

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2489

in Contractual Services [see discussion on page 304].

Mr. Ray asked about the Department of Public Safety having to pay the Department of Public Works to use their TWX. Captain Nelson said that at the present time they are "riding free" but that they presently have machines which pass over all the machines, and with some of the confidential work this is not advisable. Marine Transportation has said that the Department of Public Safety can pay them to use their TWX and only the Department of Public Safety and Marine Transportation would get the messages. Mr. Ray mentioned appealing to the statewide teletype network and Mr. Personett said that Captain Nelson is going to a meeting in Anchorage today for this purpose.

Mr. Sassara came in at this time.

FIRE
PREVENTION

Code 100:

The 1969-70 authorization is \$105,000 for Personal Services in Fire Prevention. The Governor's request is \$168,800, which is an increase of \$63,800, or 60.76%. There are four new positions, which make up \$47,900 of the increase.

Code 200:

The 1969-70 authorization for Travel is \$13,000. The Governor's request is \$24,300, which is an increase of \$11,300, or 87%. The biggest increase is in per diem within Alaska. Outside Travel increased \$1,000, and per diem outside Alaska increased \$900. Mr. Ray asked that he be reminded to look into this.

Code 300:

The 1969-70 authorization for Contractual Services is \$14,100. The Governor's request is \$26,900, which is an increase of \$12,800 or 91%. The biggest increase is in Rents and Utilities. This is to move people around into different offices in the Juneau central office, the Fairbanks regional office, and the Anchorage regional office. Mr. Personett said that in all three areas the offices are running out of room.

- Code 400: The 1969-70 authorization for Commodities is \$3,800. The Governor's request is \$4,700, which is an increase of \$900 or 24%.
- Code 500: The 1969-70 authorization for Equipment is \$300. The Governor's request is \$11,000, which is an increase of \$10,700 or 3,566.67%. \$9,000 of this is for vehicles. Mr. Personett said that the rest of the increase is due primarily to the new positions. In answer to Mr. Ray's question on equipment, Mr. Personett said these people do carry guns, and all but one of these employees have taken the State Trooper training course; therefore, they are capable of handling most any situation.
- Code 900: There is \$10,100 in the budget as the Governor's request, for car rental from the Department of Highways. \$5,100 was previously budgeted under Contractual Services, so there is an increase of \$5,000 for car rental. This means that Contractual Services actually increased by more than is shown on the budget sheets, since the \$5,100 was removed from it this year and put in Inter-Agency Charges. Mr. Ray requested the committee be reminded about this.
- Mr. Hohman requested a breakdown on the arrangements being made for the new troopers as far as housing.
- Mr. Croft requested that the committee be furnished with a breakdown of where the Department plans to allocate the 50 new troopers and indicate which areas are new areas, and which areas already have troopers. Mr. Personett agreed to do so, but said that he hoped he would not be held strictly to this.
- Adjourned: Mr. Ray thanked the Commissioner and Captain Nelson, and the meeting was adjourned at 3:30 p.m.

HOUSE FINANCE COMMITTEE
February 10, 1970
9:20 a.m.

Present: All members of the committee were present with the exception of Mr. Hohman. Also present was Mr. John Schwamm.

Bill Assignment Mr. Ray called the meeting to order and assigned the following bills to the committee members:

HCR 22 HOUSE CONCURRENT RESOLUTION NO. 22 (requesting a series of conferences to help determine the future role of the University of Alaska) by Bradner, Kerttula and Young -- assigned to Mr. Borer.

HB 606 HOUSE BILL NO. 606 (Appropriation to the Board of Regents, University of Alaska - \$50,000) by Bradner, Kerttula and Young -- assigned to Mr. Borer.

HB 577 HOUSE BILL NO. 577 (Appropriation to the Office of the Governor, Planning and Research - \$25,000) by Rules by Request of the Governor -- assigned to Mr. Ray.

HB 431 HOUSE BILL NO. 431 (Appropriation to the Department of Public Works - \$3,100,000 for state office building in Ketchikan) by Peratrovich -- assigned to Mr. Bradner.

HB 645 HOUSE BILL NO. 645 (Interest rate on University of Alaska bonds approved under ch. 111, SLA 1969) by Bradner and Kerttula -- assigned to Mr. Borer.

SSSB 229 am SPONSOR SUBSTITUTE FOR SENATE BILL NO. 229 AMENDED (Providing for a representative board of directors for state-operated schools) by Begich, et al -- assigned to Mr. Sackett.

General Meeting Mr. Ray reminded the committee of the meeting at 1:30 p.m. this afternoon in the Governor's Conference Room regarding

the Industrial Incentive Act repeal (HOUSE BILL NO. 422 and SENATE BILL NO. 383).

He also reminded them of the 8:00 p.m. meeting tomorrow evening in the Superior Court Room, 5th Floor of the Capitol Building, regarding the Pension Plan (HOUSE BILL NO. 282).

Mr. Ray asked Mrs. Williams to call the radio stations, give them the information on this meeting on HOUSE BILL NO. 282, and ask that they announce it on their public announcement programs. He said notice of the meeting appeared in the newspaper last week, but asked they be notified to run the notice again.

Mr. Ray asked the members how they were coming with their subcommittee assignments on the budgets.

Mr. Croft said they know the Department of Law budget well enough to have the department come down and present it.

Mr. Borer said he has gone over the budget for the proposed Department of Treasury; however, is waiting to hear what some of the proposals were as a result of another meeting, and also find out what their fee schedule is.

Mr. Ray said that if Mr. Millsap is still in town possibly arrangements could be made for a meeting on the ABC Board at 9:00 a.m. tomorrow, February 11.

Mr. Borer said he is holding off for the present on the Department of Health and Welfare budget because there are so many bills being considered which affect this budget.

Mr. Ray said there would probably be a joint meeting on Military Affairs when Major Necrason comes down from Anchorage.

Recess: Meeting recessed 9:30 a.m.

After Recess

9:32 a.m.

Present:

All members of the committee were present with the exception of Mr. Hohman. Mr. Schwamm had left.

It was determined 9:00 a.m. on Friday, February 13th, would be a good time to hear the Department of Law budget.

HB 462

HOUSE BILL NO. 462 (Appropriating to the Department of Education, District School Support - \$1,933,000) was brought before the committee for discussion. Mr. Ray said that with the research he has done on this bill he is not satisfied at all with the nominal administrative charge of 2% in pupil transportation, which amounts to \$219,656 - a carry-over expenditure for 1969. In response to Mr. Ray's request, Mr. Harvey T. King of the Department of Education said, in a memo dated February 4, 1970, that Section 101 (h) of the transportation regulations reads as follows:

"A nominal administrative charge, but not to exceed two (2) per cent of the total aggregate reimbursement transportation within the service area of the school district and for which the school district is herewith responsible, may be charged as a reimbursable cost."

Mr. King said in his memo that they have established that the two percent administration fee was in effect prior to 1959.

Mr. Ray said the department will give it back

to the school districts. Mr. Borer said to forget it, and

Mr. Croft asked if this is used to keep records to determine

how much money the state owes the districts, to which Mr. Ray replied yes.

Mr. Ray commented that the Public School Foundation Support Program had an initial estimate in 1970 of \$35,187,924, a revised 1970 report of \$35,734,794, and a fiscal 1969-70 appropriation of \$34,800,000, leaving a deficit of \$934,794. Mr. Ray added that the department always lapses money, and still comes in for supplementals - he expressed the feeling the department is playing games.

Discussion followed on whether the department could transfer funds within divisions.

Mr. Ray said the committee would postpone action on this bill until receipt of further information.

HB 457
Mr. Croft moved HOUSE BILL NO. 457 (appropriating to the Bond Committee the sum of \$1,270,000) be brought before the committee. Mr. Croft said that originally last year the state planned one bond sale, which was \$8,500,000 bond issue. According to their statement, they sold an additional \$21,000,000 worth of bonds, he said, to speed up certain construction projects. This, of course, increased the amount of interest that has to be paid this year because the bonds were sold earlier than anticipated. Mr. Croft said he doesn't understand why they were sold because everyone else was having trouble selling them. It was the worst time to sell bonds, but they said they had to do it.

Mr. Croft itemized the purposes for the \$8,500,000 worth of 1969 general obligation bonds: Airport construction \$880,000; ferry construction \$1,865,000; fish hatchery construction \$300,000; highway construction \$3,795,000;

state and local schools \$550,000; and the University of Alaska \$1,110,000. Those bonds had been planned and approved; however, they sold two additional sets of bonds: Airport construction \$1,700,000; ferry construction \$1,100,000; highway construction \$3,600,000; state and local schools \$2,200,000; and the University of Alaska \$1,900,000, totaling \$10,500,000 general obligation bonds in one set. The second additional set included: Airport construction \$1,200,000; highway construction \$1,665,000; hospital construction \$125,000; outdoor recreational facilities \$330,000; Pioneers' Home \$200,000; state and local schools \$2,180,000; and the University of Alaska \$2,500,000, totaling \$8,200,000 general obligation bonds in that set.

Mr. Ray asked if they were trying to raise the interest rate on the bonds, and Mr. Croft said no, they sold the bonds at an earlier date and have to pay interest this year, so therefore need a supplemental to pay that interest.

Discussion followed on what time would be the best time to sell bonds, Mr. Ray feeling the highest peak of the bond market was in September. They then referred to "The Bond Buyer's Index."

Mr. Croft quoted from a memo from Mr. B. N. McVay, Deputy Commissioner, Department of Administration, "Because of the condition of the bond market in general, it became mandatory to offer 5 and 10 year maturity schedules to interest potential purchasers. Many ongoing construction projects would have been delayed if this action had not been taken by the Bond Committee."

Mr. Borer concluded that at the time the budget was presented a year ago, they didn't plan to sell these bonds. Now that they have sold them interest is relatively small.

HB 576

Mr. Ray moved and asked unanimous consent that HOUSE BILL NO. 576 (allotment to residents of the Pioneers' Home) be brought before the committee. No objection, so ordered.

Mr. Ray said the bill increases the allotment to residents of the Pioneers' Home from \$20 a month to \$30 a month. At the present time the average number of pioneers is 180, and the estimate 200 for fiscal year 1970-71, when this act takes effect. Mr. Ray recommended the bill be reported out of committee with a "do pass" recommendation.

Mr. Bradner questioned whether \$30 a month is adequate, and asked what they do with the money. Mr. Sackett replied they buy cigarettes, personal items, etc. Mr. Borer felt \$30 a month adequate; however, Mr. Ray moved and asked unanimous consent that the bill be reported out of committee amended to \$35 a month instead of \$30. No objection, HOUSE BILL NO. 576 was reported out of committee as amended with a unanimous "do pass."

Recess: Meeting recessed 9:55 a.m.

AFTER RECESS

1:30 p.m.

Present: Messrs. Ray, Sackett and Croft from the House Finance Committee. Representative John Sweet, Representative Carl Moses, Representative Richard Eliason, Representative Henry Reeves, Representative Stanley Cornelius and other Representatives were also present.

Mr. Lew Williams, Editor of the Ketchikan Daily News; Mr. Alan Engstrom, Attorney; Mr. Don Dickey, Alaska Chamber of Commerce; Mr. Don Berry, Alaska Municipal League; and Mr. R. M Thornton, Tesoro-Alaskan Petroleum Corporation were also present. Mr. Richard Freer, Budget and Management; and Mr. Everett Bunes, Acting Commissioner of the Department of Economic Development were also present, along with various members of the press.

HB 422
SB 383

Chairman Ray called the meeting to order. He explained this was a public hearing to hear testimony on HOUSE BILL NO. 422 (an act relating to industrial incentive tax credit; and providing for an effective date) and SENATE BILL NO. 383 (same title).

Mr. Lew Williams appeared before the committee. Mr. Williams spoke on the affect of the act and its repeal on the Southeastern part of the state. (See pages 333-336 for written presentation.)

Mr. Sackett asked if Mr. Williams was on the Chamber of Commerce. Mr. Williams answered yes. In answer to another question from Mr. Sackett, Mr. Williams said he is preparing a series on mining which they are going to publish shortly.

Mr. Sackett asked if Canada, specifically Prince Rupert, gave tax incentives on mining. Mr. Williams answered they give 3 1/2% credit for the first five years and they also have several other programs which the State of Alaska does not have; i.e., they build a road for the company and if the company profits the company pays for the road if the development does not pan out it does not have to pay for the road. Mr. Croft noted the statement made by industry that the Act ranks somewhere around 17th as far as the importance of determining whether a business will be undertaken. Mr. Williams said according to a survey conducted by the 1968 Division of Mines Report indicated a quiz they had taken showed that tax incentive was the number one item the mining companies mentioned as necessary.

Mr. Ray said there is some controversy over the amount of the millage rate refunded to the local communities and this stands at 7 mills. Mr. Williams said one of the biggest hazards of repealing the Act is the state may not get some of the mineral developments that are relatively marginal.

Mr. Ray asked about the local hire provision. Mr. Williams said an important thing on the local hire provision is the prospect of a saw mill on Prince of Wales Island and this will take care of a few other problems.

Mr. Ray introduced for the record a statement from Lewis M. Dischner, Local 959, International Brotherhood

of Teamsters. Mr. Ray said from the statement it appeared Mr. Dischner approves the retention of the Incentive Act. [Mr. Dischner's statement is on pages 337-339.]

Mr. Allan Engstrom, Attorney, appeared before the committee, saying he represented the Marcona Corporation and spoke against repeal of the Industrial Tax Credit. He requested that in the event the Act is repealed, the cut off date be extended to at least February 2, 1970. [Mr. Engstrom's presentation appears on pages 340-342.]

Mr. Croft asked how Mr. Engstrom felt, as an attorney, regarding the legality of the retroactive cut off date. Mr. Engstrom said as far as the tax credits that have not been granted he would assume the legislature would have this power, but he thought it highly doubtful they could cut off applications already granted.

In answer to Mr. Sackett, Mr. Engstrom said there have been a number of applications filed between December 31 and February 2 but he did not know the number of applications filed after February 2.

Mr. Ray asked Mr. Engstrom, from his experience on the local government level, his opinion of the present level of support to the schools (the 7 mills) and asked if this was adequate. Mr. Engstrom said they are willing to accept that figure. He said perhaps it may be too much. He noted U.S. Plywood-Chamlico Papers, Inc. was also willing to accept the 7 mill level. In answer to Mr. Ray, Mr. Engstrom said if the

legislature continues their present program to the borough, the borough will not have a 7 mill rate -- it will be lower. Mr. Ray asked about the local hire provision. Mr. Engstrom said this is very advantageous to the State and noted it would be lost if the Act were repealed.

Mr. Cornelius asked if HOUSE BILL NO. 422 is amended and passed if Marcona would still go ahead with their plans. Mr. Engstrom said he did not know and this would depend on the economics and noted that Marcona had not gone far enough with their project to actually say but it is possible this may be one of the factors "that may be the straw that breaks the camel's back."

Mr. Don Dickey, Alaska Chamber of Commerce, spoke for the retention of the Act. He noted there have only been 28 applications in just under two years and that they have not been flooded with requests from industries for tax incentives. He referred to Mr. Croft's remark that tax incentives were rated very low in determining if an industry would come in or not. He said in other states this would possibly be true; however, there are problems in Alaska that a state such as California would not have. He said the cost of labor, transportation costs, etc. are factors that have to be considered when an industry considers Alaska. He said he would not say the tax incentive would make the difference between an industry coming to Alaska

or not but that it is a factor. He said since the tax credit has been revised there have only been three companies granted a credit. He read from a 1969 Chase Manhattan Survey which said that the average for the 50 states ranks tax incentives as 3 1/2. Mr. Croft requested Mr. Dickey furnish the committee a copy of the study.

Mr. Sweet said that Mr. Williams had brought up the fact the state needs to be competitive but asked where does this end. Mr. Dickey said he thought the Act states the company has to be producing something new so everybody that comes in cannot get the credit. Mr. Sweet said when a company comes to the end of the ten year period of tax credit they can still "pull out." Mr. Dickey noted the Ketchikan Pulp Mill and said they have not asked for any further forgiveness and noted the company voluntarily paid \$40,000 to the City in lieu of sales tax in addition to building a water treatment plant for the City. Mr. Eliason noted that the pulp mill original investment was around \$100,000,000 and it is now around \$35,000,000. He said he was trying to point out the fact that by the time U.S. Plywood-Champion goes on the tax roll their investment may be down to \$30,000,000 even though their original investment is about \$100,000,000. Mr. Ray said there is no requirement that the state has to give any incentive. Mr. Dickey said this is right.

Mr. Ray said that the Department of Economic Development has people skilled in making this determination from the application. Mr. Dickey said this is also true and in addition to Economic Development there are three other departments involved in this decision. Mr. Ray said then if there is an error in granting an exemption the blame would be on the administration and not necessarily on the Act. Mr. Dickey agreed with this. Mr. Cornelius asked about the Oetker Brewery Company tax credit, and Mr. Dickey said he did see a letter that stated the credit was a determining factor and the Act did play an important role in their decision.

In answer to Mr. Sweet's query, Mr. Dickey said he did not see anything wrong with the Cook Inlet Pipeline applying for a tax credit.

Mr. Don Berry, Executive Director for the Alaska Municipal League, appeared before the committee. He apologized for not having a prepared statement and said he would furnish the staff with a written presentation. He said, speaking for the Alaska Municipal League, they favored repeal only in so far as it applies to the local government. He explained their main objection is an industry can battle one local unit against another local unit. Mr. Croft asked why the boroughs are forced to grant incentives and Mr. Berry noted the recent tax incentive application from U.S. Plywood-Champion Papers noting it was no coincidence that the Greater Sitka Borough

granted them a tax credit on Tuesday night, and the following night the Greater Juneau Borough also granted them a credit. Mr. Ray asked if he was correct in assuming any request for a grant given by a political subdivision may or may not be granted. Mr. Berry said this is correct according to the wording of the Act.

Mr. Ray asked if the millage rate was increased would this change their opinion and Mr. Berry answered any step is a help to the problem of local government. Mr. Ray asked if he understood Mr. Berry to say it would help and Mr. Berry said it would certainly be in their favor.

Mr. Everett Bunes, Acting Commissioner of Economic Development, appeared before the committee. Copies had been distributed of the "Arguments for the Retention of Alaska Industrial Tax Credit Act" and also other back-up material prepared by the department. [See pages 343-347.]

Representative Kerttula entered the meeting.

Mr. Bunes said there is a definite need to create a favorable business climate in Alaska. He said he thought it was the intent of the legislature that consideration be given to each application on the basis of a marginal operation.

Mr. Croft asked if the application on file for the Cook Inlet Pipeline was the same as Drift River. Mr. Bunes answered "yes, I believe so." Mr. Sackett asked how many of these applications they have given credit to and Mr. Bunes

answered under the old Act, they have granted 20 credits of which 10 are currently taking advantage of this Act and they have granted 3 under the new Act. Mr. Sackett noted they have 13 pending applications and asked the reason why they have so many pending while they have only granted 23 in the past 12 years. Mr. Bunes said four of these applications were filed prior to the first of the year. Mr. Bunes said he thought many of the companies had planned to utilize the tax credit and when there was a possibility of a cut off they attempted to file prior to that date.

Mr. Borer asked how much exemption the Drift River Terminal [same as Cook Inlet Pipeline] received and Mr. Bunes explained, under the old Act they had the prerogative of determining term and exemption and the Cook Inlet Pipeline received an exemption for of these. Mr. Borer asked if this was something the company had to have, why did they receive an exemption and Mr. Bunes answered that he was not the Commissioner at that time.

Mr. Borer asked if they would still grant an exemption under certain circumstances and used TAPS pipeline as an example. Mr. Bunes explained that when these applications are submitted they send them to the Attorney General for an opinion to see if they qualify. He noted the applicant makes an effort to justify the tax credit and in determining the application they take into consideration the matter of whether it is

feasible to make a profit, etc. He said in each of these cases it was granted based on that determination.

Mr. Croft asked why the Cook Inlet Pipeline was given an exemption. Mr. Frank Murkowski, who was Commissioner of Economic Development at the time this was granted, was in the audience and agreed to answer this question. He explained under the old Act they had the option to make application for an exemption if the industry was already in or whether they planned to come in. He added that many exemptions were granted after the fact. Mr. Croft asked if they had the option to deny or grant the request.

Mr. Murkowski said the grants were based on the fact and the Attorney General decided whether or not the company met these qualifications. Mr. Ray clarified this by saying this was granted under the old Act and the new Act has different provisions.

Mr. Kerttula asked if Mr. Murkowski felt it would be fair to say that of the existing facilities that had industrial credits probably eight out of 10 would have come into the state anyway. Mr. Murkowski said it is possible but it is very difficult to make that determination. Mr. Murkowski said that conditions existing on a national level do not necessarily exist in Alaska. Mr. Kerttula asked, other than attracting industry into the state, what other advantage the tax credit had. Mr. Murkowski said the tax credit is the only real inducement the state has to offer outside

of basic resources. Mr. Kerttula said that eight out of ten of the companies would have come in anyway and they actually just "gave somebody something". Mr. Murkowski disagreed with this completely. He said he felt the inducement was the credit as an attempt to attract industry to create a better business climate in view of the fact the state had no other inducements. He noted the high labor costs, transportation costs, etc. are all factors that are considered when an industry goes into an area. Mr. Pratt, Executive Assistant to the Governor, entered the meeting.

In answer to another query from Mr. Kerttula, Mr. Murkowski said the point made earlier about mining is very significant regarding incentives given by Canada and noted these are all factors in developing mineral resources.

In answer to Mr. Reeves, Mr. Bunes said it is true that the timber industry does need some inducement. Mr. Reeves said the Act should at least be retained for the timber industry. Mr. Bunes added that all of the resource areas require this type of incentive.

Mr. Eliason asked how the Department had arrived at the figure of \$700,000 per year that U.S. Plywood-Champion Papers would pay the borough as a result of the seven mill school foundation tax. He stated he thought this was misleading as the value of the company could be re-appraised and might not be that much. There was a brief discussion on this

with Mr. Engstrom explaining that the \$100,000,000 valuation of the company would probably stand for a few years as usually a municipality only reappraises every three or four years. Mr. Engstrom said that it is true the valuation of the company would not be a static figure over the 10 year period.

Mr. Ray pointed out that the Potlatch Motel in Sitka received a tax incentive and there was a brief discussion on this with Mr. Eliason pointing out the Potlatch pays their borough and city taxes.

Mr. Cornelius asked if Mr. Bunes would say the state should only grant a tax incentive in a marginal situation and after research shows the tax credit to be the determining factor of whether a company locates in Alaska. He asked if Mr. Bunes could tell the committee they will only grant tax incentives in these situations where it is the determining factor. Mr. Bunes said they would attempt to establish this but pointed out in many cases, i.e., Marcona, they cannot research these too thoroughly and they have to rely on the applicant as to whether it is marginal. Mr. Bunes said they are doing this to the best of their ability but they cannot forecast their profits. Mr. Cornelius asked if Mr. Bunes would say they will not grant Marcona a tax credit unless they can prove it is the marginal factor. Mr. Bunes said this is not a blanket type situation. Mr. Cornelius asked if this is the determining factor

and said the purpose of this Act was to bring industry in but unless they would not have come here there is no purpose in giving the incentive. He asked if this was the position of the Department of Economic Development. Mr. Bunes said "within reason, but we can only go so far." Mr. Cornelius asked if his remarks were too restrictive. Mr. Bunes said he did not believe so. Mr. Ray asked Mr. Bunes to answer with a yes or no and Mr. Bunes said yes. Mr. Sweet asked what the loss of income to the State would be as a result of these incentives. Mr. Bunes said he was not prepared to answer that and they are attempting to have this researched by the Department of Revenue. Mr. Sweet said then they have granted this without knowing what the cost would be to the State. Mr. Bunes said yes, but said they could not visualize what their income tax is going to be, their motor fuel tax, etc. There was more discussion on this. Mr. Croft asked if the Department was actually considering granting a credit to Tesoro-Alaska Petroleum Corporation. Mr. Bunes explained this was first filed in July, 1968 under Alaska Oil and Refining Company. Mr. Bunes said the first four applications [referring to Tesoro, Communications Satellite Corporation, Schnabel Lumber, and Westward Timber] have been under consideration by the Board and they have requested additional information

on their applications. Mr. Croft discussed Tesoro and asked if there was any assurance from any state official that this credit would be granted. Mr. Bunes answered no. Mr. Murkowski said that no tax credit has been granted to Tesoro and that more information was requested and that is the status of their application. He noted again there have only been three tax credits granted under the Act -- Huskey Manufacturing, Inc., Oetker Brewery Co., and U.S. Plywood-Champion Papers.

Mr. Ray asked what happens in the case of fraudulent applications and asked if they could be cancelled at any time. He was given an affirmative answer.

Mr. Ray said then there is no set pattern as to who gets this credit and they determine each and every application on its own merit. Mr. Bunes answered in the affirmative. Mr. Cornelius said then they would have to deny the Tesoro application because if they granted it now it would be additional profit to the company. Mr. Bunes said it seemed they had a "moral obligation" to this particular company since they had filed in 1968. Mr. Cornelius asked if Mr. Bunes considered this one of the reasons Tesoro came into the state and Mr. Bunes answered it was one of the reasons. There was more conversation on this and Mr. Ray asked if Tesoro had a valid application on file at this time. Mr. Bunes answered very definitely and Mr. Ray noted then they are being considered.

Mr. Cornelius said the purpose of the incentive act was to bring industry into the State. He said he was very much in favor of this Act only if it is administered correctly. He said it should only be granted in those cases where without this the company could not come, and added maybe they should make the Act more specific saying this can only be granted where this is proven.

Mr. Cornelius said Tesoro should be turned down under the intent of the Act. In answer to Mr. Sweet, Mr. Bunes said there were questions raised about Tesoro's facility in Anchorage which is part of the entire complex. He said this matter had been discussed and Tesoro had withdrawn that section from the application. Mr. Sweet asked if Mr. Bunes had "his mind made up" on the Tesoro grant. Mr. Bunes said they would go back to the Board and the Board would take this into consideration.

Mr. R. M. Thornton, Tesoro-Alaskan Petroleum Corporation, appeared before the committee. He said the company had applied before they started their operation and they were under the impression they would get the tax credit. He said this was a major consideration in starting the refinery and that the tax credit was extremely important to the company. He noted they filed the application in July, 1968 and had to go ahead with construction and that they had gambled that the state would give them the tax credit since their competitors had the tax credit.

Mr. Haugen entered the meeting.

Mr. Croft asked how long Mr. Thornton had been employed for Tesoro and Mr. Thornton explained he had worked for Alaska Oil and Refining Company. Mr. Croft said then Tesoro took over Alaska Oil and Refining Company and Tesoro was an established company. Mr. Thornton said Tesoro was a larger company. Mr. Croft noted Tesoro had operated in other states. He asked how they got the impression they might receive a tax credit.

Mr. Thornton said they were aware of the Act and also that it had been amended. He said they came to Alaska and talked to various state officials and were led to believe that there was no reason they would not get the credit. Mr. Croft asked if there was anything in writing. Mr. Thornton answered no. Mr. Croft asked that if this were not to be granted would he consider that they had a law suit. Mr. Thornton answered no.

Mr. Cornelius asked if without the tax incentive act would they have come in anyway. Mr. Thornton said he could not answer that but added he was close enough to the final decision to know the Act was a very definite factor.

Mr. Cornelius asked if the company knew it was possible they would not get the tax incentive. Mr. Thornton said that was correct but they had felt they would get it.

Mr. Cornelius asked if they would close down if they did not receive this and Mr. Thornton said he could not say but that it might effect the price of gasoline.

Mr. Ray referred to Mr. Thornton's remark concerning conversations with high ranking people that had led them to believe they would get the credit and asked if this was on the original application for Alaska Oil and Refining Company. Mr. Thornton said he had also discussed this after Tesoro came into the picture. Mr. Ray asked if he felt the tax incentive for just Tesoro on its own application would be enough. Mr. Thornton answered yes. Mr. Cornelius asked how the company qualifies as a new industry. Mr. Thornton said that the Act provides if you are manufacturing substantially more of a product which is already being manufactured you can qualify. Mr. Cornelius said then this is not solely based on new industry and Mr. Thornton said that is correct. Mr. Murkowski spoke as a private citizen saying they should consider the mechanics of the tax credit. He said the determination of whether an application meets the requirements is done by the Attorney General as to whether it contributes a substantial amount to an existing industry. He said the determination is made by the Attorney General as to whether the application meets the criteria established in the statute. He said there is no requirement as to whether or not the industry is in operation on the date of the application and this has never been determined by statute. He said the pattern of the tax credit is meant to be an inducement and this is the determination of the

Commissioner of Economic Development. He said there is a Board to help with this determination but the final decision rests with the Commissioner as to whether it is an inducement to industry in the State.

Mr. Murkowski said if the legislature sees fit to amend the statute to read that it is only applicable to those industries that need inducement then it should be stated in the statute.

Mr. Cornelius asked if that is the intent of the statute. Mr. Murkowski said no, it is the intent for the tax credit to act as an inducement to industry. Mr. Murkowski gave a brief explanation of this and said there is a question as to whether or not this is an inducement but that it is the only inducement the State of Alaska has. Mr. Ray asked if it was true that this Act is not really doing what it is suppose to do and it is allowing several competitive businesses to operate. Mr. Murkowski said that is not correct. Mr. Ray said then there are no two businesses operating or manufacturing the same primary product that can get an incentive in the same competitive area. Mr. Murkowski said not unless they are providing substantially more of the same product.

Mr. Haugen asked if Mr. Murkowski would agree that the Ketchikan, Wrangell, Sitka pulp mills added substantially to the economic base. Mr. Murkowski said yes.

Mr. Murkowski spoke briefly on the Cook Inlet Pipeline saying it was the determination that the pipeline,

in effect, manufactured a product.

Recess: Mr. Ray said the meeting would stand in recess until 1:30,
February 24, and the meeting recessed at 3:00 p.m

STATEMENT BY LEW M. WILLIAMS, JR. Feb. 10, 1970 in opposition to legislation

REPEALING ALASKA'S INDUSTRIAL

INCENTIVE TAX CREDIT

ACT

This statement is based primarily on the affect of the act and its repeal on the Southeastern part of the state.

TIMBER INDUSTRY

In the case of the timber industry, three major pulp mills have been established in Southeastern Alaska, Ketchikan Pulp Co. in Ketchikan, Alaska Lumber and Pulp in Sitka and U.S. Plywood-Champion in Juneau (the later still is to be constructed but has received consideration under the tax incentive act.)

One large sawmill, Alaska Wood Products in Wrangell, may have inherited a tax credit with the purchase of Pacific Northern Timber Co. Wrangell Lumber Mills is a subsidiary of Alaska Lumber and Pulp and Ketchikan Spruce Mills is owned by Georgia-Pacific which also is one of the owners of Ketchikan Pulp Co.

This means all major wood processors in Southeastern Alaska are benefitting from the incentive program. But the timber industry ^{has} not yet spread to other communities of chronic unemployment in Tongass National Forest. These towns, such as Craig and Klawock, are attempting to attract a small wood processing plant. One mill operator has obtained a site for a mill near Klawock. I believe it is only fair that he be allowed to receive similar incentive credits granted larger mills otherwise he will be bidding for timber at an unfair disadvantage. His mill should qualify for tax credits as it will be the first such mill on Prince of Wales Island; it will be in an area of high unemployment and will employ local people. The employes' contribution in income tax should far offset any loss of venue to the state over a ten year period.

There may be other small mills established to process cedar, not now processed in the area, if they can turn out cedar shakes cheap enough to compete with markets in the lower 48.

FISHERIES

The fisheries industry has been sagging in the Southeastern part of the state with the number of canneries and cold storages decreasing each year. One of the biggest economic blows to Ketchikan was the loss of Ketchikan Cold Storage two years ago to a sweet-widening job. The plant had employed 55 people year around and many more during the summer rush. When the plant operated, the average annual halibut landings in Ketchikan were between five and seven million pounds. This provided jobs in Ketchikan and provided business. Since that-time halibut landings in Ketchikan have fallen off to about three million pounds. The fishery has not fallen off correspondingly. By contrast, halibut landings in Prince Rupert, B.C. went from 10 million pounds in 1968 to 14 million pounds in 1969. Landings in Kodiak went from almost zero a few years ago to over five million pounds in 1969. Petersburg landings went from about 2.5 million to four million pounds.

I believe that establishment of another cold storage plant in Ketchikan may be the one way to attract fish landings back to what once was a major fishing port. To make the project successful will require some type of tax forgiveness in order to give Ketchikan an edge over prices in Prince Rupert. We also note that Pan Alaska Fisheries at Unalaska is listed as one of the firms granted a tax credit under the incentive program so a precedent has been set in the industry.

MINING

Gold, copper and coal mining were once major industries in Alaska but in the last year, total hardrock mineral production in the state was \$3 1/2 million, of this \$15 million was sand and gravel, according to preliminary figures from the U.S. Bureau of Mines. Gold production has dropped from a \$10 million industry in 1950 to less than one million in 1969. Copper production long ago ceased at Cordova and on Prince of Wales Island in Southeastern Alaska. The Bokan Mountain uranium mine closed in 1956 but may reopen again.

There are indications by the number of prospectors and mining engineers in the Ketchikan district, that mining may be revived in copper, iron, uranium, and molybdenum. Several companies with prospects of setting up iron ore processing

plants in Southeastern Alaska, Marcona and Mitsubishi, have applied for tax credits under the incentive act. ^{They} They may be only the forerunner of other major mining companies entering the state if the economic feasibility of extracting the mineral can make it competitive with ore extraction in Canada. Alaska has the advantage of being closer to deep water shipping, the most economical way to move ore, but Canada has the tax incentives that encourage mining. These incentives are outlined in the state division of mines report for 1968 and presumably will be included in the 1969 report due out soon.

Companies actively prospecting in the Ketchikan area now, with the ability to extract the ore if the economics are right, include U.S. Steel, American Smelting and Refining, Humble Oil, Newmont Explorations, Cyprus Mines and Utah Construction and Mining. All have crews in the state. El Paso Natural Gas has even opened an office and set up a mineral laboratory in Ketchikan. All these firms will be watching the state to be sure the business climate is right before investing in actual production of minerals.

We do not believe that repealing the industry incentive act will do much to convince these firms that Alaska is trying to attract industry.

It appears that a better course would be to instruct the department of economic development and planning to meet with representatives of the various industries in the state to determine what problems prevent them from establishing plants in the state, comparing what losses the state may take on corporation or special license taxes with the gains on individual income taxes from the jobs created, and recommending improvements to the industrial incentive tax program.

Repealing the program appears to take away one tool the ^{of} economic development department can use and it also indicates that the next step may be to abolish the economic development department itself. I do not believe that is the intent or desire of the legislature.

REVENUE COMPARISONS

It is interesting to note that the individual income tax provides 40 per cent of the state's revenue from tax sources. For the fiscal year ending last June 30 revenue from that source was a little over four million dollars, as you members of the finance committee are aware. The highway motor fuel tax and drivers and auto licenses together provided the second biggest source of income, about 17 per cent. Oil was third last year at 7 per cent, (although we admit it will be the biggest source in future years. But most important was that income from the corporation tax was fourth, along with liquor industry income, at six per cent.

What this means to me is that the best boost the legislature can give the economy is to increase the number of jobs for individuals. This will add more revenue in the number one and number two revenue ~~contributions~~ ^{sources}. With only about \$500,000 coming to the state in corporation income taxes, it ~~appears~~ appears to me that if it would attract just one large plant to the state, a mining complex, a large refinery, another large wood processing plant, a new large cold storage, the state could almost forget the corporation tax income, ^{this is} one of the items which is considered in the industrial incentive program.

I want to thank you all for your time and the chance to be heard on this subject.

FOR IMMEDIATE RELEASE

Statement of Lewis M. Dischner, Local 959, International Brotherhood of
Teamsters, Box 2092, Anchorage, Alaska 99501

The greatest proof that the industrial incentive act has been successful in bringing new industries, new payrolls and accelerated development of Alaska's resources, lies in the fact that the repeal of the law can even be considered. It ranks on a par with the demand to "break up the Yankees".....because they were winning too many pennants. (By the way, whatever happened to the Yankees?)

Like many of you, who remember the days before this law was part of Alaska's development, I can remember times when we would have kidnapped and hog tied anyone who seemed the least bit interested in any resource we had. Further, we would have given him anything he wanted to get him to locate up here....but things have really changed.

Today, we have industries from Ketchikan to Kenai to Kodiak and back to Sitka. All of them started and nursed along by the tax relief which this law provides. In addition, we have industries in Anchorage, Fairbanks and everywhere else which are in the process of getting started....again with the tax relief offered under this law.

In addition to all these, we also have money in the bank and the prospect that our oil resources will bring us even more of the same. Things have changed very much. They have changed so much....that today, we can consider repealing the law which produced the great part of the change.

I cannot agree with the premise of repeal. I cannot agree with the thought process of those who advocate repeal. And finally, I cannot even agree that there is any need for a change - at least any major change.

Before we make any major change in this law, we must give full consideration to what lies ahead. We must check up on the resources which have NOT been developed. are NOT being developed. are not even being explored and charted, to any great degree.

In addition, we must move very carefully in verifying the erroneous idea that ". Alaska is so rich in resources that all industries are beating down the door to get in and get going! We don't need any tax relief!! We don't need any industrial incentive!!!!"

Ladies and gentlemen, before you even give further consideration to this vagrant thought, ask yourself how many NEW industries. those in the process of coming to Alaska. how many of these have told you this statement is true? If your experience parallels mine, you will find that none of them agree with this premise. In fact, all of them will tell you that it is untrue.

This is why I urge you to refuse to be stampeded into tearing down the most successful piece of legislation, ever enacted into law in Alaska.

More than 2,000 new jobs have been produced under this law and more are coming daily. Anything which is that successful can't be all bad.

In fact, it is doubtful if it is bad at all. and certainly, full proof should be a requirement of any claim of damage.

It has been said that no law is perfect. This may be true, but some law is basic. basic to the growth and development of this state's resource potential. The needs of the state are great. Our resources compete on the world market. when they are able. and in some instances, they cannot compete, at all.

Our mineral resources are stagnant, for the most part, because

they cannot compete with the terms and conditions existing in the Yukon Territory and other segments of Canada. Before you consider abandoning what we have, take a look at the competition. We are not alone in the markets of the world.

As the spokesman for more than 4,000 Teamsters and their families, I urge you to consider well before you change any segment of the present industrial incentive law. Nothing we have has produced so much, or proven its worth so well. Before we yield to a plea to ". . . . break up the Yankees," let's be certain that we can afford to even consider a change of any kind.

When you consider this act, you literally have the future of Alaska in your hands. I urge you to move slowly and to refuse to consider any change at all, unless indisputable proof is advanced that change is needed. I urge you to defeat any repeal of the present law.

TESTIMONY OF ALLAN A. ENGSTROM RE
SB No. 383 and HB No. 422 BEFORE
THE HOUSE FINANCE COMMITTEE

February 10, 1970

Mr. Chairman and Members of the Committee:

My name is Allan A. Engstrom. I am an attorney practicing law in Juneau, Alaska with the firm of Davidson, Engstrom & Henri.

I represent Marcona Corporation of San Francisco, California. Marcona is in the business of mining iron ore and also has a large fleet of ships used in the transportation of bulk cargoes such as iron ore. At the present time, Marcona has iron ore mining ventures in Peru and Australia and transports the iron ore product to markets in Japan.

To my knowledge, Southeast Alaska has three large deposits of iron ore, located at Union Bay near Ketchikan, on the Snettisham Peninsula approximately 40 miles south of Juneau, and in the Klukwan area approximately 40 miles inland from Haines. Large portions of both Union Bay and Klukwan are tied up by U.S. Steel Corporation which to date has not shown any inclination to develop the deposits.

Through good fortune in the winter of 1969, Marcona was able to stake mining claims covering the deposit on the Snettisham Peninsula. From the spring of 1969 through November, Marcona expended approximately \$500,000.00 in core drilling the area and sending the samples south for laboratory testing.

All three iron ore deposits in Southeast Alaska contain low quality iron ore. That is, the ore produces low percentage yield per ton and it contains a high percentage of titanium. The high titanium content makes the ore impossible to reduce without large amounts of energy. To date, the high energy requirement has been lacking in Southeast Alaska making the ore uneconomical to mine.

Marcona feels, however, that with new processes available they might be able to make an economic go of it. For that reason, the core samples have been shipped to a mid-western university for purposes of developing an economical process. At the same time, Marcona is attempting to develop a Japanese market for the ore. It is my understanding that the only market interested in this ore is Japanese because they have traditionally used a higher proportion of titanium in their steel processing than have other countries. As you can see, Marcona is still in the planning stage and any development of Snettisham depends on producing a cheap enough end product that the Japanese will purchase it.

I might also add that Marcona estimates that the new Snettisham power facility will only produce at peak approximately one-half

of Marcona's energy requirements making it necessary for Marcona to put in its own power facility at additional cost.

As has been reported in the press, Marcona estimates a project cost of \$130,000,000. This includes mill and dock facilities; a power facility, and a town for its employees. Marcona would employ approximately 600 men with an annual payroll of \$7,200,000.00.

The Snettisham peninsula is within the Greater Juneau Borough. In the event that the Borough granted a tax exemption pursuant to state law, Marcona would still be obligated to pay at least 7 mills which would amount to \$910,000.00. Also, Juneau would naturally be the market center for the development and would benefit most from the payroll generated.

To my knowledge, there is not one mine of any magnitude operating in the State of Alaska. The old saying has been that the minerals stop at the Canadian border. Among other reasons why mineral development stops at the Canadian border are the industrial incentives offered by the Canadian governments to fledgling industrial developers.

It is said the industry gives a low priority in its consideration of a project to industrial incentives. I feel that the considerable industrial development in both Western Canada and the Southern United States gives lie to this statement. Both areas have done their utmost to create favorable industrial climates and industry is apparently drawn in by these considerations. When the final decision is made by a Board of Directors whether or not to go ahead with a project, the decision has to be based on ultimate cost of the product compared with what it can be sold for. Determination of the factors of cost is at best speculative. It must be an important consideration whether or not taxes are also a speculative factor or whether the Board knows that taxes will not be more than a certain figure for a period of time.

Marcona Corporation filed its application for industrial tax credit with the State of Alaska and the Greater Juneau Borough a few days prior to February 2, 1970. SB 383 as amended saves all applications filed prior to February 2, 1970. HB 422 as amended saves all applications filed prior to December 31, 1969. I appear here today to speak against repeal of the Industrial Tax Credit Incentive Act. However, and even more so, on behalf of Marcona Corporation, I request that in the event the Act is repealed, that the cut off date for applications be extended to at least February 2, 1970.

The iron ore development proposed by Marcona is marginal and any reduction in cost is important. In addition, Marcona came into Alaska knowing of and relying on the fact that there was an

Industrial Tax Credit Incentive Act on the books. In that reliance, Marcona expended approximately \$500,000.00 in exploratory costs. It is my opinion that it is incumbent upon the legislature to at least save those applications pertaining to potential operations at the time of repeal.

Thank you for the opportunity of appearing before you today.

STATE OF ALASKA

KEITH H. MILLER, GOVERNOR

DEPARTMENT OF ECONOMIC DEVELOPMENT

OFFICE OF THE COMMISSIONER

POUCH EE - JUNEAU 99801

February 10, 1970

ALASKA INDUSTRIAL INCENTIVE ACT

<u>Corporate Name</u>	<u>Proposed Investment Based on Application</u>
Alaska Lumber & Pulp Company Sitka, Alaska	\$50,100,000
Alaska Pacific Lumber Company Wrangell, Alaska	2,155,821
Alyeska Ski Corporation Girdwood, Alaska	305,250
Collier Carbon & Chemical Corporation Kenai, Alaska	48,000,000
Cook Inlet Pipeline Kenai, Alaska	45,000,000
Don Chemical Corporation Anchorage, Alaska	500,000
Fairbanks Inn (Westours, Inc.) Fairbanks, Alaska	1,501,000
Ketchikan Pulp Company Ketchikan, Alaska	58,744,818
Konikson Lumber Company Wasilla, Alaska	276,263
Koppers Company Whittier, Alaska	370,000
Matanuska Valley Co-op Palmer, Alaska	170,717
Pan Alaska Fisheries, Inc. Unalaska, Alaska	350,000
Phillips-Marathon Oil Company Kenai, Alaska	57,500,000
Potlatch Motel Company Sitka, Alaska	435,500
Prestressed Concrete, Inc. Anchorage, Alaska	93,407
Standard Oil-Nikiski Refinery Port Nikiski, Alaska	10,250,000
TOTAL	\$275,751,776
ALASKA INDUSTRIAL TAX CREDIT ACT	
Huskey Manufacturing, Inc.	\$ 470,940
Oetker Brewery Co.	3,500,000
U. S. Plywood-Champion Papers, Inc.	<u>100,000,000</u>
TOTAL	\$103,970,940
GRAND TOTAL -- Tax Incentive and Tax Credit Acts	<u>\$379,722,716</u>

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STATE OF ALASKA

KEITH W. MILLER, GOVERNOR

DEPARTMENT OF ECONOMIC DEVELOPMENT

OFFICE OF THE COMMISSIONER

POUCH EE - JUNEAU 99801

February 2, 1970

ALASKA INDUSTRIAL TAX INCENTIVE ACT From 7/1/57 to 6/30/68

Applications Denied:

Alaska Barite Company

Hughes Homes

Island Seafoods

Ohio Oil Company

B & B Fisheries Company

Applications filed, but withdrawn by applicant:

New Seward Motel

Northern Industrial and
Development Corporation

Georgia-Pacific Alaska Corporation

Holiday Investment Corporation

Alaska Cedar Corporation

Juneau Lumber Company

Ski Land Inc.

Williwaw Lodge

Peninsula Growers, Inc.

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STATE OF ALASKA

KEITH H. MILLER, GOVERNOR

DEPARTMENT OF ECONOMIC DEVELOPMENT

OFFICE OF THE COMMISSIONER

POUCH EE -- JUNEAU 93801

ALASKA INDUSTRIAL TAX CREDIT ACT Pending Applications February 2, 1970

<u>Date Application Filed</u>	<u>Corporate Name</u>	<u>Proposed Investment</u>
October 13, 1969*	Tesoro-Alaskan Petroleum Corporation	\$ 19,000,000.00
July 28, 1969	Communications Satellite Corporation	4,328,000.00
October 6, 1969	Schnabel Lumber Company, Inc.	2,000,000.00
October 6, 1969	Westward Timber Products Co., Inc.	800,000.00
January 23, 1970	Marcona Corporation	130,000,000.00
January 28, 1970	Kenai Lumber Company, Inc.	625,000.00
January 29, 1970	Mitsubishi International Corporation	20,000,000.00
January 30, 1970	Alaska Peat Moss Company	500,000.00
January 30, 1970	Nebraska Consolidated Mills, Co., Inc.	1,800,000.00
January 30, 1970	John L. Young**	5,000,000.00
January 30, 1970	Chandalar Gold Mining & Milling	331,000.00
January 30, 1970	PCE Explorations, Ltd.	Unknown
February 2, 1970	Kalmbach Forest Products, Inc.	500,000.00
TOTAL PROPOSED CAPITAL INVESTMENT		<u>\$184,884,000.00</u>

*First filed under Alaska Oil & Refining Company, Inc. - July 29, 1968

**Soon to become a corporation

STATE OF ALASKA

KEITH N. MILLER, GOVERNOR

DEPARTMENT OF ECONOMIC DEVELOPMENT

OFFICE OF THE COMMISSIONER

POUCH EE - JUNEAU 93801

January 26, 1970

ARGUMENTS FOR THE RETENTION OF ALASKA INDUSTRIAL TAX CREDIT ACT By Everett W. Bunes Acting Commissioner

Alaska must compete with the other States and Canada as well as Pacific Rim countries such as Australia and New Zealand for new industry. We must overcome disadvantages of high labor costs, limited transportation facilities, restricted labor pools and restricted markets. Incentive programs are necessary to offer a competitive climate conducive to the establishment of new industries.

I do not believe that the tax exemptions and credits that have been granted represent a very substantial loss of revenue to the State. In view of the recent bonuses from the oil lease sale, I believe that the State is now in a good financial position to compete with other areas for these new industries with the above Act and the increased activity will ultimately result in revenues many times greater than the current exemption.

Of the twenty (20) firms that have received exemptions under the old Industrial Incentive Act, only ten (10) are currently taking advantage of this Act. Although this incentive is helpful, it is rather obvious that it takes more than tax exemptions to make these companies successful in Alaska. The three (3) companies that were granted tax credits under the current act have not constructed their facilities yet.

I believe that in most cases the exemptions and credits in the initial years are not too significant because high start-up costs and accelerated depreciation may eliminate any profits and I doubt that the firms will utilize more than a fraction of their credits. In their long range planning, however, the credit does act as insurance against the possibility that State taxes are substantially increased.

To my knowledge the above Act is the only statute that requires the employment and training of Alaskan residents in certain new industries.

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According to page 6 of the attached survey, eighteen (18) states have enacted tax incentive legislation and more are considering this tool in order to compete for new industry. An example is the full-page advertisement placed in TIME magazine this week by Puerto Rico and one recently placed by West Virginia.

It appears that the current Legislature considers the State prosperous and does not require any further incentives. If this is true for Anchorage, Fairbanks, Valdez, and Kenai, I am sure the residents of the other areas of the State cannot agree because the oil money has not effected fishing, mining, timber, agriculture, etc. State Legislators must not overlook the need for development in the less fortunate communities of our State. If they feel that oil related industries do not justify tax credits, then they should amend that portion of the Act rather than repeal the entire Act.

I am also surprised that the Legislators from the rural areas and the smaller cities are voting to repeal this Act. The granting of a tax credit would be a loss of revenue to the entire State whereas the per capita loss to their areas would be a minor item and it might spur a substantial development as evidenced by U.S. Plywood-Champion Papers, Inc. and Marcona Corporation.

It has also been said that tax exemptions and credits put too great a tax burden on the local political subdivision. A good illustration to repudiate this argument is the exemption granted to the Alaska Lumber and Pulp Company which required the payment of \$8,000 per local mill levy to the Sitka Independent School District. In spite of this exemption, the Sitka Borough has the lowest millage in the State.

The citizens of several areas of the State appear anxious to assume the obligations of providing police, fire, sewer, water, power and other services in order to have State and Federal offices who do not pay property taxes. On the other hand they are critical of the Administration for granting a tax credit to U.S. Plywood-Champion Papers, Inc. which is a self-contained unit without these services. Under the Act, the company will pay the borough the seven (7) mill school foundation tax which is estimated at \$700,000 per year and also pay State motor fuel taxes for vehicles on the highway. All of the mill employees will pay the normal taxes which we estimate will exceed \$100,000 each year to the borough and \$250,000 in State taxes.

The sudden announcement that the Marcona Corporation was filing an application for a tax credit before the proposed deadline is a good indication of the value of the Act to industry. The above Act is an important incentive in developing our tremendous resources which in turn will lower our cost of living and other high costs such as labor, transportation and construction, and benefit all of the residents of the State.

Last April 22, the Senate passed Resolution No. 6 by unanimous voice vote urging the State to grant a tax credit to Oetker Brewery. A similar resolution was introduced in the House of Representatives and was referred to the House Finance Committee. Numerous Representatives went on record in support of this resolution. If this was a good Act nine months ago, it should be a good one today.

I have been one of the proponents for primary manufacture in the State with the hope that we will eventually obtain complete manufacture. Most people do not realize that New Mexico is ranked sixth in the nation in the production of oil but they have permitted the export of these products via pipelines, etc., with the result that Texas prospers from refineries and related facilities. I am concerned that we will permit Alaska to become another New Mexico with pipelines and tankers taking our crude oil and gas to other states and nations for ultimate processing. I would recommend that you consider using the Alaska Industrial Tax Credit Act or similar legislation to grant tax exemptions or credits for a portion of the severance tax or royalties to companies who will construct their facilities in Alaska. This would revolutionize development in Alaska and the loss of revenue to the State would come back numerous times in the form of other taxes.

HOUSE FINANCE COMMITTEE

February 11, 1970

9:05 a.m.

Present: All members of the committee were present.

HB 593

Mr. Ray called the meeting to order, and Mr. Haugen moved and asked unanimous consent that HOUSE BILL NO. 593 (relating to the tax on motor fuel) be brought before the committee. No objection, so ordered.

Mr. Haugen said there are no financial implications with this bill, and moved and asked unanimous consent that it be reported out with personal recommendations; however, on vote of the committee HOUSE BILL NO. 593 was reported out with a unanimous "do pass" recommendation.

Mr. John Schwamm came in.

HB 282

Mr. Ray reminded the committee members of the hearing on HOUSE BILL NO. 282 (pension plan) at 8:00 p.m. this evening, and stated he would like all of the committee members present for this hearing.

Bill
Assignment:

The following bills were assigned to committee members:

HOUSE BILL NO. 58 (rules and regulations to be issued by the Department of Health and Welfare) -- Mr. Haugen.

HOUSE BILL NO. 594 (Alaska 1970 Tax Reform Act) -- Mr. Ray.

HOUSE BILL NO. 597 (Appropriation - Department of Public Works, \$1,147,000 for Housing Home in Fairbanks) -- Mr. Forer.

HOUSE BILL NO. 601 (Constructing and equipping libraries in rural communities) -- Mr. Prof.

HOUSE BILL NO. 602 (Appropriation - Division of State Libraries, Department of Education, \$250,000) -- Mr. Croft.

HOUSE BILL NO. 584 (Appropriation - Office of the Governor, Alaska State Museum, \$25,000) -- Mr. Haugen. .

HOUSE BILL NO. 553 (Eligibility for veteran loans) -- Mr. Sackett.

HOUSE BILL NO. 552 (Amount of veterans' loans) -- Mr. Sackett.

HOUSE CONCURRENT RESOLUTION NO. 20 (Establishment of the position of health education coordinator in the Department of Education) -- Mr. Bradner.

CSHB 532

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 532 (Relating to liquor licenses) was brought before the committee for discussion. This bill, Mr. Ray said, is assigned to Mr. Sackett. At the present time, however, there is a problem, he explained. The law says that the licenses may be renewed prior to the expiration time, which is 12:00 midnight, December 31. This year the ABC Board put out letters to all licensees telling them to have their applications and money in by the first of November or they might not get licenses. This caused a lot of consternation. In some instances, it meant people having to run to the bank and borrow money for sixty days; others went to lawyers.

As a result, Mr. Ray explained, the board owners in Anchorage contacted Mr. McVey, who contacted Mr. Ray, who in turn contacted Mr. Millar, and came up with the idea of selling in licenses. So, the COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 532 would read as follows:

"Sec. 04.10.350. REISSUANCE OF LICENSES. (a) A license issued under this chapter is renewable if the renewal application is made and the fee is paid in accordance with secs. 40 - 140 of this chapter, except in the case of conviction of the licensee under AS 04.15.100 or in the case of a lawful revocation in which case the license is renewable only as provided by applicable law and regulation.

(b) Licenses shall be renewed as follows:

(1) On or before November 1, the director shall mail to each licensee at his licensed premises, or at a mailing address designated by the licensee, an application to renew the license.

(2) The application to renew the license may be filed on or before December 31 on payment of the applicable annual fee under secs. 40 - 140 of this chapter.

(3) After December 31, and on or before February 28, a license may be renewed on payment of the applicable annual renewal fee under secs. 40-140 of this chapter plus a penalty which shall be equal to the annual fee or \$50, whichever is less.

(4) Unless otherwise terminated, a license which is in effect on December 31 continues in effect through the next February 28. However, if on or before February 28 the renewal application has not been filed and the fees provided for in (b)(2) or (3) of this section have not been paid, the license is automatically revoked at 2:00 a.m. February 28, and may only be reinstated

(A) upon application filed during the six-month period beginning with February 28;

(B) upon proof satisfactory to the board of good cause for the failure to file and pay; and

(C) in accordance with rules or regulations promulgated by the board; the fee for filing an application for reinstatement shall, in addition to the annual fee, include the penalty fee provided in (b)(3) of this section, no part of which is returnable to the applicant.

(5) On or before February 15, the director shall mail a notice of forfeiture to each licensee who has not either filed an application to renew his license or notified the director of his intent not to do so. Failure to mail this notice or the renewal application in accordance with (b)(1) of this section shall not continue the right to a license."

Mr. Ray continued, stating the people in the liquor industry do not get any holidays as far as business is concerned due to the opportunity for added business during a holiday.

The idea from the ABC Board is this would solve a lot of problems at the end of the year. If a man wants to take the extra 60 days, he can pay a \$50 penalty, so to speak, and go on from there.

Mr. Croft asked why Mr. Ray is opposed to this, and Mr. Ray replied he is not opposed to it. Mr. Ray stated this bill is assigned to Mr. Sackett, and suggested Mr. Sackett talk to Mr. Millsap about it when he gets here. The ABC Board is content with it, and it has no financial implications.

Mr. Haugen asked how the law reads when someone under age produces identification that is assumed valid, such as a driver's license, and it turns out the person using the permit is not of legal age to buy liquor. Mr. Ray replied the law says anyone who presents fraudulent identification is held responsible. Mr. Haugen referred to a business in his home town which is being shut down temporarily because of this, and asked if the vendor is protected in the case of fraudulent identification and if it is spelled out in the law. Mr. Ray replied yes, under Title IV of the Alaska Statutes.

Recess:

Meeting recessed 9:35 a.m.

After Recess
10:30 a.m.

Present: All members of the committee were present. Mr. Ray announced he would like to bring up the University of Alaska budget on Monday, February 23rd, at 1:30 p.m.

HB 645 Mr. Borer moved and asked unanimous consent that HOUSE BILL NO. 645 (interest rate on University of Alaska bonds approved under ch. 111, SLA 1969) be brought before the committee for discussion. No objection, so ordered.

Mr. Borer said this bill changes the interest on chapter 111, SLA 1969, which included \$4,000,000 in bonds for a student activity center. All this bill does, Mr. Borer said, is increase the interest rate allowable on the bonds from 7% to 9%. Mr. Borer moved and asked unanimous consent that HOUSE BILL NO. 645 be reported out with a "do pass" recommendation, then withdrew the motion and moved and asked unanimous consent that HOUSE BILL NO. 645 be reported out with individual recommendations.

Mr. Sackett asked what percent was used when they said they were going to repay from the student activity fees. Mr. Borer advised Mr. Sackett to review the minutes of last year when they passed enabling legislation and he would find it. Mr. Sackett said there is a certain percentage they use where students could repay the bonds, and added that he felt it was understood that eventually the state would pick up the tab. Mr. Borer asked if this bill is going to go over to the Special Monetary Committee. There was some discussion on whether it would, Mr. Ray saying no.

HOUSE BILL NO 645 was reported out with the following
recommendations:

DO PASS: Messrs. Borer, Bradner, Hohman and Haugen.
NO RECOMMENDATION: Messrs. Ray, Croft and Sackett.

HB 464

Mr. Bradner moved and asked unanimous consent that HOUSE
BILL NO. 464 (appropriating to the Department of Public Works,
Division of Aviation) be brought before the committee. No
objection, so ordered.

Mr. Ray quoted the bill: "The sum of \$211,700 is appropriated
from the international airport revenue fund to the Department of
Public Works, Division of Aviation, for estimated unfunded
costs of liability insurance at the Anchorage and Fairbanks
international airports, for the fiscal year ending June 30,
1970," and questioned the reason for this.

Mr. Bradner said it is based on liability. This department
has been hit with an insurance renewal cost for airport
liability that is severely in excess of the amount contained
in the fiscal year 1969-70 budget for this item. The cost for
fiscal year 1968-69 was \$71,542, and the renewal cost for
fiscal year 1969-70 is \$294,000 for the identical coverage.
Only \$100,825 was included in the budget for this renewal.
The insurance carrier has offered a \$16,500 deduction, leaving
the total cost at \$312,500. This is \$211,675 in excess of the
budgeted cost. The increase is due to the attention the
state has been getting on its airport activities, North Slope
activities, increase in the number of airports and the number
handling jet aircraft, the greater value of the aircraft, the
737 jets being used, and also the likelihood of the use of
the 747's.

Mr. Bradner moved and asked unanimous consent that HOUSE BILL NO. 464 be reported out with a "do pass" recommendation. He added that this has already been paid out of other contractual services funds because the policy expired on July 1, 1969. The \$211,700 will go to pay the other contractual services funds that were used to pay this.

On vote by the committee, HOUSE BILL NO. 464 was reported out with a unanimous "do pass" recommendation; however, Mr. Borer noted that the State Affairs Committee amended the bill to \$175,700. Mr. Ray suggested adopting the \$175,700. Mr. Borer objected, and reviewed the State Affairs Committee recommendations.

Mr. Croft moved and asked unanimous consent that HOUSE BILL NO. 464 be sent back to Bradner subcommittee for the day. No objection, so order, and Mr. Ray rescinded the previous action on HOUSE BILL NO. 464.

CSHB 532

Mr. Ray moved and asked unanimous consent that COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 532 (relating to liquor licenses) be brought before the committee for discussion. No objection, so ordered. Mr. Claude Millsap had come in, and Mr. Ray announced that Mr. Millsap, in his last few hours as Director of the Alcoholic Beverage Control Board [ABC Board], had kindly consented to come before the committee and give his views on Finance COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 532. Mr. Millsap stated that he had reviewed the original HOUSE BILL NO. 532, and the COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 532, and it was his recommendation that HOUSE BILL NO. 532

be amended to require the filing of renewal or reissuance applications for liquor licenses be submitted prior to November 1 each year, so that the ABC administrative staff can promptly process the applications, with the license fees to be submitted after December 31, and on or before February 28 of the following year. He concurred with COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 532 by the Finance Committee. He recognized that licensees accumulate more money during the holiday period and that it could be difficult to submit the fees prior to the renewal date.

Mr. Ray then moved and asked unanimous consent that COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 532 be reported out with a unanimous "do pass" recommendation. No objection, so ordered.

Recess:

Mr. Ray recessed the meeting at that time, 10:50 a.m., to go up to the floor because he said they were trying to amend the pioneers' bill to \$50 a month.

Mr. Millsap stated that he has enjoyed serving with the ABC Board and appreciated the help of the committee.

HB 518

Mr. Ray moved and asked unanimous consent that HOUSE BILL NO. 518 (limitation upon the issuance of oil and gas leases in the state) be brought before the committee. No objection, so ordered.

Mr. Ray quoted from the bill, "Until July 1, 1972, no oil and gas leases may be issued upon state lands without the prior consent of the legislature as expressed by the passage of a joint resolution," and then reviewed the letter from Dale Wallington, Deputy Commissioner of the Department of Natural Resources.

Mr. Sackett said he has more information coming in from Bill Hopkins, and added the committee doesn't know enough about this.

Mr. Ray commented that all this does is eliminate the indiscriminate leasing of oil lands, not necessarily stop future oil sales.

Mr. Bradner added that it seemed to him there is a tremendous amount of surface land to be sold to create \$900,000,000 or more, or even more, for the state. The situation could create or cause a problem.

Mr. Sackett would prefer to see competitive bids, to prevent the department from leasing to non-competitive bidders, and Mr. Ray didn't feel that was correct. Mr. Sackett said that if they wanted to do it, they should pass a joint resolution. It would be passed.

Mr. Ray did feel, however, that it would be too much power in one man's hands.

Mr. Sackett wondered how the legislature is supposed to know how, where and when to lease lands. **Mr. Ray said if they want the sale, all they have to do is ask the legislature for a resolution.**

Mr. Haugen expressed the feeling that up until now there hasn't been any reason to think they have done anything indiscriminate; however, Mr. Ray seemed to think they have.

Mr. Ray then requested Mr. Sackett get the rest of the information on this bill before further action.

HB 442

With reference to subcommittee assignment on HOUSE BILL NO. 442 (repeal inheritance taxes and transfer taxes), Mr. Borer said he is waiting to get together with Mr. Snow, who wants to appear before the committee and testify.

Mr. Ray suggested, however, that Mr. Borer have Mr. Snow meet with him, that Mr. Snow doesn't have to come before the committee. Mr. Sackett commented that it is extremely slow to get information from the Department of Revenue because everything must go through Mr. Snow.

HB 447

With reference to progress on subcommittee assignment of HOUSE BILL NO. 447 (providing for state action to increase vocational opportunities of persons who are working below skill capacities or are unemployed), Mr. Borer said he is working on it.

Mr. Ray indicated he is not pushing, however, he would like the subcommittees to get research on some of these bills.

HB 469

Mr. Haugen referred to HOUSE BILL NO. 469 (appropriating

to the Department of Education), and quoted from the bill:
"The sum of \$45,000 is appropriated from the general fund
to the Department of Education for actual and estimated
unfunded costs of the Public Educational Broadcasting Commission
for the fiscal year ending June 30, 1970."

Mr. Ray said he has not heard of any program like that.
Mr. Haugen said he has a fiscal note on it, and recalled
Senator Gravel called them to task for not having this
facility available.

Mr. Haugen then moved and asked unanimous consent that
HOUSE BILL NO. 469 be brought before the committee for
discussion. No objection, so ordered.

Mr. Haugen noted \$4,800 for travel for commission members,
\$40,000 for contractual services for a contract with the
University of Alaska, and \$200 for commodities - supplies
and office equipment.

Mr. Haugen then moved and asked unanimous consent that
HOUSE BILL NO. 469 be reported out with individual recommenda-
tions. Mr. Ray objected, and moved that HOUSE BILL NO. 469
be laid on the table. Mr. Sackett objected, and on vote
by the committee, Mr. Ray's motion failed.

Mr. Haugen again moved and asked unanimous consent that
HOUSE BILL NO. 469 be reported out with individual recommendations.
Mr. Ray said he never heard of this before, and Mr. Haugen
quoted from a letter from Sigurdson, now Director of the Department
of Administration to Governor Piliavin, "This is to advise
your office that we have begun implementation of the Public

Broadcasting Commission as cited in your letter of January 13, 1969, with assistance from Dr. Hartman, Commissioner of Education and chairman of the Commission. Funding of this important commission will come in two parts or phases, the latter requiring your acknowledgement and approval:

"Expenses for the balance of this fiscal year will be charged to the existing Department of Education Administration budget, Advisory Commission, not to exceed \$25,000;

"With convening of the sixth legislature, second session next January, formal approval of that body can be sought by initiation of a bill from your office to transfer \$25,000 from the Department of Education, Division of District School Support, Detention of Juveniles Program to the Department of Education, General Administration, Advisory Commission.

"We have jointly examined several alternative funding methods for this program and I would recommend this procedure as the best alternative." Governor Miller gave his approval to proceed with fiscal implementation as outlined in this letter. Mr. Ray asked the date of the letter, which Mr. Haugen said was August 26, 1969, and Mr. Ray wondered why he had not heard of it during the last session.

Recess: As Mr. Ray had to attend another meeting, he recessed the committee until 2:00 that afternoon, at which time he said they would bring up HOUSE BILL NO. 469 again.

Meeting recessed at 11:40 a.m.

After Recess
2:10 p.m.

Present:

All members of the committee were present with the exception of Messrs. Hohman and Haugen. Present from the Department of Natural Resources were Mr. Williams, Director, Division of Mines & Geology; Mr. Snodgrass, Director, Division of Agriculture; and Mr. Aase, Administrative Officer. Mr. Gene Smith, Budget and Management, was also present. [Mr. Smith had previously been employed by Natural Resources and had helped in the preparation of the budget.]

DEPARTMENT
OF NATURAL
RESOURCES

AGRICULTURE

Mr. Sackett chaired the meeting. He asked if there was a supplemental from Agriculture. Mr. Snodgrass answered there will be a supplemental for about \$500,000 for financing an irrigation project. In answer to Mr. Sackett, Mr. Snodgrass said he did not believe this supplemental had been introduced yet.

There is an increase of \$323,100, from \$549,400 to \$872,500, in the Division of Agriculture.

Office of
the Director

There was an increase of \$52,700, from \$94,600 to \$147,300 in the Office of the Director. There was an increase of \$14,400, from \$29,000 to \$43,400. There were no new additional personnel requested.

Code 200:

There was an increase of \$500, from \$3,400 to \$3,900 in travel. In answer to Mr. Sackett, Mr. Snodgrass said the outside travel is for a National Association of State Directors of Agriculture to be held in Lansing, Michigan.

Code 300:

The Department request for contractual services was \$31,600 and the Governor's Allowance was \$61,600. Mr. Smith said

that the additional \$30,000 for code 380, professional fees and services, was for the Irrigation Feasibility Study which was transferred from Capital Improvements budget.

Mr. Borer asked why they need the money for the supplemental for an irrigation project with this \$30,000 in the budget.

Mr. Snodgrass explained the \$30,000 is for a feasibility study and that the current supplemental will probably finance just those farms that have adjacent water sources.

Mr. Haugen came in.

Mr. Borer asked after the feasibility is determined, what type of areas would be included, and used Kenny Lake as an example. Mr. Snodgrass said that this study is basically for farms in groups, and there has to be enough farms to develop water sources away from the farms. He added that this is what the study is for. [There is a detailed explanation of the study on page 95 and 96 of the workbook.]

There was more discussion on this and Mr. Borer said he would be interested in receiving a letter from Mr. Snodgrass stating the basis of the \$500,000 for the supplemental and where they expect it to be used.

Code 400: There was an increase of \$300 in commodities, from \$2,500 to \$2,800. No questions.

Code 500: The department request for equipment was \$600, and the Governor's allowance the same. There was nothing budgeted in the 1969-70 authorization. No questions.

Code 700: There is an increase of \$3,000 in Grants, Claims & Shared Revenue, from \$30,000 to \$33,000. Mr. Snodgrass explained

this is for Aid to Fairs. He said the increased request is in anticipation of an arts and craft fair in Haines, and noted they had received a similar request for a livestock fair in Kodiak. He added this is for one or the other, and possibly both. Mr. Sackett asked if they utilized the entire \$30,000 last year, and Mr. Snodgrass said he believed they did.

Code 900: There is a request for \$1,000 for car rental from the Department of Highways, and also \$1,000 for the Division of Lands duplicating services, making a \$2,000 request for Inter-Agency Charges.

Animal Industry

Code 100:

There is an increase of \$59,700, from \$150,000 to \$209,700, in Animal Industry. In personal services, there is an increase of \$41,400, from \$108,400 to \$149,800. Mr. Snodgrass explained there are two new positions requested -- a Meat Inspector II and a Clerk-Typist III. He explained that the meat inspection program in the state (the Wholesome Meat Act of 1967) provides for a 50/50 federal matching basis, provided the state maintains its effort toward an "equal to" federal standard goal. In order to carry out the national law (which is mandatory), Mr. Snodgrass remarked, this is the "painful minimum." Mr. Smith added that the Meat Inspector is part of the 50/50 federal matching program.

Code 200: There is an increase in travel of \$3,600, from \$10,000 to \$13,600. Mr. Sackett asked if the \$10,000 last year was sufficient. Mr. Snodgrass said that they have not been able to cover the entire area that they are required to

cover, but that with the one extra Inspector and some overtime they will be able to carry out the functions they have to do.

Code 300: There was an increase of \$5,400 in contractual services, from \$14,000 to \$19,400. Mr. Sackett asked if they had a new place to rent. Mr. Smith explained that the rent and utilities, code 330, were previously in the Director's Office and it was moved to contractual services as an accounting process and to enable them to get federal matching money for this portion. Mr. Sackett noted there was a \$1,900 increase in transportation of things, from \$1,000 to \$2,900.

Code 400: There was an increase of \$1,400 in commodities, from \$7,100 to \$8,500. Mr. Sackett noted a \$1,500 increase in professional and scientific supplies, code 470, and Mr. Smith explained this is primarily an expansion plus laboratory supplies.

Code 500: There is an increase of \$1,400 in equipment, from \$9,500 to \$10,900. Mr. Snodgrass explained this is equipment necessary for the new meat inspection program, and this will be the last year for a heavy demand for equipment. They have spread this request out over a two-year period. Mr. Smith added that this is also part of the 50% increase in his program.

Code 700: Grants, Claims & Shared Revenue shows a department request of \$1,000 for code 740, Indemnities. This is the same level as last year, and is the Government's allowance.

In answer to Mr. Sackett, Mr. Snodgrass said they have paid some indemnities in the past. Mr. Smith added that this is a contingency item.

There was a brief discussion on reindeer diseases, and Mr. Snodgrass said there is no program conceivable to eliminate disease in this area and it is a potential health hazard. He did note that when the reindeer meat is cooked there is no danger.

Mr. Haugen asked how they are doing on the reindeer slaughter program. Mr. Snodgrass discussed the reindeer meat and sausage explaining that it is very successful and is considered a delicacy in some areas. He said this is being exported to Germany and has been very well received. Mr. Haugen asked if there was a "hotel demand" for reindeer sausage. Mr. Snodgrass said the demand exceeds the supply. There was more discussion on this with Mr. Haugen noting there should be some legislative intent that if the reindeer meat could be set up on an operating basis they would have the capability of overseas export.

There was a discussion on the grade of meat and Mr. Smith said the state inspection is to the level of federal standards. Mr. Snodgrass said the Kodiak meat is U.S. Good and there is no percentage in trying to go up to U.S. Choice in a grain area. He said one store in Anchorage buys all of this Kodiak beef and that is why it is not often for sale in other areas.

Mr. Haugen asked how many head of cattle there are on Kodiak

Island, and Mr. Snodgrass answered 2,000 to 2,200, and the slaughter would be 150 to 250, and this is the fastest growing segment of agriculture. Mr. Borer asked, if the slaughter house is only picking up 80 head and the private market is absorbing the rest, how they could do this without inspection. Mr. Snodgrass said they can if it is reindeer and the meat inspection program has a certain amount of flexibility. Mr. Borer asked what the slaughter house handled last year, and Mr. Snodgrass said that this was not fully completed last year and they could handle 20 a day with "no sweat," and could probably go to 50 a day. Mr. Haugen said he thought they could run more than 50 a day through. Mr. Snodgrass said he could not give them a figure because it has not been in operation long enough.

Plant Industry

There was a decrease of (\$7,700) in the Plant Industry Section, from \$82,300 to \$74,600.

Code 100: In personal services there was an increase of \$4,500, from \$39,000 to \$43,500. Mr. Sackett noted there were no new positions.

Code 200: Mr. Sackett noted the increase of \$1,000 in travel, from \$3,000 to \$4,000, a 33% increase. Mr. Snodgrass noted that part of the travel is to certify grass seed, and part of it is field inspection in various areas of the state.

Code 300: Mr. Sackett noted a decrease of (\$36,000) in contractual services, from \$40,000 to \$4,000. Mr. Snodgrass explained this is for the frozen vegetable program, and that it will "hang along" for one more year and then the state will be

should get out and they should go commercial. There was a brief discussion on the pea project. Mr. Smith explained that \$20,000 for the production of frozen vegetables is budgeted under code 800, so it can be reallocated if necessary.

Code 400: There is an increase of \$200 in commodities, from \$300 to \$500.

Code 500: The Governor's Allowance for equipment is \$800, and Mr. Sackett noted \$600 budgeted for a seed germinator. Mr. Snodgrass said this is for replacement of the old seed germinator which is worn out.

Code 800: There is \$20,000 budgeted in this line item (Miscellaneous) for the decreased scope of investigation in scale economics and feasibility of production of frozen vegetables. In answer to Mr. Sackett, Mr. Snodgrass said, for the record, he would say the state would like to be out of this by next year.

Loan Administration There is an increase in Loan Administration of \$18,400, from \$42,500 to \$60,900. Mr. Sackett asked how much is in the loan fund. Mr. Snodgrass said \$172,000 is available for lending. The total of the loan fund is \$1,800,000, which includes \$153,000 in the retirement system.

Code 100: There is an increase of \$12,500 in personal services, from \$20,100 to \$32,600.

Code 200: There is an increase of \$2,100 in travel, from \$7,100 to \$9,200.

Code 300: There is an increase of \$2,300 in contractual services, from \$3,900 to \$6,200. In answer to Mr. Sackett, Mr. Smith explained the \$500 increase in communications, code 310, is

to install a teletype for better communication with the accounting office in Juneau. Mr. Smith said that the \$1,500 program increase in code 380, professional fees and services, reflects special costs necessitated by the Loan Fund Board to obtain professional appraisal reports and have stenographic assistance at Board meetings when held in other areas.

Code 400: There is an increase in commodities of \$100, from \$100 to \$200. No questions.

Code 500: There is an increase of \$500 in equipment, from \$100 to \$600. This is for equipment for the new Examiner I position. There is also a request for a tape recorder for \$200 in code 530.

Code 900: There is a \$900 increase in Inter-Agency Charges, from \$11,200 to \$12,100. Mr. Smith explained that \$10,600 is to fund the accounting position that was transferred to Juneau in the Commissioner's Office, and this is to recover cost of it attributable to the Loan Fund. He said it is an inter-agency accounting transfer and the position was formerly part of the Loan Fund in Palmer. Mr. Sackett asked when this position was moved, and Mr. Smith said "about a year and a half ago."

In answer to Mr. Sackett, Mr. Snodgrass said there was a motion to write off \$100,000 in bad loans. He said these were written off but this does not necessarily mean they will not be collected.

Loan Capitalization

There is a \$200,000 increase in Loan Fund Capitalization, from \$100,000 to \$300,000.

Mr. Sackett asked how many foreclosures they had last year. Mr. Snodgrass replied they started litigation on some of the loans and had accepted \$177,000 worth of property which will be put up for sale.

HB 413

Mr. Snodgrass said there is a bill [referring to HOUSE BILL NO. 413 - an act appropriating \$2,500,000 to the Department of Natural Resources] sponsored by Representative Kerttula to increase the Agricultural Revolving Loan Fund. Mr. Snodgrass said they are in a position whereby most of the farmers are becoming heavily mechanized and that the industry has to grow, and in order to do this they have to have a source of capital.

Mr. Sackett asked how much the total amount of money is in the fund now. Mr. Snodgrass said the authorization is \$2,000,000 at the present time, appropriation of \$1,540,000, and \$153,000 is in the teacher's retirement system.

The face value of the collateral is \$1,800,000 and they think this should be subject to the \$106,000 reserve for uncollectable loans, thus making the current level "1.7 odd million."

Mr. Sackett and Mr. Borer requested that the committee be supplied with the complete breakdown as presented to the Resources Committee. Mr. Borer said if these farms are on such a large scale and are going into combines, etc.,

maybe they should be able to borrow money commercially. Mr. Snodgrass said there are only a few farms on this scale and gave one example of a farm that grossed \$250,000 a year, saying this person could borrow commercially. He said they thought most farms should be assisted as a matter of state policy. There was brief discussion on this.

Small Grain Incentive The 1969-70 authorized figure was \$80,000 and this year's request is at the same level. In answer to Mr. Sackett, Mr. Snodgrass said there had been 22 months of drought, and that they also had an early frost, causing this program to fall drastically below expectations. He said if they had not had such severe weather they would have used the entire \$80,000.

Recess: The meeting recessed at 3:00 p.m.

After Recess
3:10 p.m.

MINERAL
DEVELOPMENT

There is a total increase in Mineral Development of \$739,500, from \$447,600 to \$1,187,100.

Office of
Director

In Office of the Director there is an increase of \$56,300, from \$144,800 to \$201,100.

Code 100: There is an increase in personal services of \$30,400, from \$101,100 to \$131,500. Mr. Williams said they are asking for one new position -- a Clerk III to staff the District Office in Ketchikan.

Code 200: There is an increase of \$500 in travel, from \$3,300 to \$3,800. Mr. Williams explained the outside travel is for the American Mining Congress in Denver, and the American Association of State Geologists in North Dakota.

Code 300: There is an increase of \$14,000 in contractual services, from \$37,400 to \$51,400. In answer to Mr. Sackett, Mr. Williams explained that code 360, equipment rental, includes a copy machine rental at College for \$2,100, and also an MTST. Mr. Sackett asked why they need the MTST, and Mr. Williams answered they have more production. Mr. Smith noted they really have an application for it in this program because of the large number of geological reports.

Code 400: There is an increase of \$1,100 for commodities, from \$2,300 to \$3,400. Mr. Williams noted there are additional supplies requested for the Ketchikan Office.

Code 500: There is an increase of \$4,000 in equipment, from \$700 to \$4,700, and Mr. Williams explained that "this year everything ran out." He said a large amount of the new equipment

is necessary for the mineral information records. He said they can't throw anything away and constantly need new files for these records.

Code 600: There is \$1,500 requested in code 620, improvement of College quarters. Mr. Smith said this is for the arts and crafts shop. In answer to Mr. Sackett, Mr. Smith said this is a minimal program to install ceiling tile and for a lighting system.

Mining
Section

There is an increase of \$579,700 in the Mining Section, from \$93,100 to \$672,800.

Code 100: In personal services there is an increase of \$48,800, from \$57,700 to \$106,500. There are two new positions requested -- a Geophysicist and Assistant Mining Engineer.

Mr. Williams gave a brief explanation of the proposed geophysical program saying this will be partially repaid by the sale of the maps that will be generated by the program and also by the amount of exploration the mining companies do as a result of this information being available. There was a brief discussion on this and it was noted there is a map on page 83 of the workbook showing the areas to be surveyed under the proposed geophysical program. [There is also an explanation of the locations on page 49 of the workbook and a detailed statement on page 47.]

Mr. Williams told the committee that this program "has been eminently successful in Canada, and brought on new production."

Code 200: There is an increase of \$5,600 in travel, from \$11,000 to \$16,600.

Code 300: There is an increase of \$516,500 in contractual services, from \$23,300 to \$539,800. Under code 360, equipment rental, there is \$22,200. Mr. Smith explained that \$4,700 is for air charters for supply of field parties in remote areas. He said in the budget for 1969-70, \$15,000 was placed in code 390, other contractual services, to be used as necessary to provide better logistical support for field parties. He said this proved to be a highly satisfactory method of budgeting for helicopter support and other logistical services. He said their field parties are too small to justify full time use of helicopters and by providing \$15,000 as was done in the past, then their engineers can take advantage of special services as needed without the disadvantage of paying standby time when the service is not required.

Mr. Smith also explained that the computer program is in conjunction with the University. Mr. Williams said the programmer will be a nonrecurring cost and will provide a technical geochemical information storage and retrieval file of all past and future geochemical samples taken by the division all over the state. Mr. Williams said the computer expense will continue but not the programming. Mr. Sackett asked how many years they would anticipate spending \$500,000 in this geophysical program, and Mr. Williams said for five or six years, and maybe even 10 years. He said this has got to be a continuing program. Mr. Sackett noted he is talking about \$4,000,000 or \$5,000,000. Mr.

Williams said they might do it for \$3,000,000.

Code 400: There is an increase of \$200 in commodities, from \$700 to \$900. No questions.

Code 500: There is an increase of \$3,400 in equipment, from \$400 to \$3,800. Mr. Smith said a good portion of this increase is for new equipment for the new positions.

In answer to Mr. Sackett, Mr. Williams said the two-wheeled trail vehicles are motorcycles or Hondas, and that many of the employees have been furnishing their own. He said these bikes really work out well. In reply to Mr. Sackett, Mr. Williams said the Thiokol Imp is still going, and the first one that was too small had been sold.

Laboratory Section There is an increase of \$13,100 in the Laboratory Section, from \$84,200 to \$97,300.

Code 100: There is an increase of \$11,600 in personal services, from \$68,900 to \$80,500. There are no new positions.

Code 200: The department request for travel is \$900, which is the same level as last year.

Code 300: There is a decrease of (\$400) in contractual services, from \$8,500 to \$8,100.

Code 400: There is an increase of \$1,200 for commodities, from \$3,800 to \$5,000. No questions.

Code 500: There is an increase in equipment of \$700, from \$2,100 to \$2,800. In answer to Mr. Sackett, Mr. Williams explained that a mercury analyzer, \$2,000, is a useful geochemical element and can be used in both geochemical and ore-level mercury analyses.

Geology
Section

There is an increase in the Geology Section of \$90,400, from \$100,500 to \$190,900.

Code 100: There is an increase in personal services of \$36,500, from \$79,700 to \$116,200. Mr. Williams noted there is one new position -- the Junior Mining Geologist. Mr. Sackett asked why this position is needed and Mr. Williams explained there is no position a new graduate can move into, and this will provide the necessary intermediate position. Mr. Smith added that a graduate cannot now be hired by the division and oftentimes when he accepts employment outside of the state it is difficult to get him back, and that this position will provide an entry position.

Code 200: There is an increase of \$6,500 in travel, from \$9,000 to \$15,500. No questions.

Code 300: There is an increase of \$38,500 in contractual services, from \$10,500 to \$49,000, and Mr. Sackett questioned code 360, equipment rental. There is an increase of \$35,700, and Mr. Williams explained this is for the helicopter-supported field project. Mr. Williams explained the necessity of the helicopter saying they have got to start getting more mechanized and covering more ground. Mr. Smith said this is a change from the back-packing concept of the program in the past. If the state wants to hire good geologists, Mr. Williams thought it important to give them this kind of support in the field.

Code 400: There is an increase of \$3,100 in commodities, from \$1,000 to \$4,100. Mr. Smith said most of this is fuel for the

helicopter and explained they have a "dry rental" type of arrangement for the helicopter because this is the only way they can rent it.

Code 500: There is an increase of \$2,700 for equipment, from \$300 to \$3,000. Mr. Williams noted this is for two trail bikes for the mining engineers and for the geologists.

Prospectors' Aid The Governor's allowance is \$25,000, which is the same level as last year. Mr. Sackett requested a list of the people who received prospectors' aid last year. Mr. Smith explained that there are more applicants who apply than there are funds to cover and some of those to whom the funds are committed do not always use it. He said by the time they decide not to go out, it is too late to commit the funds to others. Mr. Smith said many of these people do not cancel their applications in time for the funds to be allotted to someone else.

Mr. Sackett asked what would happen if they knocked this down to \$20,000. Mr. Williams said there would be fewer applications they could approve.

Mr. Sackett asked if Mr. Williams wanted to make a statement about the entire Mineral Resources Division. Mr. Williams said the division is charged by law with the responsibility of promoting and assisting the mining industry for the purpose of developing the mining industry. He said the state is highly mineralized and Alaska should be a great mining state, and they are doing the best they can to bring the industry along. He said search for minerals has been

increased in the last two or three years, and they would like to accelerate it more. Mr. Williams noted that exploration itself brings quite a bit of money into the state, noting that some \$6,000,000 or \$7,000,000 was spent in exploration by mostly outside companies during the past year.

Mr. Sackett asked if Mr. Williams had requested \$1,187,100 in his original budget, and Mr. Williams said he had requested slightly more. He said the commissioner cut out one position - Economic Analyst. Mr. Williams felt this man could work full time on mining costs in the state, and would do studies on what a mining company would want which would include what the labor would cost, percentage of copper, economic feasibility, etc. He felt the state should have definite costs to show a mining company.

Adjourn-
ment:

Meeting adjourned at 3:40 p.m.

HOUSE FINANCE COMMITTEE
Wednesday, February 11, 1970
8:00 p.m.

Present: All members, with the exception of Messrs. Hohman and Sackett.
Also present were Representatives Tillion, Hillstrand, Sassara,
HB 282 Schwamm, Rettig, and Metcalf, as well as other interested
legislators and members of the general public.

Mr. Ray announced that this meeting is a public hearing to get
the views of the public on HOUSE BILL 282 (Providing for a
supplementary retirement income for certain residents), and
SENATE BILL 356, on the same subject. He mentioned that there
is also a committee substitute for HB 282, by the Health, Welfare
and Education Committee. He passed around a piece of paper
and requested that those people who wished to testify sign
their names.

Chairman Ray then introduced Mr. Tillion, the prime sponsor
of HB 282, and asked if he would comment briefly on the bill.
Representative Tillion said that the bill would provide supplementary
retirement income not based on need. The reason it is not based
on need is that according to a recent Supreme Court decision,
if it is based on need then the residency requirement would have
to be struck, which would, of course, defeat the purpose of the
bill. According to HB 282, everyone with 25 years residence in
Alaska reaching an age of 65 would get \$250 a month for every
month they were physically present in Alaska. He said that
probably every January the people would get 12 cards which they
would have to take down to the post office and get stamped and
mailed in every month that they were in Alaska. Mr. Tillion
continued, stating that the amendments made by the Health, Welfare

and Education committee that he feels for the most part are rather good. One of these is that if a person is gone for six months during the year, he will lose the next 12 months' payments. The reason for this is to prevent "snowbirds" or people who are up in Alaska only during the summer, but winter down south, from getting these benefits. He said that about 2/3 of the money will go into the Native villages, where of course the old people have their residency.

Mr. Ray requested Mr. Tillion to explain the difference between the House and the Senate bills. Mr. Tillion said that the Senate bill is for those aged 60 and 30 years residency, whereas the House bill is age 65 and 25 years residency. Mr. Tillion said that as long as the residency requirement doesn't go below 25 years, he doesn't think that financially there would be too much difference. He felt that most people who have been here 25 years and are 60 or over have been here 30 or more years.

At this time, Mr. Ray began calling the witnesses.

Mr. William Biggs introduced himself, and stated that he is in favor of any of the bills [the original House bill, the committee substitute or the Senate bill]. He said that if the Legislature is unwilling to pass the bill at \$250, he would hope they would at least be willing to pass one for less money. He felt that any amount would help.

Mr. Vern Israelson introduced himself. He said that the Pioneers Igloo #26 in Petersburg took a poll of the people of Petersburg, and determined that 30% of the people in Petersburg have resided in Alaska 30 or more years and would be of an age of 60 or more. There was some question as to whether the 30% figure was for those qualifying on both counts or just one or the other, but

whichever, it appears that a sizeable number of people in that area would be helped by this bill. According to the poll, Mr. Israelson said, the preference of the Petersburg residents is for 60 years as the age requirement and 30 years as the residency requirement.

In response to questioning, Mr. Israelson expressed the feeling that many of the people in the Pioneers Home do not want to be there and would not be if they had enough money to live on in their own communities.

Mr. DeArmond introduced himself and said that he, too, is in favor of this legislation. He said that he feels one point in favor of the bill which had not yet been discussed is that with all the people now having to leave Alaska, a lot of money is being drained out of the state. People sell their homes, their property, and take the money and move down south where they can afford to live a little better. He said that he knows more Alaskans residing outside Alaska than inside Alaska. He felt that a lot of these people would still be in Alaska if there were a provision such as this bill carries. He said, in answer to questioning, that he did not think most of the people who have now moved outside the state will return [although there is a provision in the bill that people could return within the year after the legislation is enacted, and not have to start accumulating time all over] because they have not established themselves in other communities but that it might really make a difference to single and widowed people. Ray asked Mr. DeArmond if he felt the \$250 would be sufficient, if that would make the difference between people leaving or staying, and Mr. DeArmond said yes, he felt it would make the difference.

Mr. Tom Childers introduced himself. He expressed the feeling that this is the best piece of legislation he has ever seen. He said that he felt it is a Godsend. He felt that one thing it would do is take the pressure off of Welfare, with so much of the money going into the Indian villages. He also felt that Alaska is losing much by the oldtimers with their vast wealth of experience leaving the state, so that people cannot take advantage of what they know.

Mr. Allen Moore introduced himself. He, too, is in favor of this bill. He said that he thinks it is really a shame that so many of the people must sell their homes, leave the state which they have helped to build, and move elsewhere for their last years. He felt that with the \$250 a month, the Pioneers Homes could be on a paying basis, so that if an oldtimer made the choice to go to one of the Homes, he could "pay his own way" and take pride in the knowledge that he could do that.

Mr. W. E. Nigh introduced himself. He asked if everyone, regardless of race or the land claims, etcetera, would be eligible for this money, and Mr. Ray said yes. Mr. Nigh then asked if those who owned homes would have to turn them over to the state, as is the case with Welfare, and Mr. Ray said no. Mr. Nigh was in support of this bill, but he expressed the feeling that he felt some provision should be made for those who were not of the age required but who had spent considerable time here and were incapacitated and so couldn't work to earn money. Mr. Ray said that there are other provisions in state law for situations such as that.

Mr. Eric Larson introduced himself. He said that he and his wife have lived in Alaska 33 years but if this bill does not go

through, they will have to sell their home and leave the state. He spoke of the similar system in Scandinavia, where at least in the one area he visited in Sweden, the old people's home was completely empty, because the people preferred to live in their own homes and care for themselves.

Mr. Max Isak introduced himself. He said that he prefers the 60 year rather than 65 year age limitation. He also gave Mr. Ray a copy of an article about the Montana law on this matter. [see 4111 file]

Mr. Irv. [unclear], House of Representatives, introduced himself. He said that at a Grand Inlet meeting in Anchorage in October, a resolution was unanimously adopted endorsing HR 282.

Mr. [unclear] said that the elderly citizen's problem is a growing one. They have been left out of a forgotten class of people.

24-7-68 [unclear] [unclear] check in Alaska [unclear]

[unclear] [unclear] [unclear] [unclear] [unclear] [unclear] [unclear] [unclear] [unclear] [unclear]

[unclear] [unclear] [unclear] [unclear] [unclear] [unclear] [unclear] [unclear] [unclear] [unclear]

[unclear] [unclear] [unclear] [unclear] [unclear] [unclear] [unclear] [unclear] [unclear] [unclear]

[unclear] [unclear] [unclear] [unclear] [unclear] [unclear] [unclear] [unclear] [unclear] [unclear]

[unclear]

(4) Uniqueness of Alaska's climate meaning that Alaska senior citizens cannot supplement their income by growing much of their own food, which he felt most senior citizens outside Alaska do. For these reasons, he felt that the bill should be passed, to equalize this situation.

Mr. Hillstrand introduced himself, and presented Chairman Ray with a petition, gathered in only 3 hours, containing over 9,000 signatures of persons in Anchorage favoring the legislation. Over half of the people who signed could not qualify for these benefits so it is not just people who wanted it for themselves.

Mr. Bob Loescher introduced himself. He expressed the feeling that this legislation would be important to the old people in the Indian villages. He said that the younger Indian people are not being able to care for these older people and that this would help.

Mr. Emmet Bothello introduced himself. He testified as to the poor condition that many of the old people who do choose to stay in Alaska must live in and he cited the example of an old man he visited last week who was really living in a poor situation. He strongly supported HB 282.

Mr. Frank Eaton introduced himself. He said that he feels the 25 year residency and 65 years of age is the best choice. He said that he felt people on old age assistance will almost become nonexistent, so the state will save money that way.

Mr. Ray thanked the witnesses. He asked the crowded courtroom if there were any people in opposition to the bill, just to get some idea of the general feeling. The people in the courtroom were unanimously in favor of this legislation.

Adjourned: Chairman Ray adjourned the meeting at 9:30 p.m.

HOUSE FINANCE COMMITTEE
February 12, 1970
9:20 a.m.

Present: Committee members present were Messrs. Ray, Borer, Haugen and Croft.

HB 577 Mr. Ray called the meeting to order and referred to HOUSE BILL NO. 577 (appropriating to the Office of the Governor, Planning and Research), which appropriates from the general fund to the Office of the Governor, Planning and Research, to provide funding for the preparation of a state report on children and youth and attendance of delegates at the 1970 White House Conference on Children and Youth, for the fiscal year ending June 30, 1971.

Mr. Borer asked if there wasn't an OEO program that would take care of that. Mr. Ray replied no. They say, however, that their request for \$25,000 will not do the job, they would like something like \$50,000. In answer to another question by Mr. Borer, Mr. Ray said this is all from the general fund. Mr. Borer asked for the backup; however, Mr. Ray said there is no backup yet [Mrs. Williams called for backup, but it had not yet been received].

B111
Assignment: HOUSE BILL NO. 655 (appropriating to the Department of Natural Resources, agricultural revolving loan fund - \$500,000) --
HB 655 assigned to Mr. Haugen.

Mr. Ray commented that there is a drought problem in the Matanuska and Tanana valleys. Predictions are that it will continue, that they will have less than half of their annual rain fall.

B 107

HOUSE BILL NO. 107 (workmen's compensation) -- assigned to Mr. Croft.

Mr. Ray suggested Mr. Croft get together with Dwayne Carlson, Lobbyist for Alaska State Federation of Labor, and Representative Orbeck, as they were sent back to Washington, D.C. to get the actuarial figures on that.

HB 196

HOUSE BILL NO. 196 (appropriating to the Department of Highways - \$7,000,000) -- assigned to Mr. Borer.

HB 412

HOUSE BILL NO. 412 (raising the agricultural revolving loan fund authorization - from \$2,000,000 to \$5,000,000) -- assigned to Mr. Haugen.

HB 413

HOUSE BILL NO. 413 (appropriating to the Department of Natural Resources - \$2,500,000) -- assigned to Mr. Haugen.

Mr. Ray asked if there were any bills the members would like to bring up at that time which could get four votes. There was no response from the committee members.

SCR 4

Mr. Ray then referred to SENATE CONCURRENT RESOLUTION NO. 4 (establishment of a center for northern community and regional development studies in the University of Alaska). He quoted the last paragraph of the resolution, which reads, "BE IT RESOLVED that the Governor in conjunction with the Department of Education and the University of Alaska are requested to study the feasibility and requirements of establishing a center for northern community and regional development studies within the University of Alaska and to report their findings to the Seventh Legislature, First Session."

Mr. Ray moved and asked unanimous consent that SENATE CONCURRENT

RESOLUTION NO. 4 be reported out without recommendation. On vote by the committee, Messrs. Ray, Croft and Haugen were in favor of reporting it out without recommendation; however, Mr. Borer was not in favor and motion failed for lack of the four votes needed to pass the motion.

Mr. Ray then moved and asked unanimous consent that SENATE CONCURRENT RESOLUTION NO. 4 be reported out with individual recommendations. No objection, so ordered.

HB 471 Mr. Ray referred to HOUSE BILL NO. 471 (appropriating to the Department of Revenue - \$140,000); however, suggested waiting for a full committee before discussing this bill.

HB 467 Mr. Haugen moved and asked unanimous consent that HOUSE BILL NO. 467 (appropriating to the Department of Health and Welfare - \$1,174,600) be brought before the committee. No objection, so ordered.

Mr. Haugen then moved and asked unanimous consent that HOUSE BILL NO. 467 be reported out with individual recommendations. No objection, so ordered. HOUSE BILL NO. 467 was thereby reported out with the four members present signing "do pass."

Recess: Meeting recessed at 9:42 a.m.

After Recess
2:15 p.m.

Present: Committee members present were Messrs. Ray, Borer, Bradner and Croft.

HB 2 Mr. Ray moved and asked unanimous consent that HOUSE BILL NO. 2 (wage and hour act) be brought before the committee. No objection.

so ordered. Mr. Ray then moved and asked unanimous consent that HOUSE BILL NO. 2 be reported out with individual recommendations. No objection, so ordered. HOUSE BILL NO. 2 was thereby reported out with the four members present signing "no recommendation."

**ARCTIC WINTER
GAMES**

Mr. Ray called to the attention of the committee a letter from Mr. Alan G. Olson, Alaska Sports Coordinator, Arctic Winter Games, Northwest Territories, Yukon, and Alaska [see pages 388 - 391].

Mr. Ray said it is just something to consider, they are not asking for money. In answer to Mr. Croft's question, Mr. Ray said it is the responsibility of the participants to get to the Anchorage, Fairbanks and Juneau areas.

Mr. Ray commented that this is quite a large sum of money for each young person in the bush. Mr. Croft asked if there was a bill pending, to which Mr. Ray replied no. Mr. Ray suggested the committee think about this, and if they would like, have the staff draw up a committed bill. The committee agreed, and HOUSE BILL NO. 677 was drawn up and introduced for the sum of \$32,000.

HB 677

Recess: Meeting recessed at 2:22 p.m.