

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2607

6. Miscellaneous - \$20,000 are budgeted in this account to continue studies and investigations in the production of frozen vegetables.

7. Inter-agency Charges - \$1,800 budgeted for vehicle rental.

D. Loan Fund Administration

1. Personal Services - A new loan examiner and a part-time typist requested in this budget at a total cost of \$16,200. Cost of existing positions budgeted at \$16,400.

2. Travel - Amount requested \$9,200 for a \$2,100 increase over the current fiscal year. Part of this increase (\$1,000) is due to the new positions requested.

3. Contractual Services - Amount requested \$6,200 for a \$2,300 increase over current level. Part of this increase (\$1,500) is for professional services requested by the Loan Fund Board for professional appraisal reports.

4. Commodities - \$200 requested in this account.

5. Equipment - \$600 requested for office furniture and equipment for the new positions.

6. Inter-agency Charges - \$12,100 requested for car rental (\$1,500) and for administrative services provided by the department.

E. Loan Fund Capitalization

1. Inter-agency Charges - This account shows an increase of \$200,000 for a total request of \$300,000 to sustain minimal rate of growth within the agricultural industry within the state.

F. Small Grain Incentive

Miscellaneous - No increase requested. Current level of \$80,000 projected for the next fiscal year.

VI. Oil & Gas

A. Office of the Director

1. Personal Services - No new positions requested. Transfer of a position brings about a decrease in this account from the current fiscal year for a total request of \$64,700.
2. Travel - Amount requested \$4,400 for an increase of \$2,000. Substantial share of this increase is in the area of outside travel (\$1,100).
3. Contractual Services - Total request \$42,600 for an increase of \$5,400 over current level. Bulk of the increase (\$5,000) is in equipment rental.
4. Commodities - \$2,100 are requested in this account for a \$600 increase over the current level. Increase due to adjustments within the sub-accounts.
5. Equipment - Amount requested \$4,300 for a decrease of \$3,400 in the current level. Amount requested is for the purchase of office equipment.
6. Inter-agency Charges - \$50,300 are budgeted in this account for administrative services (\$5,000), printing (\$4,800), vehicle rental (\$1,800, and data processing services (\$38,700).

B. Engineering Section

1. Personal Services - Two new petroleum engineers requested at a projected cost of \$38,000. Cost of existing positions are budgeted at \$88,800 for an increase of \$20,800 over current level.

2. Travel - Amount requested \$22,700 for a \$13,500 increase. \$7,700 of this increase is due to the two new positions requested.
3. Contractual Services - Minor decrease of \$300 for a total request of \$1,100.
4. Commodities - Increase of \$3,000 for a request of \$3,200 projected for the next fiscal year. Increase is totally related to parts, supplies and accessories.
5. Equipment - \$200 budgeted in this account for the purchase of office equipment.

C. Petroleum Geology Section

1. Personal Services - One new petroleum geologist requested for \$17,600. Cost of existing positions budgeted at \$64,200.
2. Travel - Amount requested \$2,200 for an \$800 increase over current level.
3. Contractual Services - Amount requested \$2,700 for \$900 increase over current level. Increase due to adjustments within sub-accounts
4. Commodities - Amount requested \$900 for a \$500 increase over current level. Increase is in the area of clothing, maintenance and professional supplies.
5. Equipment - \$900 are requested for the purchase of office equipment and furniture for the new geologist position.

PUB
WORKS

SENATE FINANCE COMMITTEE

February 20, 1970
8:05 a.m.

A meeting was held by the Senate Finance Committee on February 20, 1970, with the Department of Public Works concerning their 1970-71 budget requests. The following were present: Senators Phillips, Haggland, Blodgett, Bradshaw, Lewis and Koslosky; Charles L. Buck, Director, Div. of Communications; Tracy Kaldor, Administrative Director, Office of the Commissioner; Eugene A. Smith, Budget & Management; Ed Canyon, Budget Analyst; Mario F. Martini, Senate Fiscal Counsel.

Communications
Bush Country

Communications were discussed and it was agreed that communications are very essential in the bush country and they are asking for more of it all the time. The biggest items under contractual services are for having an engineering survey made for a three-way radio system and the hiring of an attorney to represent us before the Federal Communications Commissioner. We make more headway when we are represented in person. Our travel request is increased due to the taking over of BIA schools. We must service the radios.

Disaster Office

Senator Lewis wanted to know how the Disaster Office tied into public works. Mr. Buck explained that they maintain communications services for all departments.

Office of the
Commissioner

In the Office of the Commissioner another civil engineer is needed to approve plans and contracts and also to check change orders. Plans are being turned out so fast that errors sometimes do get by. With additional professional help we hope to prevent these errors getting through. The Clerk-Typist position requested is to support the engineer.

Airport Leasing
Officer

There is a need for a leasing officer and a clerk-typist II to handle the workload at the international airports. The department is handling over 600 lease agreements at the airports and in order to effectively protect the

State each agreement must be fully reviewed; therefore, they need more help.

Clerical Employees There is also a need for three more clerical positions to handle the additional workload in connection with marine transportation. There was an increase in the amount of records to be maintained on some 500 more employees in the department therefore an accounting clerk II is needed to keep up with the paperwork.

Engineer

In connection with the engineer, Senator Blodgett said you can't sit in an office and supervise the plans on a job. Mr. Johnson said that the state has inspectors. Senator Lewis said we have enough engineers to review these plans for the extras negotiating the change orders. If we give you one man it will not help the

Airport Plans

Department of Aviation. Senator Blodgett then said the Division of Aviation and Division of Water and Airports should catch these mistakes. Senator Phillips asked what extras are we running into. Mr. Kaldor said the international airport plans are messed up and Senator Phillips said they knew there would be mistakes on the airport plans. Senator Blodgett said if the people are not competent--get rid of them.

City of Juneau
Electric & Sewage
Rates

The City of Juneau increased their water and sewage rates by \$10,500. Senator Phillips asked what makes electricity more expensive today than yesterday. Mr. Johnson said that the equipment is undergoing additional maintenance and wages have gone up 25%.

BIA School
Maintenance

New positions have been requested for maintenance because there is additional work to be done in the BIA schools which are out in the borough districts. Senator Blodgett said there are serious problems out in the schools. The extremely low education of the people in the villages make it wrong to turn over to them a physical plant worth thousands of dollars. The Senator wanted to know if the department had any liason with the Department of Education.

IBM Room Wiring

Mr. Johnson said that the IBM room must be wired with heavier wire for our own safety. The room must also be brought up to code.

Museum Repairs

Mr. Johnson said that City of Juneau built the museum building and even though its a comparatively new building it already needs a new roof. It will also be necessary to repair the elevator shaft because it is crooked. It will cost \$1.

Insurance on State Buildings Senator Phillips said that all the buildings in the State should be insured at

100% replacement value. There is a way to handle this and it should be checked into. Mr. Johnson said that the Division of Supply handled insurance coverages.

Maintenance Program

Mr. Johnson said that they have a continual maintenance program going. They use local people wherever possible and send in a working foreman type person.

Planning & Design

In the Planning and Design Division they are requesting one architect and one assistant architect as they are predicting they will have a full schedule.

Micro-film equipment

State statutes require that a copy be made of all drawings and plans, therefore, the department is requesting \$12,000 to purchase micro-film equipment.

Adjournment

Meeting adjourned at 10:30 a.m. to be reconvened at 9:00 a.m. on February 21.

SENATE FINANCE COMMITTEE

February 21, 1970
9:00 a.m.

Present: Senators Vance Phillips and Haggland. Also present: Harold D. Strandberg, Commissioner, Department of Public Works; Harry A. Wakefield, Director Division of Aviation, Furt Esmond, Dept. Director Marine Transportation; Ed Granger, Lars Johnson, Tracy Kaldor, Director of Administration. Eugene Smith, Div. of Budget & Management, Ed Canyon, Budget Analyst, Mario F. Martini, Senate Fiscal Counsel.

Deputy
Commissioner at
Airport

Mr. Wakefield said that the unprecedented growth and requirements for extra facilities at the airport has pointed out the need for a deputy commissioner which we got under Executive Order 20. We are not doing a lot of things that should be done. Specifically, the promotion of aviation in Alaska. We should publish a map and directory of airports and fields. Almost every state organization wants information on aviation. Our leasing man is snowed under with paper work and he is required to attend many meetings. It is a real administrative problem. Leases are not being recorded and are kept in the Commissioner's Office. There is nothing in the state statutes that requires that they be recorded. It is the prerogative of the lessee to record the lease. Our leases are different from regular land leases.

Leases

Airport
Surveying

It will be a costly job to have the airports surveyed and we will have to survey the two international airports first. Most active airport surveying to be done on contract basis.

Anchorage
Airport

Gate Space

At the Anchorage Airport the ticketing and packaging area is sufficient until 1990 or 2000. The thing they are short of is gate space. One idea they are working on is to park international flights on the North apron and bus people to and from U.S. Customs. This practice is quite acceptable in Europe and in the Far East. The type of bus being considered carries 14 seats and many standees. In total, the bus will carry 125 people and the approximate cost

Buses

2/21/70

is \$40,000 each. They will need three buses.

North Apron
Extension

The airport management is planning to extend the North apron out 7,500 feet further. The study is at the FAA for approval right now.

Terminal
Facilities

Mr. Wakefield said that when they get up to five million passengers, they will need approximately \$30 million in terminal facilities.

Airport Hotel

Senator Phillips asked what they are doing about the hotel bids. Mr. Wakefield said that some people in town were opposing the whole idea, but the reason they were putting it out for bid was 1. more than one applied; 2. couldn't put this type of building on the ground they wanted; and 3. they could not use this kind of ground for airplanes. They felt that the hotel would be a valuable revenue producer and it would help pay for things that have to be done.

Equipment

Senator Phillips then asked how they were getting along with the Highway Department on equipment. Mr. Wakefield said that if there is one piece of equipment and two departments need it at the same time, the department who is in possession of it usually uses it first. We need our equipment now--not tomorrow. We are confronted with a different situation and, frankly, we don't have time to talk to anyone. Keeping an airport running efficiently requires having equipment ready to use. Senator Phillips said that they were looking into this. Mr. Strandberg said that it was his personal opinion it might be better to have the equipment with the Department of Administration instead of the Department of Highways.

Fire Fighter
Guards

With the tremendous increase in business at the Airport, fire fighter guards are needed to meet minimum FAA requirements and the Airline Pilots Association's requirements. At the present time, we do not meet requirements. We are planning to fence off the runway to keep people, dogs, and animals off.

Runway 6

Senator Phillips asked what would happen to Runway 6. Mr. Wakefield said that priority for snow removal will be given to the new one. Runway 6 will be used for general aviation and business planes.

Time Clocks

Senator Phillips asked what the department thought about time clocks. Mr. Wakefield said that he didn't think they had any problems. He said it wouldn't help. There isn't much you can do to increase efficiency, you just have to work on it every day.

Parking Lot

The \$880,000 parking lot will include underground sewage and other work and should be completed by October. In the early summer they will go out for bids. They plan to have a free lot, but it will be further away from the terminal. The meeting recessed from 10:55 a.m. to 11:00 a.m.

It was decided not to review the Fairbanks Airport as all things peculiar to the Anchorage Airport were just about the same at Fairbanks.

Architect
Construction Plans

Mr. Wakefield said that they needed an architect to survey and approve all changes on construction. At the present time, they do not have anyone capable of doing this. Senator Phillips then asked where they were putting the new people. Mr. Wakefield said we are going to let out the building they were in and then would build a new building.

Adjournment for
Lunch

The meeting adjourned at 11:35 a.m. to reconvene at 1:30 p.m.

The meeting reconvened at 1:30 p.m.

Present

Senators Phillips and Haggland. Harold Strandberg, Commissioner Public Works; Harold J. Lockert, Director, Division of Marine Transportation; Burt Esmond, Deputy Director Marine Transportation.

Food Service
Department

Under administration, eight of the positions are filled by employees who were under the Universal contract which phased out on February 1, 1970. We felt that we could serve better food, at a lower cost, and give better service to the public if we operated the Food Service Department on our own.

Purchases

Senator Phillips asked where they go for supplies and learned the department has its own purchasing agent in Seattle. He also asked about their advertising program. Mr. Lockert said that they do not agree with the Department of

Advertising

Specialized Advertising

Economic Development on advertising. The Marine Transportation System needs to develop a certain kind of West Coast and Regional advertising whereas the Department of Economic Development is promoting the entire State of Alaska. The Marine Transportation has been trying to aim their advertising for off-season travel.

Reservations System - Telex

The reservations system has been expanded throughout the state and it was instituted on May 15, 1969. With the telex system we have communications fast and accurate.

Labor Union Contracts

54% of our increases are in personal services. Our labor contracts are up the first of July and they are asking for a 7-1/2% increase. The State of Washington charters are asking for a 14.8% increase.

Increased Revenue

Our revenue is going up each year. Last year, we were booked full in July and August so its hard to increase those months. We are getting increases in the off-season and anticipate more travel in March, April, May and June this year which will increase our revenue.

Adjournment

Meeting adjourned at 2:45 p.m.

DEPARTMENT OF PUBLIC WORKS

1970 - 71 BUDGET REQUEST

REVIEW & ANALYSIS

I. Department Toal

A. Position Analysis

New positions authorized F.Y. 69-70	<u>32</u>
Total currently authorized positions:	812
Departmental Changes 1969-70	3
New positions requested F.Y. 1970-71	<u>118</u>
Total positions F.Y. 1970-71	<u>933</u>

B. Departmental Request

Total authorized F. Y. 1969-70	\$ 21,095,700
Departmental Request F. Y. 1970-71	31,204,900
Percent of increase	48%
Total allowed by Governor's Budget Review Committee	27,398,300
Percent of increase	30%

II. Division of General Administration

A. Office of the Commissioner

1. Personal Services. Two new positions requested at a total cost of \$29,600. Of these positions one is a professional and the other is clerical. Cost of existing positions are budgeted at \$84,100 for an increase of \$22,800 over the current fiscal year. Total personal services cost are budgeted at \$117,900 for a 85% increase over the current fiscal year.
2. Travel. Amount requested is \$10,100 for an increase of \$3,100 over the current fiscal year. Part of this increase is due to the new professional position requested. Balance is due to expanded level of services projected for next fiscal year.
3. Contractual Services. Amount requested \$9,500 for an increase of \$3,700. Increase is due to higher equipment rental costs(\$1,500), additional communication costs (\$1,000) and for the construction of partitions within the Headquarters' Office (\$1,000).
4. Commodities. \$700 have been requested on this account to maintain current level of services and to defray costs of the new positions requested.
5. Equipment. \$1,600 have been requested for the purchase of furniture and equipment for the new positions.
6. Inter-agency Charges. This account reflects a decrease of \$47,500 which is due to the transfer of data processing charges to the Department of Administration. Amount requested is \$3,000 for Central Duplicating Services (\$2,000) and Highway Vehicle Rental (\$1,000).

B. Headquarters Administration

1. Personal Services. One new professional and four additional clerical positions requested at a total cost \$53,800. Five clerical and professional positions have been transferred in from the Division of Buildings at the request of the pre-conference committee (see letter of intent). Existing positions are now budgeted \$437,800 for an increase of \$100,800 over the current fiscal year.
2. Travel. The amount requested \$4,400 for a \$2,200 increase over the fiscal year. None of this increase is due to the new positions requested.
3. Contractual Services. Amount requested \$40,000 for an increase of \$5,900 over the current level. Bulk of the increase is in rents and utilities (\$5,200) with minor adjustments in the other sub-accounts.
4. Commodities. Minor increase of \$300 projected in this account for a total request of \$2,400.
5. Equipment. This account reflects an increase of \$6,000 for a total request \$6,600. Amount requested is for the purchase of office equipment for the new positions and for the replacement of existing equipment.
6. Inter-agency charges. Amount requested \$4,300 for an increase of \$300 over the current fiscal year. \$4,000 of this request is for Central Duplicating Services with the balance budgeted for vehicle rental from the Department of Highways.

Note: This entire program is funded fully from General Fund.

III Communications.

1. Personal Services. One new part time steno position requested at a cost of \$3,900. Cost of existing positions are budgeted at \$309,000 for an increase of \$42,700 over the current fiscal year. Total requested for personal services \$312,900.

2. Travel. This account reflects an increase of \$6,000 for a total request of \$32,000. Expansion of level of services provided as justification for this increase.
3. Contractual Services. \$111,000 are requested on this account for an increase of \$48,000 over the current fiscal year. The increase is largely due to a request for \$56,100 in professional fees and services for legal representation before the Federal Communications Commission (\$5,000) and for \$50,000 to cover the cost of an engineering survey of the three-way radio system.
4. Commodities. Amount requested \$38,000 with a \$4,000 increase over the current fiscal period. Of this increase \$3,500 is in supplies and accessories and \$500 is in office supplies.
5. Equipment. \$528,000 are budgeted in this account for the purchase of communications equipment for all state departments. This represents an increase of \$412,300 over the current fiscal period. An amount of \$63,900 was provided for this purpose in the existing budget.
6. Inter-agency charges. \$20,500 are requested on this account to defray car rental costs (\$15,000) janitorial service (\$5,000) and Central Duplicating Costs (\$500.)

IV Division of Buildings

A. Director's Office

1. Personal Services. Two new clerical positions requested at a cost of \$23,200. Of the existing positions, five of them were transferred to Headquarters' Administration. Cost of existing positions projected at \$89,500 for a reduction of \$41,800 over the current fiscal year. Total personal services requested \$112,700.

2. Travel. \$2,800 requested for a \$1,500 increase over the current fiscal period. Increased travel required to expand current level of services. Of the total request \$1,700 are budgeted for outside travel and \$1,100 are budgeted for inside travel.
3. Contractual Services. Amount requested \$6,900 for a decrease of \$400 over the current fiscal period. Decrease due to minor adjustments within sub-accounts.
4. Commodities. No increase requested. Current level of \$4,700 projected for next fiscal year.
5. Equipment. \$1,900 are requested for the purchase of furniture and equipment for new positions and to replace existing equipment. This is an increase of \$600 over the current fiscal period.

B. Custodial

1. Personal Services. One new custodial worker position requested for \$7,300. Cost of existing positions budgeted at \$214,600 for an increase of \$25,300 over the current fiscal year.
2. Contractual Services. Amount requested \$96,900 for a \$10,500 increase over the current period. All of the increase is due to rents and utilities.
3. Commodities. No increase requested. Current level of \$34,400 budgeted for the next fiscal year.
4. Equipment. A request of \$2,000 is submitted for an increase of \$1,000 over the current fiscal year. Funds are for the replacement of existing equipment and for the purchase of additional equipment.

C. Maintenance

1. Personal Services. Ten new positions requested at a cost of \$111,900. Of these ten positions, four are for the Juneau area, three for Anchorage and three for Bethel. Cost of existing positions projected at \$84,700 for an increase of \$164,100 over the current period. Total personal services \$996,600.
2. Travel. Total requested \$125,500 for an increase of \$47,800 over the current fiscal year. Increase requested to expand current level of services.
3. Contractual Services. Amount requested \$1,037,000 for an increase of \$265,200 over the current fiscal year. This increase is in the area of other contractual services (\$186,200) for an increased cost of general repairs to schools and ASHA facilities, repair services and alterations (\$45,800) transportation of things (\$25,700) professional fees (\$9,500) communications (\$8,500) with offsetting decreases in insurance and bonding (\$14,000) and equipment rental (\$1,700).
4. Commodities. Amount requested \$569,000 for an increase of \$226,300 for the current fiscal year. Increase due to program expansion, additional schools and buildings which necessitates additional construction materials (\$109,500) and other supplies and parts (\$110,300).
5. Equipment. An increase of \$94,300 for a total request of \$20,200 projected in this account. Cost of new appliances projected at \$76,100. This request is also for the purchase of two pickups (\$12,000) and other miscellaneous material.
6. Lands, Buildings and Non-structural Implements. No increase requested. Current level of \$15,000 projected for next fiscal year. This amount requested for the purchase of land for school sites.
7. Inter-agency Charges. \$12,700 are requested in this account for the

rental of vehicles from the Department of Highways and for miscellaneous maintenance charges.

D. Planning & Design

1. Personal Services. Two new professional positions requested in this account (senior architect and assistant architect) at a total cost of \$32,800. Cost of existing positions budgeted at \$236,500 for an increase of \$26,500 over the current period. Total request for personal services \$269,300.
2. Travel. Amount requested \$2,400 for a \$900 increase over the current period. Part of this increase is to defray travel expenses of the new positions requested.
3. Contractual Services. \$9,400 requested for an increase of \$2,800 over the current period. Increase due to moving expenses on new employees (\$1900) and to increased cost of communications (\$1,000)
4. Commodities. An increase of \$2,000 for a total request of \$6,300 is submitted for this account. Increase due to increased costs of professional supplies and of supplies for the new Ozalid machine.
5. Equipment. \$16,500 budgeted in this account for a \$12,500 increase current fiscal year. Of this amount \$45,000 is for office furniture and equipment and \$12,000 is for the purchase of a scan archival system.
6. Inter-agency Charges. \$1,000 requested to defray central reproduction costs.

E. Construction

1. Personal Services. No new positions requested. Cost of existing positions budgeted at \$241,200 for an increase of \$24,700 over the current fiscal period.

2. Travel. No increase requested. Current level is \$1,700 projected for the next fiscal year.
3. Contractual Services. Amount requested \$7,400 for a \$6,300 increase over the current period. Increase is for rents and utilities (\$4,100) equipment rental (\$1,500) and communication costs (\$1,000).
4. Commodities. An increase of \$1,000 for an request of \$1,800 is projected. Increase is for increased level of office supplies.
5. Equipment. \$6,500 requested for this account for an increase of \$6,300. Two automobiles are budgeted for the next fiscal year at an aggregate cost of \$5,700. The balance of the request is for the purchase of office equipment.
6. Inter-agency Charges. No increase requested. \$1,000 budgeted in this account to defray printing costs.

V Marine Transportation

A. Administration

1. Personal Services. Nine new positions requested. All of these positions were established by executive order during the current fiscal year. Six of the nine positions were established to "beef up" the Juneau Terminal, one was added to the Haines Office, and two added to the Seattle Office. Total of these positions is budgeted at \$111,600. Cost of existing positions is budgeted at \$753,100 for an increase of \$138,100 over the current fiscal year. Total cost of personal services budgeted at \$864,700 for an increase of 40.6% over the current fiscal year.
2. Travel. Amount requested is \$26,500 for an increase of \$11,100 over the current fiscal year. Newly established positions account for \$6,200 of this increase.

3. Contractual Services. Amount requested \$258,300 for an increase of \$103,300 for the current fiscal year. Increases of \$40,800 in rents and utilities, \$31,400 in printing and advertising, \$27,300 in communication costs, and \$2,300 in professional fees and services make up the bulk of the increase requested.
4. Commodities. An increase of \$5,900 projected in this account for a total request of \$11,400. Increases for the purchase of fuel \$1,900. Supplies and accessories \$1,700. Increase in office supplies \$2,300.
5. Equipment. Amount requested \$4,100 for a decrease of \$1,800 over current level. The request is for furniture and office equipment for the new positions.
6. Inter-agency charges. \$6,000 requested in this account for central duplicating services for the divisions. \$28,500 formerly budgeted in this account for data processing services have been transferred out.

B. Southeast System

B1. Operation

1. Personal Services. No new positions requested. Cost of current positions budgeted at \$3,378,200 for an increase of \$287,100 over the current fiscal year.
2. Travel. Amount requested \$16,400 for an \$10,100 increase over the current fiscal year. Most of this increase is to provide emergency funds to handle un-anticipated situations when they occur.
3. Contractual Services. Amount requested \$1,616,600 for an increase of \$193,700 over current level. Bulk of the increase is in repair services and alterations (\$136,000) and in professional fees and services (\$65,500).

4. Commodities. Amount requested \$1,079,500 for a \$179,500 increase. The increase is in maintenance and construction materials (\$70,400) supplies and accessories (\$53,600) and other supplies and parts (\$16,800).
5. Equipment. Amount requested \$28,100 for a \$10,600 decrease from the permanent level.
6. Inter-agency charges. \$5,600 budgeted in this account for car rental from highway pool.

B2. Stewards

1. Personal Services. No new positions requested. Amount budgeted for existing positions \$1,769,100 for an increase of \$146,800 over current level.
2. Travel. Increase of \$6,500 to provide for contingencies proposed in this budget. Total request \$8,300.
3. Contractual Services. Total requested \$105,800 for a decrease of \$91,700 from current level. Bulk of decrease is in professional fees and services (\$80,800) due to the discontinuance of a contract with USI. Other decreases are in transportation of things (\$5,000), other contractual services (\$4,800) and communications (\$3,000) with minor adjustments in the other sub-accounts.
4. Commodities. Total requested \$638,600 for an increase of \$53,300 over current level. Increase primarily in the area for food for human consumption (\$45,300) with minor increases in maintenance costs and other supplies.
5. Equipment. Amount requested \$23,500 for an increase of \$16,400 over current level. Request is for additional appliances and for the replacement of some existing equipment.

6. Inter-agency charges. \$4,200 budgeted for car rental costs.

C. Southwest System

C1. Operations

1. Personal Services. No new positions requested. \$886,800 budgeted to cover cost of existing positions and an increase of \$13,800.
2. Travel. Amount requested \$5,900 for a \$1,200 increase from the current fiscal year.
3. Contractual Services. An increase of \$110,700 projected for next year for a total request of \$658,000. The increase is in insurance and bonds (\$38,400) repair services and alterations (\$36,500) and rents and utilities (\$34,600) with minor adjustments in the other sub-accounts.
4. Commodities. Minor increase of \$7,500 for a total request of \$327,400. Increase is in motor vehicle parts (\$4,900) and maintenance and construction materials (\$2,200).
5. Equipment. \$6,800 requested for a decrease of \$11,300. Amount requested for further purchase of equipment and replacement of existing equipment.
6. Inter--agency charges. \$1,800 requested for car rental costs.

C2. Stores

1. Personal Services. No new positions requested. Cost of existing positions budgeted at \$221,000.
2. Travel. Minor increase of \$200 for total request of \$2,100.
3. Contractual Services. Total requested \$21,400 for a decrease of \$6,000 over the current fiscal year. Reduction in professional fees and services (\$24,000) and other contractual services (\$1,700) is

partially offset by increase in rents and utilities (\$9,100)
repairs and alterations (\$4,800) and other minor adjustments.

4. Commodities. Amount requested \$178,200 for an increase of \$4,600 over current level. Practially all of the increase is for the purchase of food with minor adjustments in other sub-accounts.
5. Equipment. \$6,800 requested for a \$5,800 increase over current level. All of the requests is for the purchase of special equipment for this program.

VI. Aviation

A. General Administration

1. Personal Services. Five new positions requested, three of a professional and supervisory nature and two of a clerical at a total cost of \$64,100. Cost of existing positions budgeted at \$194,400 for an increase of \$23,200 over the current fiscal year. Total personal services request \$258,500.
2. Travel. Amount requested \$13,600 for an increase of \$5,600 (70%) over the current fiscal year. Part of the request is for the new positions requested (\$2,400). The balance requested to handle increased program needs.
3. Contractual Services. Amount requested \$139,300 for an increase of \$69,900 over the current period. Practically all of the increase (\$68,000) is in printing and advertising with minor adjustments throughout the other sub-accounts.
4. Commodities. Amount requested \$7,300 for an \$1,900 increase over the current fiscal year. A \$1,500 increase is projected for stationery and office supplies with minor increases in professional and miscellaneous supplies.
5. Equipment. Requested \$7,400 for a \$4,400 increase over the current period. Besides equipment and furniture for the new positions and for the replacement of existing equipment, the request includes \$3,000 for the purchase of a station wagon.
6. Inter-agency charges. \$32,000 requested. Data processing services (\$28,400) and for equipment rental from highways (\$3,600).

B. Airport Operations

1. Personal Services. Eleven new maintenance positions requested in this budget at an aggregate cost of \$159,000. Cost of existing positions budgeted at \$1,007,500 for an increase of \$167,200 over the current

fiscal period. Total requested for personal services \$1,166,500.

2. Travel. Amount requested \$53,800 for an increase of \$21,800 over the current fiscal period. Of the increase, \$19,100 are applicable to the new positions requested. Balance of the increase is to handle expansion of services.
3. Contractual Services. Amount requested is \$902,800 for a net increase over last year \$75,400. Increases in other contractual services (\$128,300) insurance and bonding (\$49,900) transportation of things (\$27,900) rents and utilities (\$11,000) repairs, services and alterations (\$4,800) communications (\$3,600) and professional fees and services (\$3,000) partially offset by transfer of equipment rental costs (\$153,100) to the inter-agency services account.
4. Commodities. Substantial increases in other supplies and materials (\$24,300), motor vehicle parts and supplies (\$19,900) maintenance and construction and materials (\$16,900) contribute to an over all increase of \$54,500 for this account for a total request of \$288,200.
5. Equipment. \$3,000 increase envisioned in this account for a total request of \$153,000. The request in this account was reduced by \$2,115,500 by the Governor's Budget Review Committee. Original request included a number of heavy duty units which the Division of Aviation is now renting from the Department of Highways working capital fund.
6. Inter-agency charges. \$669,000 requested for an increase of \$226,000 over the current fiscal year. Amount requested is for payment to the Department of Highways for airport maintenance (\$403,000) and for equipment rental from the equipment pool (\$266,000).

C. Anchorage International Airport

1. Personal Services. Forty-three new positions requested in this budget at a total cost of \$542,200. Cost of existing positions projected at

\$1,387,100 for an increase of \$153,400 for the current fiscal year.

Total budgeted for personal services \$1,929,300.

2. Travel. Amount requested \$14,500 which is an increase of \$13,500 over current level. Increased participation and communication with personnel in the field and other airports provided as justification for this increase.
3. Contractual Services. \$889,600 requested for a net decrease of \$5,900. Decrease is due primarily to the transfer of equipment rental costs to the Inter-agency Charges Account (\$155,800). The increase of \$131,800 is shown in the insurance and bonding sub-account and \$33,500 in the repairs and services account. Other adjustments are made in all other sub-accounts.
4. Commodities. Amount requested \$355,900 for an increase of \$187,900 over the current fiscal period. Of this increase \$148,200 is in maintenance and construction and \$30,200 is in other supplies, materials and parts. A \$7,200 increase is also shown in the clothing sub-account.
5. Equipment. \$111,200 is requested in this account for a decrease of \$102,500. As indicated in Item B-5, the original budget proposed by the Division of Aviation made provisions in this account also for the purchase of heavy duty equipment. This request was denied by the Governor's Budget Review Committee.
6. Inter-agency Charges. Amount requested \$599,800 for equipment rental (\$586,200) and for other contractual services (\$13,600).

D. Fairbanks International Airport

1. Personal Services. Twenty-six new positions, 16 of which are firefighter guards requested in this budget at a total cost of \$310,700. Cost of existing positions budgeted at \$508,500 for an increase of \$57,900 over the current fiscal year. Total personal services requested \$818,200.
2. Travel. Amount requested \$5,800 for an increase of \$4,100 over current level. Part of amount requested \$2,900 is budgeted for outside travel. No outside travel had been authorized for the current fiscal year.

3. Contractual Services. Amount requested \$380,100 for an increase of \$153,000 over the current period. Increases in other contractual services (\$133,000) for a janitorial contract for the terminal (\$57,800) in rents and utilities for increased costs of electricity and other utilities and \$52,200 in insurance and bonding are partially offset by reduction in equipment (\$94,700) due to the transfer of these rental costs to inter-agency charges.
4. Commodities. Amount requested \$132,300 for a \$57,000 increase over current level. Increases in other supplies and parts (\$20,200) motor vehicle parts and accessories (\$11,700) clothing (\$19,200) maintenance and construction materials (\$9,000) are offset partially by a decrease in fuel costs of (\$11,000).
5. Equipment. Amount requested \$41,100 for an increase of \$35,800 primarily for the purchase of equipment typical for this program. Some office furniture and equipment is also projected in this budget. The same comments that applied in B5 and C5 above also apply to this account.
6. Inter-agency charges. \$204,100 budgeted for the rental of equipment from the highway motor pool.

E. Design Engineering Administration

1. Personal Services. Two new professional positions requested (civil engineer and realty officer) at a cost of \$30,000. Cost of existing positions budgeted at \$192,600 for an increase of \$60,600 over current fiscal year.
2. Travel. Amount requested \$18,800 for an increase of \$11,300 over current period. Program expansion and addition of two new positions provided as justification for this increase.

3. Contractual Services. Amount requested \$30,000 for an increase of \$3,800 over current period. An increase of \$8,500 in professional fees and services is partially offset by increase in repairs, services and alterations (\$3,500), equipment rental (\$1,000) and other minor adjustments within the sub-objects.
4. Commodities. Amount requested \$4,200 for an increase of \$3,000 spread evenly among the sub-accounts.
5. Equipment. Amount requested \$7,500 for a \$2,600 decrease from current level.
6. Lands, Buildings and non-structural improvements. \$10,000 budgeted for land acquisition. This is a decrease of \$1,000 from current level. Grants Clsims & Shared Revenue. No increase requested. Current level of \$1,000
7. Grants, Claims & Shared Revenue. No increase requested. Current level of \$1,000 projected for next fiscal year. This amount requested to defray training costs.
8. Inter-agency charges. \$13,500 projected in this account. \$12,000 for legal services to be provided by the Department of Law and \$1,500 for car rental for highway equipment pool.

F. Construction Engineering Administration

1. Personal Services. No new positions requested. \$65,900 are budgeted for personnel costs for the forthcoming fiscal year.
2. Travel. Amount requested \$7,600 for a \$5,100 increase over current level. Increase justified by program expansion.
3. Contractual Services. Amount requested \$6,300 for a \$4,700 increase over current fiscal year. Of this increase \$3,000 is in equipment rental, \$1,000 in printing and advertising, with other minor adjustments within the account.

4. Commodities. \$2,500 requested for a \$1,300 increase over the current period. The request is in the area of professional and scientific supplies with minor adjustments in other sub-accounts.
5. Equipment. Amount requested \$8,200 for an increase of \$7,400 over the current period. The request is primarily for equipment peculiar to this program and for the replacement of a limited amount of office furniture and equipment.
6. Inter-agency charges. \$1,800 are budgeted in this account for the rental of highway motor pool cars.

U OF A

SENATE FINANCE COMMITTEE

FEBRUARY 23, 1970

8:00 a.m.

A meeting was held by the Senate Finance Committee on February 23, 1970, with the Board of Regents and Staff of the University of Alaska concerning their 1970-71 budget requests. The following members were present: Senator Vance W. Phillips, Chairman; Senator P. B. Haggland, Vice-Chairman; Senators Bob Blodgett, Howard Bradshaw and Terry Miller. Also present: Dr. William R. Wood, U. of A. President; Dr. Don Theophilus, Academic Dean; Robert E. McFarland; William A. O'Neill, Chrmn. of Board; Mrs. Edith Bullock, Regent; Brian J. Brundin, Regent; Dr. Hugh B. Fate, Regent; Dr. Peter Rae; Lawrence Lackey, Planner; Harold Byrd, Budget Management; R. Holden, Architect; John O'Shea, Pres. Alumni Assn.; Lou Haines; Mrs. Kathleen Berry; Mario F. Martini, Senate Fiscal Counsel; Eugene Smith, Budget & Management; Walt Norem, Budget Analyst.

Chairman Vance W. Phillips called the meeting to order at 8:00 a.m., and asked Dr. Wood to introduce his people from the University.

Senator Phillips then asked what the long range plans were for the University of Alaska and how does it respond to the needs of the state. Dr. O'Neill introduced Mr. Lawrence Lackey, Consulting Architect, and he presented Phase I "Comprehensive Plan for Public Higher Education", a copy of which was distributed to each member. Senator Phillips then asked what priorities does the U.A. have in the academic field. Where does mining, agriculture, and forestry fit? The President then said that their list of priorities was primarily in the capital improvement plan. In the agricultural study they have a ten-year projection of programs for the State of Alaska. They are studying the matter of growing grains as well as looking forward to the final commodity to be marketed. The facility for mining was in the capital improvement budget which is an item that is not in according to the Governor's Budget Review Committee. Senator Blodgett

Long-range
Planning

Academic
Priorities -
Mining, Agric. &
Forestry

for mining was in the capital improvement budget which is an item that is not in according to the Governor's Budget Review Committee. Senator Blodgett asked what specifically was being done about reindeer? Dr. Frank Rae said that they haven't a regular on-going program for the use of reindeer as red meat. It was a study in the area of radio active fallout harming the reindeer and its affect upon the Eskimo eating this meat in his diet. They have had a management program working for the reindeer owners.

Reindeer Study

Mr. O'Neill was then asked what the plans are for the University right now and other potential areas and also what is the joint effort with AMU in Anchorage. Mr. O'Neill said that they are trying to get maximum facilities for the best use of the people in Anchorage. They are expanding main courses at University and have had a request for three new community colleges which is an indication of what they are faced with.

U. of A. Plans
AMU, Anchorage

Senator Phillips then asked what were the number of students enrolled for Fall of 1969 and what were the number of credit hours signed up for.

Student Enrollment
Credit Hours

Dr. Theopodilus replied that at the main campus in Fairbanks they had a 3% increase in enrollment, but a decrease in credit hours. The South Central region shows more people attending full time instead of part time. This may explain why some of those admitted did not show at the University. Another reason for the decrease may be due to the semester starting one week earlier and some students were still working.

Native Students

Senator Blodgett then asked what effort the university had made to encourage people out of the 2nd Judicial District to attend the university. Dr. Woods said they shared his concern and said that unfortunately many of the students are not qualifying to go to college under the educational system we have. They have submitted a document to the Governor's Office to assist native students.

Student Enrollment
Projections

Senator Phillips then asked what the projections on student enrollment are for the Fall of 1970. Mr. O'Neill said they projected an increase of 12%. Dr. Theophilus said they have instituted a two-year academic planning cycle whereby

Academic
Planning Cycle

Hour Cost

Interest Courses

Selected
Management
Practices Report

Faculty Housing

Married Student
Housing

instructors and professors will be asked to review each course and all combined will produce effective education. (A copy will be made available of the planning cycle.) The total credit hour cost per student was \$103.60 for 1968-69. We should not over-emphasize credit hours in view of the people taking interest emphasis courses. As you gradually build up interest this will lead them to degrees. Senator Phillips said that this is a by-product. Our basic aim is to get students interested in getting degrees.

Mr. Martini said that interest courses are primarily all of a self-supporting nature. Mr. O'Neill then said that the actual cost of the instruction is self-supporting, but not the over-all costs.

Senator Phillips then said that Mr. Martini, on behalf of the Finance Committee, had worked up a report entitled "A Review of Selected Management Practices at the U. of A.", and copies of this report were then passed out to those present. Senator Phillips then said that the Finance Committee likes to be constructive not destructive. Copies of the program were then passed out to those present. Dr. Woods then said that the University has had positive support by Mr. Martini in their comprehensive planning and they are looking forward to his help a little more in the coming year.

The meeting then recessed at 9:30 a.m. for 10 minutes.

After the recess, Senator Miller asked what the Board's priorities would be if they were given only the amount the Governor's Review Committee stated. How about faculty housing? Mr. O'Neill said there would be no more faculty housing on campus. They felt that private enterprises should be able to provide housing. They have had to add married student dormitories to the campus. The university has had an offer from a major oil company to help build additional housing. They would put up \$500,000 in cash and the balance of money would be paid off by the rentals. After the housing is paid for the units would then revert to the campus. High-rise buildings would be too expensive to build, therefore, town house type dwellings will be built.

Town House Type
Dwellings

They will be completely self-contained and will not draw off of the school's physical plant facilities.

Mr. O'Neill said that the Brookings Institute has just stressed the importance of education in Alaska. On going programs must be continued and some new programs started. Senator Phillips said that somewhere along the line we have to put a priority on mining. We should build up credit hours in these programs.

Mining

Mr. O'Neill said that no mining engineers have been graduated. Senator Phillips wanted to know what the big push was on "new starts". He said we should get more graduates in the upper classes. Dr. Woods said that they have an exchange program with other schools to cover mineral field of study. This is less expensive than gearing up a full program for one or two students at this time. High school students are not choosing engineering and geology courses. Senator Phillips said that all we have in this state is resources and we must increase these vital fields. Dr. Woods said that they have increased their graduates from 100 students in 1961 to about 400 this year (20% jump in the past year).

Resources -
State's Wealth

Senator Blodgett said that he noticed the emphasis was in Liberal Arts. While these courses are essential, so are engineering and geologists. Mrs. Bullock said that you cannot force the students into a particular field. We can try to counsel students to go into these fields. Senator Miller then asked what

Academic
Enrichment

the university planned to do about academic enrichment. A student goes for two years and has made a tremendous investment (money and timewise) only to learn that the upper division courses do not have enough depth. He then will plan to leave the school to get what he needs. Mr. O'Neill agreed that this was the case sometimes, but it will take time and money to improve this situation. It cannot be done overnight. One of the factors that would improve things would be to employ full time professors rather than part time lecturers.

Data Processing

Senator Phillips then asked for a run down on the utilization of the existing computer system. What systems are processed and what problems do they have, level of support and personnel problems, etc. The computer is used to run the school's bookkeeping requirements, registrar reports, inventory projects and various research projects. If there is any remaining time left on the machine, we sell it to private industry which helps to offset the cost of the equipment. As far as personnel is concerned, we have a terrible time recruiting. We do have an on the job training program, but then we lose them to higher paying positions.

Mr. Max Cullyer

Dr. Woods announced that Mr. Max Cullyer, presently Controller at Purdue University, will join the university staff permanently sometime in April. Senator Phillips asked how many full time faculty do you have on the campus at the present time and what is the ratio of faculty to student. Dr. Woods answered that they have 138 full time faculty in Anchorage and the existing ratio is 12 to 1. The nation wide ratio is 16 or 17 to 1 and the community college ratio is 20 to 1 in the states.

Faculty to Student Ratio

Faculty Salary Increases

Senator Miller asked why the salary increase was so necessary when the turnover has been reduced. Dr. Theophilus replied that in order to get and keep the best qualified instructors and professors, we have to pay more salary. The university is way behind other institutions and practically every teacher on the staff has been offered more money some other place. The high cost of housing is one of the things that eats up the larger part of their salaries.

Merit System

Senator Phillips said that there is talk of putting the University's personnel under the merit system. He would like to know if the University has a position on this? Dr. Woods thought that the system at the University is more efficient for them than the proposed merit system. If they were placed under the merit system, it would create some problems. The holidays scheduled under the merit system are different from those scheduled for the school.

The meeting recessed at 10:50 a.m. to be reconvened at 11:00 a.m.

Mr. Martini passed out copies of his report on Program Budgeting. He explained that at the end of the session last year, the Senate Finance Committee asked that the Program Budgeting should be reviewed and evaluated with an actual example. Dr. Wood and Dr. Theophilus were in favor of this endeavor and were very cooperative. Mr. Martini said that the sample was made on assumptions and does not represent true figures. There is a definite difference between line item budgeting and program budgeting. The University is not ready for it yet.

Senator Phillips announced that the Senate Finance Committee had made a "Vocational Education Program Review" and Mr. Martini would pass out copies of this report. Dr. Woods said that the Citizens Advisory Group had done some serious thinking on this too. He realized that there is a general need for expansion for the vocational program in the state. Senator Phillips said that one of the biggest problems was the fact that you had to talk to so many people in order to get anything done. He felt that there should be only one source (or boss). Dr. Woods said that one of the basic problems in the program is the fact that funds are received from several different areas that support the program. Dr. Woods said that there was a study underway to ascertain who does what. If the state paid most of the bills, it would be a very simple thing to handle; but if most of the funds come from out of the state it means a different kind of structure. There is no immediate solution.

Senator Phillips said that an autonomous group would be the best thing. Take one man and one community college board for all. Regent Brudin said that he was afraid that if the community colleges were set apart from the university under a separate board entirely, the course accreditations would be lost under the University's charter. Community colleges are extension centers of the University of Alaska. When the accreditation team comes again to review the

Program
Budgeting

Vocational
Education Program
Review

Community College
Board

Course
Accreditation

school fully, they will examine Anchorage Community College separately as it will no doubt be able to stand on its own, but this will not be true of the other community colleges.

Library Senator Phillips asked Mr. O'Neill to tell more about the Library for \$6 million. Mr. O'Neill said that you have to look forward to the future and the money requested for the library's joint use by U. of A. and AMU is based strictly on the economics for the Anchorage Borough. I believe we have to move forward in this direction. We have not developed the library at the Anchorage campus to the extent where it should be because we have not had a place to put it. Alaska Methodist University AMU is willing to deed us twenty acres of land. Senator Phillips then asked why we did not absorb AMU. Mr. O'Neil thought it was a good idea, but felt that we would have another private institution in Alaska eventually. AMU'S enrollments are way down and their expenses are high; therefore, Senator Phillips thought the Library should be on the main campus. Dr. Woods felt that some good effective arrangement between private and public education could be worked out and we could have the advantages of both.

Peterson Board Mr. Ray Peterson, Chairman of Wein Consolidated and also on the Board of AMU, was invited to speak on behalf of AMU. He said that a great deal of work was done by the University Regents and the Trustees of AMU on the Library. They looked at all sides of it. How it would service both schools and get the best library. When prospective students are looking at a school they like to see the size of the library. A good library is important and it is very expensive. The financial position of AMU is a masterpiece of understatement. The school is having a hard time. Competition is good in education and everything.

Living Facilities Another priority of the University concerned parking facilities. The situation on the campus is critical. Mr. Holden said they needed to pave roads not only from an upkeep standpoint, but to save maintenance costs on campus buildings. At the present time it costs \$1.15 per square foot in custodial costs. After

After the roads are paved the dust will cut down and the janitorial costs will be cut 18¢ per square foot. In order to keep clean air in the buildings, they have had to change the filters on the air ducts every two weeks at a cost of \$600.

Senator Miller then inquired about the proposed bond issues.

Senator Phillips said that they will be considered at 8:00 a.m. in Room 11, on February 24, 1970.

The meeting adjourned at 12:30 p.m.

SENATE FINANCE COMMITTEE
February 24, 1970
8:00 A.M.

Present

Senators Phillips, Bradshaw, Blodgett, Lewis.

Dr. Don Theophilus, Academic Dean, University of Alaska;

Dr. Art Boswell; Dr. Peter Rae; Harold Byrd, Budget & Management;

R. Holden, Architect; Lawrence Lackey, Planning; Eugene A. Smith,

Deputy Director, Division of Budget & Management; Walt Norm,

Budget Analyst; Mario F. Martini, Senate Fiscal Counsel.

Summary
All Programs

Senator Phillips called the meeting to order and explained that the Governor's allowance figure for the University of Alaska is listed as a total figure of \$16,000,000 and no distribution for line items has been made.

Senator Blodgett questioned the request for funds for the Alumni Association and if this division should not be self-sustaining.

Dr. Theophilus explained the Alumni Association is trying to develop a publication and organize in order to raise money.

General
Administration

Mr. Martini reviewed the request for five new positions in General Administration and Dr. Theophilus stated the Executive Officer is necessary for analytical studies in connection with program budgeting. Mr. Martini said this position will not necessarily generate enough work to hire a secretary, which has been requested. Senator Blodgett added a long-term plan for capital improvements is overdue, since enrollment is down 1% in Fairbanks and the campus has probably been built in the wrong location.

Dr. Boswell reported the Higher Education Act of 1965 responsibility is assigned to his office and administrative funds are available on a 50/50 basis. Last year Alaska received \$120,000 in program funds and approximately \$10-20,000 in administrative funds. Senator Blodgett questioned the possibility of Federal money not being funded and Dr. Boswell replied the programs are not approved until the middle of the year and they are starting programs in advance of the funds being received from the Federal government.

Senator Haggland arrived at the meeting at 8:35 A. M.

Mr. Byrd detailed the positions requested in General Administration and further justification for increases has been given in the Budget & Appropriation Requests booklet prepared by the University of Alaska.

Senator Miller arrived at the meeting at 8:40 A. M.

Mr. Martini noted the two new positions requested in General Development, and Dr. Theophilus said the Director of Development will coordinate a program to raise funds and will pay for himself many times over. The function has formerly been handled on a consulting basis.

Senator Haggland left the meeting at 8:45 A. M.

The request for five new positions in College of Arts & Letters was justified by Dr. Theophilus by the increase in student credit hours:

College of Arts
& Letters

Table 4.

PROJECTION OF CORPORATE PROFITS IN 1975 AND 1980

	1975 (Projected)	1980 (Projected)
Projected GNP - Current Dollars (billions)	1,410	1,980
Projected Ratio - Corp. Pretax Profits/GNP	10.5%	10.5%
Projected Pretax Profits - Current Dollars (billions)	148	208
Assumed Carrythrough to After-Tax Profits ^{1/}	59%	59%
Projected Corp. After-Tax Profits - Current Dollars (billions)	87	123
Corp. After-Tax Profits - 1969 (\$ billions)	50	50
% Change 1969 to Terminal Year	+75.6	+146.3
1969 Earnings SPCI, Est.	\$5.70	\$5.70
Est. SPCI Earnings Terminal Year	\$10.00	\$14.00

^{1/} Anticipated rate based on experience in recent years and assuming that the 10% Federal tax surcharge is removed.

A PERFORMANCE BENCHMARK FOR COMMON STOCKS ^{1/}

<u>PROJECTED DIVIDEND RETURN</u>					<u>PROJECTED TOTAL RETURN</u>	
<u>Year</u>	<u>SPCI Earn- ings</u>	<u>SPCI Divi- dends</u>	<u>SPCI Price 12/31/69</u>	<u>Dividend Yield on 12/31/69 Price</u>		<u>Assumed Terminal P/E Ratio-1975 = 17x</u>
1969	\$ 5.70	3.13	92.06	3.40%	Projected <u>1975</u> Price SPCI	170
1970		3.43		3.73		
1971		3.78		4.11	Projected Annual Appreciation	11.8%
1972		4.15		4.51	Average Dividend Return	<u>4.8</u>
1973		4.56		4.95		
1974		5.00		5.43	TOTAL RETURN	16.6%
1975	10.00	5.45		5.97		
1976		5.87		6.39		<u>Assumed Terminal P/E Ratio-1980 = 17x</u>
1977		6.30		6.83		
1978		6.73		7.31	Projected <u>1980</u> Price SPCI	240
1979		7.20		7.83	Projected Annual Appreciation	10.9%
1980	14.00	7.71		8.37	Average Dividend Return	<u>5.9</u>
<u>Average</u>					TOTAL RETURN	16.8%
1970-1975		4.40		4.78%		
1970-1980		5.47		5.95%		

^{1/} Based on Standard & Poor's Composite Price Index of 500 Common Stocks

Table 5.

COMPARATIVE RATE OF RETURN ON INVESTMENT IN STANDARD & POOR'S COMPOSITE INDEX
OF 500 COMMON STOCKS AND STANDARD & POOR'S HIGH-GRADE BONDS

Beginning Year	Ending Year												
	1905	1910	1915	1920	1925	1930	1935	1940	1945	1950	1955	1960	1965
1900	Bond 4.49%	4.49%	4.49%	4.49%	4.49%	4.57%	4.62%	4.67%	4.69%	4.72%	4.53%	4.36%	4.23%
	Stock 12.16	8.87	7.23	6.97	7.55	8.51	7.36	7.33	7.45	7.49	7.83	7.89	8.00
1905	Bond	4.28	4.28	4.28	4.28	4.28	4.36	4.41	4.44	4.48	4.50	4.37	4.26
	Stock	4.97	3.94	4.36	5.65	7.27	5.72	5.77	6.03	6.15	6.72	6.85	7.04
1910	Bond		4.60	4.60	4.60	4.60	4.60	4.44	4.30	4.23	4.16	4.11	4.13
	Stock		2.64	3.94	6.00	8.19	6.01	6.05	6.37	6.50	7.18	7.31	7.52
1915	Bond			4.83	4.83	4.83	4.83	4.83	4.51	4.28	4.11	3.98	3.87
	Stock			5.64	8.47	11.10	7.60	7.50	7.80	7.87	8.58	8.67	8.83
1920	Bond				6.18	6.18	6.18	6.18	6.18	6.18	5.58	5.16	4.85
	Stock				12.36	15.18	8.78	8.47	8.79	8.81	9.65	9.70	9.84
1925	Bond					4.93	4.93	4.93	4.93	4.93	4.54	4.26	4.05
	Stock					18.82	6.05	6.17	7.05	7.29	8.67	8.81	9.07
1930	Bond						4.71	4.71	4.71	4.71	4.71	4.43	4.23
	Stock						(8.95)	(2.29)	1.33	2.76	5.44	6.01	6.64
1935	Bond							3.61	3.61	3.61	3.61	3.61	3.74
	Stock							6.57	8.82	8.89	11.26	11.15	11.32
1940	Bond								2.92	2.92	2.92	2.92	2.92
	Stock								11.81	10.59	13.72	13.13	13.09
1945	Bond									2.61	2.61	2.61	2.61
	Stock									9.08	15.03	13.80	13.61
1950	Bond										2.59	2.59	2.59
	Stock										23.07	17.32	10.10
1955	Bond											3.04	3.04
	Stock											10.46	11.53
1960	Bond												4.41
	Stock												12.80

Table 6.

Table 7.

PROJECTED TOTAL ANNUAL RATE OF RETURN
ON COMMON STOCKS THROUGH 1975

	<u>Purchase Price Standard & Poor's 500 Stock Index</u>	<u>Average Dividend Return</u>	<u>Projected Annual Appreciation</u>	<u>Projected Total Annual Rate of Return</u>
	120	3.7%	6.6%	10.2%
	118	3.7	6.9	10.6
	116	3.8	7.2	11.0
	114	3.9	7.6	11.4
	112	3.9	7.9	11.8
	110	4.0	8.3	12.3
	108	4.1	8.7	12.7
	106	4.1	9.0	13.1
	104	4.2	9.4	13.6
	102	4.3	9.8	14.1
	100	4.4	10.1	14.5
	98	4.5	10.6	15.0
	96	4.6	11.0	15.5
	94	4.7	11.4	16.1
(12/31/69)	92.06	4.8	11.8	16.6
	90	4.9	12.3	17.2
	88	5.0	12.7	17.7
	86	5.1	13.2	18.3
	84	5.2	13.7	18.9
	82	5.4	14.2	19.6
	80	5.5	14.7	20.2

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SENATE FINANCE COMMITTEE

April 2, 1970

8:30 A. M.

Present

All members of the Senate Finance Committee and Mario F. Martini, Senate Fiscal Counsel. Pat Irvine, Standard Oil of California; E. Lee Bryant, Marathon Oil Co.; Joseph Trimble, Mobil Oil Co.; Wm. W. Hopkins, Alaska Oil & Gas Association; V. McGrew, Jr., Humble Oil; H. M. Cole, Atlantic Richfield; Roscoe Bell, British Petroleum; William Hopkins, Alaska Oil & Gas Association; Paul Robinson, Alaska Natural Gas Association; other interested members of the oil industry, Senate and press.

SB 262

Chairman Vance Phillips distributed copies of a letter (attached), giving a short history of Senate Bill 262 proposing an increase in the oil severance tax. Senator Phillips then asked for comments from the representatives of the oil industry.

Testimony by
V. McGrew

Vern McGrew, Humble Oil, said the views of his company were as follows: Significant changes in the last year have strengthened tremendously the point that the severance tax should not be raised. The Federal reduction of the depletion allowance from 27-1/2% to 21% and the bill now under consideration by the President's Task Force of the so-called tariff plan reduces the amount of money the oil companies will spend in exploration. The Department of Interior estimated that domestic production would be reduced by 6 million barrels a day should import controls be completely abandoned, creating a significant reduction in domestic oil production. Lease

bonuses would be reduced and exploration would be reduced at least 50%. The Levy report presents the statistics comparing Alaska severance tax with other states, and without question Alaska is lower. But a state such as Texas or Louisiana cannot be compared to Alaska since their oil production areas have been developed and there will be no further exploratory work. Alaska is competing with the Federal government's off-shore lands and right now they are in balance. The increase in severance tax will put the state in a less competitive position with the Federal and hamper future exploration.

Testimony by
Lee Bryant

E. Lee Bryant, Marathon Oil Co., stated taxes are levied to meet revenue needs. Some other states levy a higher rate, but when you compare severance taxes with other states, you also have to compare revenue needs and revenue sources. There should be an equitable tax base so as not to depend upon one segment of the economy. The increase considered in Alaska would only burden Cook Inlet until the North Slope goes into production. This will force premature abandonment of the Cook Inlet wells, where property taxes are also paid to the Kenai Borough on the lands. Oil and gas should not be taxed at the same rate as there are now seven gas fields at the Cook Inlet shut for lack of a market. One of the largest markets could be exportation, and two tankers are hauling gas to Japan, but the profit margin is minimal. Any increase will make other markets more difficult to find.

Testimony by
H. Cole

H. Cole, Atlantic Richfield, said the theory of taxation takes many forms, but it should be fair and equitable. Alaska has more ready cash than any other state and there is no revenue need for the increase in severance tax due to the investment last year by the petroleum companies of \$900 million on the North Slope. Production at the North Slope is a long way off, probably three or four years, and the increase right now will only affect the Cook Inlet, which has not shown any profit for any of the producers. If early abandonment of wells is forced at Cook Inlet, the producer loses and the state loses, since out of every 6 barrels produced 1 belongs to the state. What really hurts is to see other taxes lowered and the oil severance tax raised. The interest of Alaska would be best served by delaying an increase in order to allow Alaska to be competitive.

Testimony by
W. Hopkins

William Hopkins, Alaska Oil & Gas Association, represents 24 oil and gas companies, none of which is in favor of an increase in the severance tax. Money was laid on the line last year by the oil and gas companies and the question today is whether you are satisfied with the level of exploration and investment being done by the companies involved. Comparisons with other states are really of little significance since in comparing Alaska to public land states you will find even the present severance tax is excessive. The only public land state that has a severance tax as high as Alaska is New Mexico, but that is based on 50% of oil and gas production and that state is further along in development. Due consideration

should be given to what is fair and equitable, not to tax on what the traffic will bear.

Testimony by
Roscoe Bell

Roscoe Bell, British Petroleum, noted the state would be in a different position if there had been no interruption in the program. There have been a series of roadblocks placed on the production of the pipeline. There is a great deal of uncertainty as to when oil will be flowing, and there will be a relatively small effect if the tax is increased before the North Slope goes into production. Any change in the tax structure would affect the bonus bids adversely and would decrease confidence in the state due to a change in rules after the leases have been signed. Increases in royalties and severance taxes would increase the fixed costs and will cut back production of a well from 25 years to 22 or 23 years.

Testimony by
Paul Robinson

Paul Robinson, Alaska Natural Gas Association, said he would like to appear as a volunteer before the committee and speak as a private citizen for the first portion of his remarks. The great distinction Alaska has is in being a public land state since 90% of the land is state or Federally owned, providing Alaska with roughly 1/6 of all oil revenue. In addition, there are the bonuses on state lands. Further exploration is indicated in the Yukon, Bristol Bay, lower Cook Inlet and the Gulf of Alaska, which would provide additional revenue. The increase in severance tax now is minimal compared to what could be achieved after further exploration is completed. In representing the Alaska Natural Gas Association, Mr. Robinson said they have not found it economical to transport gas to small communities or any great distances, and the feasibility of

transporting by tanker and rail car is being explored. Any additional cost on natural gas would be a deterrent factor to getting any natural gas to small communities. There comes a point when additional costs cannot be absorbed, but when Alaska Natural Gas tried to pass on to the consumer the last increase, they were prevented by the city council of Anchorage.

Testimony by
Pat Irvine

Pat Irvine, Standard Oil of California, asked if there is a need for the bill, does the bill fit the need, and can we afford it. He felt the increase would be detrimental to the oil industry and there is no need for the revenue which the increase would generate.

Off-shore
Wells

Al Anderson noted the competition between Federal off-shore wells and the State of Alaska and said Alaska gets no revenue from these off-shore wells. Senator Blodgett said the state controls the tide lands and access to the off-shore wells could be blocked by the state, but Mr. Irvine said privately owned property would be found somewhere along the coast. Cost comparisons for off-shore drilling to the North Slope were discussed and the initial costs of exploration are either equal or higher on the North Slope.

Sliding Scale
Tax

Senator Blodgett asked if any state had a sliding scale on severance taxes in order to avoid early abandonment of fields operating marginally. Mr. McGrew said he was not aware of any state having this provisions, but it was an excellent idea.

Adjournment

The meeting adjourned at 9:35 A. M.



Alaska State Legislature

Senate

JUNEAU ALASKA

Sen. Paul Haggland, Vice-Chairman
Sen. Robert Blodgett
Sen. Howard Bradshaw

SENATE FINANCE COMMITTEE

The Hon. Vance W. Phillips, Chairman

Sen. Jan Koslosky
Sen. Clyde Lewis
Sen. Terry Miller

April 2, 1970

Gentlemen:

Subject: Oil Severance Tax

This is to place into their proper perspective the events which took place during the first session of the 6th State Legislature with regard to the oil severance tax. Senate Bill 262 was introduced to raise the severance tax from 3% to 5%. There was considerable interest at the time to have this legislation enacted so that the state would receive revenues which, it was felt, were direly needed to balance the 1969-70 budget.

At that time this legislation was not enacted because:

1. It was the understanding of the Senate Finance Committee Chairman that the passage of such a tax would not bring any direct and immediate benefit in the forthcoming fiscal year, since oil production had not achieved such a level whereby this tax would have brought any substantial relief to the General Fund.
2. More important, this tax was not enacted in light of the fact that the state was considering at that time a sizable land lease sale and it was felt that imposition of such a tax would have a harmful effect upon the results of this sale.

The 1969-70 budget was funded on the following basis:


1. A state liability in excess of \$1,000,000 due to the Department of Interior for the costs of fire suppression incurred during the summer of 1968 was deferred until such time as the state could afford discharging this debt. Subsequent review of the Department of Interior's charges indicated that some of these charges were not warranted and the state benefited from this postponement action to an extent of approximately \$300,000.

2. The Senate Finance Committee budget was prepared within the revenue limitations established by the administration and it did not require additional revenue for its funding.

In light of present developments, and in view of the fact that the North Slope oil wells will not go into production until approximately 1974, the wisdom of raising severance taxes on oil at this time is doubtful. This, however, is a determination that the Senate will have to make. This is in keeping with an agreement made during the last session that this bill would be released from the Finance Committee before this Legislature adjourns.

Consistent with the fair practices observed by this Committee, you have been asked to attend this meeting today and express your views on this matter.

Sincerely,


Vance W. Phillips
Chairman
Senate Finance Committee

VWP:ls

58

470

SENATE FINANCE COMMITTEE MINUTES

APRIL 30, 1970

9:15 a.m.

The meeting was called for the purpose of discussing CS for Senate Bill No. 470. Chairman Vance W. Phillips presided. All members of the Finance Committee were present plus George H. White, President, District One Education Association; Kenneth J. Burgett, Chairman, S.O.S. Administrators' Salary Committee; Senator Lowell Thomas, Jr.; Senator Nick Begich; and Mario F. Martini, Senate Fiscal Counsel.

Senator Blodgett wanted to know why Section I could not be amended to read "teachers currently employed within the state". Mr. Martini said there was a very good strong reason why this should be done. The Department of Education plans to hire assistant teachers and student teachers and the possibility exists of these paraprofessionals being hired as teachers if vacancies occur. However, these teachers should not receive the same salary as a certified teacher unless they have a BA degree and the required hours of educational training.

The Committee Chairman then brought up Section II, Part I, changed from \$10,000 as submitted in the HWE Bill to \$9,500. Mr. Martini said there were two reasons for this; \$10,000 shall automatically force the Anchorage Borough to renegotiate their contracts; Also, there are smaller schools elsewhere in the State where the people are not willing to pay the teachers in excess of \$9,500 because the workload is not there. Pupil attendances in these schools is not comparable with Anchorage or the other large schools.

In discussing Section I, Part 3 (b) it was pointed out that it makes provision for a 5% cost of living for Fairbanks area. Part 3 (c) of Section I makes allowance for a 10% cost of living increase in the westward areas.

Senator Miller asked what the advantages were of spelling it all out in the new bill whereas the HWE bill sets it up in a language rather than a table. Mr. Martini said that this was done to preclude any misunderstanding.

Mr. White said that in Anchorage they do not want to keep people in the system who simply keep their B.A. degree, they want people to continue to get credits and these schedules are planned to augment this movement. He also said that using the theory of Senator Haggland used "you must assume that people who have gained more education are going to be more proficient in the classroom". This is very right thinking. The HWE bill cut this off at the eighth step, but we have added two more steps because it takes quite a time to accumulate 36 hours after the B.A. is obtained. Senator Lewis asked how long it would take to do this. If a teacher went to school every summer, Mr. White said that it would take 4 years; but a teacher cannot afford to go to summer school every year. They figured it would take 8 to 10 years. They also added more steps to the M.A. column because the taking of specific courses toward a specific goal will make the teacher more efficient.

Mr. White said that they had contacted over 600 people in SOS and the majority favor the acceptance of this CSSB 470 am. (a copy of the tally is attached and made a part of these minutes.)

Senator Haggland said it was a good bill and he was satisfied. He signed the Committee Report and left the meeting at 10:10 a.m.

Senator Miller asked what happened to the administrators? Mr. Burgett said that the administrators salaries have been negotiated back as far as three years. Principal's contracts are for 11 months. The larger school enlarges the responsibility factor. The responsibility factor simply equates with the number of teachers. There are minimums

and maximums in the Bill.

Senator Begich then said that he worked with school administrators last week and that there is a difference of responsibility in the schools. A principal is a full time job now--he has the responsibility similar to running a \$500 million plant.

Senator Phillips said that this Bill would give them a vehicle that they could all understand and go with. Its agreeable with the teachers, administrators and now its agreeable with the principals' association. He added that school district superintendents are strongly considering going on program budgeting and that this bill will aid them in this endeavor.

Senator Miller commented it was a good bill and then left the meeting at 10:20 a.m.

The meeting adjourned at 10:25 a.m.

VOTE ON ACCEPTANCE
OR REJECTION OF CS 50470 AM

			YES	NO	
Betty Schaal	- Eilson AFB	372-3246	55	5	4
Richard Parke	- Ft. Wainwright	353-6247	50	7	2
Ken Bell	- Ft. Richardson	862-9263	73	1	3
Jim Toyer	- Delta Jet	895-4884			
Rodney Dietz	- Kenny Lake School	822-3870	7	11	3
Edith Leonard	- Tanana	366-3271	11	0	
Arnold Chud	- Tok Jet	873-2101	22	0	
Michael Spichik	- Bethel	543-2583	0	32	11
Carolyn Peter	- Ft. Yukon	662-2343	12	0	1
Dean O'Malley	- Mc Grath	524-3328	3	0	
Bill James	- Delta - NONE	443-2201	15	0	
Terry Stinson	- Adak	579-2244	35	0	
Charles Frick	- Delta Jet	895-4884	2	31	11
Ron Johnson	- Teller	642-3733	4	0	
Jim Peter	- Met. Station	876-4501	0	0	6
Jim Stacey	- Elmendorf	752-2151	0	0	13
	TOTAL		462	114	54

NOT CONTACTED 259

SB

378

SENATE FINANCE COMMITTEE

May 1, 1970

8:12 A. M.

Present

All members of the Senate Finance Committee with the exception of Senator Miller. Senator Edward A. Merdes; Mario F. Martini, Senate Fiscal Counsel.

SB 378

The meeting was called to review Committee Substitute for Senate Bill 378. Mr. Martini explained the changes as follows:

The first amendment, offered by Senator Palmer as a member of the HWE Committee, defined 90% as the figure for state aid, since in the past the school districts were receiving anywhere from 82% to 93%. The figure of 90% would maintain consistency.

On page 3, the amendments submitted by the HWE Committee were requested by the Department of Education, and modified the elements for an instructional unit. Line 21 - change "100" to "99", line 22 - change "101" to "100", "3000" to "3005", "20" to "19", line 23 - change "20" to "19", line 24 - change "3000" to "3006". This sets up the size of schools in terms of average daily membership, sets up the size of the schools and parameters within the schools. Instructional units listed within these parameters. The changes were made not to fit any particular school district, but to clean up the schedules and make them consistent.

On page 4, the HWE Committee defined the base for instructional units in three different areas of the state; Areas I and II being primarily Southeastern and Southcentral, Area III is the Central area, and

Area IV is the Northwest area. For Area I and II, covered by paragraph 1, this allotment provides for the base instructional unit, the Central area (Area III) would receive 105% times the base instructional unit, and Area IV 110% of the base instructional unit.

Changes made on page 5 - the original bill stipulated the instructional unit shall be \$14,500 and the HWE Committee changed this figure to \$20,000. The concept of an instructional unit is the first approach on the part of the Department of Education toward program budgeting. Their bill did not define what an instructional unit was; we defined it and drew the lines around it. We tried to figure a way of determining the actual value of an instructional unit. A complete study was run of costs per year under average daily membership and converted for the current year to an instructional unit. Salary costs for certificated personnel total 69% of an instructional unit, the other 31% is the supporting costs to the salaries. Take reciprocal, and the figure is 1.45%. This is the multiplier we used for the salaries. Senator Lewis questioned the figure of 1.45% and said 1.5 has been mentioned in previous meetings. Mr. Martini explained in auditing the books, a more realistic picture determined the figure of 1.45%. A cut-off date had to be used, and the audit was based on teacher attendance as of the second Wednesday of each October.

Senator Merdes asked if Anchorage would not have the power to set the rate for the entire state, since their salary average for the preceding year was the base. Mr. Martini said no. The number of teachers in Anchorage was used as a base since this was determined to have the broadest number of teachers within a district. All that is being

used from Anchorage is their number of teachers, not their salary schedule. We are relying on the state operated schools salary schedule over which the legislature has control. Anchorage has a broad base, with teachers at the high and low end of the scale, and is representative of the other school districts. To this base we are applying the SOS salary schedule. The total number of dollars is developed by the total number of teachers for a weighted average. To this is applied the multiplier of 1.45 to get the instructional unit cost of \$19,800.

Senator Lewis questioned the method of computing and Mr. Martini reviewed the method. Senator Bradshaw said if they had used Sitka, the identical schedule would have resulted, since Anchorage has a good base.

Mr. Martini continued: Once the base of \$19,800 was determined, the Central area would receive $\$19,800 \times 105\%$, the Northwest area $\$19,800 \times 110\%$. This ties the instructional unit to something that can be defined, computed, and assessed. This is the first step toward program budgeting because you are building from the bottom rather than arbitrarily taking a figure, as was done in the other two bills.

A discussion followed on the area to which the base and the extra percentages apply. Senator Merdes questioned the formula and could not understand the relationship of the Anchorage average being used for the entire state. Mr. Martini reviewed the section applicable and explained the various points, stressing the fact that the salary schedule for Anchorage was not used, rather the state operated school salary schedule was used.

Senator Blodgett asked to sign the committee report since he had another committee meeting and must leave. Senator Blodgett and Senator Merdes left the meeting at 8:35 A. M.

Mr. Martini continued: On page 5, line 7, of the original bill an instructional unit was defined and the Finance Committee added the following: ", on the same basis as determined . . . etc." This means if a school district asks for \$100,000 for supplemental programs they can only get \$90,000. Anything that doesn't fit in the instructional unit is a supplemental program. Vocational education is in the area of instructional units.

The figure 051 was changed to 071 in two different places.

On page 6, line 23, of the original bill, the language was modified for clarification.

Committee Substitute for Senate Bill 378 was routed and signed by the members of the Senate Finance Committee. Senator Phillips added that a committee of the whole should be called, since this bill involves \$69 million. Senators Haggland and Lewis agreed. Senator Blodgett asked for copies of the explanatory material for the committee of the whole and suggested Mr. Martini explain the changes.

Adjournment The meeting adjourned at 8:45 A. M.

VB

451

SENATE FINANCE COMMITTEE

May 5, 1970

9:10 A.M.

All members of the newly appointed Senate Finance Committee: Senator Butrovich, Chairman; Senator Lewis, Vice Chairman; Senators Begich; Koslosky; Miller; Poland; Thomas. Also present were Senators Blodgett; Engstrom and Merdes. Representing the Department of Education were Robert P. Isaac, Special Assistant, and Robert L. Thomas, Director, Administrative Services.

Senate Bill 451 Senator Butrovich called the meeting to order to discuss SB 451 and the amendments, particularly the amendments that change the formula. Mr. Isaac explained the bill divides \$6 million into two sections: one group with more than 350 students enrolled and the second group with less than 350 students. A table of the allocations for each district was explained and a school district with enrollment of 350 or less would receive a base amount of \$150,000. Of the \$3 million divided among this group of schools, \$2,250,000 would be the base and the remainder would be allocated on a per pupil basis. The second table, for enrollment of 350 pupils or more, depreciated the base considerably. The base figure is \$78,000, with the balance of \$1,799,990 allocated on a per pupil basis. It was an arbitrary decision to use \$6,000 as a base figure, and there are differences of opinion and a number of alternatives. An amendment suggests the dividing line be at the 1,000 mark instead of at 350 and the base changed to \$150,000.

Senator Miller noted the different weighting factors and suggested maintaining a \$150,000 base and making the per pupil allocation identical. He stated there should be an alternative to granting \$3 million to small schools, with only a total of 5,131 pupils, and \$3 million to large schools, with a total enrollment of 56,306 students. Mr. Thomas explained that certain core facilities must be maintained, regardless of the number of students, and even if a school has only ten students some basic facilities must be provided. Mr. Isaac added a prior bond issue of \$6 million was based on a per pupil allocation, and Anchorage, which has half the enrollment of the state, received \$2,600,000, or almost half of the bond issue. This recommendation would put more money in smaller schools by dividing the money, weighted by need and weighted by the number of pupils. Discussion continued on the need for additional funds for small schools versus justification of allocating the same amount of money for 56,000 students as to 5,100 students.

Senator Thomas said another piece of legislation is the appropriation bill which would provide funds immediately for emergency situations. Senator Begich said this bill lists desperately needed projects and is presently in the Finance Committee.

Senator Butrovich asked the representatives from the Department of Education to compute various formulas and try to achieve a balanced set of figures that would not harm areas like Yakutat

or Dillingham. Mr. Thomas said it would be easier to work out different formulas if the requirements were waived which divided the money into two equal amounts of \$3 million for large districts and \$3 million for small. Senator Miller noted a committee substitute could be written which would allow them to proceed with greater flexibility. Senator Butrovich agreed the bill now stipulated an equal division be made, but a committee substitute could be prepared withdrawing this requirement.

Senator Begich again commented on SB 550, which lists emergency situations which the Department of Education testified can't wait. Mr. Martini asked if there were any cost figures available for school rehabilitation supporting the request for \$7 million in SB 550. Mr. Thomas said there were none available, but statistics could be prepared and listed in order of priority. Senator Begich said the \$150,000 must be removed, since giving \$150,000 to Yakutat would not build a school. Senator Miller noted if the state picks up half the bonded indebtedness, the small districts would have some relief, but Senator Begich said small districts cannot bond themselves.

Senator Butrovich concluded the meeting by stating there are X number of dollars available in SB 451 which must be distributed equitably and this bill does not do it. He requested the Department of Education representatives to work out different formulas and the Finance Committee staff will develop others.

A list showing order of priority is needed for SB 550.

Adjournment

The meeting adjourned at 9:40 A. M.

HR

853

SENATE FINANCE COMMITTEE

MAY 12, 1970

9:00 a.m.

Present:

Senator Butrovich, Chairman; Senators Lewis , Koslosky, Poland, Begich, Thomas, Miller; Mario F. Martini of Martini & Associates; Pat L. Hunt, State Personnel Director.

The meeting was called for the purpose of discussing salary bills, Senate CS for House Bill No. 853 and House Bill No. 853.

Senator Butrovich asked if Mr. Hunt had prepared the cost analysis on both salary bills and Mr. Hunt replied that the actual work was done by Budget and Management.

Mr. Hunt said that the administration did not sponsor a pay bill this time; however, they did make surveys of the businesses and industries. A 6% pay bill seemed reasonable to him and regardless of what the committee did, he hoped that they would take a step forward through range 20 with full integration. He also thought this was vital as they are having difficulty in finding professional and retaining professional employees. Senator Butrovich asked what integration was with respect to these schedules. Mr. Hunt explained that integration is where they have a 3.7% increase horizontally on the step schedule and twice that percentage on vertical schedule. The original bill would have carried this through the top of the schedule. Senator Butrovich asked what Mr. Hunt recommended and Mr. Hunt said that he recommended a 6% general adjustment as a reasonable thing, ranges 5 through 28.

Mr. Lahn then said that the problem is that the current schedule is not integrated all the way up. Above grade 21 or 22, we are adding 15 and 20% to the top. Senator Begich then said that both bills are not integrated beyond step 23.

Pay scale
integration

Recruiting
Problems

Salary Ranges

Civil Service -
Commissioners

Mr. Hunt said that ideally the thing would be integrated all the way. To the best of his knowledge there were no recruiting problems at Range 28. They are having their troubles at Range 23. Mr. Hunt said that they have been asked to hire attorneys from the outside and they hire them at Step F of the range which is the very top. Then at the end of the year there is no place to go. We are not paying enough money to get the kind of people we need and want in Alaska. Senator Miller did not think Pat Hunt was putting enough emphasis on integration. There is a large turnover at the director's level. If the State is to attract people to come to Alaska, we must pay for them as we also want the best people. At Range 28, its \$3,003 per month and deputy commissioner goes to step c. The top salary in the state three years ago was \$18,080. Mr. Martini pointed out that there was a 6% increase in ranges 5 through 20, but from 21 and up it was 8%, 10%, and 12%. Senator Butrovich said they could not justify these high salaries at this time. (\$37,000 is top salary in Range 28) Mr. Martini said that the only way these high ranges could be defended is that the deputy commissioners on down were made a part of the civil service and they would have the same stringent requirements applied. Senator Miller said that the fact that they are partially exempt, you are going to have to recruit from Anchorage and you have to pay these people more money. Senator Miller said that he favors full integration. Senator Thomas asked what we are talking about moneywise on full integration at this time. Pat Hunt said there are approximately 162 employees above Range 24 and the total amount involved is \$61,035 over and above the increase figure. Senator Thomas then said there was a commitment from last year and we should finish the job. Mr. Hunt said there was an attempt to integrate through the top step and it was the feeling of the legislators that it was going too far in one year. They went through Range 20.

Senator Butrovich felt that in a few years we would get in a box with our top people and legislators would be making only one-half as much. We would, therefore, only be getting an average person to run the government.

Senator Thomas said that the commissioners would be getting more than the Governor. It was then suggested they forget integration and just finish off the job they started last year. Set up an annual salary survey service was the recommendation.

Mr. Hunt then said if you leave this at range "20" there is no program. In order to hire an outstanding man, it means we must give them more money. We are hiring them at Step C or D instead of Step A.

Mr. Lahn said that the problem we experience in the state is that people are hired at advanced steps. As a result of these advanced step employments, 20% of our employees are sitting at the F step.

Mr. Martini said that the State is budgeted at "C" step. Except for some very few circumstances, the general over all rating has been increased. The only way the average is maintained at "C" step is due to the turnover.

Mr. Lahn said there are two problems: One, is attracting top people and the other is to train these people. There is a strong demand for upper management people and management is a skill.

Meeting adjourned at 9:50 a.m.

Advanced step
employments

Budget Based
on "C" step of
Range

Management People

TREAS

SENATE FINANCE COMMITTEE

MAY 20, 1970

9:00 a.m.

Present:

Senator Butrovich, Chairman; Senators Lewis, Poland, Koslosky, Thomas, Miller, and Begich; Mario F. Martini, Martini & Associates; Philip A. Wall, Director, Administrative Services; John M. Daugherty, Director Treasury Division.

Treasury
Division

Mr. Wall said that they prepared a budget which included a Treasury Division. This new division would have 24 positions of which 4 would be professional if accountants were not included. The money to be invested can earn about 7% provided there is a good cash flow. It can be used for investment purposes

until it is time to call for payment. Senator Thomas inquired if they could invest the money for the project of building the North Slope Road. Mr. Daugherty said that planning payments for the Department of Highways is a tough one because the weather makes a tremendous difference in the completion of a job. The cash flow must be watched very carefully. A good part of the money could be placed in short term loans at 7%. They usually estimate the period of outdoor construction to be from May through December.

Short term
Investments

Blyth & Co.

The contract with Blyth & Co. is a continuing one, but can be cancelled upon 30 days notice. Mr. Daugherty then said that the Bank of America was never hired as a money management advisor. The bank did go ahead and purchase \$500,000,000 of stock before the final permission came and kept it available so we wouldn't hit the market and be held up. We had securities immediately available for our use. Since that time the Bank of America has only been collecting for us. They will give us investment service if we ask for it, but they hesitate to advise because of conflict of interest.

Bank of America

Senator Butrovich asked who manages the investment of our other funds? Mr. Daugherty said that the First National Bank of Anchorage and the National Bank of Alaska have assisted in this.

Investment
personnel

Senator Lewis asked how long have they had a treasury division, and Mr. Daugherty said that they have always had it. He did not think they would ever get away from this function. Even if the Treasury Department is created, they are planning to use the services of Blyth & Co. They have no one trained to do this type of work. Mr. Martini asked how much do these people make in private industry and Mr. Daugherty said that to get a competent person indications are that you would have to pay \$35,000. Some of these people are getting as high as \$75,000. He went on further to say that investment analysts are getting from \$29,000 to \$53,000 per year. Traders are getting \$15,000 per year plus commission or \$30,000 to \$40,000 per year with no commissions. Most of these people prefer to work on a commission basis.

Senate Bill No. 590 Mr. Daugherty suggested a change in the language SB590 as follows: Line 11, Page 4, should read Alaska Corporation Income Tax instead of Alaska Net Income Tax Account.

The meeting adjourned at 9:05 a.m.

Math, Phys.
Science &
Engineering

1968-69

6,771

1969-70

6,876

There is no projection for next year.

Two new positions have been requested and the student credit hours in the College of Math, Phys. Science & Engineering are as follows:

1968-69

7,422

1969-70

6,399

The two new positions requested will not be needed if enrollment drops again next year. Considerable discussion followed on the problem of attracting students to this school and the question was raised as to whether the students don't enroll in the College of Math, Phys. Science & Engineering because of the lack of instructors, or the lack of instructors exists because the student enrollment is decreasing. Senator Blodgett believes the University has been lax in this area and not providing adequate courses to attract students; Senator Miller believes the University has done a good job; and Senator Lewis thinks the lack of interest in math, science and engineering is a national trend resulting from the overall educational programs lack of stress in these areas. Mr. Byrd stated with reference to emphasis problem, the University of Alaska was stressing engineering while the nation-wide emphasis was on social science, and he assumes now the trend will swing toward ecological sciences. Dr. Theophilus said this is a good, strong college with a good dean in charge, who regularly visits

high schools to interview students. Senator Blodgett requested a breakdown of the high schools he visited last year.

Senator Phillips suggested a possibility of having specialized classes in Anchorage and specialized classes in Fairbanks, to which Dr. Rae replied this could be done but certain basic courses must be covered in each location.

Senator Blodgett left the meeting at 9:20 A. M.

The total budget request for the College of Behavioral Sciences & Education is \$18,600,000 versus last year's request of \$11,900,000, and the student credit hours are as follows:

<u>1968-69</u>	<u>1969-70</u>
5,930	6,040

Senator Lewis left the meeting at 9:25 A. M.

Dr. Theophilus reported the student credit hours in the College of Biological Sciences & Renewable Resources were:

<u>1968-69</u>	<u>1969-70</u>
1,689	1,810

Three new positions have been requested and Mr. Martini questioned whether this was sufficient since this is the department which should be expanded. Senator Miller agreed, since this could be coordinated with the Governor's request for an Environmental Center.

Student credit hours for the College of Business Econ. & Government:

<u>1968-69</u>	<u>1969-70</u>
4,525	4,776

Behavioral
Sciences &
Education

Biological
Sciences &
Renewable
Resources

Busines Econ.
& Government

Earth Sciences
& Mineral
Industry

Student credit hours for the College of Earth Sciences and Mineral Industry:

1968-69

1,193

1969-70

1,391

New positions requested are in the area of geology.

School of Law

A proposal has been submitted to begin a School of Law and Dr. Rae said the object of this request is purely exploratory. Senator Phillips stated this program is not popular and hopefully will not be started.

Organized
Activities

Mr. Martini questioned the sizable increase in organized activities and Mr. Byrd said the allocation was increased additionally by the Governor's Budget Review Committee. Athletic scholarships were discussed and the biggest contributor is the Fairbanks Quarterback Club. The University does not provide any athletic scholarships.

Library &
Museum

Dr. Theophilus reported the library had been cut back severely in last year's budget and this year they are requesting six new positions. The University has an excellent Director of Libraries and they are moving into a new building to be dedicated on May 3. Much equipment is needed and 440,000 volumes required to bring the library to an acceptable set of standards, which would involve several million dollars.

Miscellaneous

Senator Phillips asked how funds are distributed to banks and Mr. Byrd said it is distributed equitably on the basis of footage

of banks throughout the state. Payroll funds are allocated to three different banks and payments rotated.

Adjournment

Meeting adjourned at 10:00 A. M., to resume at 1:30 P. M. in the afternoon.

SENATE FINANCE COMMITTEE
February 24, 1970
1:30 P. M.

Present

Senators Phillips, Bradshaw, Miller.

Dr. Don Theophilus, Academic Dean, University of Alaska;

Dr. Art Boswell; Dr. Peter Rae; Harold Byrd, Budget & Management;

R. Holden, Architect; Lewis Haines, Provost for Southcentral

Regional Schools; Eugene A. Smith, Deputy Director, Division of Budget & Management; Walt Norm, Budget Analyst; Mario F. Martini, Senate Fiscal Counsel.

Extension &
Public Service

Dr. Boswell reviewed the personal services request for 3-1/2 new positions in Public Service. An instructor in Mining Extension is required to expand the mining extension services throughout the state, an instructor of Fisheries Extension to offer short courses to fishermen in connection with modern technology, an administrative assistant, and a part-time Arts & Crafts Instructor. Mr. Martini asked if these are self-supporting classes and Dr. Boswell said they were. Fees collected are treated as program receipts and go into the General Fund of the University.

Sitka
Community
College

Mr. Haines explained the program developed for the community colleges and the positions requested may be adjusted when credit hour ratio to staff is determined. The response to the courses offered has been amazing and 26,000 credit hours are projected for next year. There is considerable flexibility in the requested positions, but they are trying to work away from a part-time staff to a full-time staff. Mr. Byrd added he suspects

there is some discrepancy in the figures since the budget was prepared last September. Mr. Martini questioned the 100% increase projected in this program and Mr. Haines replied teachers are hired on a contingency basis, and if there are not enough students the courses will not be offered. However, the growth is incredible and the Anchorage Community College is expected to double the enrollment this year. The travel increase is to provide opportunities for the faculty to go to Fairbanks and attend various meetings within and out of the state. Dr. Theophilus said last year that they operated on a basis of \$200 per faculty member for travel, now budgeted at \$350 per member, and next year they intend to request \$500 per year per faculty member.

Honoraryariums of \$50 to persons handling various programs were discussed, and Mr. Haines stated this year they are proposing to the school districts that they accept credits instead of cash, to be used for further study.

Mr. Martini asked how much the University expected to receive from the Anchorage School District and Mr. Byrd said they expect nothing. The payroll procedure was discussed since Mr. Martini noted errors when he was visiting the Anchorage C.C., and Mr. Haines said the computers are often not programmed correctly on the contingency contracts when classes are terminated. Mr. Martini suggested they revise their payroll to detail hours worked before a check is distributed.

Anchorage
Community
College

Ketchikan
Community
College

Senator Bradshaw left the meeting at 2:30 P.M.

Dr. Boswell reported the Ketchikan Community College has a full-time resident director, three teachers, one librarian, and other instructors working part-time. They are requesting three new full-time faculty members. The need for vocational education was discussed and Senator Phillips asked for a projection of how the program will function. Dr. Boswell said he believes the present state plan is the best one Alaska has ever had, and Mr. Haines reported the enrollment in vocational education courses at community colleges is running about 50/50 compared to degree programs.

Juneau/Douglas
Community
College

Dr. Boswell reported the local Advisory Committee recommended the location of the new building for the Juneau/Douglas Community College. Mr. Holden said there was a recommendation for that location also from the borough since the population growth will be in that direction, differing from the situation in the Kenai peninsula where there is no population center.

Senator Miller left the meeting at 2:50 P.M.

Matanuska-
Susitna
Community
College

Mr. Martini noted the request for an Assistant Professor at Palmer and Mr. Haines said this will be necessary only if course enrollment increases as anticipated.

The meeting recessed at 2:55 P.M.

The meeting reconvened at 3:05 P. M. with Senators Phillips, Blodgett, and Bradshaw present.

Cooperative
Extension
Service

3-1/2 new positions are requested for the Cooperative Extension Service: Asst. Editor - Information, Home Economist to be based in Nome, a Layout & Makeup Technician, and a part-time Clerk.

New Programs

Dr. Boswell reported on Upward Bound, a Federal program which has operated in Alaska for four years. A total budget of \$147,000 is projected, with a request for \$28,000 from the state. Both the University of Alaska and AMU have participated in this program, but AMU is dropping the program since they can't come up with matching funds. Dr. Boswell believes this program should continue and possibly be enlarged next year. 80% of the students in this program have gone on to higher education.

Adult
Vocational
Education

The Adult Vocational Education program will not duplicate any community college programs, but is a concentrated program to place people in position to be employed. They have worked with the Department of Law to train magistrates. Senator Blodgett requested a copy of the program, and a breakdown of the salaries, travel, contract, and per diem for instructors.

Fisheries
Technology

Fisheries Technology is a new program designed to teach all aspects of fishing and related industries. It was originally projected at a cost of more than \$200,000 to initiate the program, but it is now estimated to cost \$130,000. There is a proposal for a Marine Technical Academy, very likely to be located in Kodiak.

Petersburg/
Wrangell

An expansion of services for Petersburg and Wrangell is proposed, without the establishment of a community college due to the size of the communities.

Northwestern
Community
College

The Board of Regents was requested by the City Council of Nome to establish a community college in Nome. Senator Blodgett believes it would be very beneficial, and remarked there is a need for an expert in animal husbandry to work with the reindeer herds in the Nome area.

4th Class Cities

Dr. Boswell continued reviewing the budget requests. The University has been working, in cooperation with the Local Affairs Agency, with communities required to be 4th class cities in order to obtain electricity. It is funded with three parts Federal money, one part state money.

Bethel District

The increase in population necessitates a request for a Cooperative Extension Service to be provided to Bethel and outlying areas. Senator Blodgett added there is also a need for someone to work with the reindeer herds in Bethel.

Mr. Martini left the meeting at 3:50 P. M.

Fur Specialist

Dr. Boswell said there can be a considerable amount of income from furs and a different processing would increase the return 25%. Senator Bradshaw noted the Canadian government did this and increased the income to the villages by 30%.

The meeting adjourned at 4:00 P.M., to be resumed at 8:00 A. M. on February 25.

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SENATE FINANCE COMMITTEE
February 25, 1970
8:05 A. M.

Present

Senators Phillips, Blodgett, Bradshaw, Koslosky and Lewis.
Dr. Don Theophilus, Academic Dean, University of Alaska;
Dr. Art Boswell; Dr. Peter Rae; Harold Byrd, Budget & Management;
R. Holden, Architect; Lewis Haines, Provost for Southcentral
Regional Schools; Eugene A. Smith, Deputy Director, Division of
Budget & Management; Walt Norm, Budget Analyst; Mario F. Martini,
Senate Fiscal Counsel.

Mineral Industry
Research

Dr. Rae explained the new positions requested for Mineral Industry
Research. One Research Assistant will provide full-time technical
assistance in minerals, and do more work on utilization of coal.
An Assistant Professor and Laboratory Technician are necessary to
implement a very small forestry program started five years ago.
The money spent in forestry is matched by the Department of
Agriculture.

Forestry
Soils Lab

Institute of
Water Resources

The Institute of Water Resources receives \$125,000 a year from
the Federal government for environmental work in pollution control.
Industries also contribute to aid in upgrading Alaska water
control.

Sea Grant

Senator Miller arrived at the meeting at 8:15 A. M.
The Sea Grant program is new, but is a rapidly growing program
of teaching and research funded primarily by the National Science
Institute. Senator Blodgett asked how this fits in with the