

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2485

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HOUSE FINANCE COMMITTEE MEETING
January 13, 1970
10:25 a.m.

Present: Chairman Bill Ray, Messrs. Hohman, Croft, Bradner, Sackett, Haugen and Borer.

General Meeting: Chairman Ray called the meeting to order, and mentioned that the members of the committee had discussed briefly the day before the current rules of the committee and accepted no additions or changes. Mr. Ray did mention to the committee that under no circumstances is any member of the committee other than the chairman to go into the bill file as he is responsible for the bills and would not want to lose any.

Chairman Ray informed the committee that they are no longer freshmen and each one will be expected to pull his share of the load. If during the second session someone is not pulling his share of the load, in the opinion of any member of the committee, it is the right of the members to discuss it at any time.

Bill Session: Chairman Ray announced that the first order of business would be discussion of bills still remaining in committee. Mrs. Williams had discussed earlier with Mr. Ray some of the bills dead filed for a variety of reasons, e.g., some had passed in other bills, some were funded in last year's budget, etc. Mrs. Williams then read off the list of bills still in committee and Chairman Ray recommended the following:
HOUSE BILL 2 (wage and hour act; overtime) by Moses - held for discussion at later time.

HB 2

- HB 6 HOUSE BILL 6 (fire service training) by Ray - held for discussion at a later time.
- HB 8 HOUSE BILL 8 (dependent children, increasing assistance) by Banfield - held for discussion at a later time.
- HB 25 HOUSE BILL 25 (payment for sale of fish) by Tillion - held for discussion at a later time.
- HB 26 HOUSE BILL 26 (loans to processors, agricultural and fisheries products) by Kerttula - held for discussion at a later time.
- HB 27 HOUSE BILL 27 (appropriation to agricultural and fisheries loan fund) by Kerttula - held for discussion at a later time.
- HB 42 HOUSE BILL 42 (disaster and school tax repeals) by Rettig - dead file.
- HB 72 HOUSE BILL 72 (appropriation for land selection fees and costs) by Rules by request of the Governor - held for discussion at a later time.
- HB 78 HOUSE BILL 78 (appropriation to Japanese World Fair of 1970) by Rules by request of the Governor - held for discussion at a later time.
- HB 81 HOUSE BILL 81 (oil and gas pools; unitization) by Kay - held for discussion at a later time.
- HB 94 HOUSE BILL 94 (school tax repeal) by Rules by request of the Governor - held for discussion at a later time.
- HB 96 HOUSE BILL 96 (liquor tax, changes in rates) by Rules by request of the Governor - held for discussion at a later time.

HB 97

HOUSE BILL 97 (refunds: cities/borough; oil/gas production) by Tillion - held for discussion at a later time.

HB 99

HOUSE BILL 99 (appropriation for student guests of state legislature) by Schwamm, Anderson, Banfield, et al - Mr. Ray moved that HOUSE BILL 99 be brought before the committee for discussion. No objection, so ordered.

The bill is sponsored by 27 members of the House, Mr. Ray commented, and it was his understanding that \$13,000 was appropriated and put in Legislative Affairs budget; however, there has been a misunderstanding and so this bill appears to be needed. Mr. Dean added that the \$13,000 is an approximation of air fare and doesn't include per diem or lunches. Mr. Ray said they were not providing per diem or lunches.

Mr. Borer asked how many students would be brought down to the legislature, and Mr. Ray replied as many as possible. Mr. Haugen inquired as to how the students will be chosen, and Mr. Dean pointed out that the Statute reads as follows:

"Sec. 24.50.010. Annual student guests. The legislature may each year while in session serve as host to one member of each high school in the state for a stay of one week in the capital to observe and learn the legislative process. (S 1 ch 130 SLA 1962)

"Sec. 24.50.020. Selection by schools. Each high school of the state may annually and before the end of the calendar year select one member of its student body as a legislative guest (S 2 ch 130 SLA 1962)

"Sec. 24.50.030. Arrangements. When the representative

has been selected under § 20 of this chapter, the principal of the school shall certify the selection to the legislative council. The legislative council is responsible for making all necessary administrative and fiscal arrangements for the transportation and housing of the selected students in coordination with the principals. Funds for the transportation, housing, and meals of the students shall be included in the general appropriation for legislative expenses as budgeted for by the legislative council. (§ 3 ch 130 SLA 1962)

"Sec. 24.50.040. Essay contest. Before his departure from the state capital, each legislative guest shall prepare and submit to the director of the Legislative Council a paper of not less than 1,000 words entitled 'The Legislature Should.....' Each paper shall be examined and judged as to content by the governor, the president of the senate, the speaker of the house of representatives, the minority leader of the senate and the minority leader of the house. The author of the paper determined best by majority vote shall receive a one-year scholarship to the University of Alaska. (§ 4 ch 130 SLA 1962)

Mr. Ray moved that HB 99 be reported out with a "do-pass" recommendation. On vote by the committee, HB 99 was reported out with a 5-2 "do pass", Messrs. Borer and Haugen signing "no recommendation."

- HB 120 HOUSE BILL 120 (appropriation for adult basic education, \$40,000) by Sassara, Chance, Croft, et al. It was explained that this money was found in the last fiscal year's budget.
- HB 128 HOUSE BILL 128 (school district cooperative arrangements) by Banfield - held for discussion at a later time.
- HB 129 HOUSE BILL 129 (tobacco; taxes and reports) by Rules by request of the Governor - held for discussion at a later time.
- HB 133 HOUSE BILL 133 (Commission on Youth) by Schwamm, Beirne, Bronson, Cornelius, et al - held for discussion at a later time.
- HB 138 HOUSE BILL 138 (membership allotments under PSFA) by Beirne - held for discussion at a later time.
- HB 140 HOUSE BILL 140 (appropriation to Fish & Game for attorney position) by Haugen and Kettig. This was taken care of in fiscal year 1967-70 budget, therefore, dead file. Mr. Haugen comments that Fish & Game is extremely satisfied with the man they have.
- HB 144 HOUSE BILL 144 (appropriation for State Fair multipurpose buildings) by Young and Scortale - held for discussion at a later time.
- HB 145 HOUSE BILL 145 (trail staking, rural areas) by Bronson - held for discussion at a later time.
- HB 146 HOUSE BILL 146 (appropriation of \$11,000 for trail staking program) by Bronson - held for discussion at a later time.

- HB 147 HOUSE BILL 147 (local tax effort under PSFA) by H.W.E. Committee - held for discussion at a later time.
- HB 148 HOUSE BILL 148 (Alcoholic Beverage Control Board) by McVeigh - held for discussion at a later time.
- HB 149 HOUSE BILL 149 (school term, length of session) by Kerttula and Tillion. This was handled through Commissioner Hartman last year; therefore, dead file.
- HB 157 HOUSE BILL 157 (pay increments, remote locations) by Rules by request of the Governor. This was incorporated in HB 156, state employees pay bill; therefore, dead file.
- HB 158 HOUSE BILL 158 (salaries: Governor, Secretary of State, department heads) by Rules by request of the Governor. This was also incorporated in HB 156, state employees pay bill; therefore, dead file.
- HB 162 HOUSE BILL 162 (teacher aides) by Young - held for discussion at a later time.
- HB 163 HOUSE BILL 163 (teacher units; vocational/occupational) by Young - held for discussion at a later time.
- HB 165 HOUSE BILL 165 (appropriation for cooperative plan between school districts) by Banfield - held for discussion at a later time.
- HB 171 HOUSE BILL 171 (University of Alaska campus activities center, revenue bond) by Bradner, Young, Anderson and Kerttula. This became law under CSSB 92 (Ch 111, SLA 1969); therefore, dead file.
- HB 173 HOUSE BILL 173 (deposit/investment state funds) by Rules by request of the Governor - held for discussion at a later time.

- HB 174 HOUSE BILL 174 (state employees salary schedule) by Chance by request. This was also incorporated in HB 156, state employees pay bill; therefore, dead file.
- HB 178 HOUSE BILL 178 (claim for damages; boats; Fairbanks flood) by Jackson, Andersor, Bradner, Holm, et al - dead file.
- HB 186 HOUSE BILL 186 (sales; competitive oil/gas leases) by Kay and Kerttula - held for discussion at a later time.
- HB 193 HOUSE BILL 193 (appropriation to Agricultural Revolving Loan Fund) by Holm and Kerttula - held for discussion at a later time.
- HB 195 HOUSE BILL 195 (bank tax) by Fink - held for discussion at a later time.
- HB 198 HOUSE BILL 198 (appropriation Alcantra Youth Camp) by Kerttula - held for discussion at a later time.
- HB 199 HOUSE BILL 199 (appropriation local service roads and airstrips) by Anderson, kerttula and Guess - held for discussion at a later time.
- HB 229 HOUSE BILL 229 (G. Bond University of Alaska; buildings) by Kerttula and Guess - held for discussion at a later time.
- HB 231 HOUSE BILL 231 (uniformity & tolls, winter road North Slope) by Schwamm and Kay - held for discussion at a later time.
- HB 240 HOUSE BILL 240 (appropriation University of Alaska study, fishing gear limitation) by McGill. It was explained that Fish and Game was given \$21,300 for a gear study. Mr. Haugen recommended finding out if Fish and Game had done anything with the money, and if not lapse it now as he

felt the legislature would not benefit by a gear study at this session. Mr. Haugen said, however, he would like to clear this with Mr. McGill. Mr. Ray then asked Mr. Haugen to report to the committee at the meeting the next day.

- HB 242 HOUSE BILL 242 (appropriation WW II Veterans' revolving loan fund) by Jackson - held for discussion at a later time.
- HB 246 HOUSE BILL 246 (state employees salary survey) by Chance - held for discussion at a later time.
- HB 251 HOUSE BILL 251 (purchased services; Dept. of Health & Welfare) by H.W.E. Committee - held for discussion at a later time. Mr. Ray stated for the record that Mr. Croft is still subcommittee chairman along with Mr. Sackett. He directed Mr. Croft to set up a joint hearing with the Senate Finance Committee and to accumulate as much information on this subject as possible. Mr. Ray felt this meeting should also include the H.W.E. Committee.
- HB 259 HOUSE BILL 259 (hospital funds, North Star Borough) by Anderson, Bradner, Holm, Jackson, et al - dead file.
- HB 260 HOUSE BILL 260 (extraordinary expenses; August 1967 disaster) by Anderson, Bradner, Holm, Jackson, et al - dead file.
- HB 261 HOUSE BILL 261 (shortfalls in revenue; August 1967 disaster) by Anderson, Bradner, Holm, Jackson, et al - dead file.
- HB 263 HOUSE BILL 263 (oil and gas leasing procedures) by Jackson and Miller - held for discussion at a later time.

- HB 268 HOUSE BILL 268 (loans, rural, boarding home facilities) by Hohman - held for discussion at a later time.
- HB 269 HOUSE BILL 269 (appropriation for rural boarding home revolving fund) by Hohman - held for discussion at a later time.
- HB 276 HOUSE BILL 276 (appropriation for drug and alcoholism programs) by H.W.E. Committee - held for discussion at a later time.
- HB 288 HOUSE BILL 288 (practice of psychology) by Rules by request - held for discussion at a later time.
- HB 299 HOUSE BILL 299 (cigarette vending machines; control of) by Bronson - held for discussion at a later time.
- HB 310 HOUSE BILL 310 (appropriation family planning services program) by Banfield, Peirne, Chance, Cornelius, et al - held for discussion at a later time.
- HB 313 HOUSE BILL 313 (appropriation for W. Borher; expenses airplane) - held for discussion at a later time.
- HB 315 HOUSE BILL 315 (state income royalties and bonuses) by Fin and Cornelius - held for discussion at a later time.
- HB 317, 318, 319, 320, 321, 322, 323, 324. HOUSE BILLS 317, 318, 319, 320, 321, 322, 323, and 324 (state aid to local government). These bills were introduced by H. 317, 318, 319, 320, 321, 322, 323, and 324 local government by Finance Committee (Senate Finance Committee Minutes (Ch. 100A 1969).
- HB 325 HOUSE BILL 325 (state income production tax) by Local Government - held for discussion at a later time.

- HB 328 HOUSE BILL 328 (teachers' salaries; amending) by Young, Hohman, Anderson, et al - held for discussion at a later time.
- HB 335 HOUSE BILL 335 (Coroner; duties, conservator/decedent's effects) by Croft - held for discussion at a later time.
- HB 347 HOUSE BILL 347 (legislative per diem) by Tillion and Kerttula - held for discussion at a later time.
- HB 357 HOUSE BILL 357 (unemployment insurance; repealing certain disqualifications) by Eliason, Banfield, Beirne, Chance, Orbeck - held for discussion at a later time.
- HB 366 HOUSE BILL 366 (appropriation to the Department of Administration Workmen's Compensation Coverage) by Commerce Committee. This was provided for in Ch. 105 SLA 1969; therefore, dead file.
- HB 374 HOUSE BILL 374 (medical assistance, needy persons) by Kerttula, Bradner and Chance - held for discussion at a later time.
- HB 386 HOUSE BILL 386 (Commercial Fishermen Licensing Board by Borer - held for discussion at a later time.
- HB 388 HOUSE BILL 388 (license tax; pickup truck) by Orbeck, Anderson, Kay, Sassara and Schwamm - held for discussion at a later time.
- HB 390 HOUSE BILL 390 (Commission on Judicial Qualifications) by Judiciary Committee - held for discussion at a later time.
- HB 397 HOUSE BILL 397 (Alaska Petroleum Commission) by Sweet - held for discussion at a later time.

SB 3 SENATE BILL 3 (disqualification of court judges) by Ziegler - held for discussion at a later time.

CSSB 48 COMMITTEE SUBSTITUTE for SENATE BILL 48 (local tax effort, PSFA) by Merdes - held for discussion at a later time.

SB 72 am SENATE BILL 72 AMENDED (public libraries, construction) by Haggland - held for discussion at a later time.

SB 82 am SENATE BILL 82 AMENDED (gubernatorial successor) by Rules by request of the Governor - held for discussion at a later time.

SB 103 SENATE BILL 103 (retirement funds, investment in mutual funds) by B. Phillips - held for discussion at a later time.

CSSB 185 am COMMITTEE SUBSTITUTE for SENATE BILL 185 AMENDED (royalty on natural resources) by State Affairs Committee (Resources Committee Substitute) - held for discussion at a later time.

SB 192 am SENATE BILL 192 AMENDED (registration of qualified sanitarians) by Rules Committee by request - held for discussion at a later time.

SB 199 am SENATE BILL 199 AMENDED (appropriation to the Department of Education; retirement funds) by Haggland and Ziegler - held for discussion at a later time.

SB 241 SENATE BILL 241 (mentally ill individuals; hospitalization) by H.W.B. Committee (Judiciary Committee Substitute) - held for discussion at a later time.

SB 248 SENATE BILL 248 (warrants and loans, municipalities, disaster) by Butrovich, Gordon, Miller, Haggland, et al - held for discussion at a later time.

SB 256 SENATE BILL 256 (alcoholism; community grant-in-aid program)

by H.W.E. Committee - held for discussion at a later time.

SB 323 SENATE BILL 323 (transfer between funds; Fish and Game)

by Finance Committee. This was needed for fiscal year 1968-69; therefore, dead file.

HCSSB 331 HOUSE COMMITTEE SUBSTITUTE for SENATE BILL 331 (legislative

retirement program) by Finance Committee - held for discussion at a later time.

General Meeting:

To avoid misunderstanding, Chairman Ray pointed out that the above bills referred to as "dead filed" means only that they have been set aside and could be resurrected by any member.

Mr. Ray also pointed out that this year the House Finance Committee is not holding back for other committee meetings, that the members may leave to attend other meetings; however, as long as there is one member of the minority here, the meeting will continue.

Chairman Ray recessed the meeting to be reconvened at 2:00 that afternoon, at which time he requested the staff to have a list of the unassigned bills and a brief history on each one (see pages 13 through 20 for list).

In answer to Mr. Hohman's question, Mr. Ray said this committee room will be treated as the room the committee had last year, and would be open to the members at any time.

Recess: Meeting recessed at 11:10 a.m.

HOUSE BILLS

- HB 2 Wage & Hour Act by Moses. Night hearing held with extensive minutes recorded. Written testimony in bill file.
NOT ASSIGNED.
- HB 6 Creating office of fire supervisor by Ray.
ASSIGNED: Borer
- HB 8 Increasing assistance to dependent children by Banfield. 4/1/69: Motion to hold over until next year adopted.
ASSIGNED: Sackett
- HB 25 Payment for sale of fish by Tillion. 4/1/69: Motion to hold over until next year adopted. Memo from Vernon Snow, Deputy Commissioner of Revenue, dated 1/7/70 with explanation.
ASSIGNED: Haugen
- HB 26 Loans to processors of agriculture and fish product by Kerttula. Motion to discuss on 3/18/69 failed. Motion to discuss ruled out of order 3/24/69. Motion to carry over until next year carried on 4/1/69.
ASSIGNED: Bradner
- HB 27 Appropriation of \$2,000,000 for Natural Resources for HB 26.
ASSIGNED: Bradner
- HB 81 Operation of oil and gas pools by Kay. Motion to discuss failed on 3/24/69. Motion to discuss failed and finally decided that it would be brought up later in year -- 4/1/69. Information in bill file contained statement by Commissioner Kelly. (Resources Committee held extensive hearings on this last year.)
NOT ASSIGNED
- HB 94 Repeal school tax by Governor.
ASSIGNED: Borer
- HB 96 Liquor tax, changes in rate by Governor. Motion to hold over until next year adopted on 4/1/69. (Undated material from Department of Revenue in bill file.)
NOT ASSIGNED
- HB 97 Ad valorem tax exemption on oil and gas production by Tillion. Motion to hold until next year adopted on 4/1/69. (Discussion with Mr. Ray and Mr. Stevenson -- Revenue -- that research on this would be held up until needed.)
NOT ASSIGNED

- HB 128 Cooperative arrangements made by school districts by Banfield. Motion to hold until next year adopted 4/1/69. (Research shows cost of \$445,500. This bill is related to appropriation for same -- HB 165 -- \$379,605.)
NOT ASSIGNED
- HB 129 Sale of tobacco products by Governor. Motion to hold until next year adopted 4/1/69. (Mr. Stevenson, Dept. of Revenue, said that this bill was introduced by the Governor last year for the purpose of replacing lost revenue from repeal of disaster tax and school tax. The need for this particular bill not too evident at moment, but Revenue will update information given last year if the need for it arises.)
NOT ASSIGNED
- HB 133 Commission on Youth by Schwamm et al (21 sponsors). Brought out for discussion, then laid on table 3/10/69. (The Governor's Office has provided fiscal note showing cost to be \$10,000 for next fiscal year.)
ASSIGNED: Bradner
- HB 138 Membership allotment PSF program by Beirne. (Sec. 2 of this bill became law under Ch. 95, SLA 1969.) Department of Education on new fiscal note said that Sec. 1 would increase cost by \$338,250.
NOT ASSIGNED
- HB 144 Appropriating \$200,000 for state fair buildings in Tanana Valley and Matanuska Valley by Young and Kerttula. Motion to hold in abeyance adopted on 4/1/69. It was thought at that time it would go into Natural Resources budget; however, it did not.
NOT ASSIGNED
- HB 145 Trail staking grants -- Rural Development Agency by Bronson. This bill not discussed in 1969 session. (Arrived in committee on 4/7/69.)
NOT ASSIGNED
- HB 146 Appropriation of \$15,000 to fund HB 145, by Bronson.
NOT ASSIGNED
- HB 148 Relating to ABC Board (increasing membership from 3 to 5) by McVeigh. Fiscal note states this will bring the cost to a total of about \$6,150 with additional members. Motion to hold until next year adopted on 4/1/69.
ASSIGNED: Borer
- HB 162 Providing for teacher aides by Young. Motion to hold until next year adopted 4/1/69.
NOT ASSIGNED

HB 163 Providing for additional teacher units for teachers of vocational and occupational subjects under PSF Program by Young. Not discussed in 1969 session. NOT ASSIGNED.

HB 165 Appropriating \$379,605 to Dept. of Education (to fund HB 128) by Banfield. Motion to hold until next year adopted 4/1/69. Fiscal note updated shows this will now cost \$445,500. NOT ASSIGNED.

HB 173 Deposit/investments of state funds by Governor. On 4/1/69 Croft gave brief explanation. On 4/15 CSHE 173 passed out of Committee. When it appeared on calendar on 4/18, motion by majority leader took it off the calendar and re-referred it to finance. ASSIGNED: Croft.

HB 186 Relating to sales of competitive oil and gas leases by Kay and Kertula. ASSIGNED: Hohman

HB 193 Appropriating \$201,000 to Nat. Resources to supplement agricultural revolving fund by Helm and Kertula. Motion to consider if there is time adopted 4/1/69. NOT ASSIGNED.

HB 195 Relating to bank tax by Firk. Memo in bill file from Dept. of Revenue with explanation on this bill. Motion to hold adopted on 4/1/69. NOT ASSIGNED

HB 199 Appropriation \$1.1 million National Resources for construction of local service by Amundson, Kertula and Guess. Motion to hold adopted 4/1/69. NOT ASSIGNED

HB 229 10 Bonds - University of Wisconsin - approximately \$1,000,000 by Kertula and ... during 1969 session. NOT ASSIGNED

HB 231 Relating to ... and Kay. Mr. Croft requested ... on constitutionality and local problem ... road by State. ... that it would be held ... appropriation for North Slope ... ASSIGNED: ...

HB 240 Appropriating ... 1969 ... that ... through ... budget ... NOT ASSIGNED

- HB 242 Appropriating \$1,000,000 to WWII Revolving fund, by Jackson. Motion to hold until next session adopted on 4/1/69. (Bill file contains updated cash flow projection for this year.)
NOT ASSIGNED
- HB 246 Relating to annual salary survey of state employees by Chance. Brief hearing held on 4/7/69 with Mr. Lahn, State Employees representative and Mrs. Chance both present to testify. Mr. Lahn again was before the committee on 4/10/69 but no action was taken. (On 12/22/69, Mr. McVey, Deputy Commissioner of Administration stated there is no cost involved in this bill as it could be done by present staff.)
NOT ASSIGNED
- HB 251 Purchase of primary services by Health, Welfare & Education Committee. Bill file contains many pages of written testimony.
ASSIGNED: Croft and Sackett.
- SSHB 263 Oil and gas leasing procedures by Jackson and Miller. Not discussed in 1969 session.
NOT ASSIGNED
- HB 268 Providing for loans to certain rural communities for purpose of establishing boarding home dormitory facilities for school children, by Hohman. Motion to "do pass" failed 2-5 on 4/1/69. Postponed for later consideration, and Mr. Ray suggested putting funds in the Rural Development budget.
NOT ASSIGNED
- HB 269 Appropriating \$200,000 for HB 268, by Hohman.
NOT ASSIGNED
- HB 276 Appropriating to Department of Health and Welfare for alcoholism program (\$97,000) and \$250,000 to Health and Welfare for grant-in-aid program, by HWE Committee. Mr. Ray asked on 4/1/69 that this be held over with the understanding that the budget on alcoholism request in Health and Welfare for \$97,000 be approved. (It was.)
NOT ASSIGNED
- HB 288 Practice of psychology by Rules by request. Not discussed during 1969 session. Fiscal note predicts \$1,600 cost.
NOT ASSIGNED
- HB 299 Control of cigarette vending machines, by Bronson. Not discussed during 1969 session.
NOT ASSIGNED
- HB 310 Appropriation, family planning, by Banfield, Beirne, Chance et al. Not discussed during 1969 session. In discussion with Mr. Iverson on 12/31/69 he said that this would be in Health and Welfare budget for Fiscal Year 70-71.
NOT ASSIGNED

- HB 313 Appropriating to Werner Borher. This was held in committee pending answer from Attorney General on letter from Mr. Croft concerning Workmen's Compensation coverage of these people. ASSIGNED: Croft
- HB 315 Relating to deposit of oil and gas royalties and bonuses, by Fink and Cornelius. Not discussed in 1969 session. Memo in bill file from Mr. Wallington in response to information on HB 315.
NOT ASSIGNED
- HB 325 Oil and gas properties production tax - raised from three to eight per cent, by Local Government Committee. Not discussed in this particular bill by committee in 1969 session. (See minutes on HB 350 - SLA 1969, Chapter 95.) Bill file contains updated estimate of revenues from Department of Revenue.
NOT ASSIGNED
- HB 328 Teachers salaries by Young, Hohman et al. Not discussed in 1969 session. Fiscal note shows cost of \$82,992.
- HB 335 Duties of coroner and conservator of decedent's effects, by Croft. Not discussed in 1969 session. Fiscal note shows cost of \$174,800 for Fiscal Year 70-71.
NOT ASSIGNED
- HB 347 Legislative per diem (not paying members of legislature when absent from capital city unless on official legislative business) by Tillion and Kerttula. Not discussed in 1969 session.
NOT ASSIGNED
- HB 357 Relating to eligibility for unemployment insurance (repealing section which disqualifies claimant for workmen's compensation if she leaves most recent work to remain with husband; leaves work to get married; leaves work due to pregnancy) by Eliason et al. Deputy Commissioner of Labor said this does not affect general fund, just unemployment fund. Not discussed in 1969 session.
NOT ASSIGNED
- HB 374 Relating to medical assistance for needy persons, by Kerttula, Bradner and Chance. (Medical) Hearing held with Mr. Salamo, then Commissioner of Health and Welfare, testifying concerning implementing Title XIX. Lengthy narrative in minutes and also in bill file concerning this bill.
NOT ASSIGNED

- HB 386 Creating commercial fishermen's licensing board by Borer. Not discussed in 1969 session. Resources Committee recommended that this bill be turned over to Legislative Council for study during interim; however, no action was taken by the House on this recommendation.
NOT ASSIGNED
- HB 388 Relating to pickup truck license tax rates, by Orbeck, Anderson, Kay, Sassara and Schwarm. Not discussed in 1969 session. Memo from Department of Revenue states that in 1968 approximately \$35,325 would be revenue lost by enacting this measure. Updating of this figure will not be possible until mid-January of 1970.
NOT ASSIGNED
- HB 390 Commission on Judicial Qualifications by Judiciary Committee. Fiscal note requested of Director of Courts. Not discussed in 1969 session.
NOT ASSIGNED
- HB 397 Alaska Petroleum Commission by Sweet. Not discussed during 1969 session. Fiscal note requested of Director of Legislative Affairs Agency.
NOT ASSIGNED
- HB 198 Appropriating \$650,000 for Alcantra Youth Camp. Not discussed during 1969 session.
NOT ASSIGNED

SENATE BILLS -- continued

HCSSB 331 Retirement program for legislators, by Finance Committee (Bill that came over from Senate was SB 331 by Finance Committee). This bill was referred to House Finance Committee after failing House during 1969 session, then on reconsideration, it was referred on 1-12-70 to House Finance.
NOT ASSIGNED

SENATE BILLS

- SB 3 Disqualification of district and superior court judges, by Ziegler. Referred to House Finance on 4/30/69 so not discussed during 1969 session.
NOT ASSIGNED
- CSSB48 Relating to PL 81-874 funds to state aid under public school foundation program by Local Government Committee. (Original bill by Merdes.) Not discussed during 1969 session.
NOT ASSIGNED
- SB 72 am Construction of public libraries, by Haggland. Fiscal note updated states \$351,000. Not discussed during 1969 session.
NOT ASSIGNED
- SB 82 am Gubernatorial successor in event both Governor and Secretary of State are temporarily out of state, by Governor. Not discussed during 1969 session.
NOT ASSIGNED
- SB 103 Investment of certain retirement funds in mutual funds by B. Phillips. Ch. 73, 1969 amended this section but instead of adding "mutual funds," changed it to "veterans affairs loans." Not discussed during 1969 session.
NOT ASSIGNED
- CSSB185 am State's royalty on natural resources by State Affairs Committee. Not discussed during 1969 session. Minutes from Senate State Affairs should be available concerning this bill.
NOT ASSIGNED
- SB 192 am Registration of qualified sanitarians, by Rules by Request. Not discussed during 1969 session. Fiscal note states cost of \$6,300.
NOT ASSIGNED
- SB 199 am Appropriating \$123,000 to Department of Education to provide matching funds for public libraries. Fiscal note states cost of \$123,600. Not discussed during 1969 session.
NOT ASSIGNED
- CSSB 241 Relating to mentally ill individuals, by Judiciary Committee (original bill by HWE Committee). Not discussed during 1969 session. Request in to Health and Welfare for information concerning this bill.
NOT ASSIGNED
- SB 248 Grants and loans to municipalities damaged by natural disasters (changing date from August 14, 1967 to August 1, 1967) by Butrovich, Merdes, Miller, Haggland and Hammond. Not discussed during 1969 session.
NOT ASSIGNED
- SB 256 Community grant in-aid program for alcoholism, by HWE Committee. Cost of \$250,000 according to fiscal note and as set out in bill. Not discussed during 1969 session.
NOT ASSIGNED

HOUSE FINANCE COMMITTEE MEETING
January 15, 1970
2:00 p.m.

Present: All members except Mr. Haugen.

General Meeting: Chairman Ray read the following list of scheduled meetings:

Friday, January 16, 1970: 1:30 p.m. Joint House and Senate Finance. Governor's Conference Room. Revenue Sources.

Monday, January 19, 1970: 2:00 p.m. Joint House and Senate Finance. Governor's Conference Room. Revenue Sources, continued, with representatives from Blythe and Company, and Bank of America being present.

Thursday, January 29, 1970: Joint House and Senate Finance ^{Judiciary}
~~Joint Health, Welfare and Education~~
meeting with Judicial Council to hear outline of legislative program. Probable location: Superior Court. Time not yet determined.

Mr. Croft asked if it would be possible to see the contracts for Bank of America and Blythe and Company prior to the Revenue Sources meeting on January 19. There was a brief discussion on this.

Mr. Haugen entered the meeting.

Chairman Ray said it was his understanding that the members did not wish to have presentations read to them line by line at these hearings. There was agreement on this by the committee members.

Chairman Ray discussed the list of bills in committee, and noted that all of these bills had been discussed last year except for a few that came in the last two weeks of the session. Chairman Ray asked the members to go through this list before the next meeting and if the members had any

preference in bill assignments they could discuss it at that time.

Chairman Ray suggested the members spend the rest of the afternoon reading the "Revenue Sources."

Chairman Ray said the committee would meet every morning at 9:00 a.m. unless it was specifically announced otherwise. There was a brief discussion on this and everyone was in agreement.

Chairman Ray discussed the subcommittee assignments on the various budgets. Mr. Hohman requested that he be added to the subcommittee on the Department of Education. Chairman Ray said it was a committee of the whole; however, Mr. Hohman could be the Vice Chairman of that committee. Chairman Ray read the assignments. Mr. Haugen asked the Chairman about the budget on the Department of Public Works. Chairman Ray suggested assignment of the Department to the committee of the whole. There was no objection to this.

Mr. Croft asked if they should spend a maximum amount of time on the budget. Chairman Ray said they should accommodate themselves with a general working knowledge on it and on their individual budgets. He said he was not going to ask for any reports on the budget "until possibly the end of the 30-day period." He requested they use their time primarily for committee work in this committee.

Mr. Croft asked how they would be able to hold a line on the budget since there was no compelling reason to do so.

There was a brief discussion on this.

Mr. Borer said that he would be happy to help the Chairman with the subcommittee work on the Department of Revenue and Mr. Ray agreed to allowing Mr. Borer to assist him.

Representative John Schwamm entered the meeting.

Following is a list of the subcommittee assignments for 1970:

Subcommittee Assignments:	DEPARTMENT OF ADMINISTRATION ----	Chairman, Mr. Croft and Mr. Borer
	DEPARTMENT OF COMMERCE -----	Chairman, Mr. Hohman and Mr. Sackett
	COURT SYSTEM -----	Mr. Bradner, Mr. Croft
	DEPARTMENT OF ECONOMIC DEVELOPMENT-	Committee of the whole
	DEPARTMENT OF EDUCATION -----	Committee of the whole Mr. Hohman, Vice Chairman
	DEPARTMENT OF FISH AND GAME ----	Chairman, Mr. Haugen, Mr. Hohman and Mr. Borer
	DEPARTMENT OF HEALTH & WELFARE --	Chairman (BOOK II) (BOOKS I & III Messrs. Borer, Hohman, Haugen and Croft)
	DEPARTMENT OF HIGHWAYS -----	Committee of the whole
	DEPARTMENT OF LABOR -----	Mr. Sackett
	DEPARTMENT OF LAW -----	Mr. Croft and Mr. Sackett
	LEGISLATURE -----	Committee of the whole
	DEPARTMENT OF NATURAL RESOURCES -	Mr. Sackett and Mr. Hohman
	OFFICE OF THE GOVERNOR -----	Committee of the whole
	DEPARTMENT OF PUBLIC SAFETY ----	Committee of the whole
	DEPARTMENT OF PUBLIC WORKS -----	Committee of the whole
	DEPARTMENT OF REVENUE -----	Mr. Ray, Chairman and Mr. Borer

UNIVERSITY OF ALASKA ----- Mr. Ray and
Mr. Bradner

MILITARY AFFAIRS ----- Mr. Sackett

Chairman Ray announced the committee would meet at 9:00 a.m.,
Friday, January 16, and the meeting adjourned at 2:35 p.m.

Adjourn-
ment:

HOUSE FINANCE COMMITTEE MEETING
January 16, 1970
9:10 a.m.

Present: All members of the committee were present with the exception of Mr. Croft, who had been excused.

General Meeting: The committee reviewed the Revenue Sources book and discussed the various aspects of it.

Recess: Meeting recessed at 9:40 a.m.

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

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

Revenue
Sources

Taxes

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

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

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

Code 102-103 Cigarette Tax

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

Code 105 Alaska Business License Tax

Mr. Stevenson said that the pipeline will not be subject to state income tax or gross business license tax. If there is any machinery or equipment made in the south 48 it will not be subject, either, so he said the state is not dealing with taxing the full \$800,000,000. Senator Miller asked whether these estimates take into consideration the Governor's recommended

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

Code 106

Individual Income Tax

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

Code 108

Corporation Income Tax

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

Code 112

Raw Fish Tax

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

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

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

Recess: Meeting recessed at 2:45.

After recess

3:00 p.m.

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

Code 118

School Tax

Mr. Stevenson discussed the expense of collecting and then refunding if HB 118 is not voted upon promptly. Senator Blodgett said that he thinks that since the general consensus seems to be to repeal this tax, the legislature should proceed

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

Code 131

Highway Fuel Tax

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

Code 132

Aviation Fuel Tax

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

Code 441

Motor Vehicle License Plates

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

Code 110

Inheritance Tax

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

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

Code 115

Oil and Gas Production Tax (3¢ general)

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

Code 636

Bonuses from Mineral Leases

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

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

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

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

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

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

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

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

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

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

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

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

Code 633

Mineral Lease Rental

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

Code 641

Royalty on Gas Production

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

Code 709

Federal Mineral Lease Rental, Royalties

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

Code 730

Pribilof Island Seal Receipts

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

Adjourned: Meeting adjourned at 3:35.

HOUSE FINANCE COMMITTEE MEETING
January 19, 1970
9:15 a.m.

Present: All members except Mr. Borer. Mr. Paul Mancini, Attorney from Bethel, was also present.

Chairman Ray called the meeting to order.

Mr. Hohman introduced Mr. Mancini to the members of the committee.

Bill Assignments: The following bills were assigned to the committee members:

HOUSE BILL 448 (Appropriation - Dept. of Education) --
Mr. Sackett

HOUSE BILL 452 (Budget) -- Committee of the whole

HOUSE BILL 453 (Appropriation - Dept. of Public Works) --
Mr. Hohman

HOUSE BILL 454 (Appropriation - Dept. of Public Safety) --
Mr. Ray

HOUSE BILL 456 (Appropriation for miscellaneous claims) --
Mr. Naugen

HOUSE BILL 457 (Appropriation - Bond committee) -- Mr. Croft

HOUSE BILL 461 (Appropriation - Office of the Governor) --
Mr. Ray

HOUSE BILL 475 (Appropriation - Dept. of Economic Development) --
Mr. Borer

HOUSE CONCURRENT RESOLUTION 6 (leasing of office facilities
from ASHA) -- Mr. Bradner

HOUSE COMMITTEE SUBSTITUTE FOR SENATE BILL 331 (Retirement Program)
Mr. Hohman

General: Chairman Ray explained that it takes four votes to bring up a bill for discussion and four votes to pass it out of committee. Chairman Ray reminded the members that there would be a 2:00 p.m. meeting that afternoon, January 19, with the representatives from Blythe and Company and Bank of America.

There was a brief discussion on the Revenue Sources meeting that had been held Friday, January 16, 1970. Chairman Ray said he thought the most interesting aspect of the meeting was the estimated intake of \$40,000,000 (636 - Bonus from Mineral Leases) for the years 1971, 1972 and 1973. Chairman Ray said this year he thought it was almost mandatory for the committee or the Legislature to change the revenue projection if there is a discrepancy or disparagement.

There was a brief discussion on the cash flow of the State in August, 1969, and Mr. Croft requested David Dean to look into this.

Chairman Ray announced the committee would meet after the House had adjourned for the day and the meeting adjourned at 9:35

Adjournment: a.m.

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

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

General Meeting:

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

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

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

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

Mr. Prussia noted the following proposals to the state:

1. They agreed to collect the checks and deliver in the

most expeditious manner possible to the bank of issue.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

After a brief discussion between Mr. Croft and Mr. Comerford, Mr. Prussia then went on to explain that the state couldn't acquire these securities until they had the cash to do so, and the earliest date of course was September 11, 1969, and that was the \$180,000,000 the state collected on the down payment of the lease sales. That was the day the state began to earn interest on the securities acquired then, and later securities on the total \$900,000,000 (less \$11,000,000 to the general fund) were purchased. Subsequently, these bonds were sold and reinvested in other securities. They are constantly investing this money and selling at a profit so they can reinvest in something with a higher yield. Mr. Comerford, in reply to a question by Mr. Croft, said that based on their immediate judgment and their decision to hedge somewhat, they have left some 50% of the investment in securities that will mature within two years. They have \$40,000,000 maturing within a year, and they have repos that mature within a week. In trying to maximize the return, they have been operating with an inverse yield ratio. Mr. Prussia said that at the present time they are operating with a very high level of earnings; however, there are

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

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

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

Senator Miller then asked how much more the state would earn

if there was a change in the law on investment procedures. Commissioner Morrison said that they would prefer not to discuss the proposed changes now because it would be without the benefit of charts and exhibits. Senator Miller asked when the Commissioner thought this proposal would be ready, and the Commissioner replied within the next two weeks. Senator Rader commented that everyone appreciates what Bank of America has done for the state, but he wondered if this is a public service or a business transaction. Mr. Prussia answered that it is a business transaction, but they have managed to cover expenses. Mr. Rader asked how they are able to recover their costs successfully since they get no more and no less than other banks, and Mr. Prussia replied they are on the same basis as anyone else. Mr. Rader asked if they would not have been better off without handling the account. Mr. Prussia replied no, that they would not have had the opportunity to act as manager of the account, trade securities, buy securities in the account, and he also stressed the added incentive of the public relation value, e.g., publicity they had received at no cost to the bank via television, national news broadcasts, etc. Chairman Phillips pointed out that when a bank deals with such large amounts of money the advantage is with volume, and Mr. Prussia agreed that this is a factor.

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

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

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

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

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

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

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

At this point Representative Ray left the meeting.

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

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

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

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

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

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

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

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

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