

HOUSE/SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2602

SENATE FINANCE COMMITTEE MEETING

Thursday, April 10, 1969

8:00 a.m.

Department of Revenue

Senator Phillips called the meeting to order and there was a brief discussion on the Department of Revenue budget concerning adding a clerk in Collections. Senator Bradshaw moved and asked unanimous consent that the Department of Revenue budget remained closed. No objection, so ordered.

Department of Public Works

The following letter was read to the committee:

TO: Vance Phillips, Chairman
Senate Finance Committee

DATE : April 9, 1969

FROM: Richard W. Freer, Director
Division of Budget and Management
Department of Administration

SUBJECT: Appropriation of \$220,000
from the International Airport Revenue Fund

We are advised by the Department of Public Works that in connection with the sale of \$2,225,000 International Airport Revenue Bonds for improvements at the Fairbanks International Airport, a sum of \$220,000 will be required to be transferred from the Bond Construction Fund to a Bond Reserve Account.

This will reduce the required funds in the Bond Construction Fund and necessitate their replacement from the International Airport Revenue Fund in order to provide the funds required for the Fairbanks Airport project.

This is an identical situation to the transfer of \$650,000 required when the \$7,000,000 in revenue bonds were sold for improvements at the Anchorage International Airport. H.B. #64 was introduced at the request of the governor and provided for an appropriation of \$650,000 from the International Airport Revenue Fund to reimburse the Bond Construction Fund.

In the present instance, the \$220,000 will not be required in the Bond Construction Fund until after July 1, 1969. It is therefore requested that an appropriation of \$220,000 be added in the capital improvement section of the fiscal year 1969-70 to accomplish the above purpose.

This matter has been reviewed and concurred in by the governor's office.

cc: Robert Ward, Sec. of State
Harold Strandberg, Comm of Public Works

Capital
Improvement

Mr. Freer explained this transfer of funds to the committee, which, briefly, is that this International Airport Revenue Bond Construction Fund must be reimbursed by \$220,000 and the funds will come from the International Revenue Fund. Senator Phillips moved and asked unanimous consent that this be added to the Capital Improvement Budget for the Department of Public Works which would increase it from \$1,200,000 to \$1,420,000. No objection, so ordered.

It was then moved and unanimous consent was asked that the \$42,000 (see page 260 budget document) be deleted for Sidewalks Around Capital Building. No objection, so

ordered. This now gives the Capital Improvement Budget for the Department of Public Works a total of \$1,378,000.

Governor's
Office:

Mr. Freer reminded the committee of the request from the Governor to put in additional funds for the COAST commission. Senator Phillips said they would do this if and when the bill establishing this commission passed both houses.

With reference to the request from the Governor for additional funds for Local Affairs, Senator Phillips felt the bill on this would not pass, so they would not consider this either unless it passed both houses.

Mr. Freer asked if the Judicial Qualification request had been included and Senator Phillips said it had been put in the Court System budget.

With reference to the Governor's request for \$8,200 for Welders' Examination Board, Mr. Martini said this had been included in the Commerce budget along with funds for a processing clerk and Administrative officer.

Capital
Improvements
Budget

The committee recommended the Governor's recommendation of \$1,465,000 for the Department of Education Capital Improvement Budget be accepted. No objection, so ordered.

Department
of Education

Department of
Health & Welfare

The committee recommended the Governor's recommendation of \$986,000 for the Department of Health and Welfare's Capital Improvement Budget be accepted. No objection, so ordered.

Department of
Natural Resources

Senator Blodgett moved that the Department of Natural Resources be left open until they get more information on the Eklutna Bridge project. No objection, so ordered.

Department of
Fish and Game

With reference to the Hood Lake Hanger, Senator Blodgett said the Department had been told to get rid of that hanger, and he moved that the \$90,000 requested for this be deleted from the Capital Improvement Budget, and that the committee send the Department a letter directing them not to include this in any more budgetary requests, to proceed to get rid of the hanger at an early date and report back in writing to the Legislature at the next session. Senator Phillips questioned the feasibility of getting rid of the hanger. Senator Bradshaw agreed that they should take a good look at the situation first since the hanger was given to them by the Federal Government; and should find out what would happen to the personnel and equipment. Senator Lewis concurred with Senator Bradshaw, but felt the committee should consider whether they want to give the Department money to extend the hanger. Senator Phillips said they would leave the \$90,000 request out of the budget, and after getting the facts, if necessary, they could put it back in.

Department of
Public Works

The committee had previously added the Kitoi Pipeline for \$16,000 and the Frazer Lake modification for \$45,000 to the Capital Improvement Budget, for a total of \$61,000. With this added and the \$90,000 for the Hood Lake Hanger deleted, the committee's recommendation is \$291,500. No objection, so ordered.

Senator Bradshaw referred to the second and third paragraphs under Airport General Obligation Bond Funding on page 259 of the budget document, which reads, "At the time of preparation of this document, the amount of the 1970 Federal Aid to Airports apportionment is uncertain. It is expected that a more definite figure can be developed for inclusion in the budget during the legislative session," and, "A separate bill to appropriate state matching funds from the 1968 Airport Bond Construction for trunk and secondary airports will be introduced at that time." Mr. Bradshaw questioned whether these had actually happened.

At the committee's request, Mr. Tracy Kaldor, Administrative Director for the Department of Public Works, came before the committee in Commissioner Strandberg's absence to answer these questions. He stated that both of these items were included in HOUSE BILL NO. 62, which has been passed and is now Chapter 12, SLA 1969.

With reference to the Capital Parking Structure, Phase II, Senator Phillips commented that it would be the cheapest way to go to put the second deck on the parking structure while the crew is still here.

At the committee's request, Mr. Carl Johnson, Director of the Division of Buildings, came before the committee and briefly reported on the progress of the Capital parking structure.

Also at the committee's request, Mr. Don Statter, Director of the Division of Waters & Harbors, came before the committee to report on the Waters and Harbors Projects.

Mr. Statter generally explained the projects to the committee. He stated it is more important in remote areas to get in and do the project and get out again. In Southeast Alaska it costs more, but there is never enough money at any time to cover the needs, so no project is completed at one time. Senator Phillips mentioned that the House has come in with a bill to raise the fuel tax one cent a gallon. Senator Blodgett said he objected to this tax, and Senator Bradshaw said he would like to see the harbors built and would vote for the one-cent tax increase.

Discussion followed on the one-cent increase on the marine fuel tax. Mr. Statter said their budget was based on \$850,000, the watercraft fuel tax account. In answer to Mr. Bradshaw's question as to whether this figure was supplied by them or the Department of Revenue, Mr. Statter replied both, that it was a joint effort. Senator Bradshaw asked if there was any possibility this is a low figure and Mr. Statter said he didn't think so under present funding. The budget as explained in their letter of transmittal depends on the clarification of this law (fuel tax) by the Legislature.

Senator Haggland arrived.

Mr. Statter said the significant thing is they will have to determine somewhere along the line the local share of these projections. He also mentioned the fact that they work arm in arm with the Corps of Engineers as they are tied to their programs. Local interests are required to fund 100% of the cost of dredging. In harbors where you have only dredging, no breakwater, local interests would have to fund the greatest share of the costs. Where it is all breakwater local interests don't have to fund it, the Corps of Engineers will do it. In smaller communities, he said, they aren't able to fund it so someone is going to have to back up the costs of these projects.

Senator Phillips said they would leave Waters and Harbors open at that time.

Department
of Highways

Senator Phillips recommended the committee accept the Governor's recommendation of \$55,220,000 for the Capital Improvement Budget for the Department of Highways; however, Senator Blodgett felt the \$185,000 for the Kalsin Bay Highway Maintenance Shop on page 266 should be reduced to \$96,000 and also questioned the high cost of \$403,000 for the Nome District Highway Office. Senator Phillips said the Department of Highways Capital Improvement Budget would be left open until the committee can get a letter from the Department on this and possibly have Commissioner Steen come before the committee.

Legislature
Legislative Audit

Senator Phillips said he had Mr. Mario Martini check on

Personal
Services:

the pay ranges and Mr. Martini recommended the following increases: The salary of the Supervisor of Legislative Audit be increased from \$16,600 to \$23,000; the Special Agent's salary be increased from \$14,800 to \$16,584; the total salaries for the two Senior Auditors be increased from \$29,500 to \$33,168; the total salaries for the four Auditor II's be increased from \$51,500 to \$57,264; the total salaries for the four Auditor I's be increased from \$45,000 to \$49,392; the salary for the Accounting Clerk III be increased from \$7,400 to \$7,920; and the salary for the new position of Legislative Budget Advisor, added to the budget by the Finance Committees, be put in at \$23,000. Senator Bradshaw commented that Legislative Audit's budget through the years has been pretty taut. Senator Blodgett objected to the increase of \$6,400 in the Supervisor's salary.

The Department request of \$187,900 for personal services, therefore, was increased \$51,900 by the committee to a total figure of \$239,800.

Travel:

The committee increased the requested figure of \$18,000 for travel to \$19,000 due to the addition of the position of Legislative Budget Advisor;

Contractual
Services:

increased contractual services by \$500 (to \$10,500);

Commodities:

and increased commodities by \$300 (to \$1,300) for the same reason.

The figures moved for the Legislative Audit, therefore, are as follows:

Personal Services:	\$ 239,800
Travel:	19,000
Contractual Services:	10,500
Commodities:	1,300
Equipment:	500
Inter-Agency Charges:	<u>3,000</u>
	\$ 274,100

Senator Phillips moved and asked unanimous consent that the figure of \$274,100 be adopted by the committee. No objection, so ordered.

Legislative Affairs

Personal Services:

Discussing the general salary increase, Senator Blodgett said it is a real mess - the people in the lower income brackets are the ones who are hurting, the people on the top don't need the increases. Senator Blodgett moved and asked unanimous consent that this budget be left open until it has been reviewed with Mario Martini and David Dean and worked out to see if they can give these people in the lower grades a break. He said they needed to do better than 10% for these people.

It was explained that only the Attorney's positions for Legislative Affairs had been reclassified and the other positions had not. The only increases shown in the other positions were their within-grade step promotions.

Mr. Martini said what they did on the Legislative Affairs budget was take the provisions of the Governor's salary bill and apply it to the particular individuals listed there. If there is a compromise bill by the Governor and

Legislature chances are it will be higher than the Governor's bill and the State employees will receive the benefit of the compromise bill where these people in Legislative Affairs will be tied to the figures recommended, which are based on the Governor's recommended increase.

It was called to the committee's attention, however, that when the pay increase was implemented two years ago the staff of the Legislative Affairs Agency received the benefit of the increase simply through legislative intent.

Senator Haggland agreed it should be done this way.

Senator Blodgett moved the budget be left open one more day as he had information to furnish the committee; however, Senator Phillips said he would like to close it out then, and if necessary they could reopen it.

Senator Blodgett wondered why Legislative Audit and Legislative Affairs couldn't be merged into one agency under one director. Senator Lewis felt it merited serious consideration. Senator Bradshaw, however, said he liked Legislative Audit being autonomous so that they could check on the other agency, and asked if there were only one agency who would check it.

Senator Phillips commented that one Fiscal Counsel is requested and stated that they already have one - Mr. Martini. Senator Bradshaw moved and asked unanimous consent that the new positions requested - Fiscal Counsel, Legislative Counsel, and Deputy Director - be deleted from the budget. No objection, so ordered.

Also under personal services, they have requested a special allowance of \$60,000, a \$42,000 increase over the previous year; this increase was not allowed, however, and the special allowance remained at \$18,000.

Travel:

There was discussion on the requested 500-pound allowance for excessive baggage; however, it was moved and unanimous consent asked that the figure be amended to the previously allowed 100 pounds. No objection, so ordered.

Contractual
Services:

Senator Phillips noted that under contractual services they had requested \$63,000 for professional fees and services (Code 380) for 1969 supplements, Legislative Reporting Service, and indexing Alaska Statutes from Concordance to Topical Index. Senator Blodgett moved the indexing Alaska Statutes from Concordance to Topical Index be disallowed and \$33,000 deducted from this item. No objection, so ordered. Transportation of things (Code 350) was also disallowed since this was for the requested three new employees, which they did not get.

Miscellaneous:

Senator Phillips noted in the Legislative Affairs budget they had requested \$25,000 for miscellaneous (Code 800) and have furnished no explanation as to what this is for. Senator Bradshaw moved and asked unanimous consent that this item be deleted. No objection, so ordered. The figures moved for the Legislative Affairs Agency, therefore, are as follows:

Personal Services:	\$ 848,000
Travel:	224,300
Contractual Services:	62,400
Commodities:	6,000
Equipment:	18,000
Inter-Agency Charges:	<u>4,000</u>
	\$1,162,700

Senator Phillips moved and asked unanimous consent that the figure of \$1,162,700 be adopted by the committee.

No objection, so ordered.

Total -
Legislature

The total, therefore, for Legislative Affairs Agency and Legislative Audit is \$1,436,800.

Recess:

Meeting recessed 11:00 a.m.

SENATE FINANCE COMMITTEE
Friday, April 11, 1969
8:00 a.m.

Present: All members with the exception of Senator Koslosky. Also present was Commissioner Cosby Steen of the Department of Highways.

Capital Improvements Senator Phillips called the meeting to order at 8:00 a.m.

Highways He said the committee would take up the Highways Capital Improvements budget. He asked Mr. Steen why the budget did not include any preliminary engineering in the Nome area, and Mr. Steen said that it does; it is shown on page 264 of the budget document, in the amount of \$24,100. This amount is offset by income from material testing. He said the preliminary work is mainly done in Fairbanks or in Juneau. About the only preliminary work being done right now in Nome is the Safety Lagoon bridge.

Senator Phillips, referring to the Kalsin Bay Highway Maintenance Shop, asked about project costs for the building. Mr. Steen said that there are 2400 square feet at about \$70 a square foot, or \$168,000, plus 10% which makes it about \$185,000. Senator Lewis asked if the cost per square foot isn't high, and Mr. Steen said it seemed so to him, but these are figures from the Division of Buildings.

Senator Phillips asked if they are putting up Butler buildings ^{there} and Mr. Steen said this is what they prefer but/hasn't been agreement on this so most of the buildings haven't been.

Senator Haggand asked if this isn't cheaper, the Butler buildings. Mr. Steen said that he thinks so.

Senator Phillips said the committee would get the Director of

Division of Buildings to come up to talk about this.

Senator Blodgett asked what goes into the buildings. Mr. Steen said everything except operating equipment. Senator Blodgett asked what kind or size overhead crane they were putting in, and Mr. Steen said he thought 5-ton overheads. Senator Blodgett indicated that he feels 2 1/2 tons would be plenty, and that with the limited amount of machinery being dealt with, a movable A-frame crane would be sufficient and would cause great savings.

Senator Blodgett expressed the feeling that the bridge over the Safety Lagoon is a big mistake, and felt it should be built elsewhere. Mr. Steen said that the HPR study will determine where it would be best located. Senator Blodgett said he thinks the committee should have benefit of this in writing.

Senator Blodgett asked about a particular stretch of road that he feels needs paving, and Mr. Steen indicated that he didn't feel it ~~did~~. Senator Blodgett said he thinks there should be money for patching it.

Mr. Martini came in at this time.

There was limited discussion on various projects. Senator Blodgett said that the Horse Creek Culvert had been knocked out in order to fund ballast for for the one road he had been referring to and yet neither were now in the budget.

Senator Koslosky came in.

Senator Phillips moved and asked unanimous consent that they close out the ^{balance of the} Capital Improvements budget as is, ^{at a total of \$59,277,500} with the

understanding that if after talking with Mr. Johnson they wish to make changes in the Highways portion they can. No objection, so ordered.

Recess:

Meeting recessed at 9:00.

SENATE FINANCE COMMITTEE MEETING

Monday, April 14, 1969
8:00 a.m.

Department of
Education

Senator Phillips called the meeting to order and announced that the Department of Education budget would be reopened.

It was moved and unanimous consent was asked that the \$1,300,000 put into Department of Education budget for the Public School Foundation program be removed, and the new totals will be as follows:

Public School Foundation	\$ 27,334,000
Total District School Support	33,007,700
Total Department of Education	62,550,800

Adjournment: Meeting adjourned and the committee then went to work on bills.

SENATE FINANCE COMMITTEE

Since closing out the budgets for the Departments of Commerce, Law and Natural Resources, some corrections have been made and for the record are as follows:

Department of
Commerce

Division of
Banking

When the budget was submitted, the detail for the new positions for the Division of Banking was not included. The new positions requested for the Juneau Office were: Two Examiners, one Secretary I, one Accounting Clerk III, and one Clerk Typist II. These positions, including employee benefits total \$55,300. Also not included was the travel, contractual services, commodities and equipment needed for these new positions. With these additions, the figures adopted by the committee for the Division of Banking are as follows:

Personal Services:	\$ 113,100
Travel:	9,400
Contractual Services:	16,400
Commodities:	2,500
Equipment:	<u>6,200</u>
	\$ 147,600

This represents an increase of \$72,800 over the figures previously adopted by the committee.

Department
of Law

Administration
and Operations

The amount of \$38,800 was added to defray costs of two additional District Attorneys (one for Anchorage and one for Fairbanks) in the Division of Administration and Operations. With this addition, the figures adopted

by the committee for this Division are as follows:

Personal Services:	\$1,054,400
Travel:	44,600
Contractual Services:	315,500
Commodities:	16,100
Equipment:	7,800
Grants, Claims & Shared Revenue	4,000
Inter-Agency Charges:	<u>48,000</u>
	\$1,490,400

Department of
Natural Resources

Parks and
Recreation

Instead of the five full-time positions requested by the Department and allowed by the Governor for Parks and Recreation, the committee allowed one full-time position and three part-time positions, for a reduction of \$60,900 in personal services. With this reduction, the figures adopted by the committee are as follows:

Personal Services:	\$ 193,600
Travel:	9,300
Contractual Services:	45,700
Commodities:	16,700
Equipment:	38,600
Lands & Structures:	3,000
Inter-Agency Charges:	<u>2,300</u>
	\$ 309,200

REV

JOINT FINANCE COMMITTEE MEETING
Friday, January 16, 1970
1:30 p.m.

Present: All members of the House Finance Committee were present for a joint meeting with the Senate Finance Committee on Revenue Sources. Also present were Messrs. Snow, Stevenson, Pile, Kimlinger and Wall of the Department of Revenue, Messrs. Freer, McVay and Smith of the Department of Administration, Mr. Wallington of the Department of Natural Resources, and interested members of both houses, plus members of the press.

Revenue
Sources

Taxes

Chairman Bill Ray called the meeting to order at 1:30. He requested the witnesses to identify themselves before speaking and noted that finance committee members would question the witnesses before other members of the legislature. Mr. Vernon Snow, Deputy Commissioner of the Department of Revenue, introduced himself and passed out files to the committee members which contained additional information to that contained in the Revenue Source Book. (See Department of Revenue file) He introduced Mr. Stevenson, Chief of the Excise Tax Division, Mr. Kimlinger, Revenue Agent in charge of Motor Vehicle License, State Taxes and Fish and Game Licenses, Mr. Wall, Director of Administrative Services, and Mr. Pile. Senator Blodgett noted that there is no breakdown by districts in the Revenue Source statistics, and asked why. Mr. Stevenson explained that their procedures have changed, that there is no longer a law stating that these figures have to be broken down by district, and that doing so caused many problems. Mr. Ray asked if the

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district figures are available, and Mr. Snow said that they are not, but that the gross business receipts are available. Mr. Ray asked that copies be furnished the committees. Mr. Snow asked what areas the committee was particularly interested in, and Mr. Ray said all of them, but that he could start with the major sources of revenue such as income tax, gas and oil and such, and that those areas of smaller revenues need only be discussed if a committee member so desired. Mr. Stevenson explained, in response to questioning, that the FY 69-70 estimates were prepared exactly one year ago. The revised estimates are based on additional information from the first five or six months of this fiscal year; they are made in November.

Mr. Stevenson started to go through the Revenue Sources book.

Code 102-103 Cigarette Tax

Mr. Stevenson said that in all the states the cigarette tax consumption has not closely followed population increases or the economy, this being due to reports by the Surgeon General and others and the cautions printed on cigarette packages. Therefore, increases are just moderate.

Code 105 Alaska Business License Tax

Mr. Stevenson said that the pipeline will not be subject to state income tax or gross business license tax. If there is any machinery or equipment made in the south 48 it will not be subject, either, so he said the state is not dealing with taxing the full \$900,000,000. Senator Miller asked whether these estimates take into consideration the Governor's recommended

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reduction (HB 443) in these taxes, and Mr. Stevenson said no. Mr. Stevenson said that they are working on projections based on the proposed reduction, and said they will be available soon.

Code 106

Individual Income Tax

Mr. Stevenson said that on individual income tax, estimates are based on existing rates. He was asked about the impact of the federal income tax relief program and whether it directly affects our individual income tax. In response, he read page 5 of the Revenue Sources book. Mr. Ray asked about the proposed additional state employees that may be going on the payroll, and asked what the \$200,000,000 would mean in taxes. Mr. Stevenson said they anticipate \$6,000,000. He said, however, they are unable to ascertain the amount the pipeline will bring in.

Code 108

Corporation Income Tax

Senator Phillips asked if there has been any difficulty in collecting corporate income tax, and Mr. Stevenson said no. Mr. Snow said that there are two bills pending in Congress, one is the multi-state tax approach, and the other is the Rodino (or Willis) bill. Congress will set up a schedule to be followed by the states. He said that the Willis and Rodino bills would hurt Alaska, and so of course they favor the multi-state tax bill.

Code 112

Raw Fish Tax

Mr. Borer asked what amount the state is owed in delinquent taxes from the canneries. Mr. Snow said \$143,000 is the largest

amount. Mr. Snow said that on the Wakefield cannery case the objection is being raised that they are being charged a 4% tax, and feel the 1% tax which is charged land based operations is what they should be charged. A superior court decision in favor of the company was made, but the state is appealing to the State Supreme Court. If the decision of the lower court is upheld, the result will be that all floaters will be taxed at 1% rather than at 4% which will mean a considerable loss in revenue to the state, along with refunds to those canneries who have already paid the tax. There was further discussion on this, and Mr. Borer asked how much is involved, and Mr. Snow said with interest between 1/2 million and 1 million dollars.

Senator Butrovich made the point that he feels canned salmon is being priced right off the shelf, and wondered if something might be done about that. There was brief discussion, with Mr. Ray noting that labor, materials, etcetera, effect the price more than the tax.

Recess: Meeting recessed at 2:45.

After Recess

3:00 p.m.

Chairman Ray called the meeting back to order at 3:00.

Code 118

School Tax

Mr. Stevenson discussed the expense of collecting and then refunding if HB 94 is not acted upon promptly. Senator Blodgett said that he thinks that since the general consensus seems to be to repeal this tax, the Legislature should proceed

to accomplish this. Senator Haggland said he sees no reason why it should be repealed.

Code 131

Highway Fuel Tax

Senator Phillips asked if the people in the North Slope are complying with this law. Mr. Stevenson said some have proposed a possible review of problem areas. Senator Phillips expressed concern that the 2¢ refund for fuel used for heating may be being misused up there (that they are claiming more for heating purposes than they are using) and compared it to the same problem the state has had with boat owners in the past.

Code 132

Aviation Fuel Tax

Mr. Stevenson said that there is a continuous increase in revenues from this source over the past year.

Code 441

Motor Vehicle License Plates

Mr. Wall passed out a five-page breakdown of information to the legislators. He said it was a complete report made this year to reflect the differences between their old system and the new one. He said this is mainly attributable to reallocation of registration documents by where the individual lives rather than where the license is bought.

Code 110

Inheritance Tax

Mr. Snow mentioned the Governor's recommended repeal of the inheritance tax (HB442) He said that the tax is antiquated, and causes many problems for attorneys, accountants, etcetera. Mr. Ray asked if the cost of administering the tax is high, and Mr. Snow said no.

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Messrs. Wall, Stevenson, Kimlinger and Pile left at this time. Mr. Dale Wallington, Deputy Commissioner of Natural Resources, introduced himself.

Code 115

Oil and Gas Production Tax (3¢ general)

Mr. Wallington pointed to the decrease in Code 115 from FY 1970 Revised Estimate of \$6,026,000 to FY 1971 Revised Estimate, and told the committees that this decrease tied into production. The wells in Cook Inlet basin have all been filled up. The decrease in production of producing wells exceeds any addition by finding new wells so therefore they have a decrease in revenue in these items.

Code 636

Bonuses from Mineral Leases

He pointed to the increase in FY 1970 budget estimate of \$15,250,000 to the \$900,124,000 which he felt spoke for itself. In noting the FY 1971 Revised Estimate of \$40,540,000, Mr. Wallington said this was based on the two projected sales next year -- one in the Cook Inlet-Bristol Bay area, with 175,000 acres which they have estimated will bring \$5 an acre. They plan to offer for lease 150,000 acres on the North Slope and hope to get \$250 an acre for this land, which should bring approximately \$40,000,000.

Senator Blodgett asked Mr. Wallington what would happen in the Cook Inlet-Bristol Bay area if there should be a discovery well such as the one on the North Slope when Atlantic Richfield made their discovery. Mr. Wallington said that they go on the presumption it is all wildcat since there has been no discovery well, and noted that they were 97% correct last year. Senator

Blodgett expressed concern that this could be sold the way land was sold in earlier sales on the North Slope - for far less than its actual value - and he feared this could happen again.

Senator Miller told Mr. Wallington he was trying not to be facetious; however, he wondered if the estimate for the coming year would reflect somewhat more accuracy than the last one. Mr. Wallington asked for permission to explain the wide variance in the estimate and the actual (the estimate of \$15,250,000 versus the actual \$900,124,000). The estimate last year, according to Mr. Wallington, was based on two previous sales on the North Slope, for which they received an estimated \$13 per acre as an average bid. Between the time the Department prepared its estimates for the Revenue Sources book and the Legislature convened, there was a discovery well. They had information that would have allowed them to increase the budget estimate but if they did, it would have been divulging confidential information which, as Mr. Wallington pointed out, is among other things, against the law. He felt that from another standpoint, everyone would have realized the potential which of course was another reason why they could not upgrade their original figures.

Senator Miller asked Mr. Freer if the \$40,000,000 from the bonus sale would go into the operating procedures, and Mr. Freer answered in the affirmative.

Senator Lewis asked when these sales were scheduled, and Mr. Wallington replied that the first sale would be the Cook Inlet-

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Bristol Bay area and would be announced on the first day of July. The North Slope sale will be sometime in the fall - the sale is held 60 days after the announcement.

Senator Rader wanted to know if they were not able to disclose this information last year and came up with the \$15,250,000 figure, then could the members assume that the \$40,000,000 figure would be off in the same manner. Chairman Ray interrupted at this point in defense of Mr. Wallington and noted that there was no doubt where the instructions for Mr. Wallington's testimony came from and felt this line of questioning was unfair. Senator Rader commented that all he wanted to know was if this projection was based on full information. Mr. Wallington assured him that it was.

Mr. Wallington detailed to the two committees how the department planned the ensuing sales. He said they would be putting 150,000 acres, each in the three following years and the acreage they select will be to the best possible advantage of the state. He felt if they get 10% of what they got on the September 10 sale, they would be doing fine. He said there was no acreage left on the Slope that would pay like it did at that sale. Mr. Wallington assured Senator Rader, in answer to another question, that these estimates were based on what is in their files on this date and at this time there was no confidential information that would alter these figures.

Senator Butrovich questioned whether it was in the best interest of the state to put this up for competitive bid considering the amount of acreage that had been acquired in the previous sale;

since many of these companies have exhausted a good share of their exploration budget, he questioned the wisdom of holding this sale so soon after the September 10 sale.

Mr. Wallington said it would depend on what they find out when they ask for nominations, but he did know that right now there is interest, that there are those companies who were unable to get in on the first sale but are now wanting to bid on the next one.

Code 633 Mineral Lease Rental

Mr. Wallington said that there is a slight increase from 1970 to 1971 due to increased rentals on leases that they sold on September 10.

Code 641 Royalty on Gas Production

Mr. Wallington explained the revised budget estimate under this category as being due to the liquified natural gas plant work that is going on, and that in the estimate for FY 1974, the decrease would be due to the recycling of gas in the Swanson River area.

Code 709 Federal Mineral Lease Rental, Royalties

Estimates here are based on present Federal mineral leases and production figures current to date of forecast plus an average sustained rate of both activities.

Code 730 Pribilof Island Seal Receipts

There was a discussion between Senator Blodgett and Mr. Ray on the fur seal mishap of a couple years ago and Senator Blodgett said the skins were eventually dumped. Mr. Freer said that they never know from year to year what kind of receipts they will get from this source.

Adjourned: Meeting adjourned at 3:35.

JOINT FINANCE COMMITTEE MEETING
January 19, 1970
2:00 p.m.

Present: All members of the House and Senate Finance Committees were present. Also present were Messrs. Leland Prussia, Vice President of Bank of America, San Francisco, California; Terrance E. Comerford, Vice President, Blyth & Co., Inc., San Francisco; Thomas K. Downes, Commissioner, Department of Administration; B. N. McVay, Deputy Commissioner, Department of Administration; Richard W. Freer, Director, Division of Budget and Management, Department of Administration; Walter L. Kubley, Commissioner, Department of Commerce; and numerous senators, representatives, and the general public.

General Meeting:

Chairman Vance Phillips called the meeting to order for the purpose of reviewing investment commitments. He asked that all questions be directed to the chair, and for the record when addressing the chair each person state his name and who he represents.

Commissioner Morrison addressed the group stating that he knew they were interested in how the \$900,000,000 is being invested, and that Messrs. Leland Prussia, Vice President of the Bank of America, and Terrance E. Comerford, Vice President of Blyth and Co., Inc. had been asked to appear before the committees to discuss how the bank came into handling the investment of the funds, and just what had been done.

Mr. Prussia identified himself and outlined the events leading up to the investment agreement signed between the Bank of America and the State of Alaska. Through the summer months they had compiled background information to consider the problem of handling this large amount of money. They recognized there were several factors which would have an important bearing on this. He stressed that to invest such a large amount of money over a short time requires skill in the market place.

Mr. Prussia told the group that with a great deal of money going into the market, it could raise prices and reduce securities. They also recognized that the Alaska Statutes limited the investment of these funds to United States securities. As a consequence, to minimize and spread the impact on the market place, they carried on several discussions with the Federal Reserve officials to lay the ground work. It was agreed this approach to minimize the amount of price fluctuation was necessary. The Bank of America was, according to Mr. Prussia, in a good position to play this role as they are dealers in government securities. They have the ability to collect the funds at the time of the sale because of the terms of the sale requiring cashiers' checks.

Mr. Prussia noted the following proposals to the state:

- 1) They agreed to collect the checks and deliver in the

most expeditious manner possible to the bank of issue.

2) Recognizing the problem of the geographical location of Anchorage, they offered to charter a high-speed aircraft to get the checks to the banks as quickly as possible.

3) They offered to collect the balance of these payments in a similar manner to minimize time.

4) To minimize the impact on the market place and to spread the investment program over a longer period of time, they offered to accumulate a total of \$500,000,000 in U. S. Government securities prior to the September 10 sale. In consultation with Blyth and Company, they further agreed to break down into three maturity categories: \$300,000,000 in securities due within a year; \$150,000,000 due within seven years; and \$50,000,000 in securities beyond seven years.

Interest rates had been rising steadily, finally reaching a high that had not been seen in over 100 years. They had about reached the peak when the bonds were purchased, the next step would be upward in price and downward in yield, so it was worthwhile to hedge to some extent. The Bank of America offered to carry these securities on their books at their cost and through their own financing arrangements until the state was in a position to buy these securities.

Mr. Prussia said that first of all, they didn't know how much the state was going to collect on the sale. Had the

bonus bids fallen below \$500,000,000, the Bank of America would have realized a loss.

Second, the cost of carrying these securities could be greater than the yield they received. However, this put the state in a position to acquire them at a later date, but the Bank of America had the risk of selling the securities no matter what happened in the market.

Third, they offered to maintain a continuing investment account for the state. This included: 1) holding cash on all securities acquired from the sale; 2) performing all agency functions; 3) using their own dealer facilities to manage this portfolio at the market place; 4) confirming all transactions immediately in writing to the state; 5) providing a monthly statement to the state that included all transactions handled that month; 6) an account of the securities and cash held in the portfolio as of the end of the month at cost and current market prices; 7) making available to the state all documents, which could be audited at any time.

Mr. Prussia said that for all of this the Bank of America offered its services without any fee or charge to the State of Alaska. They recognize there would be opportunities to offset this by managing this account effectively.

All of these transaction methods had to be approved by the state and later signed an agreement with the Bank of America.

They could act only with approval of the state and Blyth and Company. What had been accomplished since that time was the purchase of \$500,000,000 as securities and carrying them in Bank of America's books prior to the September 10 sale. When the \$180,000,000 was collected in Anchorage at the oil lease sale, within 24 hours it was deposited in various banks in the United States, the only loss being in the time of collection - leaving Anchorage at 6:00 p.m. - and presentation of the checks at the various banks on the following day. They collected the remaining \$720,000,000 within the time allotted for the ten-day period of notification of acceptance of the bids and so there was no loss of income on the balance. Bank of America has since that time maintained the account. The average outstanding amount in cash account has worked out to about \$25,000.

Chairman Phillips then called upon Mr. Terrence E. Comerford, Vice President of Blyth and Co., Inc.

Mr. Comerford stated that Blyth and Company is headquartered in San Francisco and is a nationwide banking firm. He said they had been privileged to be retained by the state some two years ago for the purchase of general obligation bonds and airport international revenue bonds, and then again when the North Slope money was received. Their contract, which was entered into as of the 11th of August, would require them to make initial recommendations to the state for

services to be performed by the Bank of America. In the event that less than \$500,000,000 was received in bonuses, the state would have the option to obtain the securities they desired from the \$500,000,000 already purchased by Bank of America, and Blyth and Company would help select the most advantageous ones.

Mr. Comerford said they were charged with developing a system of records relating to the program, and also a system of weekly and monthly statements so that the state could be kept informed. They were to participate in the development of legislation to broaden the investment spending. Following legislative enactment they want to provide continuing portfolio, and a long-range program. Their contract terms are such that they can be terminated on 30 days notice; their compensation is at the rate of \$8,333 per month or approximately \$100,000 a year. They pay their own expenses, including communications, phone calls, etc., to Juneau several times a week.

Mr. Comerford explained in detail their working arrangement with Bank of America; how they started out with \$500,000,000 that was already invested, and going on from there. He then referred to the Investment Program Monthly Report No. 4, a copy of which he passed out to each of the members of the committees. Referring to page 9, investment holdings, Mr. Comerford said they would solicit offers from banks

across the country, then call the Commissioner [of Revenue], and then solicit offers from the Bank of America for repurchase agreements [repos]. If their offer was accepted, Blyth and Company would concur with the Commissioner that repurchase agreements could be entered into with the Bank of America. They would submit a weekly breakdown which would indicate cash flow through the week.

This is a fortunate time as far as investments are concerned, according to Mr. Comerford. The State of Alaska was able to enter the market at a time when it was able to earn 7-1/2%. Mr. Comerford said the way they have been operating they are continually checking the market independently as to prices available on securities. As a result, the state has received the benefit of the best price available in the market. He felt with Blyth and Company functioning as the agent, and submitting these reports, the state has been able to maximize the return and incur a minimum of loss. Chairman of the House Finance Committee, Bill Ray, referred to page 9 of the report, under investment holdings, average yields to maturity at 7.53%, and asked if this is a prorata yield. Mr. Comerford answered yes, that this is a weighted average based on the yield.

Senator Lewis said he was not clear on how the Bank of America got its return from the state on all of this. Mr. Prussia replied that the purchase agreements entered into with the state are offered competitively. When there is a

certain sum of money available for one week, they bid on it along with other banks across America and if they are the winning bidder, they have that money to use for their operations for that week. Their cost of the money, for example, would be 8.85%, then they can use it at a higher rate, so therefore the spread is their return, and of course every bank earns their return in the same manner.

Senator Lewis remarked that as he saw it they would get this same opportunity to bid as other banks, even if they didn't represent Alaska, so he could see no particular advantage for Bank of America since they still had to bid competitively right along with these other banks. Mr. Prussia agreed with this statement and further amplified on this by saying that when they act as a dealer and buy securities, then offer them for sale, there is a spread they take on the transaction, but this of course is true for any bank that acts as a dealer in government securities, they will get the same return as Bank of America. Senator Lewis asked what the spread was, and Mr. Prussia explained that the spread widened as the securities lengthened in maturity, and gave as an example that over five years the spread might be one-eighth of one percent.

Mr. Croft referred to page 9, under section 3, cumulative earnings to date (accrual rate) of \$19,189,607, and asked if there would be additional earnings. Mr. Comerford

replied yes, and referred to Table I on pages 13, 14 and 15, and Table II on page 16, specifically using an investment of \$20,000,000 on page 14 as an example of the earnings on a long investment.

After a brief discussion between Mr. Croft and Mr. Comerford, Mr. Prussia then went on to explain that the state couldn't acquire these securities until they had the cash to do so, and the earliest date of course was September 11, 1969, and that was the \$180,000,000 the state collected on the down payment of the lease sales. That was the day the state began to earn interest on the securities acquired then, and later securities on the total \$900,000,000 (less \$11,000,000 to the general fund) were purchased. Subsequently, these bonds were sold and reinvested in other securities. They are constantly investing this money and selling at a profit so they can reinvest in something with a higher yield.

Mr. Comerford, in reply to a question by Mr. Croft, said that based on their immediate judgment and their decision to hedge somewhat, they have left some 50% of the investment in securities that will mature within two years. They have \$40,000,000 maturing within a year, and they have repos that mature within a week. In trying to maximize the return, they have been operating with an inverse yield ratio.

Mr. Prussia said that at the present time they are operating with a very high level of earnings; however, there are

indications that this could come down, so he felt it wise to spread out the interest income. He related this to capital gains and gave a rather complicated explanation of the relationship of one to the other.

Senator Blodgett asked what other relationship Blyth and Company has with the State of Alaska. Mr. Comerford again mentioned that they have been the financial consultant to the state for the past two years and had assisted in the purchase of general obligation bonds and airport international revenue bonds.

Senator Miller asked how they arrived at the figure of \$72,000,000 placed in certificates of deposit [CD's] within the state. Commissioner Morrison replied that the figure of \$72,000,000 is part of the \$100,000,000 figure arrived at through discussions with bankers - their answer to the question of how much they could use starting from the date of deposit to the next year - and this was the figure that was chosen. \$50,000,000 was put into five-year CD's, and \$50,000,000 was put into one-year CD's. Of the \$50,000,000 for the one-year CD's, however, only \$22,000,000 has been dispersed and the allocation of the remaining \$28,000,000 has not yet been determined. Commissioner Morrison, in answer to another question by Senator Miller, said yes, they could liquidate some of the CD's if so desired.

Senator Miller then asked how much more the state would earn

if there was a change in the law on investment procedures. Commissioner Morrison said that they would prefer not to discuss the proposed changes now because it would be without the benefit of charts and exhibits. Senator Miller asked when the Commissioner thought this proposal would be ready, and the Commissioner replied within the next two weeks. Senator Rader commented that everyone appreciates what Bank of America has done for the state, but he wondered if this is a public service or a business transaction. Mr. Prussia answered that it is a business transaction, but they have managed to cover expenses. Mr. Rader asked how they are able to recover their costs successfully since they get no more and no less than other banks, and Mr. Prussia replied they are on the same basis as anyone else.

Mr. Rader asked if they would not have been better off without handling the account. Mr. Prussia replied no, that they would not have had the opportunity to act as manager of the account, trade securities, buy securities in the account, and he also stressed the added incentive of the public relation value, e.g., publicity they had received at no cost to the bank via television, national news broadcasts, etc.

Chairman Phillips pointed out that when a bank deals with such large amounts of money the advantage is with volume, and Mr. Prussia agreed that this is a factor.

Senator Rader said that since they are making recommendations as to investments, would they make recommendations for a change in the statutes. Mr. Prussia said he was not prepared to go into that as he was told this meeting was just for informational purposes only.

Senator Begich asked what the state's involvement is and what its role is. Commissioner Morrison replied that the Commissioner of Revenue is responsible and has the authority for investment of all funds. The procedure for actual investment is, in addition to meeting with Blyth and Company and Bank of America, placing conference calls two or three times a week to Mr. Prussia and Mr. Comerford. The Commissioner listens to their ideas and then, hopefully, they reach a conservative unanimous opinion.

At this point, both Mr. Comerford and Mr. Prussia attempted to explain to Mr. Sassara their role in serving the state. Mr. Prussia felt the third party concept was necessary to assure that the State of Alaska was receiving the best possible management of these funds. Mr. Sassara asked Mr. Comerford about the role of Blyth and Company in the event there is a change in the investment law for Alaska. Mr. Comerford felt that his company would probably disqualify itself from serving Alaska if the state got into equity investments, since they (Blyth and Company) would then consider the situation a conflict of interest. He said

they had so indicated this feeling to state officials already. Mr. Comerford emphasized that it is one of Blyth's functions to see that there is a system of checks and balances, and by this he did not mean in any way that the integrity of the Bank of America was being questioned. He felt that all of the investments purchased to date had been done at the best obtainable rates in the market. He felt if the state had relied upon the Commissioner of Revenue for advice, due to the long distance and difference in time zones, they would have been extremely limited and without any contact in the market place. Another factor in their role as advisor to the state, has been one of record keeping. He did note that if they had had a longer term contract, they would have put this on a computer, but it simply does not pay when there is the possibility the contract could be terminated on a 30-day notice. Everything is done by hand to keep weekly and monthly reports up to date. They have one man and one secretary working full time checking on this account for Alaska. He didn't think the Commissioner had this type of person available to do this work, and even then the result would probably not be the same, unless they had someone working in Seattle, New York, etc., to bring in this information.

Representative Borer asked Mr. Prussia if it was a policy of the Bank of America to handle other states' funds on a gratis basis. Mr. Prussia said they do offer investment services to the State of California and throughout the

United States. Mr. Borer asked if they would continue to handle Alaska funds at no cost, and Mr. Prussia replied that as long as they can see a reasonable amount of return and as long as there is a large enough volume, they will be willing to go on under this kind of agreement.

Mr. Ray referred to pages 9 and 21, and asked if the two-year bonds were eliminated would the percentages of income, as far as interest is concerned, get down to 5 or 6%. Mr. Comerford referred to page 9, investment holdings, which shows by grouping the average yield within that grouping on securities. To eliminate the two-year bonds and nothing else would be eliminating over half the portfolio.

At this point Representative Ray left the meeting.

Mr. Hillstrand, after asking several questions that had been answered earlier in the meeting, then proceeded to ask Commissioner Morrison about the \$11,000,000 that had been part of the original investment and then later recalled by the state and returned to the general fund. Mr. Morrison agreed that the total amount of funds taken in from the September 10 sale had been invested and that later (about four to six weeks after the sale) the state did ask for the return of \$11,000,000. The cash flow requirement of the state dictated that this \$11,000,000 was needed and subsequently used in clearing accounts for state warrants.

Representative Hillstrand asked what the instructions were for the \$11,000,000 to which Commissioner Morrison replied that the instructions were that on a certain date, which coincided with the maturity of a certain group of repos, \$11,000,000 be transferred to an Alaska bank for clearing - this was a wire transfer effective the same day. Mr. Hillstrand continued to pursue the \$11,000,000 and was puzzled because he said it was his understanding that Bank of America had contracted to invest the total amount from the September 10 sale. After Mr. Prussia attempted to clarify this with Mr. Hillstrand, Mr. Comerford said it was his recollection that the \$11,000,000 was the only portion of the bonus money that had been appropriated [in the fiscal year 1969-70 budget] and they had been told it was to be transferred to the state whenever so directed. Senator Blodgett commented that people don't handle money just for the glory of it, and in reference to the \$100,000,000 on deposit in the state banks, asked if Blyth and Company advised the state during this period of investment. Commissioner Morrison reiterated that this figure of \$100,000,000 was arrived at during discussions with the various bankers, and again explained that \$50,000,000 was put out on five-year CD's and \$50,000,000 was put out on one-year CD's. These figures were reached by the state investment committee based on its discussions with the bankers.

Chairman Phillips asked how much political advice they had on this state bank investment. Commissioner Morrison said there was no political considerations involved in making these decisions. Mr. Prussia said in their agreement they agreed to make interest bearing time deposits at the direction of the state.

Senator Rader wondered if the legislative branch would be the recipient of the same advice concerning proposed changes in investments that Blyth is giving to the executive branch. Senator Phillips said that very likely they would if they passed the requested legislation.

Senator Rader asked Mr. Comerford what his position would be if the state got into a long-range investment program involving equities. Mr. Comerford said that they were members of the New York Stock Exchange, they were investment bankers in securities of that type and because of the obvious potential for conflict of interest they would not want to be involved. He felt there were firms and institutions that were in a better position to serve the best interests of the state than a firm such as Blyth and Company. He said equitables were a specialty of many institutions that were well qualified to serve the state. In reply to a question, Mr. Comerford felt that if the state had money for long-term investment they should get into equities, but not if it were for short term. He felt the long-term equities would offer the state a hedge against inflation.

Senator Rader asked Commissioner Morrison if any consideration has been given to retaining a different firm for considering long-range investment interests. Commissioner Morrison answered that they have not selected any firm to handle any funds that may or may not become permanent. They have contacted 52 leading financial institutions and have selected what they determine to be the 10 best representatives from this group, and he would be very happy to call any of them to appear before the legislative committees at their discretion.

In answer to another question by Senator Rader, Mr. Comerford said they do operate in the best interests of the state and would hope their services would so indicate.

Senator Rader said he would like to compliment these witnesses for their candor in answering questions put to them during the meeting.

Senator Begich expressed concern with the long-range investment program of the state, and asked what part they have played in advising the state in the legislation that has been proposed. Mr. Comerford said that part of their initial contract with the state required them to participate in the development of such legislation. He said they have attempted to expose the members of the investment committee to other alternatives; point out the pros and cons; and enlighten them on experience of others in similar situations.

Senator Begich wondered what would happen if the state decided they needed an additional \$50,000,000 - what would be involved in freeing that money. Mr. Comerford said they would sell securities and transfer it back to the state.

Mr. Freer said that Blyth and Company had been requested through the Department of Revenue to furnish a five-year projection on revenue estimates from the investment program. He was curious to know what their methodology was for this five-year projection. Mr. Comerford said that they figured 6% was a reasonable rate of return to the state, and that on the date that they made the projection, taking into consideration the current conditions and the possibility of a broadening portfolio, that they felt 6% was a good estimate; however, he noted that anyone could come up with a different figure.

Mr. Freer said that as a working tool, if the state wanted to project any drop in the \$900,000,000, they could use a 6% factor based upon the amount of drop in the \$900,000,000. Mr. Comerford said it would depend on what they would be allowed to invest in. He felt 7-1/2% might be unrealistic, and added that one error often made in projecting these figures is to lean toward overestimating.

The subject of the \$11,000,000 was again brought up, by Senator Rader, who asked why this was used to cover state

warrants. Mr. Kubley said that was appropriated during the last session, and was used to fund the present fiscal year 1969-70 budget.

In reply to Representative Hillstrand's question concerning the wisdom of certain investments, Mr. Prussia replied that they had agreed to acquire \$500,000,000 in securities prior to September 10 for sale to the State of Alaska at cost. The state agreed to this whether the price at that time was higher or lower. The state wanted to do this and Bank of America thought it would be a good plan, although there was a risk in both directions of the bonds dropping. Both Bank of America and the state accepted that risk as being necessary to obscure the activities of the state. Mr. Hillstrand asked Mr. Prussia when they replaced that money with Alaska money, what they did with it. Mr. Prussia said they paid off the money they borrowed to finance these securities; since the money they borrowed to finance them cost more than the interest they made, the Bank of America lost money on the transaction.

Mr. Kubley said that without exception all of the banks contacted agreed that Bank of America had given the state a good deal. He went on to say that most banks just do not have the ability to go out and borrow \$500,000,000.

Thus concluding the presentation by Messrs. Prussia and Comerford of Bank of America and Blyth and Company, Chairman

Phillips said they would be in town available for other committees for the next day or two, and could come back for one or two days at a time if the need arises. Anyone wishing to meet with these two gentlemen could make arrangements through Commissioner Morrison.

Adjournment: Meeting adjourned at 4:05 p.m.

Comm

SENATE FINANCE COMMITTEE
January 27, 1970
8:00 A.M.

Present:

All members present with the exception of Senator Blodgett. Also present: Walter L. Kubley, Commissioner, Department of Commerce; B. L. McMurtry, Deputy Commissioner; Reuben I. Hanson, Administrative Officer, Office of the Commissioner; Mario F. Martini, Senate Fiscal Counsel; Eugene A. Smith, Deputy Director, Division of Budget & Management.

Senator Haggland reviewed the analysis of the Department of Commerce's budget request (attached).

Office of
Commissioner

He questioned the addition of three new positions requested by the Office of Commissioner, which was justified by Mr. Kubley as being additions in Anchorage and Fairbanks. There is at present no central office in Anchorage, and an administrative officer should be in that area. Mr. Kubley gave a short resume of the budget, which does not present any new programs. The major items are \$750,000, added by the Governor's Budget Review Committee to fund the capitalization of the Veterans Loan Fund, and \$100,000, appropriated for the native housing program. The latter appropriation is contingent upon receiving Federal funds of \$1 million. Additional work will result for a regulatory department such as the Department of Commerce due to the expansion of business on the North Slope. Senator Lewis questioned the appropriation for the native housing program. Mr. Kubley explained the Alaska State

Native
Housing

Veterans
Loan Fund

Housing Authority has provided 176 homes in ten villages under the program, with \$1 million in funds from the Federal government, supplemented by \$100,000 from the State of Alaska. A total of \$1 million from the state has been authorized, to be used in conjunction with \$10 million authorized by the Federal government. This request for \$100,000 will not be used unless the Federal government appropriates \$1 million. Senator Haggland requested further information on the Veterans Loan Fund. Mr. Kubley reported there is now no backlog on veterans loans as there was last July. The banks are being asked to participate and loan applications are carefully screened. Mr. McMurtry added that the rate of delinquency on loans is approximately 10%, down from 30% last July. Eight cases are now in the hands of the Attorney General, which will be foreclosed and sold to either another veteran or a non-veteran to take over the payments. 97 business loans have been made so far this year. The Governor has requested that loan ceilings be raised from \$25,000 to \$32,500.

Data
Processing
Program

Senator Phillips asked what progress has been made to straighten out the data processing program discussed last year. Gene Smith reported this program has been bogged down in Administration, and Mr. Kubley said other programs have a priority over the studies planned on this program.

Office of
Commissioner

Senator Haggland questioned the additional \$4,000 allowed by the Governor for travel. Mr. Kubley explained that his office

has been charged with much more travel since the oil lease sale. Discussion followed on costs of travel within the state, various hotel rates, and controls by the Department on employee travel. Mr. Kubley added that an increase in travel is necessary to regulate the increase of stock sales in Alaska, and various examples were given of stock sold and never delivered. The Banking Division has added a security officer and has the situation under control.

Alaska State
Development
Association

Mr. Kubley's expenses for board meetings as a member of the Alaska State Development Association are borne by this association. Senator Phillips asked for a recommendation on this association, questioning if it could be discontinued; to which Mr. Kubley replied it could be phased out if the legislature so desired. He added the North Star Hotel is approximately a \$500,000 loss, and they hope to get out of the hotel business but have just foreclosed on another hotel.

Banking

This entire division has been removed from the Department of Commerce and is being transferred to the new Department of Treasury.

Insurance

Senator Haggland questioned the increase of 35.67% in the Division of Insurance. Mr. Kubley reported the quantity of work has increased considerably, and criminal indictments have been brought against several insurance companies. Senator Phillips asked for the figures on salary increases and reclassifications. Gene Smith said the Department of Personnel

Weights &
Measures

reclassified only positions requested by the various departments, and occasionally will make a state-wide survey.

The increased load of traffic on the highway caused by TAPS has necessitated additional personnel. Senator Miller noted that trucks know the hours that weighing stations are closed, and pass them at that time. Mr. McMurtry said that the addition of two men in Valdez will provide the station with 16 hours per day surveillance, and it was agreed that this still was not enough. Weights & Measures also has the responsibility of inspecting utility meters and scales throughout the state. Pre-packaged items are also checked since the Federal government does not have enough employees to do the job. The number of violations is quite impressive and Mr. Kubley will provide a report for the Finance Committee.

Mr. Hanson stated that the addition of nine vehicles and one heavy capacity test truck is necessary as they have not purchased sufficient cars and have borrowed them from the Highway Department. The rental fee is high, and since the cars will be on patrol every day the expense is justified.

Occupational
Licensing

Senator Haggland listed the various professional societies and board meetings sponsored by the State of Alaska, and can't justify the expense to the taxpayer. With few exceptions, the individual involved should pay their own expenses and not be reimbursed by the state. Mr. Hanson noted that the various boards do provide the latest information to the attendees and,

in order to keep Alaska progressive, representatives should attend. Mr. Kubley distributed figures on revenue analysis from licensing these various groups (attached), adding that attendance should be increased at meetings held in the state and out-of-state travel be limited. Another suggestion was to send a local secretary to take minutes, which would provide the necessary information to members unable to attend. Senator Lewis questioned the operation of the Welders, and wondered if the Department of Commerce could put any pressure on them to expand their services. Mr. Kubley will have a director attend a board meeting when travel funds are available.

Engineers &
Architects

This division was created as a separate entity recently due to the addition of engineers and architects into the state to the North Slope.

Public
Service
Commission

Senator Miller questioned the volume of work being done by the Public Service Commission since he has heard complaints. Mr. Hall replied that the addition of new personnel should take care of the work load, and Senator Phillips added that there was no backlog in Anchorage at the present time. Mr. Hall reported that they have a staff of 11, while the largest Public Service Commission in the U.S. has a staff of 807 (schedule attached). The RCA case has increased the staff's volume of work considerably.

Transporta-
tion
Commission

An increase of \$134,000 was questioned by Senator Haggland, specifically noting the increase in travel. The controversies in Fairbanks between the airlines is the main reason for the

Veterans
Service
Council

additional funds requested, and the expanded work load creates the need for new employees. Senator Phillips asked if any attorneys in the legislature had come to Mr. Kubley with special interest problems, but Mr. Kubley said political influence was not used on the Department of Commerce. The Transportation Commission will report at a later meeting. Senator Phillips questioned the \$7,200 requested for travel to American Legion and VFW meetings. Mr. Kubley answered the Federal government does not provide enough funds for travel to the bush country, and this expenditure is necessary.

Adjournment

Meeting adjourned at 9:55 A. M.

DEPARTMENT OF COMMERCE
1970 - 71 BUDGET REQUEST
REVIEW AND ANALYSIS

1. Department Total

A. Position Analysis.

New positions authorized for F.Y. 1969-70:	<u>16</u>
Total current authorized positions:	95
Departmental changes in F.Y. 1969-70:	-9
New positions requested F.Y. 1970-71:	28
Total departmental personnel F.Y. 1970-71:	114

B. Departmental Request.

Total authorized F.Y. 1969-70:	1,731,300
Total requested by department for F.Y. 1970-71:	2,449,800
Percent of increase:	41.5%
Total allowed by Governor's Budget Review Committee:	2,318,200
Percent of increase:	33.89%

An additional item of \$750,000 was added by the Governor's Budget Review Committee to the budget request of the Department of Commerce to fund the capitalization of the Veterans Loan Fund.

2. Office of Commissioner

- A. Personal services - three new positions being requested.
- B. Travel increase of 160% over fiscal year 1969-70 being requested. Governor's Budget Review Committee allowed an increase of \$800 above departmental request. *for Admin. Office*
- C. Contractual services - decrease of \$500.
- D. Commodities - maintain same level of expenditure.
- E. Equipment - No equipment was authorized for F.Y. 1969-70. Current request totals \$3,800, primarily for equipment for new personnel.
- F. Inter-Agency Charges. Decrease of \$4,700 in this account is primarily due to the fact that for 1969-70 funds were budgeted to cover data processing costs on an inter-agency reimbursement basis. In view of the fact that procedures to cover data processing costs have been changed, this amount has been eliminated.

3. Banking. This entire division has been removed from the Department of Commerce and is being transferred to the new Department of Treasury proposed by the Governor. In the process, seven positions which were formerly budgeted within this division have been transferred to the newly created department and four positions have been transferred to the Division of Corporations within the Department of Commerce. Total saving: \$147,600.

4. Division of Insurance. No new positions have been requested for this division. The amount of \$212,200 which has been

submitted in the budget is the same which was asked by the department. This reflects an increase of 35.67% over the \$156,400 authorized to this division in fiscal year 1969-70. Increase is primarily due to salary increases and position reclassifications (\$38,800) and minor adjustments among other objects of expenditure.

5. Weights and Measures. No new positions were authorized for this division during the current fiscal year. For fiscal year 1970-71 the division is asking for seven new positions, to be assigned primarily in the South Central area, with three new positions going to Anchorage, two to Valdez, and one each respectively to Juneau and Fairbanks.

A decrease in contractual services is offset by an amount of \$26,800 in inter-agency charges for equipment rental costs. In 1969-70 no equipment funds had been authorized to this division; for the forthcoming fiscal year the Governor's Budget Review Committee has allowed \$28,300. All other objects of expenditure reflect a slight increase in current level.

6. Occupational Licensing - Central Licensing. Two new positions are being requested within this division - one of these two positions has been established during the current fiscal year by executive order. The Personnel Services account reflects an increase of \$23,800 to cover the cost of the new positions and

also has an adjustment for one position which was eliminated during the current fiscal year. Travel account shows a total increase of \$23,600, which reflects a 63% increase over the current fiscal year. Actual travel costs for fiscal year 1968-69 totaled \$21,682. An increase of \$21,400 over 1969-70 is shown in the Contractual Services account. This increase is primarily in the areas of contractual services, equipment rental, rents and utilities, printing and advertising, and communications. The Commodity account shows only a slight increase for estimated costs of materials for new positions. An increase of \$1,800 in the Equipment account can also be tied in to the new personnel being added to this division.

7. Occupational Licensing - Corporations. This is a new function being established for the first time this fiscal year. It includes four of the eleven positions that were transferred out from the Division of Banking and the costs related thereto for a total of \$53,000.
8. Occupational Licensing - Architects and Engineers. An increase of \$4,100 in this function is due primarily to increased costs of travel (\$3,000) and a slight increase in contractual services.
9. Regulation of Public Service, Utilities Commission. Utilities Commission is receiving a substantial increase over the current fiscal year.. The Governor's Budget Review Committee

allowed an amount of \$430,900, which is an increase of 61.87% over the current fiscal year. Significant within this division is the addition of ten new positions, for an increase of \$157,800. Other objects of expenditure are also increased to reflect the addition of the new positions and to continue the present level of service.

10. Regulation of Public Service - Transportation Commission.

Five new positions are being added to this division. It is significant to note that four new positions were added in fiscal year 1969-70; increasing the total personnel strength of the division in the past two years by 100%. Travel costs are increased by 174.28%, partly because of the new positions and partly because of the expanded level of services to be provided. Increases in other budgets of account are primarily related to the increase in staffing within the division.

11. Veterans Loan Fund. Increases in this function are primarily due to maintain current level of service.

12. Veterans' Services Council. An amount of \$7,200 is being requested to cover the travel of service officers to American Legion - VFW meetings (new item).

13. Native Housing. An amount of \$100,000, equal to the amount which was budgeted for the current fiscal year, is being requested to cover native housing program costs incurred by the

Alaska State Housing Authority.

14. The Governor's Budget Review Committee added an item of \$750,000 to capitalize the Veterans Loan Fund.

NEW POSITIONS ANALYSIS

DEPT. OF COMMERCE

	New Pos. Authorized <u>1969-70</u>	Total Curr. Authorized <u>Positions</u>	Changes Prop. <u>1969-70</u>	New Pos. Requested <u>1970-71</u>
Office of Commissioner	-0-	7		3
Banking	5	11	(11)	
Insurance	3	11		-0-
Weights & Measures	-0-	16		7
Central Licensing	2	9	(1)	2 (a)
Corporations	-0-	-0-	4	.1-1/3
Utilities	2	11		10
Transp. Comm.	4	18	(1)	5 (b)
Veterans Loan Adm.	<u>-0-</u>	<u>12</u>	<u> </u>	<u>-0-</u>
Total	16	95	(9)	28

(a) Created by Exec. Order.

(b) One position eliminated (Hearing officer)

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DEPARTMENT OF COMMERCE
REVENUE ANALYSIS

RECEIPT CODE AND TITLE	1968-69 ACTUAL	1969-70 ESTIMATE	1970-71 ESTIMATE
<u>INSURANCE</u>			
104 Ins. Prem. Tax	\$2,200,987	\$2,300,000	\$2,500,000
202 Ins. License Fees	152,651	148,000	160,000
SUB-TOTAL	\$2,353,638	\$2,448,000	\$2,660,000
<u>CORPORATIONS</u>			
201 Corp. License Fees	\$ 156,817	\$ 122,000	\$ 195,500
<u>OCCUPATIONAL LICENSING</u>			
203 Accounting	\$ 2,131	\$ 8,500	\$ 9,800
204 Barbers	4,019	2,000	2,200
205 Basic Sciences	1,700	1,900	300
206 Chiropractors	960	100	100
207 Dentists	8,150	2,800	1,700
208 Electrical	13,912	2,500	1,300
209 Veterinarian	1,365	300	300
210 Medical	16,629	5,000	8,200
211 Hairdressers	15,543	22,000	19,200
212 Nurses	20,530	10,000	15,000
213 Optometrist	2,040	400	300
214 Pharmacist	6,882	10,000	8,000
216 Real Estate	18,506	48,900	50,700
222 Psychologist	195	600	400
228 Construction Cont.	71,900	57,500	68,800
233 Collection Agencies	6,240	900	5,100
234 Welders	-0-	-0-	6,000
237 Eng. & Architects	22,128	23,000	22,000
240 Marine Pilotage	-0-	-0-	2,000
SUB-TOTAL	\$ 212,830	\$ 196,400	\$ 221,400
<u>PUBLIC SERVICE</u>			
660 Hearing Costs Recovery	7,112	4,000	-0-
223 Aircraft Reg. Fees	68,960	39,000	105,000
224 Motor Freight Carriers	76,413	52,400	59,600
SUB-TOTAL	\$152,485	\$91,400	\$164,600

ADDITIONAL REVENUE SOURCES

WEIGHTS & MEASURES _ Fines for 1968-69 \$18,038

AGENCY & NO. OF FULL TIME EMPLOYEES - NARUC

California Public Utilities Commission		807
New York Public Service Commission		636
Texas Railroad Commission		468
Pennsylvania Public Utility Commission		358
Minnesota Public Service Commission		288
Illinois Commerce Commission		240
Oregon State Public Utility Commission		221
Oklahoma Corporation Commission		220
Virginia State Corporation Commission		209
Michigan Public Service Commission		193
Florida Public Service Commission		172
Kentucky:		
Public Service Commission	42	
Department of Motor Transportation	120	163
Railroad Commission	1	
Kansas Corporation Commission		160
Washington Utilities & Transportation Comm.		153
Missouri Public Service Commission		146
Wisconsin Public Service Commission		134
New Jersey Department of Public Utilities		130
Ohio Public Utilities Commission		129
Massachusetts Public Utilities Department		118
Iowa State Commerce Commission		113
New Mexico:		
State Corporation Commission	87	
Public Service Commission	14	101
Arizona Corporation Commission		100
West Virginia Public Service Commission		88
Maryland Public Service Commission		71
Tennessee Public Service Commission		68
Colorado Public Utilities Commission		65
North Carolina Utilities Commission		62
South Carolina Public Service Commission		62
Mississippi Public Service Commission		56
Indiana Public Service Commission		56
Nebraska State Railway Commission		54
Connecticut Public Utilities Commission		53

Agency & No. of Full Time Employees

Georgia Public Service Commission		52
Arkansas:		
Commerce Commission	24	
Public Service Commission	24	48
Maine Public Utilities Commission		48
District of Columbia Public Service Comm.		34
Hawaii Public Utilities Commission		33
Louisiana Public Service Commission		32
Alabama Public Service Commission		28
Nevada Public Service Commission		27
North Dakota Public Service Commission		27
Alaska:		
Public Service Commission	11	
Transportation Commission	15	26
Wyoming Public Service Commission		26
South Dakota Public Utilities		25
New Hampshire Public Utilities Commission		23
Montana Board of Railroad Commissioners		22
Idaho Public Utilities Commission		21
Rhode Island Public Service Commission		17
Utah Department of Business Regulation		
Public Service Board		16
Vermont Public Service Board		14
Delaware Public Service Commission		6
Federal Communications Commission		1475
Federal Power Commission		1161
Interstate Commerce Commission		1827
Department of Transportation		243
Securities and Exchange Commission		1381
Civil Aeronautics Board		650

AGENCY & NO. OF FULL TIME EMPLOYEES - NARUC

California Public Utilities Commission	807
New York Public Service Commission	636
Texas Railroad Commission	468
Pennsylvania Public Utility Commission	358
Minnesota Public Service Commission	288
Illinois Commerce Commission	240
Oregon State Public Utility Commission	221
Oklahoma Corporation Commission	220
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Kansas Corporation Commission	160
Washington Utilities & Transportation Comm.	153
Missouri Public Service Commission	146
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New Jersey Department of Public Utilities	130
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Kentucky Department of Motor Transportation	120
Massachusetts Public Utilities Department	118
Iowa State Commerce Commission	113
Arizona Corporation Commission	100
West Virginia Public Service Commission	88
New Mexico State Corporation Commission	87
Maryland Public Service Commission	71
Tennessee Public Service Commission	68
Colorado Public Utilities Commission	65
North Carolina Utilities Commission	62
South Carolina Public Service Commission	62
Mississippi Public Service Commission	56
Indiana Public Service Commission	56
Nebraska State Railway Commission	54
Connecticut Public Utilities Commission	53
Georgia Public Service Commission	52
Maine Public Utilities Commission	48
Kentucky Public Service Commission	42

Agency & No. of Full Time Employees (Con't)

District of Columbia Public Service Comm.	34
Hawaii Public Utilities Commission	33
Louisiana Public Service Commission	32
Alabama Public Service Commission	28
Nevada Public Service Commission	27
North Dakota Public Service Commission	27
Wyoming Public Service Commission	26
South Dakota Public Utilities	25
Arkansas Commerce Commission	24
Arkansas Public Service Commission	24
New Hampshire Public Utilities Commission	23
Montana Board of Railroad Commissioners	22
Idaho Public Utilities Commission	21
Rhode Island Public Service Commission	17
Utah Department of Business Regulation Public Service Board	16
Alaska Transportation Commission	15
New Mexico Public Service Commission	14
Vermont Public Service Commission	14
Alaska Public Service Commission	11
Delaware Public Service Commission	6
Kentucky Railroad Commission	1
Federal Communications Commission	1475
Federal Power Commission	1161
Interstate Commerce Commission	1827
Department of Transportation	243
Securities and Exchange Commission	1381
Civil Aeronautics Board	650

LAW

SENATE FINANCE COMMITTEE
January 27, 1970
2:00 P.M.

Present:

Senator Clyde R. Lewis; G. Kent Edwards, Attorney General,
Department of Law; Mario F. Martini, Senate Fiscal Counsel.

Civil and
Criminal

Senator Lewis asked Mr. Edwards about the additional personnel and equipment requested in the budget for the Department of Law. Mr. Edwards said the service has grown and demands have increased, resulting in many hours of overtime. The backlog continues to grow. In the civil field, cases can be held for years; however, other situations just don't receive adequate servicing, such as wage claim assignments and human relations. Mr. Martini suggested that actual statistics be given to the Finance Committee to prove the volume of work, as was done last year to provide additional attorneys to handle Highway matters. Mr. Edwards will prepare a questionnaire to send to his staff, but will not be able to provide the actual statistics this year.

Personnel

Upon questioning by Senator Lewis and Mr. Martini, Mr. Edwards stated there are six positions vacant state-wide at the present time, but there should be no problem in filling them. The only recruiting problems occur in Highway condemnation cases, since these positions are Federally reimbursed and the attorneys must spend 100% of their time on Highway matters. Very few attorneys want to specialize in this. The space problem is serious, and a conference room is being used in Anchorage since no offices are available. The Department will continue

to expand every year due to expansion of state agencies which the Department of Law services; i.e., increase in State Troopers, more investigations of crimes, greater demands on the criminal staff.

Agricultural
Loan Funds

Senator Lewis asked for information on agricultural loan funds and would like to know about foreclosures on farms. Mr. Edwards will attempt to get this information from the Anchorage office.

Administra-
tion &
Operations

Further discussion followed on the personnel additions. An increase in the budget results from a change in accounting procedures. Instead of budgeting attorneys to the Department of Commerce to cover work done for this department and the Department of Law billing the Department of Commerce, the expenses for these attorneys will now be borne by the Department of Law. Clerical additions and salary reclassifications were discussed. An increase in the secretarial staff has been requested, since seven secretaries now are employed for fourteen lawyers. This causes considerable delay in answering correspondence. Dictating machines for each attorney have been requested. Four additional attorneys have been budgeted for Anchorage, one to specialize in Appellate work.

Senator Lewis left the meeting at 3:10 P.M. due to a previous commitment.

Kenai/
Kodiak

Mr. Martini questioned the addition of an attorney in Kenai and Kodiak. Mr. Edwards replied this is contingent upon a

Court being opened in Kenai/Kodiak; however, the Department of Law would assign the additional attorney to Anchorage if no Court were opened.

Mr. Martini again asked if statistics could be provided giving information on volume of work, cases pending, etc.

Mr. Edwards thought it may be possible next year if one individual was assigned to gather the facts and figures.

Profes-
sional Fees
& Services

Professional fees and services has been increased, justified by Mr. Edwards as a result of the increasing work load. The actual "per witness" cost remains the same, but the increasing number of cases raises the amount of money required.

Miscellaneous

Mr. Edwards stressed the need for additional space, especially in Juneau and Anchorage. There is no space available for another desk. Discussion continued on the equipment requested and the allowance for telephones and postage.

Mr. Edwards was unable to explain some of the inter-agency charges and will have further information at the next meeting.

Adjournment: Meeting adjourned at 3:35 P.M.

DPS

SENATE FINANCE COMMITTEE

January 28, 1970

8:00 a.m.

Present:

All members were present with the exception of Senators Miller and Blodgett who arrived at 8:15 a.m. and 9:10 a.m. respectively.

Also present were Mel J. Personett, Commissioner, Department of Public Safety; Gordon R. Nelson, Director of Technical Services, Department of Public Safety; Mario F. Martini, Senate Fiscal Counsel.

Chairman Vance W. Phillips reviewed the analysis of the Department of Public Safety, which is attached.

General
Administration

Under personal services there is an increase of two positions. Commissioner Personett explained that one will be a new captain to direct the Narcotics Squad, help with policy, and to act in behalf of the Commissioner on field office inspections. He will be stationed in Anchorage or Fairbanks. The other position will be a Secretary I to support the Deputy Commissioner. The only reason the Narcotics Squad is under the General Administration Budget is because it is still in its formative stages. There are three corporals working full-time on this squad. They will all be attending a course at the University of Louisville in order to be trained in the most up-to-date information and be of more help here with the problems of narcotics and dangerous drugs. Mr. Martini asked if the Federal government helps with the narcotic situation. Commissioner Personett replied that they have one man stationed in Alaska and there will be another one coming soon. All of them work together and after the first of February they hope to have some good news about the narcotics effort in Anchorage and Fairbanks.

Narcotic Squad

Promotions

Senator Phillips wanted to know how many desk or paper shufflers do they have in the department. Commissioner Personett replied that there are two people in each region--the regional commander and the deputy regional commander. If

Promotions
(Continued)

they had a clerk that could do the job they would use him; however, promotions are made among supervisory troopers rather than using a desk in a minor office. Chairman Phillips asked what problems, if any, do you have in your technical services that we might be interested in. Director Nelson said that the biggest problem they have had is in the restrictions placed on travel. As far as the personnel turnover is concerned, it has become much less--only about 5%. Eight new positions have been requested, four of which are in the research planning service in the data processing of the state. Chairman Phillips wanted to know if the department is getting its money's worth from this service. Director Nelson said that so far only administrative services and payroll systems have been programmed. There is no other program going directly for the department.

Data Processing

Lockheed analyst

Mr. Martini brought up the subject of the Lockheed analyst and asked the Commissioner to tell what happened. The Commissioner thought the program developed was not a reasonable program--nor was the cost. He said that if we had California's records and possibly half of New York's records, we would have something. As far as he was concerned, we have nothing. They will probably never use it and it cost us \$28,000 for the study. The Commissioner said that they were not happy with it. The program the analyst worked up would be so cumbersome that they could not use it. Mr. Martini then asked if the commissioner thought this man knew what he was doing? The Commissioner said that maybe he did know what he was doing in data processing, but as far as their needs were concerned he definitely did not think he did.

Equipment

Microfilm Records

A large share of the equipment money will be sued for the driver's license conversion unit. Completion of the program will take about 18 months. We feel that this information is needed 24 hours a day and the ideal solution would be to turn the information over to the troopers within minutes after their call.

State Troopers

A request has been made for 58 new troopers and 14 uniformed personnel along with reclassification costs, pay increases and other miscellaneous items.

Senator Lewis asked if the troopers would be receiving overtime. Commissioner Personett answered that all law enforcement officers plan to work a little overtime. However, if the overtime becomes too much his patience drops

Overtime

off and he becomes tired of it. They plan to phase out slowly as much overtime as possible. Commissioner Personett said he did not know whether fifty more troopers would clear out all overtime or not. The only way we are going to find out this is to try it. Senator Miller said that there were 55,000 hours of overtime last year which is the equivalent of 25 troopers. He felt that this was an extraordinary drain on a man's resources. Commissioner Personett said that troopers are a special breed to start with. The only overtime we believe we have been able to pay is for their court time on their days off.

Village Police
at Academy

Senator Blodgett questioned the hiring of more troopers. Why not train the people in the villages? Senator Lewis asked if the academy is open to village police for training. Commissioner Personette said that more can be trained at our academy, but the villages cannot afford to send the people. There is no charge for the training, but there is room and board expenses to be met.

Traveling
Expenses

Besides the amount of money needed for traveling for audit purposes, checking inventory, and instructional purposes our largest amount is for training people in the field. The new supervisory troopers need considerable training and some of the older troopers are in need of retraining. Another expense is due to a man having to travel outside his village to cover surrounding areas.

Housing

When a trooper is sent into a remote area there is little or no housing available for him. It is planned to purchase mobile homes rather than build permanent housing. Relocatable housing is the answer although we have no experience factor on this.

Communications

At the present time, the troopers have been using a TWX system within the state. They would like to lease private lines in order to keep incriminating information confidential. At the present time they send very confidential information by mail following the original wire.

Fire Prevention

Four new positions have been requested, three of which will be inspectors. The pipeline buildings alone could keep these inspectors busy to see that these camps comply with the codes. We believe that these inspectors will be able to multiply the number of fire inspections ten times over the past ten years.

Juneau Fire Code

In the city of Juneau there is a fire code. A great number of the existing buildings have been inspected, and after the examination the changes in order to conform with the code have to be made.

Mendenhall
Apartments

The committee requested that the Fire Marshal check the Mendenhall Apartments and give them a full report.

Adjournment

Meeting adjourned at 10:00 a.m.

DEPARTMENT OF PUBLIC SAFETY

1970 - 71 BUDGET REQUEST

REVIEW AND ANALYSIS

1. Department Total

A. Position Analysis

New positions authorized for F.Y. 1969-70	<u>20</u>
Total current authorized positions:	248
Departmental changes in F.Y. 1969-70	-15*
New positions requested F.Y. 1970-71	86
Total departmental personnel F.Y. 1970-71:	319

B. Departmental Request

Total authorized F.Y. 1969-70:	4,047,700
Total requested by department for F.Y. 1970-71:	7,289,300
Percent of increase:	80.08%
Total allowed by Governor's Budget Review Committee:	6,639,900
Percent of increase:	64.04%

*Reflects discontinuance of police contract services
program to cities and towns.

2. General Administration

- A. Personal Services--increase of two positions, one of which is planned to perform in an supervisory capacity for the Narcotics Bureau, and the other position is a clerical position to support the Deputy Commissioner.
- B. Travel--minor increase to maintain current level.
- C. Contractual Services--only significant increase is in the printing and advertising account. This increase reflects increased costs for the printing of all regulations promulgated by the department. Other accounts within this object reflect continuing level.
- D. Commodities--no increase shown.
- E. Equipment--proposed request reflects a decrease of \$17,200 from the current fiscal year. Amount requested is primarily for office equipment, for the new positions, for polygraph equipment, for the Narcotics Bureau, and for two closed circuit TV units. Total request is \$13,500.
- F. Inter-agency charges--an increase of \$5,100 for rental of highway equipment previously carried as a contractual service cost.

3. Technical services

- A. Personal Services--this account reflects an increase of \$113,700, which is an increase of 47.97% over the current year and includes the funding for eight new positions.

3. A. Personal Services (Continued) The police contractual service program which was previously carried under this account has been discontinued and will be reactivated only upon evidence of need throughout the Executive Order 20 route.
- B. Travel--increased \$7,400 ---this is an effective 86.04% increase.
- C. Contractual Services--increase in this account is due primarily to increase in costs of rents and utilities. This account alone increased by \$39,400.
- D. Commodities--no significant increase.
- E. Equipment--from the current year authorized \$5,400 -- the department is requesting for fiscal year 1970-71 \$70,700. The big bulk of this increase is in the area of data processing equipment (\$62,640). The balance is for the new positions being requested.
- F. Inter-agency charges--decrease of \$14,000 due to discontinuance of ADP inter-agency charges. An item of \$1,700 for equipment rental from the Department of Highways, which had been previously shown under contractual services, is now included in this account.

4. State Troopers--worthy of notice in this program is the discontinuance of the former method of sub-dividing Alaska State Troopers into regional centers and headquarter offices. This program now includes all of Alaska's State Troopers plus uniformed personnel performing within the ^{Judicial} jurisdictional services program.

- A. Personal Services--a request for 58 Alaska State Troopers and for 14 uniformed personnel in the ^{Judicial} jurisdictional services program is being submitted for consideration for the 1970-71 fiscal year along with reclassification costs, pay increases, and other miscellaneous items within this account. The total request is for \$3,646,000, which is an increase of 60.40% over the current fiscal year. During the current fiscal year, five troopers and fourteen clerical and supporting positions were authorized.
- B. Travel--a request for travel is up \$153,000 from the current fiscal year for an increase of 77.42%. The big bulk of the travel covers inside travel, per diem, and anticipated costs.
- C. Contractual Services--this object reflects \$43,200 decrease from the current fiscal year. This decrease, however, is not an actual saving but it is merely a transfer of cost from one object of expenditure to another (equipment rental). If the equipment rental account is eliminated, then this object of expenditure shows a \$196,300 increase which represents an increase of 64.74% over the current fiscal year. The bulk of this increase is in rents and utilities and a transportation of things account.

4. State Troopers (Continued)

- D. Commodities--an increase of \$89,600 (149.33%) is projected in this account primarily in the areas of clothing, professional and scientific supplies, fuel other than for motor vehicles, and maintenance.
- E. Equipment--an amount of \$517,900 which represents an increase of \$430,900 (531.58%) is being projected for the next fiscal year. This request includes an amount of \$153,200 for boats and related equipment. It also includes standard Office equipment for the new positions. It also includes \$360,000 for 20 three-bedroom mobile homes for new positions being requested.
- F. Inter-agency Charges--this account has grown from \$16,600 for the current fiscal year to an anticipated \$423,800. The big bulk of this request is in the area of highway vehicle lease cost with a relative increase also for payments to the Alaska State Housing Authority.

5. Fire Prevention

- A. Personal Services--four new positions have been requested within this account for an increase of \$63,800.
- B. Travel--an increase of \$11,300 over the 1969-70 level has been requested. This increase is justified by extended program coverage by personnel within this division.
- C. Contractual Services--an increase of \$12,800 (90.78%) has been requested to maintain current level and to fund program expansion.

5. Fire Prevention (Continued)

- D. Commodities--a slight increase of \$900 has been requested to meet current level costs.
- E. Equipment--an increase of \$10,700 over the current fiscal year level of \$300 has been requested to fund a purchase of three vehicles for the three regional centers within the State. It also includes miscellaneous office equipment for new positions being requested.
- F. Inter-agency charges--an amount of \$10,100 is being asked to defray costs of highway equipment rentals.

LABOR

SENATE FINANCE COMMITTEE

January 30, 1970

8:00 A.M.

Present

Senators Phillips, Bradshaw, and Koslosky; Thomas J. Moore, Commissioner, Department of Labor; Alfred R. Gordon, Fiscal Officer; Eugene A. Smith, Deputy Director, Division of Budget & Management; Ronald B. Lind, Budget Analyst; Mario F. Martini, Senate Fiscal Counsel.

Office of the
Commissioner

Senator Phillips reviewed the Office of the Commissioner's request for personnel additions and a 39% increase in travel. Mr. Moore explained that the personnel additions are just a change in accounting procedures, and no new positions are being requested. The increase in travel is necessary for trips to Washington to secure Federal funds for programs such as the Seward Skill Center, OJT Program, and HIRE. Senator Bradshaw asked why the AFN is backing away from the OJT Program; to which Mr. Moore replied the program should operate under the state instead of local organizations, but the AFN is still active in the program.

Senator Miller arrived at 8:05 A.M.

Senator Phillips asked about the plans for data processing, and Mr. Moore replied the bids are in from RCA, IBM and Univac. No decision has been made, but Univac is the low bidder and appears to have a good system.

Senator Blodgett arrived at 8:10 A. M.

1/30/70
(1)

Mr. Gordon added that a proposed method of communication will have scanners at Anchorage, Fairbanks, and possibly Ketchikan which will project information on a screen and be used primarily by the Employment Security Division. This will be installed at Juneau by March 1.

Senator Blodgett brought up the problem of utilities operating in Alaska by people outside the state. Money is taken from the state to pay labor doing the accounting and billing in another state. Senator Blodgett also asked that more attention be given to employing the handicapped.

Fisherman's
Fund

Senator Bradshaw questioned the amount of \$180,000 requested to defray costs of claims, professional fees, and medical supplies. Mr. Moore explained that an amount of \$364,000 has accrued in this fund and the Department of Labor is withdrawing this lump sum to avoid requesting funds from the Governor throughout the year.

Wage &
Hour

The addition of three new positions and an increase of \$6,000 in travel was questioned by Senator Phillips. Mr. Moore answered that the Wage & Hour Division is in need of additional clerical employees due to the new companies coming into Anchorage and Fairbanks. The travel budget will provide for staff meetings for the inspectors to maintain standards throughout the state. There are now four inspectors; one in Juneau, one in Fairbanks, two in Anchorage, and an additional inspector is requested.

Mr. Moore stated the seven new positions requested by the Industrial Safety Division are due to the increased industrial activity in the Anchorage/Fairbanks area. The inspectors requested will have direct responsibility for policing the pipeline.

Senator Haggland arrived at 8:40 A.M.

Senator Blodgett asked if there were many problems on the North Slope with safety, which should be a primary concern. Mr. Moore said the inspectors are sent in on a rotating basis for a period of two weeks, but the nature of the work and climate made safe operation difficult. He added that newspaper reports are often inaccurate, and that each time an injury report is received an inspector checks it out. The companies are cooperating, with few exceptions. Mr. Moore will provide a resume of injuries for Senator Bradshaw. Senator Bradshaw also questioned industrial safety in South East Alaska, and Mr. Moore said industry is putting on a real drive for safety, especially since they are now handling their own insurance. Discussion continued on safety and safety inspectors.

Mr. Moore justified the budget request for travel and contractual services as follows: The increase in travel funds is necessary due to inspections of geophysical companies operating in outside areas, and a considerable amount of activity in Pt. Lay necessitates the chartering of a plane. A substantial increase is requested for printing safety code and safety booklets. The State of Alaska has the finest first-aid book of all states, reflecting the needs for first-aid in an industrial setting.