

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2598

Chief Justice Nesbett explained that eventually this program will allow a reduction of personnel but that this is not the case this year. Mr. Reynolds said that, in fact, they will have to hire some extra part-time personnel for programming.

In answer to Senator Phillips' remarks, Mr. Reynolds said they had no additional requests but that they felt that this is a minimum, realistic budget.

Senator Miller explained that the Governor's Budget Review Committee does not act on this budget and therefore the figures in the Governor's Allowance column do not necessarily reflect what he would do if he had the power to make recommendations and Mr. Reynolds said that this may be true; however, he said they had been commended on the accuracy and backup material on the budget. In answer to Senator Lewis' query, Chief Justice Nesbett explained that the purpose of going to the Governor with their budget is because the Governor makes up his budget for the State of the State message and his financial report and needs to review the courts' budget.

Superior
Court
Personal
Services

Mr. Reynolds said that under Code 100 they requested \$998,600 which is an increase of \$169,500. Of this amount \$29,600 is requested to continue present level of service and is a result of salary computation at Step D rather than Step C. Included is \$139,900 for funding of the 13 new positions. He said a major portion of this is attributable to the staffing of the Family Court. Additional new positions deemed necessary are the three law clerks budgeted at

range 20. These three positions were deleted from the FY 68-69 budget as a result of the \$100,000 reduction by the 1968 Legislature.

In answer to a query from Senator Phillips, Mr. Reynolds explained that their employees were not receiving an increase but their salaries had been budgeted at Step D because most of their employees had been there so long that the customary Step C budgeting was not realistic.

A discussion followed on the Marriage Counselor and it was explained that most of the national associations on family counseling, as well as the American Bar Association, back this idea. Chief Justice Nesbett said that statistics from large cities show that by using a marriage counselor they can save one out of four marriages. These statistics have been gathered in a realistic way as they will not call a marriage saved unless the parties have reconciled and lived together for a full year. This means a savings to the state because a broken marriage in many cases will result in the family being on relief. In answer to a query by Mr. Croft, Mr. Reynolds said that about 60% of the family litigation was filed in the Anchorage area. Mr. Croft requested that the committee be sent a copy of a letter indicating the number of cases that have been referred to Judge Butcher since he has been Family Court Judge. A discussion followed on the Standing Master and Mr. Reynolds explained that there are more cases that come before the Family Court than the judge can handle and that some of the other judges are handling divorce cases. He said there are certain matters of a routine nature in children's cases

where there is no real determination to make and the Judge of the Family Court may refer these cases to the Standing Master. These cases are screened by the judge first. He said an example of this would be an abandoned child and that does not require a great deal of discretion. He explained that the volume is such they feel that in order for the Family Court Judge to handle the cases that need a mature judgment there will be some 400 cases a year that do not require a great deal of discretion and that the Standing Master can handle.

Chief Justice Nesbitt explained that the Family Court Judge had to have a trained man that thinks like he does and that helps him on weekends. In answer to Senator Lewis' query, Mr. Reynolds explained that the Standing Master would have to be legally trained but not necessarily admitted to the Bar. He said he would have to be an attorney who graduated from a law school. The Standing Master has no power in making a final decision. The Family Court Judge reviews all the cases and this offers a great deal of protection.

Travel: In Code 210 the total amount of \$18,600 shows an increase of \$8,100. A portion of the increase relates to judicial disqualification. Mr. Reynolds said that while this was hardly recognized last year they had 7 disqualifications this year. In answer to Senator Lewis' query, Mr. Reynolds explained that a normal challenge would say a judge was disqualified because he couldn't give an impartial trial or that he has an interest in the case. He said under the present law you could challenge a judge and the judge could

not inquire behind the affidavit but if he finds that the affidavit is false he can't even punish the person for contempt. He said if the affidavit is filed then automatically it has to be transferred to another judge. If this happens in Fairbanks and the two judges there are both challenged, they have no other judge in Fairbanks. Mr. Reynolds then drafts an order for the Chief Justice to assign another judge to Fairbanks. Mr. Reynolds said that this is happening more frequently. It was explained that this disqualification right could be abused and Senator Phillips said this should be looked at next year to see if it was being abused. Mr. Reynolds added that there was a bill pending now that would extend this disqualification to the district courts.

Mr. Reynolds said they had to nearly double travel in Southeast Alaska in order to accommodate Sitka and to give them the same kind of judicial service that they have in Juneau and Ketchikan. He said in the third district they are servicing Kenai and Kodiak almost twice as much this year. Senator Phillips requested that Mr. Reynolds send the committee a copy of the report he used for his presentation. Senator Lewis asked about the Ketchikan Psychiatric Examination Travel and Mr. Reynolds explained that as there is no local psychiatrist, when the court has to commit a person the court system has to pay for it.

Recess: The meeting recessed at 9:50 a.m.

After Recess

11:00 a.m.

Representative Banfield was present at this time.

Contractual
Services:

Mr. Reynolds said the requested amount of \$616,700 showed an increase of \$108,000 and a major portion of this increase is attributable to professional fees and services, especially jury fees and court appointed counsel. He said case loads have increased an over-all total of 22.4% in all courts and an anticipated increase is expected in attorney fees from \$10-\$15 an hour to \$20-\$25 an hour. He said a public defender bill is being presented to the Legislature at this session, which, if it should pass, would result in a decrease in court appointed counsel and if this bill passes a total of \$200,000 can be deleted. This would leave a balance of \$28,000 to carry the outstanding bills from court appointed attorneys that are not filed at the time such a law would go into effect because there would be a 90-day lag under the old law. Mr. Reynolds said he had submitted a fiscal note to the finance committee on the plan that was studied with some of the public defender material; that this was necessarily somewhat arbitrary but did give an estimate. He said he had come up with a figure of \$409,000 but this doesn't include a small amount for special counsel. This is basically what Mr. Reynolds thinks a minimum program would cost but explained that this isn't part of their budget.

In answer to Senator Phillips' query, Mr. Reynolds said that jury fees hadn't been raised but they had an over-all increase in case loads in Alaska in one year of 27.4% in total cases filed.

In answer to Mr. Croft's question regarding the public defender, Mr. Reynolds explained that the \$200,000 he mentioned that could be saved by the passage of this bill is from the three courts, Superior, Supreme and District. Mr. Croft commended the court on the fact that Alaska is the only court system in the United States that awards attorney fees to the prevailing side and against the losing side which he felt had a good effect on discouraging the type of nuisance cases Senator Phillips had talked about.

Commodities:

He said this request is \$16,300 and is an increase of only \$500, which represents a minor increase for stationery and office supplies and this is necessary to continue the present level of service.

Equipment:

He said they have asked for \$14,200 which is an increased total of \$3,400, primarily due to the need for additional office equipment for the new positions. He said a minor portion is for worn-out typewriters. A discussion followed on typewriters and it was explained that they follow Department of Administration guidelines on trade-ins of typewriters.

Magistrate
Courts

Personal
Services

Mr. Reynolds said \$834,200 was requested and this was an increase of \$62,300. Of this amount \$41,800 is attributable to budgeting at Step D salaries rather than Step C. Two reclassifications of positions are also included. \$1,530 is included for the salary adjustment of the Palmer Magistrate and an amount of \$3,640 is included to adjust the Kenai Magistrate's salary. He said these adjustments

are necessary to compensate the magistrates for substantial work load increase.

\$10,000 is requested for magistrates' salary adjustments in FY 69-70 contemplated to be necessary as a result of study and analysis of activities related to magistrates courts which is still being conducted. He said a final determination was not known at this time as to what localities adjustments will be made. He said included in the \$20,500 for work load change is funds for staffing three new deputy clerk of court I positions for the following locations: Ketchikan, Kenai and Anchorage. He commented that any increase in salary for state employees that might be made by the Legislature would not affect the magistrates.

Mr. Borer asked when this study was going to be done and Mr. Reynolds explained that the man who had been working on this was killed in the Wien Airline crash and that they had not hired anyone to replace him. He said they expect to resume the study in March. Mr. Borer asked if they had a record of the work the various magistrates are doing and the number of filings and Mr. Borer said he thought this had been requested last year and did not recall ever getting it. Mr. Reynolds said that he would give the committee a report on the comparison between calendar years 1967 and 1968.

Chief Justice Nesbett said that he wanted to correct a statement made earlier. He explained that if the state employees received an increase the court system was compelled to grant the magistrates an increase on the same basis.

Travel:

Mr. Reynolds said the total request on travel is \$37,100 which is an increase of \$12,700. Of this amount, \$9,700 is necessary to continue the present level of service as it relates to travel and per diem for juror and witness, circuit, magistrate emergency, magistrate training and district judges conference. Also included in the amount of \$12,700 is \$3,000 for travel to be performed by the Supervisor of Magistrate Services. This will consist of periodic inspection tours of the various magistrates to insure performance with policies and procedures applicable to accounting or judicial matters. He said conformity and compliance have been a continuing problem with reference to the functions performed by the magistrates in that they are lay employees with a minimal knowledge of legal and accounting matters. He said that the Fiscal Officer would also have to do some traveling in this regard and generally this is applicable to him as well as the Magistrate Supervisor and that a part of this is carried under the Supreme Court expenditures.

In answer to Senator Phillips' comment, Mr. Reynolds explained that one of the duties of the Magistrate Supervisor would be to investigate some of the complaints against the courts. He said that the district court judges now had to make statistical reports and account for all their bench time.

In answer to a query by Mr. Croft, Mr. Reynolds said that on page 69 the Fiscal Officer should have been shown also. In answer to Mr. Borer's query, Mr. Reynolds explained that the district court judges have to travel more than

they did last year and the case load in their courts has increased 19.9% and this will increase travel. This is also for the travel that the Fiscal Officer will have to do.

Contractual
Services:

He said the \$447,900 request is an increase of \$84,200. Of the total requested increase \$56,940 is applicable to rents and utilities. He said a substantial portion of this is attributable to new facilities built through ASHA and that the cost of the new Kenai facility is also included. Professional fees and services has increased by \$21,300 which relates primarily to jury fees, autopsy and court appointed counsel.

Communications have increased by \$3,160 primarily as a result of postage, telephone, and telegraph services going up 25%. He said this was also another place where a public defender would cut out a total of \$39,000 of this increase.

In answer to Mr. Borer's question, Mr. Reynolds explained that at Sitka they had a combined facility which included a library, court room, judge's office and clerk's office. Mr. Borer asked specifically about the \$2,750 for janitorial services at Sitka and it was explained that this is the court's portion and this figure was received from the Division of Supply.

Senator Phillips asked Mr. Dean to check on this amount for janitorial service.

Commodities:

Mr. Reynolds said the requested \$23,800 was an increase of \$600. No questions.

Equipment: Mr. Reynolds said there is an increase of \$25,000 for equipment. He said office furniture and equipment (520) shows a decrease of \$10,000. He said for code 530, the \$35,000 is for installation of a microfilm system. He explained the installation of a microfilm system will not only reduce demands on storage space but will reflect a savings to the state in over-all operation costs by increased efficiency. He said that the microfilm system will amortize itself in 32 months and this doesn't include the savings in storage. Mr. Reynolds said that once they were current on microfilm they would work backwards and what might be dead time for recording would be used. He said eventually all public records including case files should be microfilmed.

In answer to Senator Philips' query, Mr. Reynolds explained that to put in a microfilm system in the Superior Court and District Court, too, would require additional personnel and in recording they feel they can use the existing personnel to do this.

Mr. Borer asked for a copy of the study on microfilming and Mr. Reynolds said it was in the Judicial Council Biennial Report.

Land, Bldgs,
Non-Structural
Improvements:

Mr. Reynolds said that they had requested \$5,000 and this is to provide non-structural improvements for an additional temporary district court room in Anchorage. He said this temporary court room would give four court rooms for four judges.

Senator Lewis asked how much space would be saved by microfilming and Mr. Reynolds said the space needed for the records could be reduced 1,408 square feet. He said this is in the Anchorage area. Mr. Reynolds explained that this was not the only savings and that they can record documents cheaper by microfilming than the present method being used and that this will also save man hours. Senator Lewis asked what ASHA is going to do in Anchorage on the building. Chief Justice Nesbett said that ASHA is issuing bonds to build an extension on the present building on a resolution that was passed by the Legislature. Chief Justice Nesbett said there was nothing else that they wanted to present on their budget.

Adjournment:

The meeting adjourned at 12:05 p.m.

SENATE FINANCE COMMITTEE
Wednesday, February 19, 1969
8:00 a.m.

Present: All members except Senator Koslosky. Also present were Commissioner Frank H. Murkowski, Department of Economic Development, Everett W. Bunes, the Department Deputy Commissioner, Martin F. Schafer, Director of the Travel Division, Richard E. Shepherd, Deputy Director of the Travel Division, Ted Borden, Deputy Director of Industrial Development, and John Kent, Administrative Officer. Mr. Mario Martineili of Budget and Management was present, too.

DEPT. OF ECONOMIC
DEVELOPMENT

Senator Vance Phillips called the meeting to order and then turned it over to Senator Lewis, chairman of the subcommittee on Economic Development. Senator Lewis requested Mr. Murkowski to begin reviewing his budget.

Office of
Commissioner

Commissioner Murkowski said that there are several new positions in the Office of the Commissioner. He stated that these are transfers from the Travel Division.

At this point, Senator Lewis requested the Commissioner rather than to go through the budget at this time step by step to give a brief rundown of the Department's accomplishments over the past year. Mr. Murkowski gave quite an extensive list (copies of which are in the Economic Development file) He said that they accompanied the Timber Task Force to Washington D.C. to testify on the prohibition of exporting "round logs" from Alaska. They were instrumental in obtaining a favorable discussion by U. S. Plywood-Champion Papers to exercise the option on

the Juneau Timber Block. He went on to say the department was instrumental in obtaining approval of applications for tax exemption under the Alaska Industrial Incentive Act, representing over a hundred million dollars of industrial investment. The department also was active in the approval of loans totaling over \$58,000 under the Small Business Development Corporation which created over a million dollars worth of capital investment. During the past fiscal year the department has endorsed EDA applications representing \$4,273,000 in loans and grants. Industrial ads were placed in several national magazines resulting in many requests for additional information. Mr. Murkowski went on to say an average of 500 letters per month were written to individuals and businesses in response to requests for information about the state. The department also conducted a statewide communications conference.

Industrial Development:

The department actively assisted and encouraged transportation firms to locate in Alaska and to provide services, i.e., transportation for drilling equipment and supplies in Prudhoe Bay. They also participated in the study on the Alaska Peninsula Road Crossing for the linking of the Bristol Bay area and Dillingham to Kodiak-Anchorage ferry route. The department actively sponsored a highway to be built between a lumber mill into the town of Seldovia, and sponsored and participated in obtaining EDA funding for an aerial photography forestry study of the Tanana Valley, for determining potential lumber industry for interior forests.

The department cooperated with and assisted numerous small logging businesses to establish in Hoonah, Wasilla, Craig, Anchorage, and Fairbanks. The department continues to supply lumber resource information to foreign firms from Japan and Korea through the Tokyo Office (under the Office of the Governor). The department has assisted the U. S. Forest Service in promoting Small Business Administration set-aside sales. The department is actively engaged in participating in the early planning sessions for the Pacific Logging Congress scheduled to be held in Anchorage in 1970. The department has contributed articles to trade publications and newspapers. They have contracted with a forestry consultant expert for a comprehensive study of Alaska's forests, and forest management policy, this study is to be completed in 1969.

Mining and Minerals:

The department assisted and cooperated with the major oil and petroleum industries in their establishment of business and production facilities in Alaska. The department was directly responsible for the location of a 13 million dollar oil and refining plant for jet fuel, diesel oil, and asphalt products. They are promoting a major mineral survey to determine Alaska's mineral content by the use of electronic sensing devices. They actively assisted and participated in the Cortella Coal field operation which has future potential for coal exports to Japan. The department has assisted and cooperated with numerous mining firms in establishing businesses and in locating data on deposits of valuable metals.

Research
and Planning:

Mr. Murkowski showed the committee a copy of the department's publication LOOK NORTH, the distribution of which has resulted in many inquiries from those interested in Alaska. He also mentioned the department prepares several data and informational publications: Statistical Review of Alaska's Economy; Industrial Survey of Potential Industrial Sites; The Departmental Annual Report; quarterly news releases containing information of significance and interest to industry, commercial interests and government officials. Mr. Murkowski commented that in the "strict sense" it was difficult to outline exactly what the department does do as they are responsible for the promotional rather than the regulatory aspect of things.

Senator Lewis invited questions by the committee.

Senator Blodgett asked Mr. Murkowski how old the cannery at Hydaburg is. Mr. Murkowski said the canning line has been removed but the freezing unit is only 5 or 6 years old. He said he didn't know how old the cannery was but said it was in relatively good shape. Senator Blodgett said that with the fresh salmon commanding such a much better price than canned, it is "criminal" to can so much of our salmon.

Mr. Murkowski said the market is not ready for pink salmon and that a big problem has been/^{having no}straight thru air service; however, Western Airlines is beginning this straight thru air service on a 5-day a week basis to Los Angeles, which might make this sort of operation feasible. He emphasized that caution should be taken not to eliminate primary processing in Alaska. There was a brief discussion on

the reindeer situation with both the commissioner and Senator Blodgett expressing various degrees of pessimism. Senator Blodgett then asked if the department had given any consideration to the publication of a state wide telephone directory. Commissioner Murkowski said that their communications conference had asked for suggestions but that wasn't suggested. Senator Blodgett also asked Mr. Murkowski to supply minutes of the communications conference meeting. In response to further questioning by Senator Blodgett, Mr. Murkowski said that he feels the communications conference accomplished a great deal but said Communications is under the Department of Public Works, so Economic Development is no longer involved. Senator Blodgett indicated he felt Economic Development should be involved and requested recommendations and suggestions on how Economic Development proposes to improve communications.

Mineral
Resources:

Senator Blodgett indicated that he feels a mineral resources inventory is needed. He said he is working on a bill to establish a 95-5 program similar to the federal highways program to accomplish this. He requested the commissioner to make a note of this, and asked that any Economic Development people with any expertise in this matter help.

Senator Blodgett asked Mr. Murkowski how the department can help with such ^{small} operations as the mill at Wasilla, to which Mr. Murkowski replied that they can help in marketing small timber sales. He also mentioned, however, that the market is very tight, that they are competing with Canadian companies and there is no protective tariff for Alaska timber. Senator Blodgett asked if the department has given any thought to setting up machinery whereby the state would build and lease sale refineries to operators in the state, and Commissioner Murkowski said no. Senator Blodgett asked if the

commissioner was aware that other states do this, and Commissioner Murkowski said he wasn't, that it is his understanding that industrial revenue bonding is issued to do this in other states. He said that Alaska has had this on its books for a few years. The advantage to the investor is that those are tax exempt bonds. He said that the problem now is that the treasury department came out with a regulation limiting to \$15,000,000 the number of tax exempt bonds sold per project. Senator Blodgett asked if the department has made any attempt to "sell" this concept, to which Mr. Murkowski replied yes. Senator Blodgett indicated that he feels growth in the industrial area has been minimal, and Commissioner Murkowski expressed the feeling that the proportional growth in the last 5 years has been tremendous. Senator Blodgett asked if the department has done anything about the development of the Lisbourne Coal Fields. Mr. Murkowski replied they had done nothing as far as their development was concerned and the same problem there (as in the Kobuk) is the prohibitive cost of transportation. He said the industry will develop it when they are ready as they are developing the oil industry now. Senator Blodgett expressed concern that not enough is being done to provide a viable economy for undeveloped areas. In answer to a question by Senator Bradshaw, Mr. Murkowski replied that the Stikine operation is dead. He said he understands that the Kencoe Company of Canada is now holding back on further development.

They have got somewhere in the neighborhood of 7 or 9 million dollars invested in the land.

Senator Miller asked about the department's experience with the Industrial Tax Credit Act and asked if many firms have qualified to which Commissioner Murkowski replied yes. He said that its primary value is that it is a gesture on the part of Alaska to let industry and capital know the state is interested in them. Senator Phillips requested a list of small business loans in Alaska.

There was a lengthy discussion on the frozen pea industry in Alaska and Senator Lewis requested detailed information on the subject. He said that he felt a published report should be made and asked the commissioner to have one prepared. He also requested correspondence between the state and the manufacturer. Senator Lewis requested information on hydroponic farming from Mr. Murkowski. He asked if anything had come from the plastic seminar in Anchorage, and Mr. Murkowski said he thought it had opened up some avenues. Mr. Murkowski mentioned that the request for establishing and staffing a branch office of the Commissioner's Office for Anchorage has been left in, but that the request for a Fairbanks Office was deleted by the Governor's Budget Review Committee, Mr. Murkowski felt strongly that the Fairbanks Office should be put back in the budget. Mr. Murkowski said that films depicting possibilities for industrial development are most urgently needed. He said

the cost of producing each film would be about \$30,000.

Chairman Phillips thanked Mr. Murkowski for appearing.

Travel Division:

Mr. Bill Schafer gave an overview of the accomplishments of the Travel Division. He said that the division continues to advertise in Magazines such as the NATIONAL GEOGRAPHIC, and HOLIDAY, /SUNSET. It has opened up travel centers in Tok and also in Haines in cooperation with the town of Haines. The department feels it is important to open a similar facility at Prince George. The travel division is deeply involved with the promotion of the ferry system, especially since the purchase of the Wickersham. The division is engaged in planning for EXPO '70 to be held in Japan, and hopes at that time to show the industrial development potential of Alaska as well as the tourism angle.

In response to questioning by Senator Lewis, Mr. Schafer said the photo lab in the department can now produce color photographs, which they couldn't do last year, and as a result the division will be able to put together more presentations. Also, he said the Office of the Governor, the Department of Fish and Game and other departments are able to utilize this facility.

Adjournment: There being no further questions, the committee adjourned at 9:45 a.m.

JOINT FINANCE COMMITTEE MEETING
Thursday, February 20, 1969
4:00 p.m.

Mr. Ray called the Joint House and Senate Finance Committee meeting to order, with members of the Judicial Council present, along with Robert Reynolds, Administrative Director of Courts and several members of the House of Representatives. Mr. Ray announced that the purpose of the meeting was to discuss with the Judicial Council the recommendations they have made for improvement of the administration of justice in Alaska. Chief Justice Buell A. Nesbett told the committee that the Council was currently recommending six programs, four of which the Chief Justice wished to discuss with the committee.

1) The Public Defender was the first recommendation which he reviewed with the members and cited statistics on why the Council feels this is now a necessary program. There was a brief discussion on funding this program and the Chief Justice felt that the Court System could assist with \$200,000 and the Legislature would have to appropriate another \$200,000 and in future years, it would be about a \$400,000 a year expenditure. Salaries, method of selection of public defenders, advisability as to where the responsibility of authority (judiciary, executive, legislative), central control, etc., were discussed with the Chief Justice. In reply to a question from Mr. Ray, the Chief Justice said

he was not recommending that the public defender be put in the judicial branch of government. The Chief Justice amplified this by stating that it is not a good idea to have anyone completely independent of everyone else but if the Judicial Council and the Alaska Bar participate in recommendations to the Governor, he thought this would dissipate this to some degree.

2) Judicial Salaries should be increased for justices and judges of the supreme and superior courts to a level comparable to that for judges of the Circuit Courts of Appeal and U. S. District Courts, respectively, according to the Judicial Council recommendation, and it further recommends that salaries of district judges be set at a comparable rate to that of U. S. magistrates, as prescribed in PL 90-578. Senator Phillips remarked that state funds may limit the possibility of this.

3) Coroner-Public Administrator and the non-judicial duties of this type of work as assigned to district judges and magistrates was pointed out to the committee by the Chief Justice. He said the Council recommends to the legislature that district judges in densely populated areas be relieved of their statutory duties as coroners, conservators of property of deceased persons, personal representatives of deceased persons in small estates, and as public guardians, wherever practicable. The Commissioner of Public Safety has agreed to accept this function within

his department and if this recommendation is accepted, the troopers will be able to handle many of these non-judicial duties. Disadvantages were mentioned but the Chief Justice felt the advantages far outweighed the disadvantages and he voiced the feeling that if any public servant abused this responsibility, there are ways to restrain this abuse.

4) Microfilming of public records is the fourth recommendation of the Judicial Council. The Council feels the court system should be provided with sufficient funds with which to implement a statewide system of microfilming.

Following his presentation of the four recommendations, the Chief Justice touched briefly on the seminar on sentencing and pointed out that several legislators were members of the Statewide Council on Sentencing and that they had held their first meeting in December in Sitka. At this meeting, three subcommittees were formed and these subcommittees had made their reports to the Judicial Council just yesterday. He also told the committees about the Statewide Committee on Parole which had also been meeting and they had also made recommendations. He felt the legislature should look into these reports, especially in connection with probation work. Following a question by Senator Phillips, the Chief Justice explained in some detail how an applicant for a judgeship is reviewed by the Judicial Council. Following adjournment: this discussion the meeting adjourned at 5:00 p.m.

SENATE FINANCE COMMITTEE

Friday, February 21, 1969
8:00 a.m.

Present:

All members with the exception of Senator Blodgett. Also present were Commissioner Kelly of the Department of Natural Resources, Mr. Gene Smith, Administrative Officer of the Department, and Mr. Dale Wallington, Deputy Commissioner.

Department of
Natural Resources

Senator Phillips called the meeting to order, and then turned the meeting over to Senator Lewis, chairman of the subcommittee on the Natural Resources budget. Senator Lewis requested Commissioner Kelly to give a brief overall view of the budget. Commissioner Kelly began by stating that the Governor had requested all departments this year to try to keep their increases with 5 percent over last year, and he said that the Department of Natural Resources is the only department which did this. He said that through almost total reorganization of the department they have effected better efficiency and economy. The increases are basically realignments due to reorganization, he said, and yet there has been no restriction on the programs. He expressed the feeling that with 40 percent of the state's revenues passing through the Department of Natural Resources, that the department has a responsibility to the state for being completely efficient and well organized.

Office of
Commissioner:

The increase of \$87,000 in personal services Commissioner Kelly said, is due to a transfer of positions. Administrative functions have been combined so that they are all under this office in one central administrative section. The increase in contractual services is do to some additional offices. The travel increase is to allow the new administrative officer the necessary contact with different sections of the department throughout the state.

Division of
Lands:

The basic increase here is in rent, Mr. Kelly said. This is do to the anticipated move to new quarters in Anchorage. The other increases are basically allied to this move.

Parks and
Recreation:

He said there are some other changes in Parks and Recreation that he feels are necessary to continue the present level of operation in the state.

Division of
Oil and Gas:

Commissioner Kelly said that this is a new division created as an upgrading of the former petroleum section of Mines and Minerals. There is a director and a secretary which have been transferred from petroleum section and he said that he feels that a necessity for keeping abreast is to have a controller and so he has requested one. He explained that he does not think that the fiscal section, which is now handling the accounting of oil and gas revenues is really qualified to do so. He said that he thinks it is necessary to have someone doing the accounting who is familiar with oil and gas accounting. He said that they have also requested some additional equipment increases,

and have increased Inter-Agency Charges for printing for an annual report. There is additional travel requested for the Director. He indicated that he feels none of the increases in this division are out of line.

Speaking again of the need for the Controller, Mr. Kelly said that although the state receives at the present time the value of its royalty oil it is also charged with "out of pocket" costs - those charges attributed to operating its 1/8 royalty oil. He said that the department has new forms now which require more substantial information on charges against the state but he said it takes someone knowledgeable to know what the state is being charged for.

Senator Miller asked if \$13,000 is enough for a good Controller, and Mr. Smith indicated that the department has talked with the oil and gas people and they have said it would be sufficient. In answer to a question by Senator Lewis, Commissioner Kelly said that if the state put in a railroad, although it would reduce costs of supply and materials it wouldn't reduce actual production costs, and capital costs aren't charged against the state.

Senator Haggland came in at this point.

Mineral
Resources

Mining

Commissioner Kelly said that the Department had originally requested an aeromagnetic program at a cost for this year of \$500,000 to be followed by an appropriation next year in the same amount. This was denied by the Governor's Budget Review committee.

Laboratory

The increase here, Mr. Kelly said, is due to a new position being requested for the laboratory in Fairbanks to prevent a backlog of assay samples from building up.

Geology

Commissioner Kelly said that they are requesting an increase in logistic support. He said that a geophysical map is very much needed. Mr. Smith stated that the \$25,000 requested increase in logistics is in lieu of the geophysical program requested, plus some additional travel funds so that the men can more adequately do their moving around to compile an accurate map.

Senator Haggland asked Mr. Kelly what he thinks about the Canadian program, to which Mr. Kelly replied that he thinks it is an excellent one but that it is mostly funded by the Canadian federal government. There was some discussion on the access roads program, for which the department has no funds, and Mr. Kelly indicated that he feels the tax incentive and access roads program would be the biggest incentives to get industry in Alaska. Senator Lewis asked Mr. Kelly about new department regulations on industry, and Mr. Kelly indicated that these regulations are not finalized, but that there can't be a dual set up as far as regulations go - i.e., regulating the timber industry but not the petroleum

industry. He said that department personnel will go to the various areas and discuss the regulations with the people informally before going into formal hearings. In response to questioning by Senator Bradshaw, Mr. Kelly said that the geological mapping program he is asking for is different from the aeromagnetic program, which is a highly sophisticated electromagnetic program. Senator Miller noted that the aeromagnetic program has been entirely deleted, and asked if a \$100,000 or \$200,000 appropriation would be a help or if that would be worthless. Mr. Kelly expressed the feeling that that amount would not be sufficient to really get the program off the ground, and indicated that he felt, though he said he could be wrong, that it would not be a purposeful appropriation. Senator Lewis said that he understands the industry is not really too excited about this program. Mr. Kelly said that he feels putting the \$500,000 into an access roads program would be a much better plan. He said he feels the industry would then do the aeromagnetic work itself.

Agriculture Commissioner Kelly said that there is a decrease here.

Animal
Industry

He said that basically the program is considerably enlarged as a result of the Wholesome Meat Act. He said the state has implemented the regulations. There are two additional meat inspectors, who are 50% federally funded. He said that they are anticipating a goodly portion of the program will be related to the meat industry, and that is why they reorganized in the department. He said the inspectors will be inspecting all locally produced meat, to make sure that

it is of the quality with meat produced elsewhere. He said that the budget decrease comes from the fact that they did not request loan fund capitalization in the amount of last year. He said that they have gotten the fund revolving, though it still needs improvements. He said they want it to be a healthy loan program and not a "give-away" subsidy program. He said that as of January they retired another \$40,000 but still left adequate funds for next year. He said they're still paying more than they are loaning out.

Senator Lewis asked who owns the slaughter houses, and Mr. Kelly said the state owns the one in Nome. He said that this program was set up in Economic Development, with Natural Resources cooperating on it. He said that they got hold of people, got materials transported to Nome, figuring that it was necessary to get it finished and still have enough money to operate this year. He said that although it is Economic Development's program, they aren't really familiar enough with what needs to be done.

Senator Lewis asked Mr. Kelly's opinion on making Agriculture a separate department, and Mr. Kelly said that at some point he feels this would be desirable but that the division is too small to be able to carry itself as a department. Senator Lewis requested suggestions from Mr. Kelly. Mr. Kelly said that the one thing he feels is of vital importance is the controlled environmental storage

concept to lengthen the selling season. He said that he thinks this would encourage greatly produce marketing. He said that he would encourage that high priced produce vegetables be grown (such as asparagas). He said that although the pea project did not live up to expectations that it did encourage a lot of people.

Senator Lewis asked for Mr. Kelly's further thoughts on the pea project. Mr. Kelly said that one thing he feels is that it should not be split between Natural Resources and the University of Alaska, and he would recommend that it be entirely under the Department of Natural Resources. He said that the people in the University Extension Service do their work from behind their desks and the Natural Resources people are out in the field with the farmers. In response to questioning by Senator Lewis, Mr. Wallington said that the total loss in the pea project was \$3,000. Mr. Kelly said that he would like to see the pea project quadrupled this year. Senator Lewis very strongly stressed that he feels some concrete information should and must be made available to the committee before they agree to appropriate funds, and indicated dissatisfaction with the answers he was getting. He requested Messrs. Kelly and Wallington to stay after the meeting to discuss this with him further.

Senator Phillips suggested taking the travel and personnel costs from the University of Alaska for this project and appropriating the remainder to Natural Resources for the

project. (This would be about \$10,000.) Mr. Kelly said that the concrete figures on the pea project would be available from the University of Alaska Extension Service, and Senator Lewis directed him to get them for him.

Loan Administration:

In response to a question by Senator Lewis, Mr. Kelly said that this is still in the Department of Revenue, but the actual accounting facilities are now in Juneau instead of Palmer.

There was some discussion on ways of transferring funds within a department, and Senator Lewis expressed disapproval of the transfer this past year of Disease Eradication funds, which he had been informed were badly needed for disease eradication, to the pea project.

Commissioner Kelly said the pea project was felt to be crucial.

Adjournment:

There being no further questions, the meeting was adjourned at 9:45 a.m.

SENATE FINANCE COMMITTEE
Saturday, February 22, 1969
9:00 a.m.

Present: All members with the exception of Senators Haggland and Blodgett were present. Also present was Commissioner Strandberg of the Department of Public Works, Tracy Kaldor, Administrative Director, Captain Lockert, Director of the Division of Marine Transportation, Don Statter, Director of the Division of Waters and Harbors, Carl Johnson, Director of Budget and Management, Department of Administration.

PUBLIC WORKS

Senator Phillips called the meeting to order at 9:00 a.m. He requested Commissioner Strandberg to briefly outline the budget changes. Commissioner Strandberg said that the estimated revenue from the 1¢ aviation fuel tax increase is \$645,387. He continued that as the budget increase is only \$591,900, \$53,487 is available to fund other programs in Aviation from the general fund. The total budget increase in the general fund is \$627,000, so the net balance for the general fund is \$18,387. The net revenue for International Airports is estimated to be \$2,107,353 over operating costs. The increase in the Division of Buildings should only be \$64,900 or 9.26% over the previous budget, Mr. Strandberg stated. He said that the major increases in the Marine Highway System are due to the new ships, and said that the Department has prepared an analysis showing the annual financial reports of the Marine Highway from 1964 on. He said that the schedule shows the subsidy from 1964, which they have been working on trying to hold down. They anticipate keeping the loss within the bounds of the losses of FY 1966.

General Admin.

Office of Comm.
Personal
Services

In response to questioning by Senator Phillips, Mr. Strandberg said that the increases here in Personal Services are due to reclassification of positions and \$1,000 overtime for the Commissioner's secretary.

Travel

Mr. Kaldor explained that with increased services, travel costs have increased of necessity. Airport charter also was transferred from Contractual Services to Travel, which constituted an increase in Travel. Senator Phillips asked Mr. Martini the reasoning behind this transfer, and Mr. Martini said that since the airplane charter really was for travel in the Commissioner's Office, the Department of Administration felt that in order to accurately reflect travel costs this transfer should be made.

Cont.
Services

Mr. Kaldor explained with reference to the \$2600 increase in Contractual Services, that right now the Commissioner's Office is in the hole, because Communications are running much higher than had been anticipated. He said that the cost last year was double the cost of the authorization, and said that this year it is costing \$300 a month for communications in the Commissioner's Office.

Administration

Personal
Services

Personal Services in Administration is up \$20,700. Mr. Kaldor said that \$13,000 of this is Vacancy and Turnover. The only new items are \$2,000 for overtime and for four temporary employees.

Travel Travel is up \$1300. Mr. Kaldor noted that the explanation for this is in the budget. Senator Phillips remarked that \$700 is for travel and \$900 is for per diem. Mr. Strandberg stated that this Division has a real problem, inasmuch as it is very important for the Director of Administration to be able to travel around in order to go over personnel problems and handle various administrative matters in the different offices throughout the state. Mr. Kaldor said that this is the same situation as with the property officer and the realty officer. He said that the Department has over 550 leases on Anchorage and Fairbanks airports and some in outlying areas. He said these are land concession agreements.

Cont. Services There is a \$4600 increase here. Communications is up \$1,000 and Equipment Rental is up \$2300. Mr. Kaldor explained that the \$2300 Equipment Rental increase is in large part due to Xerox machine rental.

Comm. & Equip. There were no questions on Commodities or Equipment.

Inter-Agency Senator Lewis asked how the Data Processing is working out, for Department of Public Works. Mr. Kaldor said that they use it for their financial reports, and they are good but sometimes slow. Mr. Strandberg said there is a lot of improvement to be done, but that it is a good program in his opinion. Senator Phillips asked what improvements could be done for the Department to make this service more valuable to them, and Mr. Kaldor said that giving them a programmer would be a great asset. Mr. Strandberg said that eventually the Department would like to put their reservations on the machine, but said that will not be possible for awhile.

Aviation

The committee decided to hold discussion on this division at a later date when the director, Mr. Wakefield can be present.

Marine
Transportation

Mr. Kaldor said that there were some new positions established here by Executive Order, those being an industrial relations man, a deputy director, and a Public Works planner.

Personal
Services

The Personal Services increase is due to these positions plus additional personnel requested in the budget, principally due to the new reservations system. Mr. Martini explained that the two new positions of terminal assistants, do not really represent new positions because these have been filled by independent contractors in Haines. Senator Phillips asked about the additions for the terminal in Ketchikan, and Captain Lockert explained that this is the busiest terminal in Southeastern.

Travel

There is an \$1800 increase here. Mr. Kaldor said that the actual cost last year was \$19,000 and the request this year is \$15,000 so there is really a cut.

Con-
tractual
Services

Communications is up \$42,400. Mr. Strandberg said that is for the reservations system - that 90% is directly tied to reservations.

Senator Lewis requested Mr. Strandberg to write him a letter on what data processing could mean to the Department in the area of reservations.

Commo-
dities

There was a \$195,700 increase in Commodities for supplies which are resold, Captain Lockert said. There was a brief discussion on the Stewards program, with Senator Phillips recommending that tight check be kept to prevent theft of the food.

Southwestern
Operations

Personal
Services

There was an increase of \$239,300 in Personal Services due to the Bartlett, according to Captain Lockert.

Travel &
Contractual

No questions.

Commodities

There was an increase of \$151,600 in Commodities, due in large to an increase of \$153,100 in Code 460, for parts and supplies for the new vessel.

Equipment

No questions.

Steward
Functions

There was a \$53,000 increase in Personal Services, in large measure attributable to the Bartlett. Captain Lockert explained that the increase is because the figures for 1968-69 are just for the last three months and the 1969-70 figures are for the whole year. There were no further questions in this section.

Personal
Services

Other Ferries

This entire program, Captain Lockert said, has been discontinued and transferred to Southwest Operations.

Recess:

At this point Captain Lockert left and Senator Phillips recessed the meeting for five minutes.

After Recess
11:05

Capital
Improvements

Senator Phillips introduced Mr. Don Statter, Director of the Division of Waters and Harbors, to go over the Capital Improvements portion of Public Works. Mr. Statter said that the total program is decreased \$16,000. This is primarily reflected in the fact that there are not as many federal aid projects this year. Senator Phillips requested that the Finance Committee be sent a list of projects in the areas they have been for the last three years. Mr. Statter explained somewhat about the difficulties they are having in putting projects in some areas where there is definite need and then discussed briefly the programs

listed in the budget document. The committee recessed at 12 o'clock for lunch.

AFTER RECESS
1:30

Division of Buildings

Mr. Carl Johnson, Director of the Division of Buildings, was introduced and was requested to go over the budget of his division.

Director's Office

There was an increase shown of \$70,400, which is actually only \$68,100 after Vacancy and Turnover is subtracted, Mr. Johnson noted. He said they transferred three positions from other sections, and the fourth new position they had requested, that of an administrative officer, was denied by Budget and Review.

Personal Services

No questions.

Travel

Contractual Services

This is up \$2800. It represents the actual costs for this year of telephones, Xerox rental, etc.

Equipment

The requested equipment here was deleted because the position of Administrative Officer was deleted.

Commodities

There was a \$700 increase here for office supplies.

Custodial Services

Personal Services

There was an increase in Personal Services of \$24,500. \$7,000 of this was for Vacancy and Turnover, and the additional was for two new custodial workers.

Contractual Services

This was up \$17,400. This is attributed to the Capitol Building Parking lot, IBM generating so much electricity, and additional water and sewer costs. Mr. Johnson said that electricity is up 30% and water is up 300%.

Equipment

Equipment is up \$75,000. This is for a couple of new floor polishers and for a waste basket cleaner required by the Department of Health and Welfare.

**Maintenance
& Services**

**Personal
Services**

There was a \$197,000 increase in Personal Services. This is due to the addition of new personnel all of whom are funded from other programs.

Travel

Mr. Johnson explained that the addition of the mechanics in Personal Services necessitates additional travel. All of the travel is directly related to Inter-AGency charges.

**Contractual
Services**

There is \$37,100 increase in Contractual Services which is fully explained in the budget book.

**Planning &
Design**

Personal Services is down \$13,700. This is due to the elimination of one architect which Mr. Johnson had hoped he could replace with the administrative officer requested in the Director's office, but which was denied.

**Personal
Services**

Travel

No questions.

Commodities

Rents and Utilities increase is chiefly due to additional space in Juneau in the Simpson building.

There is a \$2500 increase in Commodities. Mr. Strandberg said that this is almost the same as the 1967-68 actual costs. He said it is due to additional supplies and reservation systems demand.

**Equipment &
I-A Charges**

No questions.

**Southeastern
Operations
Personal
Services**

Captain Lockert explained the two-crew system used on the ferries, in which each crew is on a week, during which time they work 12 hours a day, and then off a week.

Travel

There was a \$3500 increase in travel. Captain Lockert explained that this is for crew replacements, chiefly, and also for movement of personnel when layoffs are involved.

**Contractual
Services**

There is a \$295,500 increase. This is chiefly due to an increase in Insurance and Bonding brought about by a re-evaluation of the ships, and an increase in Rents and Utilities.

Commodities

There is a \$334,400 increase in Commodities. Mr. Strandberg explained that this is mainly due to the Wickersham and parts and repairs for the other ships.

Equipment

There is a \$35,000 increase here. Captain Lockert said that this is due to securing equipment for the ships to prevent an incident such as a recent one in which a commercial van, such as the ferries are beginning to carry a great many of, fell over and smashed four cars.

**Steward
Functions
Personal
Services**

The increase in Personal Services, Mr. Kaldor said, is due to the Wickersham.

Travel

No questions.

**Contractual
Services**

There is a decrease in Contractual Services, which Captain Lockert explained is due to the transfer of two positions to Operations. Contractual Services are down \$1200. This is primarily due to Equipment Rental, because the Xerox rental charges were charged into the various projects.

Equipment

There is a \$4,000 item in Equipment for a new blueprinting machine, which Mr. Johnson said is direly needed.

Construction

**Personal
Services**

Personal Services is down due to transfer of some positions to the Director's Office, and the abolition of one position for Construction Engineer III in Fairbanks, whose work is now to be handled in Anchorage.

There were no further questions on Steward Functions.

Special Disaster Fund This was zeroed out in this budget.

Communications

Personal Services

Mr. Strandberg noted that the net increase in the Division of Communications over last year is 6.55%. There were three new technicians requested in Personal Services, one each for Southcentral, Northern and Southeast, which were allowed by the Governor's Budget Review Committee.

Adjournment: There were no further questions by the committee and so the meeting was adjourned at 2:05.

SENATE FINANCE COMMITTEE MEETING
Monday, February 24, 1969
8:00 a.m.

Present: All members except Senators Haggland and Miller. Also present were Mr. George Morrison, Commissioner, Department of Revenue and Mr. Phil Wall, Director, Administrative Services, Department of Revenue.

Dept. of Revenue

Senator Lewis asked Mr. Morrison to comment on the increase of \$305,100. Mr. Morrison explained that the greatest portion of this increase was due to new programs and the scheduling of these programs. He explained that another reason for the increase is they had received permission to budget at Step D instead of the traditional Step C, since 60 percent of their employees will be in Step D, E or F by June 30, 1970. Eight new positions are requested for FY69-70. Two of the new positions requested, the EDP Systems Analyst II and the EDP Programmer II are in-lieu of interagency charges for EDP personnel furnished by the Department of Administration. Mr. Morrison said that this will result in \$38,000 savings over FY68-69. Senator Blodgett asked how they arrived at the figure of \$38,000 and Mr. Morrison said that the Director of Administrative Services, Mr. Wall, is experienced in data processing and because of this experience he knows where they can save money. Mr. Wall further explained that they have so many systems that they have to put several systems on the air at one time. He explained they wanted to have the expertise necessary in their department. Mr. Wall explained that having a contractual services person wasn't

in the best interest of the Department of Revenue. He explained that one Contractual Analyst (from Lockheed) was costing them \$30,000 and that they could have two Department of Revenue personnel for \$26,000. He explained that they need to develop the programming and that as they are now operating under the "pool concept" their experience has been that these people are not always available when they need them. In answer to a query from Senator Blodgett, Mr. Wall explained that the "pool" is an excellent concept but when it comes to maintenance of the programs they need someone who has expertise of their programs and who must be able to react to the department's requests and this can best be handled by Department of Revenue personnel.

In answer to a query by Senator Lewis, Mr. Morrison said that the Excise Tax section as a separate section no longer exists and that these positions and functions have been moved to the Audit Division.

Senator Blodgett requested that Mr. Morrison furnish the committee information regarding the disposition of the boiler inspection funds.

Office of Mr. Morrison explained that he had been moving positions from the
Commissioner one section to another to increase the efficiency of the department. He said they are handling more tax returns, they have collected more money with only a 5 percent increase in their budget last year and a 5 percent increase this year. He noted that very few other departments have managed this. Senator Phillips left the meeting.

In answer to a question from Senator Blodgett regarding complaints from people who did not receive their refunds until as late as October, Mr. Morrison said he felt these were the exceptional cases. Mr. Morrison explained that last year they had 70,000 tax refunds as compared to 50,000 the year before. He said by June 30 all of the refunds were out except for 15,000 refunds which were held up 5 weeks in data processing. He explained that both people and machines in key punching had held them up because they had not kept up with their auditors. This year he said they hoped to solve this by sending some of the returns to Anchorage to be key punched. It was explained to the committee that one of the problems they have in keeping key punch operators in Juneau is that they can't pay them enough. He said they lose the operators to higher paying jobs. He explained that the operators in Anchorage receive about \$40 more than the ones in Juneau. He said they had three vacancies in the key punch operation in Juneau compared to Anchorage where they had experienced operators and no vacancies. In answer to Senator Blodgett's question, it was explained that this operation could not be entirely moved to Anchorage because the state files had to be accessible in Juneau.

Senator Koslosky asked about the tremendous number of refund checks that are not picked up because of wrong addresses and asked if these refunds then went into the general fund. Mr. Morrison said that they did and that these cases are

mostly people that file returns and then move.

Travel:

In answer to Senator Lewis, Mr. Morrison gave a brief discussion on the outside travel. He explained that at the last National Tax Association one of the problems discussed was a bill that was in Congress regarding uniform state taxes. He said that he discussed with the other commissioners what could be done and that they worked on this multi-state tax compact. He explained that this is a piece of legislation that all the income tax states are concerned with and that if the federal legislation was put through the state would lose considerable money. Senator Lewis asked how the state would lose and Mr. Morrison explained that now it was based on sales, labor and property and if the federal bill passed the formula would be on sale and property. He explained the state's corporation tax would be reduced by 1/3 to 1/2 and this would amount to \$2,000,000 to \$2,500,000. He explained at this meeting he had an opportunity to see what the other states are doing. Senator Blodgett asked if the gross business tax was repealed what instrument could be used to establish a levy on mail order business and Mr. Morrison said he thought they would run into a constitutional problem on taxing mail order business. In answer to a question by Senator Lewis regarding the National Tobacco Tax Association, Mr. Morrison explained that he didn't attend and that sometimes he sends someone else. He said he tried to send the person that would benefit the most from these meetings. Basically this gave his men a

chance to meet their counterparts and discuss common problems. Mr. Wall explained the National Tobacco Tax Association meeting saying they requested and got cooperation on sales information from the 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 Alaskan wholesaler. He explained that most of this was worked out at the National Tobacco Tax Association.

Senator Blodgett discussed a Pitney-Bowes machine that he had heard of being used for tax stamps for cigarettes.

Administration Mr. Morrison explained the increase of \$73,000. There were 17 reclassifications along with three transfers and the reclassifications were done because they have many longtime employees in this section who are making the switch from manual to automated work and it was felt they needed the incentive or otherwise they would leave the department and seek employment elsewhere. Mr. Morrison explained that if they didn't go into the machine concept their staff would have to increase at least one-third.

When asked about the vacancy and turnover rate of 3%, Mr. Morrison explained that they knew they would not have all their people here all year, i.e., last year in March the Director of Audit Division left and that he had been

assuming these duties himself in order to stay within the budget. He explained that another reason this position had not been filled is that he had not found the right person for the job. Senator Lewis commented that the Governor had actually allowed the department more than they requested for vacancy and turnover. A discussion followed on the Administrative Assistant I that was deleted from the budget by the Governor's Budget Review Committee. Mr. Morrison explained that he was very concerned with his own budget and said he knew that the Governor had to look at all the budgets and felt that the Governor was in a better position than he was to determine where to make cuts.

Senator Blodgett moved and asked unanimous consent that this position (Administrative Assistant I) be allowed. There being no objection it was so ordered. Senator Bradshaw commented on this action and felt it should be brought up again when the full committee was present.

At this point, Senator Blodgett was excused to attend a State Affairs committee hearing.

Inter-Agency Charges: Mr. Wall explained that the budgeted amount of \$31,900 represents \$7,900 transferred from the Office of the Commissioner to the Administrative Services Division and \$24,000 budgeted for Operational Costs. He explained that the \$31,900 is for development costs of ADIS and operational costs of accounts receivable and ADIS. He said that the Department of Administration indicated that this amount

should be \$8,000 more than the Department of Revenue indicated.

Mr. Wall also explained that the duplicating service was working out to the satisfaction of their department.

Collection Senator Lewis asked about the vacancy and turnover amount saying that the department had requested \$2,100 and the Governor allowed \$3,700 and Mr. Morrison said they were not planning on filling the vacancies as quickly as the Governor thought they should.

Mr. Morrison said he thought the Governor had reviewed all the departments' vacancy and turnover rates and had come up with a factor that was fairer than if each department did their own.

Travel: Mr. Morrison explained that the office in Seattle had been closed and that the office cost approximately \$50,000 a year to keep open. He explained that although it would appear that it would be best to keep this office open, many collection checks were mailed directly to the Juneau office, then returned to Seattle for credit, so they were actually only collecting around \$13,000. Mr. Morrison said it was much cheaper to send one or two collectors to Seattle each quarter even though it did increase the travel costs. Mr. Morrison said that even though the Governor had cut their travel request by \$1,000 that they could live within the allowance.

Audit
Personal
Services:

The excise tax division went into Audit so this accounts for the increase, according to Mr. Morrison. It was noted that 87% of collections were recorded here and Senator Lewis wanted to know about the other 13%. Mr. Morrison said this was Fish & Game, Motor Vehicle and the collection division gets all warrants of restraint but they do not get proper credit for this. Senator Lewis queried the request for five with the Budget Review allowing only three new employees. Mr. Morrison said this would suffice.

Travel:

Senator Lewis commented that the Governor's Budget Review committee had cut \$2,500 from the travel request. Senator Bradshaw remarked that the Excise people are now under this Audit Section and that is one of the reasons for the increase.

Contractual
Services:

Senator Lewis noted that the Governor's Budget Review committee had cut this request by \$400. No questions.

Commodities:

Senator Lewis noted the \$400 cut in this request. No questions.

Motor
Vehicle

Mr. Morrison explained that the increase in this section is minimal considering the increased registration that they now have.

Senator Koslosky asked if they had made any allowances in their budget in the event that SENATE BILL NO. 40 (motor vehicle registration tax) would pass and Mr. Morrison answered that this was not included in the budget and would amount to about ten new employees and \$225,000 for funding. After a discussion regarding the cost to the Department if SENATE BILL NO. 40 passed Mr. Morrison suggested that the

bill might be worded to allow the Department the cost of administration and collection. He explained that the first year it would cost approximately 10% of the amount collected to administer this and after this they could scale it down. He said it would take possibly 3 years to fully get the program to where it would stabilize. Mr. Wall explained that his experience in this type of program is that every year they would have to re-establish tax structure and this will require considerable and constant attention.

Senator Phillips returned at this time.

Travel: Senator Lewis noted that travel had been cut \$700 and Mr. Morrison said they could live with this.

Treasury
Equipment:

A brief discussion followed on the deletion of a microfilm camera and it was decided that the committee would ask the Department of Administration about this deletion.

Alcoholic
Beverage
Control
Board

In answer to a question regarding the A.B.C. Mr. Morrison explained that A.B.C. is really at best an appendage from Administrative Services and he felt that Claude Millsap would be better able to explain the needs of this program. It was requested that when Mr. Millsap appeared before the House Finance Committee he also be requested to appear before the Senate Finance Committee.

Adjournment: Meeting adjourned at 9:30 a.m.

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

Present:

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

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

University of
Alaska

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

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

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

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

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

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

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

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

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

University which the state will then have to pick up.

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

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

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

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

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

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

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

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

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

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

AFTER RECESS

10:00 a.m.

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

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

Senator Blodgett expressed the feeling that the University

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

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

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

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

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

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

Recess:

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

AFTER RECESS

11:15 a.m.

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

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

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

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

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

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

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

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

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

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

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

Recess:

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

AFTER RECESS

1:30 p.m.

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

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

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

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

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

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

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

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

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

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

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

Senator Phillips asked Mr. Martini to ask^a/question here.

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

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

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

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

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

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

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

Recess:

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

AFTER RECESS

3:00 p.m.

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

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

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

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

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

Adjournment:

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

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