jesse Lee Home regarding this and he said they had discussed the possibility of the committee insuring that the Department of Health and Welfare would approve standards for cost accounting so the different homes could go on this cost accounting as of July 1. Mr. Croft suggested a committee be appointed to check this out and report their findings to the legislature next year. Mr. Ray asked the committee for their recommendation of legislative intent expressed to the Commissioner of Health and Welfare and a

Legislative
Intent

letter to the Governor requesting he have Health and Welfare set up cost accounting system along the lines they have asked to properly establish costs.

Mr. Haugen asked if it is the intent that the state is going to pay the full cost of this in private homes. Mr. Ray said they didn't know until criteria is established but he said these proposed legislation starts out if it is complimentary to both sides.

In answer to another question from Mr. Haugen, Mr. Sackett said hearings will be held on this.

Mr. Ray requested Mr. Dean to draft up a letter on this. The bill was returned to the file.

Recess: The meeting recessed at 9:35 a.m.

AFTER RECESS
1:25 p.m.

Mr. Ray moved and asked unanimous consent that the committee consider HOUSE BILL NO. 194 (an act relating to relief and rescue parties). No objection so ordered. After a brief discussion Mr. Ray moved and asked unanimous consent HOUSE BILL NO. 194 be passed out of committee with unanimous "do pass" recommendation. No objection so ordered.

Recess: Meeting recessed at 1:30 p.m.

HOUSE
BILL NO. 194

HOUSE FINANCE COMMITTEE MEETING

Thursday, April 10, 1969

9:00 a.m.

Present:

CSSB 81

All members with the exception of Messrs. Bradner and Borer. Also present was Mr. Kelly, Commissioner of Natural Resources. Mr. Ray moved and asked unanimous consent that COMMITTEE

SUBSTITUTE FOR SENATE BILL NO. 81 (Relating to oil and gas leases) Mr. Kelly was present to give testimony on the bill.

He said that the committee substitute contains three major changes. He said that this bill he considers one of the major priority items of legislation.

The first change deletes the 5%^{discovery}/royalty provision that has been on the books supposedly as an incentive to induce companies to explore in Alaska. The initial bill primarily was to exclude lands on the North Slope. Mr. Kelly said that he has talked to industry people and they have admitted that this provision is not really an incentive. He said that the state is losing a good size portion of revenue because of this. He said that although he has testified that it might be helpful as an inducement in some of the more remote areas, he has to admit that he concurs in the opinion that it is not a strong factor and therefore would recommend deletion entirely from the statutes.

He said that at the present time the difference between 12 1/2% and 5% amounts to \$217,574 a month. The provision opens the way for disputes, which causes problems.

He said that he would also suggest that the 10 year period of lease be made discretionary, no more than 10, no less than 5. This second item is felt to be the area where most objection will be heard. Therefore, in the interest of seeing the bill pass, he has not pushed for this discretionary provision except

for the Cook Inlet area.

The third area he said has received no controversy from the industry. What would be accomplished here is that lease duration would extend from the time of tentative approval for the 5 or 10 years. As the statutes stand now, a company can get tentative approval, start drilling, and be working the area for four or five years, but not have the lease time counted until the survey is completed, which may not be for five years or so. In this way, Mr. Kelly said, they actually have 15 and 20 year leases. He said he feels strongly before the lease sale in the fall this part of the law must be changed, or it will mean considerable loss to the state.

There being no further questions of Mr. Kelly, Chairman Ray thanked him and he left the meeting. Mr. Ray moved and asked unanimous consent that bill be reported out of committee with a "do pass" recommendation. There being no objection, it was so ordered.

At this time Mr. Bob Dupere came before the committee, to discuss alternate budgetary treatment of the disaster program if senate bills 222 and 224 are passed. (companion bills HB 260,261) Mr. Dupere was representing the Fairbanks area. He passed out a memorandum and some statistics to the committee, copy of which is in the files under "Miscellaneous" and proceeded to discuss the figures.

HB 303

Mr. Ray moved and asked unanimous consent that HOUSE BILL 303 (Relating to limitations on acreage in coal leases and prospecting permits) Mr. Ray said he could see no financial implications in this bill. He moved and asked that the bill be reported out with a unanimous "no recommendatinn", and there

being no objection, it was so ordered.

HB 246

Mr. Lahn being present and with a vested interest in HB 246
Mr. Ray moved and asked unanimous consent that HOUSE BILL 246
(Relating to state employees' pay) No objection.

Mr. Lahn said that this bill will take politics out of
employees' salaries. He said there would be no cost involved;
that he felt there was sufficient personnel in the Department of
Administration to take care of this and if there was not, if they
felt they had to hire additional personnel, he would then be
opposed to it. Mr. Ray said that it is his opinion that studies
always cost money. There was some discussion on the cost of
living factor, and it was noted that food in Alaska is often
not much more or any more than in Seattle. Mr. Lahn said that
the high cost areas are more in the line of rents.

He said that this type of program is very successful in other
states where they are doing it, in response to Mr. Ray's comment
that it seems to him it is the state employees should do the
study and present it to the State rather than the State make the
study.

The meeting recessed at 10:20 for 10 minutes.

After Recess
10:30

Mr. Freer was present at this time.

Department
of Public
Safety

There was discussion on the Narcotics Squad appropriation the
Governor has sent down. Mr. Ray recommended cutting down
Personal Services for this and implementing the job with a
crime lab in Anchorage. After considerable discussion the
committee requested Mr. Freer to figure out what the cost would
be to allow three troopers for special functions, one Clerk
Steno as support personnel, sufficient support funds, and another

\$12,500 to make \$25,000 for a crime lab in Anchorage.

The committee decided not to close out General Administration, Office of Commissioner, until this information was available.

Rescue and Relief

Mr. Ray moved and asked unanimous consent that the Governor's allowance of \$5,500 for Rescue and Relief be increased to \$7,500. No objection, so ordered.

Reward Fund

Mr. Croft moved and asked unanimous consent that the \$25,000 for Reward fund be deleted. Objection was heard, and on vote the motion passed 4-3, with Messrs. Hohman, Croft, Bradner, and Sackett voting yea, and Messrs. Ray, Borer, and Haugen voting nay.

Technical Services

In response to questioning by Mr. Ray, Mr. Freer said that the biggest increase here is due to bringing all the contract personnel into this program. They were down in state troopers. Mr. Ray explained that, in response to questioning by committee members, he wanted to leave vacancy and turnover as is so that the Department could fund the academy training program out of their vacancy and turnover and lapses. Mr. Ray moved the

following figures for Technical Services:

Personal Services	\$430,100
Travel	8,600
Contractual	47,900
Commodities	13,000
Equipment	5,400
Inter Agency	14,000
	<hr/>
	\$519,000

He moved and asked unanimous consent that the figure of \$519,000, the Governor's Allowance, be accepted. No objection, so ordered.

Alaska State Troopers

Mr. Ray moved the following figures for State Troopers.

Division Headquarters	\$309,000
Southeastern Region	483,900
Southcentral Region	1,458,200
Northwestern Region	913,200
	<hr/>
	\$3,164,300

Mr. Sackett objected to the figures for Southcentral and Northwestern. Mr. Ray expressed the feeling the Southeastern should be higher. However, all the figures were passed and the total of \$3,164,300 for Alaska State Troopers was accepted.

Fire Preven- Mr. Ray moved and asked unanimous consent that the figure \$136,200
tion be accepted for fire prevention. No objection, so ordered.

Adjourned: Meeting adjourned at 11:45.

HOUSE FINANCE COMMITTEE MEETING

Friday, April 11, 1969

9:30 a.m.

Present: All members except Mr. Sackett. Representative Gene Guess was also present.

HOUSE
BILL 173

Mr. Ray called the meeting to order and moved and asked unanimous consent that the committee consider HOUSE BILL NO. 173 (an act relating to the deposit and investment of state funds; and providing for an effective date).

Mr. Croft gave a brief explanation of this bill and it was returned to file.

HOUSE
BILL 272

Mr. Croft moved and asked unanimous consent that the committee consider HOUSE BILL NO. 272 (an act relating to depositing of state funds; and providing for an effective date). No objection so ordered. Mr. Croft had a proposed COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 272. Mr. Croft explained that this bill liberalizes the collateral reducing it to 50%.

At the present time a bank has to secure state money 100% and this will reduce this to 50% for certain banks. In answer to Mr. Ray, Mr. Croft said the banks will be determined by the Director of Banking. Mr. Guess added this allows a deduction of 50%.

Mr. Borer objected to this bill. After a brief conversation regarding Mr. Borer's objection, Mr. Croft suggested deleting the section on line 18, "however all state deposits in qualified state banks shall have first priority in the event of insolvency

of the state bank and state funds shall have the highest priority permissible under federal law in the event of insolvency of a federal bank having state funds deposited under this paragraph."

It was decided this section would be deleted and Mr. Croft moved and asked unanimous consent that COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 272 be passed out of committee with a unanimous "do pass" recommendation. No objection so ordered.

Dept. of Public Safety

Mr. Ray noted he had received a memo from Richard Freer giving the figures for the Narcotic Squad for the Department of Public Safety.

General Administration

Office of the Commissioner Mr. Ray moved the following figures for the Office of the Commissioner which included the additional amount for the

Narcotic Squad:

Personal Services	\$115,200
Travel	14,300
Contractual Services	54,800
Commodities	5,700
Equipment	<u>30,700</u>
	\$220,700

Mr. Ray moved and asked unanimous consent that the committee adopt the total of \$220,700. No objection so ordered.

Rescue & Relief

Mr. Ray moved and asked unanimous consent that the committee adopt the figure of \$7,500. No objection so ordered.

Rewards

Mr. Ray moved and asked unanimous consent that the committee adopt the figure of \$0 for Rewards. No objection so ordered.

8
Mr. Ray moved and asked unanimous consent that the committee adopt the total of \$228,200 for General Administration. No objection so ordered.

HOUSE
BILL 179

Mr. Ray moved and asked unanimous consent that the committee consider HOUSE BILL NO. 179 (an act establishing the Alaska Police Standards Council). There was a brief discussion and it was moved and unanimous consent asked that HOUSE BILL NO. 179 be passed out with unanimous "do pass" recommendation. No objection so ordered.

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