

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2597

for investigation purposes. Mr. Personett spoke at some length on their being unable to enforce the fire code in old buildings; however, they did keep up with new buildings. He said that about 75 percent of the old buildings in Alaska would be condemned if they had to conform to the present fire code, but they did insist that certain steps be taken in public buildings, and they also issued guidelines to be followed in the case of the need for evacuation.

Senator Blodgett moved and asked unanimous consent that a presentation be prepared for the committee for their consideration on ways to improve this division and let the committee see what it would take to do the job. Senator Haggland concurred in this request.

Adjournment

There being no more questions, the committee adjourned at 10:45 a.m.

SENATE FINANCE COMMITTEE
Monday, February 10, 1969
8:00 a.m.

Present: All members of the Senate Finance Committee were present with the exception of Senators Koslosky and Miller. Also present were G. Kent Edwards, Attorney General, and Tom Wardell, Deputy Attorney General, Commissioner Cosby Steen and Right of Way Director Dick Chitty of the Department of Highways, and Mario Martini of Budget and Management. Chairman Vance Phillips called the meeting to order, and then turned it over to Senator C. R. Lewis to lead the review of the Department of Law budget.

General Meeting

Dept. of Law

Inter-Agency Charges

Senator Lewis asked Mr. Edwards about the increase in Inter-Agency Charges. Mr. Edwards said that the \$2400 they requested for Travel, which was denied, was based on the fact that last year the Department had been given three investigators, but no automobile had been assigned nor any provision made for gasoline, so the investigators have been paying their own transportation costs. The \$2400 is the figure they have come up with by figuring each investigator averages 20 miles driving a day and assuming he works an average week and is paid 15¢ a mile, that amounts to approximately \$800 per year per investigator. Mr. Edwards said that the Administration Information System funds are put into the budget by the Department of Administration and that his department has no say in the matter. In response to a question by Senator Lewis, Mr. Edwards explained that the Department was requested to prepare two budgets - one budget based on their needs and

a realistic appraisal of what they might expect to be allowed, and the other consisting of what they would prefer to be allowed. The budget before the committee was the original budget which they could live with, and the so-called "priority budget" was contained in an addendum and had not been submitted to the Legislature.

Reimbursable
Services
Personal
Services

It was noted that the Budget Review Committee had allowed six new attorneys for Highways along with the one attorney they now have on the Attorney General's staff but whose salary is being paid by Highways. Mr. Edwards said this was an attempt to bring the state up to the level that they could handle their case load. He further explained that these salaries were reimbursable by the federal aid to highways program and it was his understanding that none of the expenses for the Highways attorneys would come out of the general fund. Mr. Steen said that the service to the Department of Highways by the Attorney General's office is about 85% right-of-way acquisition and the balance is contract claims. All of the right-of-way and everything pertaining to federal aid programs is reimbursable at 95% federal funds. Even if they have to go to court on some of these cases, court costs are reimbursed. The balance comes out of highway bond funds that are allocated to Highways. Senator Blodgett inquired about contract negotiations, asking if since Mr. Edwards had been attorney general if any claims had been settled without consultation with Highway, and Mr. Edwards said

no and explained the procedure they use in handling these claims. Senator Blodgett said he had understood that such negotiated settlements have been made and said he would go into the matter further with Legislative Audit. Senator Blodgett then asked the effect negotiated settlements have on federal reimbursement. Mr. Steen explained that the effect is taken into consideration in the way a case is handled, citing an example in which they refuse to settle out of court for fear of losing federal reimbursement.

Travel

In response to further questioning on reimbursement, Mr. Steen said that the travel funds are about 30 to 35% reimbursable. Mr. Edwards explained the reasons for travel expenses inside Alaska for the Department of Highways, those being the fact that the records are in Juneau, the attorneys often in Anchorage, and though the bulk of the cases are in Anchorage, there are cases in other areas. Senator Lewis pointed out that there is \$7400 in the travel section of reimbursement services and yet money in the regular budget for Highways also and asked Mr. Martini to check to see if this is a duplication.

Mr. Ernie Lahn, lobbyist for State Employees, entered at this point.

Contractual

Senator Lewis inquired about the \$16,000 in Rents and Utilities. Mr. Steen explained that they are paying about 55¢ a foot for office space in Anchorage and this budget includes space necessary for the additional attorneys and their clerical staffs. In answer to Senator Lewis, Mr. Steen said that this money is not federally reimbursable

but is reimbursable to the Department of Highways through bond funds.

Equipment

Senator Lewis noted that there is \$12,000 for office furniture and equipment for the employees in Anchorage, Fairbanks, and Juneau, but that there is no breakdown. He requested a further breakdown, and Mr. Steen agreed to furnish one.

Senator Phillips asked if there would be work for the new attorneys to do after the backload of cases had been taken care of, and Mr. Steen told him that they have a large program of land acquisition that will go on for some years and if anything they expect the demands to increase and they are preparing for a "mushrooming" of the program and he felt they could keep 7 men busy from this time forward.

Mr. Edwards explained to the committee the savings to the state represented by having an adequate staff of attorneys, citing the instance where an attorney was hired and in a month earned his salary for a year just by clearing up cases where people owed money to the state but because of lack of staff in his office, no one had been able to pursue this. He also cited the instance where he was able to put a team of three members of his staff to work on condemnation cases and they had won three of the four cases for the state. This was the first time the state had been able to win in a condemnation case and he felt it would affect future cases - - people would think twice

before going to court after being offered a fair market value if they thought they were chancing a cut by going to court. Senator Lewis asked Mr. Edwards what items are in the addendum to the budget, and Mr. Edwards said that chiefly they are: additional attorneys, e.g. assistant district attorney for Fairbanks, a few secretaries to fill in some gaps, and a few large items of equipment. Senator Lewis turned the meeting back over to Senator Phillips, who adjourned the meeting at 9:00 a.m.

Adjournment

2/10

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

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

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

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

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

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

Code 101
Alcoholic
Bev. Excise
Tax

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

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

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

Mr. Bradner came in at this point.

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

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

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

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

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

Codes 102,103
Cigarette
Tax

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

Code 104
Insurance
Premiums

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

Codes 105-
108

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

Code 109
Mines &
Mining Tax

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

Code 110
Inheritance
Tax

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

Code 112
Raw Fish
Tax

die.

Mr. Rettig arrived.

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

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

Code 116
Disaster
Severance

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

Mr. Rettig left.

Code 131

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

Code 132
Aviation
Fuel

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

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

Code 441
Motor
Vehicle Reg.

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

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

bonded
fuel

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

Recess

The meeting recessed at 9:40.

After Recess

9:55 a.m.

Commissioner Sharrock and Mr. Fennel of the Department of Commerce were present at this time. The committee reverted to Code 104, Insurance Premium Tax. Commissioner Sharrock explained that the figures in the revenue source document

Code 104
Ins. Premium
Tax

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

Code 202
Insurance
Licenses
& Fees

will certainly have additional recommendations to make at another time.

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

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

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

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

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

Oil & Gas
Production
Tax
(115)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As a result the estimates that were made for the first quarter of this year as printed on the pages on the Revenue Resources book were made on the basis of the new tax rate of 3½% from July 17 whereas in fact the receipts were actually based on the 1½% for the fourth quarter of the last fiscal year, so an error of approximately \$1,000,000 was made in making this estimate because of the cash basis on which they operate.

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

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

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

is metered, and that is posted at so much per barrel depending on the quality of the oil, up to 3.29 a barrel. The only thing deducted from that particular figure is the transportation cost to the platform. He thought possibly where the confusion might lie is that the purchasers have indicated that they are establishing the posted price at the onshore facility. In California, they take the value of it and deduct the cost of transporting it back all the way to the point where they purchased it and this would include ship transportation and the cost of the common carrier. "Who actually receives the tax," asked Mr. Fink "Revenue or Natural Resources?" Mr. Stevenson said that Revenue receives the original tax returns on Gas and Oil Production tax, Severance tax, and Conservation tax; the tax on amounts of royalties go directly to the Division of Lands with considerable computations although the Department of Natural Resources audits all the returns. Tom Fink said he would like to see one of these reports. Mr. Fink then went on to say that according to newspapers, the state recent entered into a contract with a refinery for \$3.05. He said he was informed that they will use that as the established price once the crude starts flowing to that refinery and wanted to know if that was correct. Mr. Gilbreath replied in the affirmative and said that is fair market value and they were going to go back and attempt to collect based on that figure. That

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

Mr. Fink said that the revenue projection book shows under Code 115, \$5,771,900 as the revised estimate for 1969.

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

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

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

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

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

After Recess
11:00 a.m.

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

Oil & Gas
cont.

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

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

Public Works

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

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

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

International
Airport Revenue
Fund (Code 601-
613)

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

Code 613
Other Airport
Revenues

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

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

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

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

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

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

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

Fairbanks
In'l Airport

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

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

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

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

Mr. Wakefield left at this time.

Ferries

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

Code 615
South-
eastern
Ferry
Traffic

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

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

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

8/

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

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

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

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

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

State
Capitol
Complex
Program
& Site
Develop-
ment Plan

Chairman Phillips called the meeting to order.

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

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

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

Mr. Crittenden said what they really needed was guidance on the use of leased space versus state-owned space.

He said they would do some projections based on existing rents that the state is paying. He said although he didn't know the exact cost of rentals he would guess it to be around \$.35 a square foot. He said a new building, built under private construction, could not be leased for less than \$.45 or possibly \$.50 a square foot.

Mr. Stark remarked that the quality of the space in the new building would undoubtedly be better.

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

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

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

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

Senator Blodgett was excused.

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

Mr. Ray was excused from the meeting.

Mr. Bradner and Mr. Sackett left the meeting.

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

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

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

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

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

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

Mrs. Banfield asked if they could go ahead with the planning of the new office building and Chairman Phillips said yes.

Mr. Crittenden said the reason for the total study is to see if the building of the new office building could be related to further development of the capitol complex.

Mr. Haugen and Mr. Hohman left the meeting.

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

Mrs. Banfield and Mr. Borer left the meeting.

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

Dr. Haggland entered the meeting.

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

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

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

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

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

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

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

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

1. STATE GOVERNMENT FUNCTION

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

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

2. STATE GOVERNMENT IMAGE

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

3. POLITICAL

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

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

4. EXISTING STATE DEVELOPMENT

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

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

5. BUILDING PROGRAM

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

6. SPACE REQUIREMENTS (PHASE I)

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

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

7. TRAFFIC AND PARKING

ASSUMPTION: 1. THE PROPOSED OUTER DRIVE WILL BE CONSTRUCTED ON THE ALIGNMENT AS PRESENTLY PROJECTED AND ALSO MAIN STREET.

2. STATE PARKING NEEDS WILL BE PROVIDED AS AN INTEGRAL PART OF THE CAPITOL DEVELOPMENT AND IN PROPORTION TO EACH DEVELOPMENT PHASE.

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

8. COMMUNITY RELATION

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

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

SENATE FINANCE COMMITTEE
Friday, February 14, 1969
8:00 a.m.

Department of Highways
BOOK I
Administration Senator Phillips opened the meeting and the following officials from the Department of Highways were present: Cosby Steen, Commissioner, H. D. Scougal, Deputy Commissioner; Thomas Johnson, Administrative Director and Lee D. Hubbard, Maintenance Engineer. Also present was Mario Martini, Budget and Management.

Office of the Commissioner Mr. Steen said there was little change in the Office of the Commissioner. They had been able to delete a Secretary II by combining the functions into one secretarial position.

Internal Review Mr. Steen pointed out that this section had been "beefed up" and greatly expanded to make routine audits of all the construction jobs.

Claims Section: This section makes a finding of fact on all claims and according to Mr. Steen, the increase in travel will, in the end result, save the state money, as these contract claim cases will be heard in the District where the construction project is located, thereby saving the travel of state witnesses.

Design Division
Chief Design Engineer: No change in this section.

Road Design: One new Clerk-Stenographer III and a Highway Engineer III were requested for Juneau; one engineer each for Anchorage, Valdez, Nome and Fairbanks were requested. Mr. Steen said they were attempting to cut out lower grade employees and moved a lot of this work into the district. He said throughout this entire budget they were trying to decentralize the

operation.

Contractual Services:

It was brought to the attention of the committee that under Code 390 (other contractual services) that the state was attempting to get their graduate engineers to participate in the community college program and have them work towards their Masters' degree in Engineering Management. The state will pick up one-half of the tuition for these courses, and in response to a question by Senator Phillips, Mr. Steen assured the committee that these employees must stay with the state for a period of two years which protects the state from any loss of its investment. He said they have five men presently participating in this program and they have been longtime employees of the state.

Bridge Design:

No questions.

Utilities Section:

It was noted in this section that the Highway Engineer was reclassified to a Chief Utilities Engineer, but the request for a Secretary I was denied by the Budget Review Committee. Senator Phillips asked if this position had been reclassified last last year and Mr. Steen replied in the negative. Senator Phillips and Mr. Steen discussed the reclassification program that has been going on in Highways the past 18 months and Mr. Steen seemed to feel that they were getting close to the anticipated pay scale for the engineers throughout the budget.

Right of Way Division

Mr. Steen said they were working for uniformity in this division and that in the past they have had these people

classified as negotiators and now they have them as appraisers and he feels that now they can be used more effectively. Senator Phillips reminded him that these same people had been reclassified last year.

In response to Senator Phillips' inquiry on getting salaries more equitable in this division, Mr. Steen said there was only one position reclassification left that Department of Administration hasn't acted upon.

Maintenance Division: Senator Phillips said there had been no personnel changes in this division.

Construction Division: Senator Phillips noted that there were 13 positions last year under personal services and wondered what had happened to them. Mr. Steen said they had been transferred to the engineering construction budget.

Senator Phillips commented that construction people have been complaining that there is not enough time between notice for bids and date that a bid is due in to Highways, and he personally felt bids would be lower if these companies were given more time to submit a bid.

Administrative Division: Mr. Steen said the Administrative Director had to be put under this division because the Federal aid participation funds directed that it be under this category, and this position handles all administrative work for the federal aid program.

Finance Section: In answer to a question by Senator Phillips, Mr. Tom Johnson, Administrative Director, said that the Systems Analyst

position was not new, just transferred into this section and they were reimbursed for this position.

Personnel
Section:

No changes and no questions.

Supply &
Services:

Mr. Johnson explained that under Code 310 (Communications - Contractual Services) the charges for the whole department had been centralized under this heading. He said otherwise it took weeks to sort out the billings to each division, and that a reduction in other budgets had been reduced accordingly.

Materials
Division:
Materials
Engineer:

When queried on the Materials Engineer in this division, Mr. Steen said this was a new position that had been authorized during the current fiscal year, and that further explanation for it could be found on page 147 of the Budget Workbook. He went on to tell the committee that they have not had adequate supervision of the construction work and that this was the purpose for this position and hopefully they might be able to cut down on claims. In answer to a question by Senator Lewis, Mr. Steen told of the \$2,000,000 lawsuit that the state is presently involved in and he felt that due to inadequate pre-construction supervision, the state may lose the case. He felt this position would be more of a preventative measure and might preclude something like this happening again.

College
Lab:

This section is paid for by federal funds, according to Mr. Steen, and this lab is located at the University of Alaska. When queried on how many other people are employed

besides the federally funded lab engineer, Mr. Steen said they have 6 or 7 others working there for the University. He also referred to the district labs which handle testing on cement, asphalt, steel, etc. These district labs are more directly active in the work presently going on, while the college lab is somewhat restricted by lack of space. The district labs are more directly related to construction projects -- they work directly with the project engineer. Mr. Steen said they get a lot of free advice from the civil engineering department at the University in conjunction with the college lab.

Anchorage
District:

There was little comment on this budget except for Senator Bradshaw's remark that he noticed travel had gone up quite a bit. It was also noted that a laborer and a Clerk-Steno II had been disallowed.

Fairbanks
District:

Mr. Steen said they had asked for one less employee in the Supply and other than that, it is pretty much the same. Senator Phillips wondered if all the travel request was necessary and Mr. Steen assured him that it was. Mr. Steen went on to tell the committee that they were successful in getting the ASHO Conference in Alaska for 1970 which will bring in about 1000 people. He said he would like to send six or seven people to Phoenix to this year's conference so they will be better prepared to hold the conference in Anchorage the following year. He estimated it would cost \$15,000 to \$20,000 to handle this in Anchorage; however, he was quite positive it would bring at least \$250,000 into the state.

Juneau District:

Mr. Steen said they had the same number of employees in the Juneau area; however, it was becoming a most critical area to hold on to these people. He also explained that the Federal Aid program includes relocation assistance, and that the State Legislature presently has before it a bill to bring the state in line with the federal law and to give the committee more of an idea of what some of the problems are in this area, he explained how they have to find decent housing for each relocatee. Because of this, the district office must maintain records of all available housing for relocating property owners and pay up to \$5,000 for relocating individual families and up to \$25,000 for businesses. This is a nationwide problem and there is a tremendous demand for these right-of-way people and so consequently the price for these employees goes up. He said the workload is not only increasing but they have built into this a time factor -- they must have 90 days to move them. He said it has about reached the point where they are going to have to build these people housing -- there just isn't adequate housing available in the Juneau area that meets the specifications required by the federal government. Back to his original argument, he said this is the reason they are reclassifying these positions and raising the salaries -- to attract qualified people. In response to Senator Phillips' question, he said this is also 95 percent federal funds. In answer to further questioning by Senator Phillips, Mr. Steen told the committee

they have 150 parcels in the Juneau area which has meant relocating about 50 families.

Nome
District:

It was noted that this is the same level and same number of employees. Senator Blodgett and Mr. Steen discussed problems in Nome and the fact they do not have a right of way agent in Nome and Mr. Steen went on to tell him of the problem they had with Nome over utilities which has held up the highway and not the lack of a right of way agent. After another brief discussion, Senator Blodgett requested a study done on the land area and wants it to show how many dollars the state realizes out of that area. Mr. Steen noted that insofar as highway users' tax, very little is generated from the Nome area. Senator Blodgett pointed out that without roads, they can't generate money. Mr. Steen said that Nome had more highway than Juneau. He agreed to get the information as requested by Senator Blodgett on this.

Valdez
District:

No change.

Recess:

Committee recessed at 9:45 a.m.

AFTER RECESS
10:00 a.m.

BOOK II
Maintenance
Anchorage:

Anchorage was granted 7 new employees and the reasons therefore are printed in the budget workbook, pages 14 through 21.

Fairbanks
District:

Mr. Steen told the committee the reason for the request for a Traffic Control Specialist in Fairbanks is because they have a rather sophisticated interconnect signal system and no one is available in Fairbanks to operate it properly.

In Anchorage they have a contract with the city but they have been unable to do this in Fairbanks.

Juneau District: Mr. Steen pointed out the reallocated positions, some of which had been handled by Executive Order No. 20. They needed people in the Craig maintenance station and also new people to maintain the Petersburg and Wrangell airport. Two people were also reallocated to do additional road maintenance in the Juneau Borough via a contract between the Borough and the Department of Highways.

Nome District: No changes, no questions.

Valdez District: Two new temporary positions were requested for the Valdez District and Mr. Steen said they will be used wherever they are needed. Senator Phillips noted for the benefit of the committee that these positions had been requested last year and deleted by the Finance Committee.

Special Projects: All special projects in the Anchorage, Fairbanks, Juneau and Valdez districts were disallowed by the Governor's Budget Review Committee. (See page 139, budget workbook for proposed projects in Anchorage district; see page 146, budget workbook for proposed projects in Fairbanks district; see page 154 budget workbook for proposed project in Juneau district; and see page 158, budget workbook for proposed project in Valdez district.)

Equipment Replacement: Senator Blodgett told the committee that he is preparing a bill for introduction for \$15,000,000 in GO bonds that will put this replacement program on a workable basis for the first time since the state took over the highways from BPR. He

said the state is in no better shape than they were 10 years ago when all of this equipment was inherited from the BPR. He said he had proposed that this replacement be done over a three-year period. He said they would have to get a depreciation schedule running on this equipment. Senator Blodgett asked Mr. Steen if it was true that the state had \$500,000 in equipment reserves and Mr. Steen agreed that it was true. Senator Blodgett thought that this building maintenance should be taken out of Highways and put in Division of Buildings under Public Works budget where he thinks it should have been all along. He also felt the equipment rental rate would have to be made more equitable -- higher -- so they could build a reserve for replacing equipment at a more accelerated level. Senator Bradshaw asked if the rental rate now wasn't sufficient to replace old equipment and Senator Blodgett felt that because the rental rates had not been high enough in the past, the equipment had been allowed to deteriorate. Mr. Atkins from the maintenance division in Highways said that they had the same problem with equipment they had inherited from FAA (when they took over maintenance of certain airports) it was also antiquated and they had to use it on 18 airports. Senator Blodgett thought they would have to start immediately as his proposed bill would not go before the voters until 1970 but in the meantime he felt the Finance Committee had the responsibility to dig into this and he hopes the committee will sponsor the bill for GO bonds to get this equipment problem in order.

Working Capital

Fund:

Equipment Section: No questions.

Reproduction:

There was a brief discussion on the expenditures under this section and problems were discussed on trying to "farm" this work out to printers. Mr. Steen said they need such items as specifications, plans, etcetera, printed and the local printers just can't seem to get this type of job done on any schedule so they have had to start doing it themselves. Mr. Steen said when this is reimbursable it goes back into the working capital fund and he said last year they came out \$6,000 ahead so they had reduced the rates for this year. He noted that their equipment is also on a depreciation schedule.

**Anchorage
District:
Contractual
Services:**

There was a brief discussion between Senator Blodgett and Mr. Steen concerning the increase under contractual services from \$90,000 for 1968-69 FY to the request for \$111,900 for 1969-70 FY. Mr. Steen said they are taking over more buildings from ASHA which means more maintenance and some of these buildings are in deplorable condition.

Equipment:

Under equipment, Senator Blodgett remarked that this figure would go down in the future if they are able to institute the new equipment program.

**Fairbanks
District:**

Senator Blodgett noted that there was very little change in this district.

Equipment:

Senator Blodgett questioned the \$2,500 for the hydraulic machine and Mr. Steen said this was just an estimate -- it would have to go out on bid and they, of course, then pay whatever the lowest bid is.

Increase in personal services here is due to increased FICA rates, and also a new position of Mechanic I.

With reference to Senator Blodgett's remark on the number of people working in this Juneau section, Mr. Steen reminded him that this covered all of Southeastern Alaska and not just Juneau. He said the equipment was scattered from Yakutat, Gustavus, Petersburg and clear down to Hyder.

Senator Blodgett commented that he had been able to cut this budget down by a close check on the amount of help needed in that area and he said the men they presently have are now all working.

Senator Blodgett asked why the two new positions for Valdez and Mr. Steen said because of taking over the new Cordova airport maintenance.

There was a brief discussion on reasons why 6 people were fired out of this district (mainly around Glennallen) but according to Mr. Hubbard this has solved most of their problems in this area as the people who are now there are working hard. Mr. Steen noted that unit cost on maintenance operation has increased 7-1/2 percent in the last 7 years but funding hasn't kept up with it.

Mr. Steen said this used to be state funds, but in order to take advantage of federal funding, it has been set up in this manner. They get part of the funding for this from working capital funds.

Sign Shop: Only increase in this is due to increased FICA rates.

Building Maintenance: No appreciable change in this section.

Anchorage Bldg. Operations: The building operations in Anchorage, Fairbanks, Juneau, Fairbanks Bldg. Operations: Nome and Valdez were briefly discussed but no particular details were brought out other than what is in the budget workbook. It was noted that the reason for Valdez being somewhat higher was because they are responsible for heating the Health and Welfare building and Senator Blodgett said they would check the budget of Health and Welfare for duplication on this. Mr. Steen said this was all reimbursable. Senator Blodgett announced that he wanted to take a good hard look at the Working Capital Fund and they would go over it again at a later time.

Adjournment: Meeting adjourned at 12 noon.

SENATE FINANCE COMMITTEE MEETING
Monday, February 17, 1969
8:00 a.m.

Present: All members except Senator Bradshaw. Thomas J. Moore, Commissioner, Department of Labor; John Stringer, Supervisor, Labor Law Enforcement, Department of Labor; and Mario Martini, Budget and Management, Department of Administration.

Dept. of Labor Administration: Senator Miller commented on the 1/2 secretary transfer to Employment Advisory and Mr. Moore said that this is the only personnel change.

Travel: Mr. Moore explained that they usually don't attend many of the conferences scheduled. He explained they substitute other trips such as the one they are going to attend on local hiring in Washington, D. C.

Contractual Services: Mr. Moore said that the increase in rents and utilities (330) is for a new lease for the building in Juneau. He said the new contract would probably be for the same building and that they are anticipating a rent increase. He said he thought this new lease would cost about \$.34 a square foot as \$.34 to \$.40 a square foot is about the usual amount for Juneau.

Mr. Moore said that some of the Department of Labor located in Anchorage had already been moved out of the MacKay Bldg. and explained this move was made to make room for the Department of Administration.

Senator Phillips calculated the amount of 20,714 square feet of office space in the building used by the Department

in Juneau and Mr. Moore confirmed that this amount was in excess of 20,000 square feet. Mr. Moore said that he would get the exact square footage. Senator Phillips said they would like a justification of why the rent would go up \$2,000 a month. Mr. Moore said he knew of a private party who would build a facility for rental for \$.34 a square foot. Senator Miller asked how much the rental was at the present time and Senator Phillips stated it must be around \$.25 a square foot. Mr. Moore added that the private party he mentioned is the Pacific Assurance Company and to Senator Blodgett's query he said that John Hale is managing for the company. Mr. Moore said that this company had asked for a 15-year lease but that they would settle for a 5-year lease. Senator Miller asked when the old lease had been negotiated and Mr. Moore said it had been at least 10 years ago. Senator Lewis asked if the state was reimbursed for rent by the federal government and Mr. Moore explained that the ESC pays their portion of the rent and this is federal funds. Senator Phillips directed the Commissioner to give the committee a report on this and Senator Blodgett requested the Department of Administration also make a report for the committee as the Division of Supply negotiates for state rentals.

Labor Laws
Enforcement

In answer to Senator Miller's question, Mr. Moore explained that the Labor Laws Enforcement now has a supervisor instead

of a director. He said that this division has not had a director as they could not find a person who was satisfactory for the position. He explained that this person had to have a specific knowledge of industrial safety. He said they had put a lot of effort into locating such an individual but couldn't find such a person for the salary offered. He said they had a supervisor now who was doing an excellent job but although he has a general knowledge he doesn't have the detailed knowledge to supervise the position.

Mr. Moore explained that they had one electrical inspector at range 16 and one boiler inspector at range 14 and one at range 18. He explained they simply couldn't hire boiler inspectors at range 14 and he said the boiler inspector that they did have at this range was only there because he is 62 years old and is getting ready to retire. Upon questioning regarding this man's ability, Mr. Moore explained that even though he did not have an ASME his decisions would still hold up in court. He said he was a very good field inspector but did not actually have the capability to sit in an office and make analyses. Mr. Moore said in the field of boiler inspectors they could increase employment by having planned inspections. In answer to Senator Phillips' request to supply a breakdown on this, Mr. Martini explained that in his office, Budget and Management, they have the necessary correspondence to back up the Commissioner's statement.

Senator Miller asked why the Labor Law Inspector I was being stationed in Anchorage if the work is in central Alaska. Mr. Stringer explained the reason this position is in Anchorage is that they have two inspectors already in Anchorage who because of the workload can only service Anchorage. He said by placing this inspector in Anchorage he could benefit from the experience of the other inspectors. He explained that the Deputy Commissioner in Fairbanks handles the Labor Law Enforcement in Fairbanks. He said they felt by centralizing the staff they could service all of Alaska encompassing the whole area.

In answer to Senator Miller's query regarding the North Slope, Mr. Stringer mentioned a specific case -- Geraghty and Baker that will be heard this week in Fairbanks concerning their hiring practices. He said they can gather information about local hiring but because of the lack of law regarding this can't really do anything. He explained they have to gear their work where it does the most good.

Senator Lewis asked what the charge was against Geraghty and Baker and Mr. Stringer said that this is a trucking company and that they are moving men to different areas and in fact they are acting like an employment agency.

Mr. Moore added that they have 33 employees - all Canadians. He said they pay no taxes and they are not licensed to do business in Alaska. Senator Blodgett requested a copy of the unedited minutes of the hearing that will be held in regard to this company. Senator Phillips said that a law

was needed in regard to local hire and made the recommendation that someone from the Department of Law investigate this in regard to the North Slope. Mr. Moore explained his concern in regard to the North Slope is that many of the companies feel that it is necessary to bring men from outside because no one in Alaska is qualified. He explained that he realized that it is necessary for some jobs requiring certain skills to bring in outside workers but there are many positions that could be filled by Alaskans. He explained they had a team from AES taking applications from Alaskans and they had had some success in getting Alaskans on the North Slope. In answer to Senator Haggland's statement regarding unions, Mr. Moore said the cost of operating on the North Slope was prohibitive. Senator Phillips remarked that they have to be careful of the wages paid on the North Slope to see that they don't get out of proportion to wages in other communities of the state. Mr. Moore said the safety inspector in the Anchorage area was very much needed. He said they need a full time safety inspector to do nothing but inspections of the Kenai/Cook Inlet area.

Senator Haggland asked about the accident incident in the Kenai area. Mr. Moore said the frequency is going down but one of the problems Alaska has is that they have tremendously high risk industries. He said there were 16 people killed as a result of the use of airplanes and helicopters. He

said there is nothing they can do in respect to the operation of aircrafts. He commented that Alaska would probably be the first state to have a helicopter safety code.

Senator Phillips requested a report on what the problems were going to be on the North Slope.

Mr. Moore explained that the boiler inspector will be a plant inspector and he will certify boilers. He also explained that they won't be able to get this position at a range 14. Senator Lewis asked if they approve this position at a range 14 what would happen if they couldn't get a man to accept this. Mr. Moore pointed out that although the legislature set up an administrative assistant under Workmen's Compensation they hadn't been able to fill that position because it was not at an adequate level. Senator Haggland asked if the fees of boiler inspections were covered by the cost of inspections and Mr. Moore answered in the affirmative and said that the companies are charged \$65 a day plus expenses.

Travel:

Mr. Moore explained that just one trip into the North Slope area cost \$900 for airfare plus per diem. Senator Miller asked if the travel money requested was actually enough and Mr. Moore said this request was a very conservative figure. He explained that the men in these positions had to go out on the job site and inspect. Mr. Stringer

said that this year alone they have already spent \$25,000 and said they had spent almost their entire travel budget trying to do an adequate job. He explained that they would find another source and transfer money to get the funds for travel. Mr. Moore explained that travel is the only part of the budget that is not at the level it should be.

In answer to Senator Phillips' question as to the procedure followed to allow Canadians to accept jobs in Alaska, Mr. Moore said that originally the federal government was giving blanket approval for these applications but because of the objections from the state they had not done this for the last 2 or 3 months. He said some of the companies had been less than honest in respect to making up job descriptions.

Senator Lewis asked if it was true some of the men on the North Slope are working for \$2.00 an hour. Mr. Stringer said in most cases the wage scale meets the minimum requirement. He said if these companies are looking for minerals they are exempt from the Wage and Hour Act.

Mr. Moore said some of these firms do not have offices in the state and are operating out of their hip pockets.

Contractual:

Mr. Stringer said that the amount of rental of state cars had been changed over to travel but that this year they are budgeting differently. Senator Miller asked then if the travel for this year (\$32,700) did not reflect the

\$6,300 for the car rentals and that this amount now was actually shown under rentals and Mr. Moore said that this is right.

Equipment:

Mr. Moore gave a brief summary of the additional equipment required.

Workmen's
Compensation
Travel:

Senator Miller said the only significant increase in Workmen's Compensation is in travel. Mr. Moore explained that it was his feeling that the Workmen's Compensation Board was not holding meetings with sufficient frequency to do the job and he explained that this would allow them to hold the hearings somewhat more frequently.

Senator Blodgett asked about insurance companies that controvert the claim for injured workers. He wanted to know if Mr. Moore had any recommendations as to what could be done to alleviate this. Mr. Moore explained that the Workmen's Compensation Act provided for penalty and interest provisions if the companies had frivolous reasons for controverting and explained that this is discovered when a decision is reached on the case. Senator Blodgett said he was referring to a specific case -- John Slagle.

Mr. Moore explained that the insurance companies notify them if they are controverting a case. He explained that last year they had 3.9 percent cases that were controverted and this year it was 3 percent and he didn't feel any additional legislation was needed. He said if they had too much trouble with an adjuster they could call the Insurance Director.

Contractual
Services:

A discussion was held on the printing and advertising (320) increase and it was stated this was for the printing of the Workmen's Compensation Act booklet. Senator Lewis discussed the costs of the printing of reports by the various departments, commenting that printing costs seemed to be a major item in all the budgets. He noted that there were so many reports printed that it was impossible for anyone to read all of them. Senator Blodgett agreed that there were too many reports printed for any one person to read, but said that it was necessary to have them available for when they are needed. Senator Phillips asked the committee what they would think of asking the Governor to have the reports of the various departments summarized and printed in one volume. There was general agreement among the members that this would be very helpful for the legislators and Senator Blodgett moved and asked unanimous consent that there be a letter of intent asking the Governor to explore the idea of preparing this report summary. No objection, so ordered.

Legislative
Intent

Governor's
Committee on
Employ. of
Handicapped
Travel:

Mr. Stringer explained the increase in travel was to allow the committee to hold meetings twice a year instead of once. Senator Miller asked how long this committee had been in existence and Mr. Stringer replied, since 1962. Mr. Moore explained that he was not too involved with the Employment of Handicapped Commission.

Contractual
Service:

Mr. Stringer explained the reason for the increase in contractual services is to allow the committee to educate more people in respect to employment of the handicapped. In answer to Senator Lewis' query, Mr. Moore explained this committee was set up on a national basis and that every state has this type of committee. He explained that the \$6,200 for this committee is state funds and that one of the things the federal government does is to have an executive secretary for this committee.

Senator Haggland asked if anything was going on to show that handicapped people were being given a break. Mr. Moore said the pulp mill industry had been instrumental in the hiring of handicapped people. Senator Lewis requested that they have more information on this committee before the funds are approved. Senator Miller asked for a list of the people on the commission. Mr. Moore said he would be happy to comply with their requests.

Employment
Advisory
Commission

Mr. Moore explained that he is proposing that some changes be made in this program. He said they have been able to get from federal sources two types of training programs: 1) On-the Job Program, and 2) New Careers. He suggested a manpower training commission be set up to funnel all federal funds so they can operate more successfully. This commission would consist of the Commissioners of Labor, Education, Economic Development, Health and Welfare, and Administration, along with the Director of Planning and Research and a representative from industry and a representative

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CORRECTION

**THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**

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from labor. He felt that this group would be more effective than the Employment Advisory Commission in determining what can be done to clear up some of our labor problems and would cost less.

Fishermen's Benefits

Mr. Moore said they had over 800 cases for the Fishermen's Fund for this year and that the total cases for a year usually runs 700 to 800. He explained that this fund was used for injured fishermen and also covered their transportation to a hospital and if necessary back to their homes. Mr. Moore said he is proposing that there be a deductible, such as \$50, for these cases to avoid the possibility of fishermen just using this as a chance to "get into town". He said they did not have an investigating staff to look at some of these claims. In answer to Senator Lewis' query, Mr. Moore explained that 60 percent of the fees of commercial licenses is set aside to pay for the injuries and transportation of fishermen. Senator Lewis asked how this fund was possible considering the no dedicated fund law and Mr. Dean explained that any funds that were in existence before statehood could remain.

Second Injury Benefits

Mr. Stringer said there is \$380,000 in this reserve fund. Mr. Moore said that one of the reasons for coming up with a deductible proposal is to avoid possible trouble as a result of the rapid increase of claims. Mr. Moore explained that the amounts paid out of the Second Injury Benefits are a result of awards made by the Workmen's Compensation Board. He said they had run into problems when the board made a

major award of \$55,000, and they had to go to the Governor and have this amount transferred by executive order. He said he had discussed this with Mr. Ward, when he was Commissioner of the Department of Administration, and they had decided the best thing to do would be to appropriate the amount in the fund to the Workmen's Compensation Board each year. This would eliminate having to transfer funds by executive order when a large award is made.

There was a brief discussion on unemployment compensation. Mr. Moore said the Logger Training Program had been a very successful program. He explained that there had not been any federal funds available last year and that the Legislature had funded this program but that additional funds were not necessary as this is a federal program and is being funded by MDTA. Senator Blodgett asked how many of these people were staying in the industry once they are trained and Mr. Moore said their initial information is that all of these people had jobs or job offers in the industry. He explained that they were not in a position to follow up such a group of people but they do spot check. Senator Blodgett said that he felt that since this was still a young program it could be used as a barometer to determine if similar programs would be worthwhile.

Mr. Moore said the WIN is a program designed to take the recipients of AFDC payments and provide them with training so that they can go into industry and make a living. He said individuals were referred to the Department of Labor by the Department of Health and Welfare. He said he believed

Employment
Security

Logger
Training

WIN

that at the present time 6 or 8 people are already in jobs and they have about 100 people that are in the program at the present time.

In answer to Senator Haggland's question, Mr. Moore said that these people are willing to be trained and that the Department of Health and Welfare provides such things as child care.

Adjournment: Meeting adjourned at 9:50 a.m.

JOINT FINANCE COMMITTEE MEETING
Tuesday, February 18, 1969
8:40 a.m.

Present: All members of the Senate Finance Committee. All members of the House Finance Committee except Mr. John Sackett. Buell Nesbett, Chief Justice of the Supreme Court; Robert Reynolds, Administrative Director of Courts; and Raymond Gregory, were present to present the budget for the Alaska Court System.

Alaska Court System: Senator Phillips called the meeting to order and explained to the committees that the usual procedure would be followed in the joint meeting of the two committees.

Supreme Court

Personal Services: Mr. Reynolds told the committees that the increase of \$130,900 in personal services is partially due to budgeting their personnel in Step D instead of the customary Step C. They had received permission from Budget and Management to do this because the employees of the Court System seem to be staying longer and it is no longer realistic to have them budgeted in Step C. Senator Phillips queried Mr. Reynolds on this procedure at some length. He said the salaries for the two new justices, two law clerks, and two secretaries (for the justices) account for a substantial part of this increase.

Travel: Mr. Reynolds said the increase of \$12,300 was principally because a supervisor of the Magistrate Court System had been appointed and it was necessary for him to travel to the 50 magistrate locations. In addition, he said they increased

the frequency of administrative travel to insure audit, administration and judicial procedures are in conformance with established policy.

The establishment of new libraries in Sitka, Wrangell, Kenai and Kodiak also entailed an increase in travel by the State Law Librarian.

Contractual
Services:

Mr. Reynolds said the total department request is \$18,540 which represents an increase of \$3,460. A substantial portion of this amount represents a 25% increase in telephone, telegraph and postage rates. He said printing and advertising represents a decrease of \$2,100 and professional fees and services has increased by \$11,000. Equipment rental has increased by \$8,000 and is related to the addition of three MTST's for the transcript section. These machines have resulted in a marked improvement in the transcripts of court hearings.

Commodities:

Mr. Reynolds said this shows a request of \$38,700 which indicates a decrease of \$46,100 which was made possible by the purchase of new law books in 1968-69. A savings in commodities has also resulted from the implementation of the MTST equipment with better utilization of supplies.

Equipment:

Equipment requirements are substantially reduced by \$12,300 due to non-recurring expenditures for furniture. Mr. Reynolds said an amount of \$11,200 is requested to continue the present level of service. He explained the purchases that were made in 1968-69, but said this will not be necessary in FY 69-70.

Alaska
Court
System

Mr. Reynolds said that the budget request of \$4,091,600 as submitted by the Court System for FY 69-70 represents an over-all increase of \$634,100 over the total appropriation of \$3,457,500 granted for the current fiscal year, which was \$100,000 less than requested. This increase, from a general standpoint, is due to the rapidly expanding economic and population growth and the corresponding increase in the case load of the courts, and is necessary to provide judicial service appropriate to this growth.

Supreme
Court
Personal
Services

Mr. Reynolds said that the requested total for personal services is \$608,400 which represents an increase of \$130,900. Of this amount \$74,816 is attributable to budgeting of all permanent positions of the courts at Step D rather than at Step C. He explained that they keep employees longer than most branches of the state government and that customary budgeting at Step C is not applicable to their budget. He said this amount also included the upgrading of two positions -- Accounting Clerk II to Accounting Clerk III, and Clerk-Steno III to Secretary II. Salaries for two additional Associate Justices are included. The current fiscal year budget includes an amount for only 6 months due to the statutory appointment not being effective until 1 December 1968. He said that \$56,084 constitutes an increase primarily in the work load change and due to budgeting salaries for two new law clerks, two Associate Justices and two executive secretaries (range 13). Also included is funding for three new positions: Stock Handler I, Clerk-Steno III, and Deputy Clerk of Court II.

Land, Bldgs,
Non-Structural
Improvement:

Mr. Reynolds explained that this amount will go toward the modification of space formerly occupied by the Dept. of Law in Anchorage to provide court room space for Family Court and office space for the two Associate Justices and staff.

Inter-Agency
Charges:

The Court had asked for \$42,200 under this category, according to Mr. Reynolds, but after the Governor's Budget Review Committee had conferred with the Department of Administration, it was determined that this figure should be \$52,500.

The total increase requested for all lines of the Supreme Court budget is \$147,400.

Senator Blodgett discussed the use of the postage meter. He remarked about the law library in Nome and it was explained that a great deal had been done toward updating this library. Senator Blodgett requested a letter giving a comprehensive resume of the law library in Nome.

Mr. Croft asked where the libraries established were located and Mr. Reynolds answered Sitka, Kenai, Kodiak and Wrangell.

Lands, Bldgs,
Non-Structural
Improvement:

In answer to a query from Mr. Croft, Mr. Reynolds explained that they had already done most of the work on the Family Court in Anchorage this year but they did not have enough to finish and that the rest of the work would be done in 1969-70.

After a discussion on the crowded conditions in the building in Anchorage Chief Justice Nesbett told the committee that

there would be a resolution this year to approve the issuance of bonds by ASHA to expand that building.

After a discussion by Senator Blodgett in which he stated his opinion that any new buildings that were built should be able to be expanded by adding additional stories, Senator Phillips requested that Mr. Dean check and see if a letter of intent was written last year requesting this.

Mr. Ray commented on the substantial increase in travel and Mr. Reynolds explained that the Magistrate Supervisor has to go out among the lay judges and instruct them on procedures and also on the law. He said he looks over the books and this is absolutely necessary with the lay magistrates around the state. He also puts on seminars.

Mr. Reynolds said this traveling position alone amounts to more than the travel of the two new Associate Justices although they will also add to the travel increase.

Mr. Ray asked what this position was and Mr. Reynolds explained he was an Attorney IV, Supervisor of Magistrates. Mr. Ray remarked that the Chief Justice, Administrative Director, Assistant Administrative Director, Attorney IV and Administrative Officer II traveled a total of 250 days and Mr. Reynolds said that was right.

Mr. Ray questioned the amount of \$3,135 for telephone charges and \$2,750 for tolls for the Anchorage Administrative Office. Mr. Reynolds explained the inter-com system and agreed that this figure was high and said that it was because the cost of the services had increased 25%.

Mr. Ray asked if the attorneys were handling the Trust Fund Accounting before and Mr. Reynolds explained that the job had never really been done properly. Mr. Reynolds explained that this would allow the Trust Fund Accounting, which is reciprocal child support, to be done on business machines and this will turn loose the staff to follow up and enforce. He said that they had had a very unworkable service until data processing came along, and added that they were not into this completely yet. He said they thought it will improve services to the public tremendously. He said there would be two readings a week on how the trust fund stands, the pay outs, who is late on payments, etc. He said prior to this it was being done manually by their staff but it was not really being done properly. Mr. Ray asked if this amount of \$52,000 would be an annual funding and Mr. Reynolds explained that data processing had originally told them the figure would be about \$25,000 a year. In answer to Mr. Ray's question, Mr. Gregory read a letter from the Department of Administration explaining the reason that an additional \$10,300 had been added to their original request of \$42,200. Senator Lewis asked if the \$34,000 for management survey would be a recurring expense and Senator Phillips explained that the data processing program is a \$5,000,000 or \$6,000,000 program and these charges and the charges to other agencies are charged back for the cost of their particular program.