

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2492

Mr. Croft said aside from the North Slope where there would be a tremendous amount of interest, he would like to know why the sales in the Cook Inlet and Bristol Bay areas which totaled 2,000 acres were held. He pointed out these were estimated at \$5 an acre in Bristol Bay though average bid had been \$18 an acre and in Cook Inlet it had been \$17. He wanted to know why they should have a sale in either one of those areas where their projection is much less than prior to the North Slope sale.

Mr. Kelly said that on the North Slope they experienced \$13 an acre in the first sales there and predicted \$21 in the last one. They are deliberately structured low. He said any factor could come about before a sale that would upset the international framework of oil interest. This is why they take the conservative approach in forecasting this.

Mr. Kelly referred to the Kenai area where the people there are worried that Kenai will have a recession. Upper Cook Inlet has a tremendous amount of acreage available, but he did not know if it was commercially productive. The industry is not at the present time really "hot" for Cook Inlet. He said they are still unresolved on the Lower Cook Inlet law suit, but are trying to resolve it out of court, and hopefully within six weeks.

Mr. Kelly said they would agree to any reasonable solution; however, he wasn't sure that they were close enough that it could be resolved out of court. He emphasized the importance

on winning this suit. He said they have been very disappointed in Bristol Bay. The best areas of Bristol Bay, as far as oil and gas potential, were not leased, and these areas, he noted, had nothing to do with fisheries.

He said SENATE BILL NO. 384 cuts off whole areas, which he thought was bad. Establishment of a sanctuary would be much better, according to Mr. Kelly, and in that way they could work together and define these areas so they could be in harmony. He felt there probably wasn't any oil and gas in the areas of concern since these are the highest areas of red salmon. For example, he was positive there would be no interest in the Kvichak Bay area.

The establishment of this prohibitive type of legislation [SENATE BILL NO. 384] would eventually "catch us with our pants down."

Mr. Sackett asked what criteria they used in determining a sale. Mr. Kelly said they don't solicit interest, it comes from the companies that are interested in a certain area. They come and ask if they would hold a sale - a sale is not held at the request of one company. On the North Slope they have had four companies come in after the September 10 sale and ask to have another sale.

Messrs. Ray, Borer and Haugen entered.

After enough competitive interest is established from nominations, they plot areas of key interest. Then they outline and determine the blocks and utilize whatever basic geology they might have to try to determine those blocks so

they can allow for a good plan to be developed, as opposed to the checkerboard concept. At the same time they try to hold back for the state on what they think might be areas where they could get even more money. If they have areas where they know what there is, then they do a complete reserve study on the area.

Mr. Sackett asked how he foresees the legislature handling this. Mr. Kelly said the legislature would have to hire a number of consultants, and they would have a difficult time since the legislature is not in session twelve months a year. Mr. Bradner asked where the tracts are in Bristol Bay. Mr. Kelly said the interesting ones are immediately southwest of the ones they offered in the Port Hayden area. No further questions.

CSSB 185 am Mr. Ray referred to COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 185 AMENDED (relating to the state's royalty on natural resources and the sale of the royalty products). Mr. Ray said Mr. Dan Crousse of Earth Resources had come in and made a pretty good presentation. Mr. Ray said he wanted to check with Mr. Kelly regarding his feelings on this bill, and if he had any strong objections one way or the other. This bill, he said, would give preferential treatment to larger refineries.

Mr. Kelly said he knew that is what the case would be with Tesoro because there was considerable effort to block them, and become competitive with Standard Oil Company of California. This could occur again. Mr. Kelly said he has

no strong feelings whatsoever; if it is felt this would clarify a situation where they suspect devious dealings. "How much is allowed in the nature of a trade generally works out in your favor if you have some latitude to trade," according to Mr. Kelly. He reiterated, "I have no strong exception to this bill." In answer to a question by Mr. Ray, Mr. Kelly said there were people interested in building another refinery in Fairbanks, one in Valdez, and one in Haines. These are in addition to Earth Resources. Mr. Kelly again expressed the feeling that if this piece of legislation would clear the air and make it categorical of which way to go, then this was fine.

Mr. Ray said knowing the person who authored the original SENATE BILL NO. 185 [Senator Engstrom], and the history and reasoning behind the bill, the Committee Substitute ended up entirely different than it was originally.

Mr. Kelly said it has sufficient latitude to work within the framework they now have. Mr. Ray commented that it started out as a bill to embarrass Mr. Kelly personally, but as now written it is totally unrelated to the original bill. Mr. Ray said he wanted the committee to pass the bill out, but he didn't know how it would fare on the floor. He thanked Mr. Kelly for appearing before the committee, and Mr. Kelly left.

Mr. Ray addressed the committee, and read Mr. Kelly's memo of February 13, 1970:

"You have requested that I comment on the captioned bill which was introduced in the last session after the big hassle on the Alaska Oil and Refining Company Purchase and Sale Agreement.

"The bill as presently written is sufficiently flexible to allow a negotiated sale unless competition for royalty oil or gas can clearly be demonstrated. It is considerably improved over the original sponsor of the bill - Senator Engstrom.

"I will say that this type of legislation clearly favors big industry if they wish to prevent independent refiners from coming into Alaska. If the Alaska Oil and Refining Company (Tesoro) Purchase and Sale Agreement had been subject to competitive bid we would not have had the facility in operation on the Kenai today - this is a fact.

"In summary I have no strong feelings one way or the other however Earth Resources Corporation, the group planning to build a refinery in Fairbanks, has indicated they would prefer such legislation if for no other purpose but than to clearly establish statutory guidelines for the disposal of royalty oil taken in kind."

Mr. Ray wondered how long they will play around trying to get refineries built. There is evidence of five or six small companies trying to put together a refinery, but can't get the backing.

On vote by the committee COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 185 was reported out of committee with the

following recommendations:

NO RECOMMENDATION: Messrs. Hohman, Croft,  
Haugen, Sackett and Borer.

DO PASS: Messrs. Ray and Bradner.

HB 518

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

Mr. Sackett moved that HOUSE BILL NO. 518 be reported out of committee without recommendation. On vote by the committee, however, the motion failed.

Mr. Borer said he would like to know the pros and cons on this bill before reporting it out.

Mr. Croft said there are several reasons for this bill. One is that this year the projected estimates for Bristol Bay are \$5 an acre while last time they leased for \$18 an acre. With reference to Cook Inlet, Mr. Croft said that when he asked Commissioner Kelly about that, he said there were two reasons for leasing in Cook Inlet - one was because of the pressure of the people in Kenai and the other because last year a lot of leases expired in Cook Inlet. Mr. Croft felt that type of decision should be made by the legislature. Second, Mr. Croft said, in the Constitution it says the legislature should provide for leasing of state lands. Third, he is concerned if the state has another sale particularly in three areas at the same time the federal government will have one in the Gulf of Alaska. Fourth, the inflationary effect of another sale, especially

in Anchorage and Fairbanks.

Fifth, all this does is provide the department shall present information to the legislature and the legislature shall authorize it. He felt one reason Mr. Kelly is opposed is because there are problem areas of drainage, but this problem won't arise until 1973.

Mr. Croft said the sixth reason he favors HOUSE BILL NO. 518 is because in some areas the department may want to lease lands where they may be getting maximum amount of money but jeopardizing the fishing industry, e.g., Bristol Bay. Mr. Croft felt this a judgment that only the legislature should make, and that this is in accord with the Constitution.

Mr. Borer asked if it would cause any problems if they didn't vote on this bill until after reading the minutes of this meeting. Mr. Ray said it wouldn't cause any problems, but he would like to get the bill reported out of committee by tomorrow. Mr. Borer said he would not vote on it at this point in time, and not until after he has read the minutes.

Mr. Ray informed the committee they would vote on this bill, HOUSE BILL NO. 518, and HOUSE BILL NO. 251 (relating to the purchase of primary services by the Department of Health and Welfare from private voluntary institutions and agencies) tomorrow morning [February 25, 1970].

Recess: Meeting recessed 10:00 a.m.

AFTER RECESS

1:30 p.m.

Present: Messrs. Ray, Sackett, Haugen, and Hohman from the House Finance Committee. Representatives Cornelius, Reeves and Banfield were also present. Mr. Don Dickey, Alaska Chamber of Commerce; Mr. Bob Larson, Anchorage Chamber of Commerce; Mr. Charles Webber, Anchorage Chamber of Commerce; Mr. John Carlson, Greater Fairbanks Chamber of Commerce; and other members of the Greater Anchorage Chamber of Commerce. Mr. Phil Holdsworth, and Mr. R. M. Thornton, Tesoro-Alaskan Petroleum Corporation were also present. Mr. Everett Bunes, Acting Commissioner of the Department of Economic Development, was also present.

HB 422

SB 383

Chairman Ray called the meeting to order for the purpose of continuing 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. Bob Larson, speaking for the Anchorage Chamber of Commerce, appeared before the committee. He said most of the people on the legislative committee of their Chamber were appalled at the State Senate passing this bill [referring to SENATE BILL 383] in such a short period of time. He said it would appear the Senate did not take the time to delve into this and see what this is all about.

Mr. Larson said that Alaska has had some form of incentive tax act for the past eleven years. He said one argument

being used against this act is that only 23 of these industries have taken advantage of this which is only about 2 a year. Mr. Larson pointed out that since the advent of the \$900,000,000 Alaska as received more publicity on a nation wide and world wide basis and this will probably lead to more requests for tax credits from various industries.

Mr. Larson said he felt that some sort of incentive has to be a part of what Alaska has to offer as they do not have cheap labor, etc.

Mr. Larson said he had talked with people in the oil industry and it was just as cheap to export and refine somewhere else. He said with this incentive act it makes it more conducive to do something like this in Alaska. Mr. Larson said that any decision to abolish this act is premature.

Mr. Larson said he felt they have to keep some kind of incentive act and they should utilize it and publicize it.

Mr. Larson read from the January 26 issue of State Tax Review noting 18 different governors' tax messages. He said that New Mexico is one place where there is an industrial incentive and their governor is recommending a tax cut. Mr. Larson said that West Virginia is increasing their taxes and noted that West Virginia has repealed the industrial incentive act.

Mr. Larson said that it has been said U.S. Plywood-Champion Papers being granted an incentive has been called a "give away" and that he did not feel they "gave away" anything.

Mr. Larson said that they should take the time and make a mature judgement on this. He suggested perhaps the legislature might wish to have the Governor appoint the commission that helps decide the companies that receive grants, and if they want some control perhaps they might wish to put the Chairman of Legislative Audit on this committee.

Mr. Larson said he felt regarding the local hire portion he thought business should hire at the beginning rather than at the end of one year. He said they are not solving what he considered a hire Alaskans provision.

Mr. Larson said they might want to consider removing the boroughs for the extra 25% if they felt there is a competitive difference involved.

Mr. Larson said they have to have some sort of industrial incentive and he did not think industry needs Alaska as much as Alaska needs industry.

Mr. Larson concluded his presentation by saying he had made 140 phone calls at random. He said most of the people did not know about the act and after explaining it there were 129 people in favor of some form of incentive, 5 people with no opinion and 6 people opposed.

Chairman Ray thanked Mr. Larson for his appearance.

Mr. R. M. Thornton, Tesoro-Alaskan Petroleum Corporation, appeared before the committee. [His complete statement appears on pages 577-580.]

Mr. Thornton said that he wanted to point out this Alaska refinery is the largest single project in the history of the company, and that it represents more than one-half of the total company's refinery capacity.

In answer to Mr. Croft, Mr. Thornton said that part of the delay on their application has been due to the inter company operations. Mr. Croft said if the delay is not due to the state and the company would have pressed the application then they would have "known the rules" of the game. Mr. Thornton said he did not make the statement it was entirely due to Tesoro. Mr. Thornton said they had a formal hearing on this in October or November and at that time they had included a portion of their project at Anchorage. He said this gave some concern to the committee in that the Anchorage facility might be more in the marketing line rather than manufacturing. He said they were advised of this later and at that point they withdrew the Anchorage portion.

In answer to Mr. Croft, Mr. Thornton said during construction there were 400 employees at Tesoro and at the present time there are 35. Mr. Croft asked when they went on stream with the refinery and Mr. Thornton said January 1.

In answer to Mr. Croft, Mr. Thornton said every employee at the refinery is an Alaskan except for two.

Mr. Charles Webber, Greater Anchorage Chamber of Commerce, appeared before the committee. He said it is their feeling

that tax incentive legislation is necessary in the state for the potential industrial development in Alaska.

He said the need is to furnish jobs and by tax incentive legislation the investment capital should "flow more heavily into Alaska."

Mr. Bradner asked if he agreed with the portion of the act which allows part of the local mill levy to be given away.

Mr. Webber referred the question to Mr. Clare Banks, Manager of the Greater Anchorage Chamber of Commerce.

Mr. Banks said they are not too pleased with this and feel some modification is necessary. There was a brief discussion on this.

Mr. Phil Holdsworth appeared before the committee. He noted he is one of the authors of the original act and Senator Merdes is the other author. He said it was patterned after the Puerto Rico act.

Mr. Borer arrived.

Mr. Holdsworth said even though a person could not testify that those who have applied would not have come without it, he felt that the type and number of industries that received this, would indicate it is an incentive and has been effective.

Mr. Holdsworth noted that it had been mentioned that this created competition between boroughs and said it is his feeling this should be the state's prerogative to establish some limit to which local government could go and therefore

eliminate this competition which has developed.

Mr. Holdsworth said that of all the pieces of legislation asking for local hire this bill is the only one that has passed the question from the standpoint of constitutionality. He said if for no other reason this would be a good one to retain the act.

Mr. Ray read from the act and questioned whether it would mean a person actually had to reside in Alaska one year.

Mr. Holdsworth said he thought it was required that the person be in Alaska one year. There was a brief discussion on this and Mr. Cornelius said he thought the wording was clear and that it meant the person must live in Alaska one year before he would be eligible for the local hire provision.

Mr. Bradner asked if Mr. Holdsworth felt a portion of the share of local taxes may be given away. Mr. Holdsworth said he thought this is the state's responsibility.

Mr. Bradner said there may be competition to go too far in granting tax incentives by the local governments. Mr. Holdsworth said this is quite true, but the legislature has the prerogative to establish limits which may protect the local governments.

Mr. Bradner said the point he was trying to make if an industry is only paying a percentage of the mill levy in an area then someone else has to pick up the difference for sewers, etc. and this can only be the home owners in the area. Mr. Holdsworth said this was passed when the only local government was the municipality and Mr. Ray said he thought this was in reference to the original act and the new act has a 25% limitation.

Mr. Croft asked if he felt there would be any ethical problems involved with the reining of Alaska's royalty oil; i.e. that the Department of Natural Resources would select a company and then the Department of Economic Development would grant an incentive.

Mr. Holdsworth said he would assume the competition of this would be settled before the application was made for a tax incentive so he did not think there would be any problem.

Mr. Cornelius asked if Mr. Holdsworth would agree a tax incentive should only be granted when it was shown a company would not otherwise locate in Alaska. Mr. Holdsworth pointed out this would be pretty difficult to prove.

Mr. Cornelius asked if this would be the ideal situation and Mr. Holdsworth said this is true.

Mr. Cornelius referred to Mr. Croft's question and asked if Mr. Holdsworth felt there would be any ethical problem or conflict of interest involved. Mr. Holdsworth said certainly a refinery would not apply for a tax credit unless they were sure they had the raw materials.

Mr. Ray said he thought they were getting the two acts mixed up and that this is not the mandatory act. He added the new act is a permissive act. Mr. Cornelius said it is a permissive act but the Commissioner of Economic Development should use his discretion and only grant these credits when he is sure a company would not come to Alaska without it.

Mr. Ray said this is an administrative problem and he would assume the Commissioner of Economic Development would discuss who is going to get a tax credit with the Governor. Mr. John Carlson, Greater Fairbanks Chamber of Commerce, appeared before the committee. He said they want the act to be retained and do not want it eliminated at this point in time. Mr. Carlson did suggest that the local entity would tax the industry and they in turn would submit this to the state. Mr. Ray asked if he was saying that there would be no more competition and that the state would pick up the industry's share of school support. Mr. Carlson said the industry could submit their bill to the state and the city involved would still get their taxes.

Mr. Clare Banks, Manager of the Greater Anchorage Chamber of Commerce, spoke in favor of retention of the act. He said when business men come to their office with a "million dollars" they need to have something to interest them in.

There was a brief discussion on this.

Mr. Bradner asked how many of the tax credits have been given in the Anchorage area. Mr. Banks said the only one he was familiar with was Oetker Brewery Company.

Mr. Bradner said he was referring to the Dow Chemical Company.

Mr. Bradner said his point is how much do they have to "give away before they invest their dough." Mr. Banks said that he felt this could not be a "give away" but that

both sides must be fair. Mr. Ray noted the corporations receiving a tax credit in Anchorage and said he did not see any others other than those that are taking advantage of Alaska's big natural resources.

Mr. Cornelius said that he thought the people working in the Chamber of Commerce should be better informed on this so they could advise people who come into their offices.

Mr. Croft said he is concerned about how they can make a rational, realistic determination of the act.

Mr. Croft pointed out that the City of Kenai is in very serious financial trouble because of all the industry that has located there. Mr. Bradner added that not only had Kenai been hurt by the tax incentive but people who were unemployed before the great economic boom are still unemployed.

Mr. Banks asked if they could put the blame for this on the Act and Mr. Ray said to the previous act.

Mr. Reeves pointed out this act should be retained for the timber industry.

Mr. Ray said under the mandatory act there was a "give away" but it now seems there is a permissive policy and he thought discretion is already being used.

Mr. Ray asked if Tesoro's application was still pending and Mr. Bunn said it is pending with the state.

Joann Miller, from the Anchorage Chamber of Commerce, appeared before the committee. She said perhaps Kenai has suffered. She said in the hearings they had held they had

heard testimony whenever they do have new businesses they create new jobs and new taxpayers. She said when they get through this initial period this will "level off." She noted Alaska is just now in a position to be able to offer some kind of incentive act, and that they have an opportunity to expand and diversify our economic development.

In answer to Mr. Bradner, Mrs. Miller said the decision they make this year will mean the difference between it being an incentive or nothing. Mr. Bradner noted that areas left to themselves could turn up to be another "Watts". In answer to Mr. Cornelius, Mrs. Miller said each dollar created by new industry could turn up as many times as 32 times in a community.

Mr. Jim Campbell, President of the Anchorage Chamber of Commerce, appeared before the committee. He said perhaps this act should be modified. He said he felt there was too much emphasis on the oil business. He pointed out, if the Oetker Brewery goes in in Anchorage, all the people who will benefit from this.

Mr. Ray asked if Mr. Campbell was familiar with any other area in Alaska where the incentive has been granted.

Mr. Campbell said he was familiar with the U.S. Plywood-Champion Papers credit and he also knew that this particular venture had been given up twice before by two other companies and that it was possible the tax incentive was the deciding factor.

Mr. Croft pointed out that the rapidly expanding communities are the ones hardest hit by this. Mr. Campbell said he is also a member of the Greater Anchorage Borough Assembly and he felt the shared revenue should be taken over by the state. There was a brief discussion on this with Mr. Ray saying if the state is going to take over support of the schools perhaps they should eliminate the local political subdivision and have the state collect it all.

Adjournment:

The meeting adjourned at 2:50 p.m.

STATEMENT OF TESORO-ALASKAN PETROLEUM CORPORATION  
PRESENTED TO HOUSE FINANCIAL COMMITTEE PUBLIC HEARING  
CONCERNING ALASKA INDUSTRIAL INCENTIVE ACT.

Mr. Chairman and gentlemen: My name is R. M. Thornton.

I reside in Anchorage, Alaska, and I am an employee of Tesoro-Alaskan Petroleum Corporation. I have been requested on behalf of the management of Tesoro-Alaskan to present to you the position of our Company. You will recall that at the last public hearing held by this Committee in connection with the Tax Incentive Act (on Feb. 10, 1970,) I made an informal statement of the Company's position. With your indulgence I would now like to add to the statements previously made this formal statement. It is true that Tesoro-Alaskan did in fact commence construction of the Refinery and has in fact completed the first stage of construction prior to receiving formal approval by the State of a tax credit. From this action it could be inferred that the tax credit was not of major significance to the Company. Such an inference would not be justified when all of the facts surrounding this decision to go ahead was made. Complex multi-million dollar oil refineries are not constructed in the state of Alaska overnight. The availability of the materials, the availability of the work force and the necessity of timing construction operations to coincide with summer months made it necessary that construction contracts be entered into and work commenced almost simultaneously with the application for tax credit. The Company was advised by its construction engineers that an initial delay of one, two or three months could result in delaying the completion of the

Refinery by one or possibly two years. Aware of the consequences of delay, the risks of proceeding without formal approval of the tax credit were then evaluated. As viewed by the Company, the risk appeared minimal for the following reasons:

1. The existing statute was obviously designed for precisely the type of new industry with which we were concerned. We felt that the State of Alaska was <sup>at</sup> a crossroad and would either head down the road of a pure natural resource state or, as an alternative, a state concerned with and conducive to primary manufacturing. We interpreted the tax incentive statute as indicating a desire for primary manufacturing.

2. Every official of the State of Alaska with whom we had discussed the Refinery project, whether he be administrative or legislative, had indicated a wholehearted desire for the construction of the Refinery. We were assured that the State would assist us in every way possible.

3. Investigation showed that tax incentives had previously been granted on several occasions where construction had been commenced and in some cases, actually completed prior to formal approval of the credit.

Establishing an independent refinery anywhere in the nation is not an easy job. This is particularly true in the State of Alaska where costs are extremely high. To make this an economic venture, we need all the help that we can get.

whether it be from the State or from anyone else concerned with the future of the State. Some of the remarks made at your last committee meeting on Feb. 10th have given us grave concern. At the present time we have in various stages of planning the following items:

1. A gas reprocessing unit, with estimated costs at one and a half million dollars, designed to produce liquefied petroleum gas for marketing in Alaska.

2. A reforming unit at an approximate cost of four million dollars, designed to produce premium and regular grade gasoline.

3. A hydrocracking unit at an approximate cost of eight million dollars, designed to produce more highly refined products in larger volume.

4. A petro-chemical plant with estimated costs of thirty million dollars, designed to produce various types of petro-chemicals.

In furtherance of these plans, we have recently acquired at a cost of \$160,000, a 50 acre tract immediately adjoining the present refinery site. In addition, we are presently negotiating for service station sites in several cities of Alaska. Ultimate decisions on the necessity of such projects cannot be based merely upon present conditions or the projected needs to be wanting. The ultimate decisions must be based at least in part, upon the business effects of Alaska for the future. Assessment of this business is a task which is being

include an evaluation of the attitude of the State toward business in general and our business in particular. Denial of a tax credit to Tesoro-Alaskan on their pending application, made in good faith <sup>in</sup> July of 1968, could not help but lower this evaluation. If the rules of the game are to be changed, we would like to know about it before the kickoff.

Gentlemen, I thank you for your attention and this opportunity to present our views.

HOUSE FINANCE COMMITTEE

February 25, 1970

9:10 a.m.

Present: All members of the committee were present. Mr. Ray called the meeting to order and said the first order of business would be COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 251 (relating to the purchase of services by the Department of Health and Welfare). He said he believed all of the members have had a chance to read everything there is on the bill.

CSHB 251

Mr. Croft, in answer to Mr. Ray, said the increased cost of going to full cost of services in the department's budget will be about \$138,000.

Mr. Borer asked if that includes community hospitals. Mr. Croft replied yes, it does.

Mr. Ray stated that the committee members have all considered the Finance COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 251, and asked if there was any discussion.

Mr. Borer felt that one thing that is so unqualified and unfair in this bill is (b)(2)&(3) under Sec. 47.40.040 on page 2, for which the full cost of services does not include, "(2) funds expended for construction, major equipment and other capital expenditures; (3) depreciation and replacement costs of, and costs of additions to, major property and equipment if funds for these purposes have not actually been set aside."

For example, Mr. Borer said, the Cordova Community

Hospital, the major cost of which is about \$50,000 a year paying off the new 22-bed hospital, among other things, and it doesn't seem reasonable, he said, to exclude those. Mr. Ray said the only reasoning is the fact that the portion of (3) which reads, ".....if funds for these purposes have not actually been set aside," had been amended out in the Senate. It was in the original bill proposed by the department, and the Senate amended that section out. Mr. Ray said they could, if Mr. Borer wanted, put it back in. The department proposed (3) would read, "depreciation and replacement costs of, and costs of additions to, major property and equipment if funds for these purposes have not actually been set aside."

Mr. Borer said, as far as he is concerned, it is absurd to say that the cost of building and equipment is not part of the cost. He said he would put a "do pass" on the bill, but would offer that amendment on the floor.

Mr. Ray said he could offer an amendment here in the committee under Sec. 47.40.040 (b)(3) which would read, "depreciation and replacement costs of, and costs of additions to, major property and equipment if funds for these purposes have not actually been set aside."

Mr. Borer said no, he would rather take (3) out of the bill as these are just exclusions.

Mr. Ray said he would oppose an amendment under those circumstances, but would support the amendment he just read.

Mr. Croft said if they [the department] set up a fund for depreciation they could be reimbursed, but not if it is just a bookkeeping measure and they are writing it off.

Mr. Sackett asked if this bill provides for care of alcoholics, and Mr. Ray replied that if a welfare worker assigned to the department picks up a drunk and puts him in the hospital to dry him out, the department pays for it. Mr. Ray moved and asked unanimous consent that the committee adopt the proposed amendment, as stated, to this bill.

No objection, so ordered.

Mr. Ray then moved and asked unanimous consent that Finance COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 251 be reported out with a "do pass" recommendation. Mr. Croft objected, and on vote by the committee Finance COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 251 was reported out with a 6-1 "do pass," Mr. Croft signing "no recommendation."

HB 518

Mr. Ray said the next order of business would be HOUSE BILL NO. 518 (relating to a limitation upon the issuance of oil and gas leases in the state). He said he believed all of the committee members knew what it says, does and means. Mr. Borer said he had no questions, but stated that this is the most ill-conceived piece of legislation that has ever come out of committee since statehood.

Mr. Ray commented that there is a lot more to this bill than meets the eye.

Mr. Ray moved and asked unanimous consent that HOUSE BILL NO. 518 be reported out with individual recommendations. On vote by the committee, the bill was returned to file, the members voting as follows:

DO PASS: Messrs. Ray, Croft and Hohman.

DO NOT PASS: Messrs. Sackett, Haugen, and Borer.

NO RECOMMENDATION: Mr. Bradner.

HCR 26

Mr. Borer asked to discuss HOUSE CONCURRENT RESOLUTION NO. 26 (relating to early childhood education) informally. He referred to the paragraph on page 2, "BE IT RESOLVED that the Governor is respectfully requested to direct the Commissioner of Education to make provisions for a full-time consulting specialist in early childhood education." Mr. Borer said this position is included in the Department's budget request, amounting to \$21,700. This resolution asks the Governor to do something that has already been done, he said, and wondered if the committee wanted to change it. No comments.

Mr. Borer moved and asked unanimous consent that the committee forget about HOUSE CONCURRENT RESOLUTION NO. 26 for the time being. No objection, so ordered.

Mr. Schwamm came in.

Recess: Meeting recessed 9:30 a.m.

HOUSE FINANCE COMMITTEE  
February 25, 1970  
11:15 a.m.

Present: All members of the committee were present.

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

Mr. Sackett moved and asked unanimous consent that HOUSE BILL NO. 518 be reported out with individual recommendations.

Mr. Haugen moved that HOUSE BILL NO. 518 be put on the table, and on vote by the committee this motion failed.

Referring back to Mr. Sackett's original motion, on vote by the committee HOUSE BILL NO. 518 was reported out with the following recommendations:

DO PASS: Messrs. Ray, Hohman, Croft and Bradner.

DO NOT PASS: Messrs. Sackett, Haugen and Borer.

Recess: Meeting recessed 11:16 a.m.

AFTER RECESS

1:45 p.m.

Present: Mr. Sackett and Mr. Bradner. Commissioner Moore and Mr. Al Gordon, from the Department of Labor were also present. Mr. Richard Freer and Mr. Lind, from Budget and Management were also present.

DEPT. OF LABOR Mr. Sackett called the meeting to order. He asked if the Department of Labor had any other supplementals other than HOUSE BILL NO. 459 (an act appropriating \$51,600 to the Department of Labor, Enforcement of Labor Laws) and HOUSE BILL NO. 463 (an act appropriating \$10,140.46 to the Department of Labor, Enforcement of Labor Laws).

Mr. Moore said they would have one other appropriation bill having to do with a building at Barrow. He added this bill has to do with Reed fund and that they are now able to go back 15 years instead of 10 years to recover these funds. The 1969-70 authorized for the Department of Labor was \$4,871,800 and the Governor's Allowance is \$7,762,600 which is an increase of \$2,890,800 or 59.34%.

ADMINISTRATION  
Office of

Commissioner In the Office of the Commissioner, the 1969-70 authorized was \$203,100 and the Governor's Allowance is \$245,800 which is an increase of \$42,700 or 21.02%.

100: There is an increase of \$34,800 or 26.91% in personal services. The 1969-70 authorized was \$129,300 and the Governor's Request

is \$164,100. Mr. Sackett asked for an explanation of the 4 1/2 additional positions. Mr. Moore noted that these are not new positions and they were previously handled by the Commissioner's Office and the Safety Division and are now budgeted entirely in the Commissioner's Office. In answer to Mr. Sackett, Mr. Moore said this was done to more accurately reflect what they are doing. Mr. Sackett asked if they have taken an equal amount from the other portion of the budget and Mr. Moore answered yes.

The 1969-70 authorized travel was \$16,000 and the Governor's Request is \$22,300 for an increase of \$6,300 or 39.38%.

Mr. Sackett asked for an explanation of this increase.

Mr. Moore said they have greater calls for mediation services and more calls for special trips with regard to special conditions that might arise. Mr. Moore said they made several trips to Washington, D.C. to retrieve federal funds. He also said there is a larger amount of activity in the state, and that the number of trips he said to Fairbanks and other parts of the state. Mr. Moore said if it were to have a Commissioner in Fairbanks and other parts of the state, it would not be necessary for him to travel for two years.

The 1969-70 authorized was \$50,000 in contrast to the Governor's request of \$56,300 which is a percentage of 112.6% (112.6% increase). There is a decrease of \$1,000 in the number of positions from 1968-69 to 1969-70. Mr. Moore said that the increase in the number of positions is being made

responsible for the area they occupy rather than all rents, except the Employment Security Division, being charged to the Commissioner's Office. Mr. Moore said this is, again, to more accurately reflect what they are doing.

400: The 1969-70 Authorized was \$4,000 and the Governor's Request is \$4,400 which is an increase of \$400 or 10%.

500: There is an increase of \$300 or 37.50% increase in equipment. The 1969-70 authorized is \$800 and the Governor's Allowance is \$1,100. Mr. Moore said that some of the requested equipment is for new equipment - not replacement. He said the need for additional file cabinets is just because of the increase in business. Mr. Sackett asked the reason for the printing calculator. Mr. Moore said from time to time they have to make computations on various things.

900: There is an increase of \$9,000 or 300% in inter-agency charges. The 1969-70 authorized is \$3,000 and the Governor's Request is \$12,000. Mr. Moore noted the \$10,800 for inter-department charges for janitorial, personnel, printing, and data processing and that this is an attempt to centralize as much of the work functions as possible. Mr. Moore said the personnel function is handled by one individual who is an employee of Employment Security. Mr. Sackett asked if this was the same amount as last year and Mr. Moore noted there is some expansion because they are putting more of the other divisions' work on the data processing system.

Employ. the Handicapped This program remained at the same level -- \$6,200. Mr. Sackett asked if they would lapse any funds this year. Mr. Moore said he doubted it, there might be a "couple of hundred" left.

Fisherman's Fund The 1969-70 Authorized is \$187,800 and the Governor's Request is \$388,700 which is an increase of \$200,900 or 106.98%.

100: There is an increase of \$5,900 or 28.23%. The 1969-70 Authorized was \$20,900 and the Governor's Request is \$26,800 which is a \$5,900 increase or 28.23%. Mr. Moore said the increase is due to reclassification, salary increases and benefits. In answer to Mr. Sackett, Mr. Moore said the last legislature added two people to this program. Mr. Sackett asked how this has been operating since the change. Mr. Moore said this has been operating much better and the cases are more carefully screened. In reply to Mr. Sackett, Mr. Moore said he suggested no changes at this time.

200: The 1969-70 Authorized for travel was \$23,000 and the Governor's Request is \$26,800 which is an increase of \$3,800 or 16.52%.

300: The 1969-70 Authorized for contractual services is \$130,000 and the Governor's Request is \$142,900 which is an increase of \$12,900 or 9.92%. Mr. Moore said the legislature authorized the positions but did not include contractual services for support. Mr. Sackett noted the 1969-70, in code 300, was in a lump sum and said the Department was to break it down. Mr. Moore said as a "practical matter" they did. Code 380, professional fees and service, showed an increase of \$10,000 for a total of \$140,000. In answer to Mr. Sackett's question, Mr. Moore said the requested increase was due to more claims, and also this is in anticipation of the continuing increase with a good season predicted.

- 400: The 1969-70 Authorized is \$8,000 with the Governor's Request of \$9,000 which is an increase of \$1,000 or 12.50%.
- 500: There is a 0 amount in the Governor's Request for equipment this is a decrease of (\$900) or a 100% decrease.
- 800: The Governor's Allowance is \$180,000. This was not budgeted last year. This is to reflect increase in claims, professional fees and medical supplies which are not qualified at this time. Mr. Moore said it had been suggested that the legislature appropriate the entire fund which is \$180,000. Mr. Sackett asked who had recommended this appropriation. Mr. Moore said Administration because they are having a problem at the end of the fiscal year in that all of the bills wouldn't be in, and so they felt possibly it would be best to handle this by appropriating the total amount of money in the fund and letting it be a continuing item. Mr. Moore reminded the committee that in any event the bills have to be paid and it is necessary to ask the Governor to make additional money available through Executive Order. Mr. Sackett asked if they had any problem in obtaining an Executive Order for this and Mr. Moore said no. In answer to Mr. Sackett, Mr. Lind said they did this merely to facilitate payment and that the statute requires they pay all bills.

Wage and Hour The 1969-70 Authorized is \$80,500 and the Governor's Request is \$150,400 which is an increase of \$69,900 or 86.83%.

- 100: In personal services, the 1969-70 Authorized is \$65,100 and the Governor's Request is \$104,800 which is an increase of \$39,700 or 60.98%.

There is a Wage and Hour Inspector and a Clerk Typist II requested in Anchorage and a Clerk Typist III requested in Fairbanks. Mr. Moore explained there is a tremendously increased caseload. Mr. Sackett asked if this was in any specific area. Mr. Moore said it was generalized things, but one of the reasons is the existence of many new businesses in the state, particularly in the Anchorage and Fairbanks areas. Mr. Sackett asked if by doubling this program they will be up to par. Mr. Moore that this is right and during this calendar year there were a considerable number of cases they were unable to service. Mr. Sackett asked how many wage and hour cases they were unable to take care of and Mr. Moore was unable to give him a figure. Mr. Sackett asked if they are behind in these cases and Mr. Moore said yes. Mr. Moore noted in Fairbanks the addition of one Wage and Hour Inspector raised the collections from \$4,000 to \$39,000 or \$40,000.

200: Travel increased \$6,000 or 70.59%. The 1969-70 Authorized was \$8,500 and the Governor's Request is \$14,500.

300: The 1969-70 Authorized is \$6,000 and the Governor's Request is \$25,900 which is an increase of \$19,900 or 331.67%.

Mr. Sackett questioned code 330, rents, which showed an increase of \$10,800. It was explained these rents have been included previously in the Labor Law Enforcement budget and are now being charged to this program. Mr. Sackett questioned the 85¢ a square foot being charged in Fairbanks. Mr. Gordon pointed out this included janitorial services. Mr. Sackett asked if

50¢ a square foot in Juneau included janitorial services.

Mr. Gordon said yes. Mr. Sackett asked Mr. Freer if he had looked into this vast difference in rental charges.

Mr. Freer said no but Mr. Moore pointed out they are leasing another building in Fairbanks for 74¢ a square foot and this contract is four or five years old.

There is a \$6,400 increase in code 320, printing and advertising.

This is for amended statutes and administrative codes

which have necessitated new and revised editions of laborers and mechanics minimum rates of pay, Child Labor Laws, Wage and Hour Laws, as well as the Labor Union Director.

Mr. Sackett asked if they have a need for this type of print service because of the job demand and Mr. Moore said yes.

400: There is an increase of \$400 or 100%. The 1969-70 authorized was \$400 for commodities while the Governor's Request is \$800.

500: The 1969-70 Authorized for equipment was \$500 and the Governor's Request is \$4,400 which is an increase of \$3,900 or 780%.

Mr. Sackett asked if this equipment is for the new conditions.

Mr. Moore said yes that much of it is. He pointed out that in order to conduct wage and hour hearings they have to have the tape recorder and this type of equipment.

#### INDUSTRIAL SAFETY

Safety Electrical Inspection The Governor's Allowance is \$334,500 and the 1969-70

Authorized is \$159,800 which is an increase of \$174,700 or 109.32%.

In answer to Mr. Sackett, Mr. Moore said the overall increase for this program is because of the increased industrial activity in the state not only in petroleum and mining but also in the logging industry. Mr. Sackett pointed out they received a substantial increase last year and they are doubling this program this year. Mr. Moore said these are the needs. Mr. Moore noted that last year they were not able to conduct any inspections other than a few isolated ones because of the increased work load. He added that one of the problems is their inspectors have been spending too much time in the office preparing reports which are necessary and this is one of the reasons they are asking for new clerical positions to enable these inspectors to remain in the field.

100:

The 1969-70 Authorized for personal services was \$133,500 and the Governor's Request is \$227,600 which is a \$94,100 increase or 70.49%. The Department is requesting seven new positions: An Industrial Safety Inspector, Electrical Inspector, Secretary I and Clerk Steno II for Anchorage; an Industrial Safety Inspector and Clerk Typist II for Fairbanks; and an Industrial Safety Inspector for Juneau.

200:

The 1969-70 Authorized is \$12,000 and the Governor's Request is \$53,500 which is an increase of \$41,300 or 344.17%.

Mr. Sackett questioned this large increase. Mr. Moore said that travel on the North Slope is tremendously costly and when they go to the Point Lay area they have to charter.

Mr. Moore added that they hope to share this charter with other government agencies. Mr. Sackett said he thought they had given them everything they requested for travel last year. Mr. Gordon said the request last year was way under what it should have been because they have almost expended the entire amount of travel and they still have five months to go in this fiscal year. Mr. Moore added this travel is necessary if they are going to properly police the North Slope and other areas of the state.

Mr. Gordon pointed out that they had requested approximately \$12,000 for travel in a supplemental and therefore they are really talking about \$24,000 for travel this year.

300: There is an increase of \$29,700 or 272.48% in contractual services. The 1969-70 Authorized is \$10,900 and the Governor's Request is \$40,600. Mr. Sackett asked about code 320, printing and advertising, which noted \$3,000 for State Industrial Safety Standard Codes. He said he thought this was done last year. Mr. Moore said they printed 1,000 last year and they need this much more this year. He said with the increased industrial activities there are new companies and they have to provide them a copy of their Safety Codes. Mr. Sackett asked how many they plan to print and Mr. Moore said at least 3,000 copies. Mr. Honman entered the meeting. Mr. Sackett requested the Department provide the committee with a memo on code 320.

Mr. Sackett asked about the two 4-wheel drive vehicles, in code 360, equipment rental. Mr. Lind explained these are not available from the Department of Highways and they have to rent them privately, and there is no maintenance on the North Slope so this has to be done privately too. Mr. Moore explained these vehicles will go out for bid and will have to be maintained up on the Slope. Mr. Gordon gave a brief description of the vehicles and said they hope to recover some of the cost by letting other departments use them.

400: There is an increase of \$4,400 or 314.29%. The 1969-70 Authorized for Commodities was \$1,400 and the Governor's Request is \$5,800.

Under code 470, professional & scientific supplies, there is an increase of \$2,300 and Mr. Sackett said he thought the training films requested were provided last year. Mr. Moore said he did not recall and Mr. Freer said there was about \$500 in this last year.

Under code 410, clothing, there were two sets for safety inspectors for exposure suits survival gear for the North Slope for \$800.

500: The Governor's Allowance is \$3,600 for equipment and the 1969-70 Authorized was \$2,000 which is an increase of \$1,600 or 80%. There was a brief discussion on the tammy for resuscitation and Mr. Gordon explained this is a torso used for first aid instruction.

Pressure Vessel  
Inspection

The 1969-70 Authorized was \$68,400 and the Governor's

Request is \$190,700 which is an increase of \$122,300 or 178.80%.

Mr. Sackett asked why this is such a big increase and Mr. Moore said they need additional engineers because of the increased activities in the petroleum industry, and they have additional number of pressure vessels. He added they are also picking up the inspection of pressure vessels that were previously covered by insurance companies. Mr. Lind said this function was covered in the Division of Labor Law Enforcement last year. Mr. Moore remarked that this division generated \$60,000 in fees last year and that this year he expects it to be in excess of \$100,000.

100: In personal services, the 1969-70 Authorized was \$52,000 and the Governor's Request is \$124,400 which is an increase of \$72,400 or 139.23%. The following new positions were requested: a Pressure Vessel Eng. I, a Clerk Typist III, and Clerk II in Juneau; a Pressure Vessel Inspector I and Clerk Typist II in Anchorage; and a Clerk Typist II in Fairbanks for a total of 4 full time positions and 1 part time position. Mr. Moore noted there is quite a complicated clerical process connected with this program. From the time of manufacture and installation, these vessels carry a record that must be maintained, and continually thereafter. Mr. Sackett asked who handled this before and Mr. Moore said that two years ago this was handled by the secretary in the Fairbanks office and then they moved the Pressure Vessel Inspector to Juneau and they utilized different divisions to keep up with the clerical work. He said they have one clerk stenographer working on this and Mr. Gordon added that the

also have two temporary positions working on this.

Mr. Sackett asked where the temporary positions are in this budget. Mr. Moore said they are not listed in the budget and that they have utilized funds in other areas in order to carry out this program.

200: The 1969-70 Authorized for travel was \$14,000 and the Governor's Request is \$35,000 which is an increase of \$21,000 or 150%. Mr. Sackett questioned this large increase in view of the fact they had only added two inspectors. Mr. Moore explained that this will include inspection of the pipe line on the North Slope and also inspection of fishing canneries. Travel also included a Pressure Vessel Inspection Training program to be held at the Ohio State University and Mr. Moore said it is necessary the inspectors keep up with the latest advances so they will be able to inspect these facilities.

300: The 1969-70 Authorized was \$1,500 and the Governor's Request was \$19,600 which is an increase of \$18,100 or 1,206.67%. Mr. Gordon said this is an arbitrary figure and that rents and utilities, code 330, was previously in the Commissioner's Office. Mr. Sackett asked why they only budgeted \$1,500 in 1969-70 and didn't ask for the actual amount needed. Mr. Freer said a total of \$18,400 was budgeted in contractual services which covered three functions.

He noted this was not broken out in the budget. Mr. Lind added, however, each division increased contractual services

substantially over last year.

400: The 1969-70 Authorized was \$300 for commodities and the Governor's Request is \$5,500 which is an increase of \$5,200 or 1,733.33%. Mr. Gordon said that last year the legislature increased the number of positions; however, supporting services were not increased in any substantial amount. Mr. Sackett said it was his understanding they were suppose to have been increased and Mr. Lind noted there was a \$300 increase by the legislature over the Governor's Allowance.

500: The 1969-70 Authorized was \$600 and the Governor's Allowance is \$6,200 which is an increase of \$5,600 or 933.33%. Mr. Moore said they anticipate recovering the cost of the UVP Reflectoscope (used for special inspections and in particular with the Petro-chemical and oil industries) in a period of two years. Mr. Sackett questioned the need of the two adding machines and noted that the Department has requested a total of four new machines. Mr. Moore said this is equipment they need. Mr. Sackett asked if they are adding any MTST's and Mr. Moore said no.

Labor Law Enforcement This program was transferred to Wage and Hour for fiscal year 1969-70.

WORKMAN'S COMP.

Administration The 1969-70 Authorized is \$99,400 and the Governor's Request is \$148,200 or an increase of \$48,800 or 49.09%.

100: In personal services, the 1969-70 Authorized was \$70,500 and

the Governor's Request is \$102,400 which is an increase of \$31,900 or 45.25%. Mr. Moore said they are requesting a Vocational Rehabilitation Spec. II and a Clerk Typist II. He explained that the Second Injury program carries on a vocational rehabilitation program and they are spending between \$70,000 and \$100,000 per year. Mr. Moore gave a brief explanation of this program and Mr. Sackett asked how they are doing on this. Mr. Moore answered not too well and said one example of this is that an insured worker had been trained as a bush pilot and that this man had an unstable back and that he did not feel the vocational rehabilitation function was carried out in this specific case.

200: The 1969-70 Authorized for Travel is \$16,800 and the Governor's Request is \$19,400 which is an increase of \$2,600 or 15.48%. No questions.

300: There is an increase of \$6,700 or 71.28%. The 1969-70 Authorized was \$9,400 and the Governor's Request is \$16,100. Mr. Sackett asked about code 330, rents and utilities, noting the Department had requested \$1,600 and the Governor's Allowance was \$7,900. Mr. Freer explained that the Department inadvertently left out a rent.

Recess: There was a recess at 2:50 p.m.

AFTER RECESS  
3:00 p.m.

400: The 1969-70 Authorized is \$2,000 for commodities and the Governor's Request is \$3,600 for an increase of \$1,600 or 80%.

500: The 1969-70 Authorized is \$700 and the Governor's Allowance is \$6,700 or a \$6,000 increase of 857.14%.

There was a discussion on the microfilm machine and Mr. Freer noted this will be coordinated with their centralized records section. He said the Supervisor had reviewed this and approved this request.

Second Injury The Governor's Request is \$108,000, which is the same as the 1969-70 Authorized. Mr. Sackett asked how much they have in this program and Mr. Moore said the last balance was \$67,000. In answer to Mr. Hohman, Mr. Moore explained that the Second Injury fund has several sources of funding. When an individual is injured the insurance carrier pays 5% of the amount paid to the individual into the fund and also when an individual dies without any beneficiaries then \$5,000 is paid to the fund by the carrier.

HB 525 There was a brief discussion on HOUSE BILL NO. 525 (an act relating to an increase of employer and/or carrier contributions to the Alaska second injury fund).

EMPLOYMENT SECURITY

Employment Security The 1969-70 Authorized is \$3,114,700 and the Governor's Request is \$3,840,200 which is an increase of \$725,500 or 23.29%. The program is 100% federally funded.

100:

Mr. Moore said that as far as they knew the federal government has not approved last year's budget yet. Mr. Sackett noted there is \$49,100 of unrestricted general fund in this budget. Mr. Moore said this is for three new positions for Employment Interviewer II's for outlying areas that the federal government is not providing. He added these men will be manpower specialists who will be interviewing individuals in rural areas. Mr. Sackett asked who establishes the salaries for these positions and Mr. Moore said this is determined by the Division of Personnel. In answer to Mr. Hohman, Mr. Moore said these men will work out of Anchorage or Fairbanks depending on where the need is. Mr. Sackett asked if the Department was engaged in any other program along this same line and Mr. Moore said they are gathering as much information as they can for the Smaller Communities Program. Mr. Moore explained this is where they go into an area and make services for job opportunities according to the individual's level of education and experience plus an indication of their interest in a training program. Mr. Sackett asked if they are making this available to the industry that will probably utilize this information. Mr. Moore answered that they are, but to a limited extent. He said that the cannery industry has utilized more residents than previously and the petroleum industry is just realizing the benefits to be gained from hiring local people because of their ability to work in extremes.

WIN

The 1969-70 Authorized is \$516,000 and the Governor's Request is \$485,200 for a decrease of (\$30,800) or (5.97%).

Mr. Sackett asked about the inter-agency charges of \$97,000 in this program. Mr. Moore explained this comes from the Department of Health and Welfare. Mr. Moore said this will be a 100% federally funded program and it is now 80 to 20, with \$97,000 from the Department of Health and Welfare and \$388,200 from federal receipts.

Mr. Sackett asked about the success of this program.

Mr. Moore said they have doubled the federal pattern in that they are running about 28% in getting people in the program jobs. Mr. Moore said they could furnish a detailed report by the WIN people. He noted that he did not regard 28% as a particularly good percentage but this is a somewhat difficult program.

CAMPS

Mr. Sackett asked where this program was last year and Mr. Moore said it was under Employment Security and still is but they have broken it out this year.

The Governor's Request is \$61,700 and Mr. Moore explained there are three positions in this program -- 2 Program Coordinators and 1 Secretary and they are asking for a new Clerk Steno III position. Mr. Moore explained this program is to coordinate all state and federal programs dealing with training funds. This includes the Manpower Development and Training program, the BIA Employment Assistance Program, WIN and the Department of Education programs, and the Alaska Federation of Natives. Mr. Sackett asked who the Chairman of this program is and Mr. Moore said Eric Costello is in charge of this.

MANPOWER TRAINING The 1969-70 Authorized is \$295,600 and the Governor's Request is \$843,400 which is an increase of \$547,800 or 185.32%. Mr. Sackett questioned this large increase. Mr. Moore said the idea is to train as many people as possible and as many people as various industries can absorb. Mr. Sackett asked if they have doubled their activities and Mr. Moore said this is right and added that they are using a slightly different concept from most training programs. He said most start at a certain point and run for so many weeks and that is the end, but the Skill Center is designed around the individual. He explained, for example, how some people need a lot of remedial education, where others need very little.

Skill Center

There is \$91,700 in the Governor's Request for this new program. Mr. Moore explained this is a Skill Center training facility located in Seward.

Mr. Moore noted there is \$150,000 funded under code 500, equipment in Administration for trailers at the Skill Center and that these trailers will be amortized by program receipts over a period of two years.

OJT

There is \$273,400 requested in this new program. Mr. Sackett asked if this conflicts with the on-the-job training program the Alaska Federation of Natives has and Mr. Moore said no as they operate basically in urban areas.

New Careers

This is a new program for fiscal year 1970-71 and the Governor's Request is \$341,400. Mr. Sackett asked why this is shown as a new program. Mr. Gordon said this was originally established in the Department of Public Safety and was being transferred to the Department of Labor.

HIRE

This is a new program for fiscal year 1970-71 and the Governor's Request is \$225,000.

Advisory Council The 1969-70 Authorized was \$32,300 and the Governor's Request is \$28,100 which is a decrease of (\$4,200) or (13%). Mr. Sackett asked if there were any additional programs other than those listed in the budget and Mr. Moore said not at the moment. Mr. Moore said there will be training program with the petroleum industry. Mr. Sackett asked if the state will operate this and Mr. Moore said yes, both the Department of Labor and the Department of Education. In answer to Mr. Sackett, Mr. Moore said when this begins will be dependent on the oil people. There was a brief discussion about this program. Mr. Hohman asked about the training for welders saying that last year there were two welders in the Bethel area who were interested in starting a training program for welders. Mr. Hohman said they had contacted Mr. Costello about this but had not received an answer. Mr. Moore said they make a survey of the industry before any training is started to find out how many people the industry can absorb. He said they could not begin a training program if there would be no jobs available at the end of the program. Mr. Hohman said with the construction of the pipe line it would seem there would be a demand for welders. Mr. Moore said the position of the union is that they have all the welders they need. There was a brief discussion on this and on HOUSE BILL NO. 101 (an act relating to harmful or dangerous

substances) which refers to welding.

Mr. Moore said the project HIRE is a federal project that the state is involved in and that the state will do some recruitment for it. He said this is a project where the federal government has agreed to hire 200 Alaskans to fill entry level jobs.

Mr. Sackett asked who is on the Advisory Council and Mr. Moore said the Commissioner of Economic Development, the Commissioner of Education, the Commissioner of Labor and a representative from the Division of Planning in the Governor's Office, 3 representatives from management and 3 from labor. In answer to Mr. Sackett, Mr. Moore said he is the Chairman of this. Mr. Moore said this is the one council that makes a determination of the policy direction of manpower training.

Mr. Sackett asked Mr. Moore about the Vocational Rehabilitation program. Mr. Moore said he was not qualified to comment on this. Mr. Moore said that the Department provides funds to the Office of Vocational Rehabilitation, which is in the Department of Education, to provide rehabilitation services to the industrially injured person.

Adjournment: The meeting adjourned at 3:40 p.m.

HOUSE FINANCE COMMITTEE

February 26, 1970

9:00 a.m.

**Present:** All members. Mr. Phil Hubbard, Department of Economic Development, and Dr. Leonard Bloom, President, United States Capital Corporation, were also present.

Mr. Hubbard said they were present to discuss the possibility of providing housing in the Juneau area for out-of-town legislators. He explained that they had been talking with Dr. Bloom regarding potential areas of development in Alaska and he was present to discuss the possibility of a convention hotel in Juneau that could also be used to provide housing for legislators during the legislative sessions.

Dr. Bloom explained that his company primarily dealt in financial investments and, in particular, management of real estate. He said as an example of the type of work they do, they are at the present time working with U.S. Plywood-Champion Papers for the purpose of planning their facility at Berners Bay. They supply both money and management. Dr. Bloom said they had discussed the possibility of hotel-apartment complex with convention facilities and other auxiliary facilities. He said they would bring in the money and the expertise. They had considered the idea of a leasing arrangement with the legislators with some type of guarantee from the state. Dr. Bloom said they had also considered a condominium because

this would give the legislators a tax benefit along with it being an investment. They would be able to pass the benefits on to the legislators of longer amortization and little or no interest. Dr. Bloom felt this building would create something the legislators would like at very little cost to them. He believed they (the legislators) are deserving of such a facility, and in addition, there would have to be no guarantee by the state. His thinking was that there would be the possibility of a loan in which they (his company) would do the facility that was needed and pass it along to the legislators and in turn the state would also have a convention site.

Mr. Croft asked if Dr. Bloom was considering a feasibility study. Dr. Bloom said there are 57 out-of-town legislators and as he understood it the need is definitely here and a feasibility study would only be needed to indicate how big a complex is necessary.

Dr. Bloom said this meeting was just a preliminary and they were present to "throw out" their ideas on what they could do and to find out what the legislators might want them to do. He was searching to see what the interest in this would be. Mr. Hubbard said there has been a discussion on a proposed resolution by Mr. Guess to do such a facility and finance it by ASHA Bonds; however, if this is part of the capital complex these apartments would only be used four months out of the year. Mr. Hubbard suggested having a facility

that could be used more and that would complement the off-season. He noted many people are in need of housing for a month or two while they are trying to find permanent housing. He said with a guarantee of occupancy by the legislators it would give them an automatic commitment of 25% a year. Dr. Bloom added that a hotel is seasonal and would be empty the rest of the year. They are trying to deal with something stable and a 4-month season would not be profitable. The vacancy factor, according to Dr. Bloom, is of the greatest concern here. He reiterated they have the capital, and the "know-how", and he feels they could work this out with and for the state.

Mr. Hauzen asked if there had been any interest from the down town business area regarding this. Mr. Hubbard said although he had talked to a few lawyers he had not discussed this with other businessmen. He said they had been informed that the finance committee would be the place "to throw out the idea". Mr. Hubbard added that they are not requesting any money.

Mr. Bradner added that they would still be faced with some problems because of the limited facilities they could provide and would probably only absorb about 25 or 30 legislators.

Mr. Ray requested that the gentlemen be escorted to the Speaker's office to discuss this and Mr. Hubbard and Dr. Bloom left the meeting.

Bill  
Assignments:

Chairman Ray assigned the following bills:

SCR 18	(relating to assistance of the leg. at second annual Girls' State)	Mr. Borer
SCR 19	(relating to assistance of the leg. at fourth annual Boys' State)	Mr. Borer
HB 708	(mutual banks)	Mr. Borer
HCR 27	(statewide pre school education program)	Mr. Sackett
HB 715	(education for exceptional children)	Mr. Bradner
HB 625	(assistance for dependent children)	Mr. Haugen
HCR 25	(updating of regulations providing for budgeting of financial aid to dependent children)	Mr. Haugen
HCR 26	(early childhood education)	Mr. Haugen*

\* This bill was previously assigned to Mr. Borer.

HB 442

Mr. Ray moved and asked unanimous consent that the committee again consider HOUSE BILL NO. 442 (an act relating to inheritance, transfer and estate taxes and providing for an effective date) No objection, so ordered. HOUSE BILL 442 had been reported out of Finance Committee on February 18. It subsequently passed the House on February 23, but was held for reconsideration. February 24, on the reconsideration motion, it was returned to the Finance Committee for 48 hours. Mr. Ray explained that this bill is patterned after a bill adopted by the State of Florida and that the primary purpose of the bill is to attract people to retire in the state. Mr. Ray read sec. 43.30.430, section 2, which says:

"Sec. 2. The provisions of this chapter apply to estates of decedents dying after 12:01 a.m., Pacific Standard time, on the day after the effective date of this Act, and estates of decedents dying after 12:01 a.m., Pacific Standard time on the day after the effective date of this Act shall be taxed in accordance with the statutes and laws of this state in force before that date, which statutes and laws shall remain in force after the effective date of this Act for this purpose."

Mr. Ray said he had discussed this with his lawyer and he felt this section was not necessary because of the small population in Alaska and that this section could be eliminated. Mr. Ray moved and asked unanimous consent that they amend this by deleting section 2 and renumbering subsequent sections and that JUDICIARY COMMITTEE SUBSTITUTE FOR HOUSE BILL 442 with the proposed amendment by the Finance Committee be reported out of committee with unanimous "do pass" recommendation. Mr. Borer objected.

So JUDICIARY COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 442 as amended by the Finance Committee was reported out with five members signing "no recommendation" and Mr. Ray and Mr. Croft signing "do pass".

Mr. Hohman moved and asked unanimous consent that the committee consider HOUSE BILL NO. 453 (an act appropriating \$46,342.46 to Department of Public Works, Marine Transportation Division). No objection, so ordered.

Mr. Hohman gave a brief explanation of the background on this bill noting this bill is to pay \$46,342.46 to the

Department of Public Works so that they might honor the state's commitment to the maritime workers union.

Mr. Croft asked how much money is involved. Mr. Hohman answered \$46,000 and this involves 27 people who would get returns ranging from \$147 to \$3,820.

Mr. Hohman noted the memorandum of agreement said that a portion of this adjustment would require legislative appropriation and it would seem if the legislature acted then these people would be "off the hook." Mr. Ray asked who would be "off the hook" and Mr. Hohman said the Department of Public Works.

In answer to Mr. Bradner, Mr. Hohman said this appropriation covers the period June, 1966 to June, 1967.

Mr. Sackett asked if they do not pay this, if the state could be sued and Mr. Hohman said according to the memorandum of agreement both parties agree it is a decision of the legislature. Mr. Borer asked if they do not pay this if there is a chance these people would stop running the ferries. Mr. Ray said this is always a possibility, but he did not think they should consider this point if there were no legal grounds involved.

Mr. Haugen noted this is a marginal negotiation and is just one of these things they will have to pick up.

There was a brief discussion on this and Mr. Hohman moved and asked unanimous consent that HOUSE BILL NO. 453 be

reported out of committee with a "no recommendation" vote. So HOUSE BILL NO. 453 was reported out of committee with 5 "no recommendation" and 2 "do pass". Mr. Borer and Mr. Haugen voting "do pass".

HB 464

Mr. Bradner moved and asked unanimous consent that the committee consider HOUSE BILL NO. 464 (an act appropriating \$211,700 to the Department of Public Works, Division of Aviation). No objection so ordered. Mr. Bradner explained that a finance committee substitute had been prepared and that \$138,050 should be charged to international airports (from the International Airport Revenue fund) and \$73,650 (rounded down from \$73,675) should be charged to other state airports (from the general fund). There was a brief discussion on this and Mr. Bradner moved and asked unanimous consent that COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 464 be reported out with a "do pass" recommendation. COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 464 was reported out of committee with 6 "do pass" recommendations and 1 "no recommendation", Mr. Hohman voting "no recommendation".

HB 390

Mr. Ray moved and asked unanimous consent that the committee consider HOUSE BILL NO. 390 (an act relating to the Commission on Judicial Qualifications; and providing for an effective date). No objection so ordered.

Mr. Ray read the letter from Acting Chief Justice Dimond, who is a member of the Commission on Judicial Qualifications.

This letter requested that this bill be enacted during this session of the legislature. After a brief discussion, Mr. Croft moved and asked unanimous consent that HOUSE BILL NO. 390 be reported out of committee with unanimous "do pass" recommendation. No objection, so ordered.

SB 383  
HB 422

There was a brief, informal discussion on SENATE BILL NO. 383 (industrial incentive tax credit) and HOUSE BILL NO. 422 (same title).

Recess: The meeting recessed at 10:00 a.m.

HOUSE FINANCE COMMITTEE

February 26, 1970

2:05 p.m.

Present: Committee members present were Messrs. Sackett, Hohman and Haugen. Also present were Major General C. F. Necrason, Adjutant General; Brigadier General C. E. Reid, Assistant Adjutant General (Army); Brigadier General Kenneth M. Taylor, Assistant Adjutant General (Air); Lt. Colonel Glenn Byington, Director, Facilities & Fiscal Division, Office of the Adjutant General; and General James Isbell, Director, Alaska Disaster Office; all from the Department of Military Affairs. Also present were Messrs. Richard W. Freer, Director of Budget and Management, and his assistant Ronald B. Lind.

DEPARTMENT  
OF MILITARY  
FAIRS

In Mr. Ray's absence, Mr. Sackett assumed the chair and called the meeting to order. Mr. Sackett noted that the overall increase in the department's budget is 25.42%, from \$1,167,800 authorized for fiscal year 1969-70 to \$1,464,600 requested for fiscal year 1970-71, an increase of \$296,800. Mr. Sackett added that this budget appears to reflect the lowest increase of all the budgets so far. He asked if they had any overall statements to make before getting into the budget.

General Necrason said that in spite of the fact that they, as everyone else, knew Alaska had the increase from the oil lease sale, with the approval of the Governor they put out guidelines to hold their budget to a minimum

rather than trying to be generous. The majority of the increase, he said, is in pay increases. They do have some additional positions authorized, but these are paid 75% with federal funds and 25% with state funds. They consider their budget this year very austere, and do not have anything fancy included in it - have kept to an absolute minimum.

Mr. Sackett asked if they foresee any supplementals, and they replied no.

In answer to Mr. Hohman's question regarding their statement about additional personnel, General Necrason said their Air National Guard has been increased in size since the last budget hearing; in fact, it has tripled in size. However, they have been given three years to complete their staffing requirements.

Mr. Sackett asked if they have a copy of their capital improvements budget this year, and if they would make a copy of it for the committee, to which they replied they would [copy may be found in House Finance Committee files].

Mr. Sackett asked if they knew anything about the major cutback in the regular United States Armed Forces, and how this is going to affect Alaska. General Necrason said it has already affected Alaska; however, that will be balanced by another outfit coming into Alaska. He anticipated more cutbacks in the armed forces in Alaska.

ALASKA  
NATIONAL  
GUARD

Mr. Sackett noted the department request for the Alaska National Guard of \$978,500 and the Governor's allowance of \$983,600, an increase of \$195,300 over the fiscal year 1969-70 authorization of \$788,300. Of this, \$596,700 is from the general fund and \$386,900 are federal funds.

OTAG &  
State  
Armories

Noted then was the 18.62% increase in OTAG and State Armories - from \$447,400 authorized for fiscal year 1969-70 to the Governor's allowance of \$530,700, an increase of \$83,300 for fiscal year 1970-71. Of this, \$518,700 was from the general fund, and \$12,000 from the federal fund.

Code 100: Personal services shows an increase of \$56,200 - from \$265,400 authorized for fiscal year 1969-70 to the Governor's allowance of \$321,600 (21.18%), of which \$17,300 is for new positions, a Building Custodian for Southeastern and for Kodiak. General Necrason said they have three Building Custodians at present, and said it should be remembered that their buildings are state buildings, and if they don't do some preventative maintenance they will end up spending more money.

Code 200: It was noted that there is a 25.00% increase in travel - from \$12,000 authorized for fiscal year 1969-70 to the Governor's allowance of \$15,000 for fiscal year 1970-71, an increase of \$3,000.

General Necrason said this increase in travel represents actual money spent last year for travel, not an anticipated increase. Last year they received authorization to transfer some funds in order to perform the travel necessary.

Mr. Sackett asked how they have been doing so far, and General Necrason said they stay pretty much on the line, programming it out; however, sometimes things come up that can't be foreseen, such as meetings called by the Bureau in Washington, etc.

Mr. Sackett asked, with reference to the use of military aircraft as compared to civilian aircraft, how they would come out if the total cost of travel was included less the percentages given for military service, and if they had an estimate of how much this would be. General Necrason<sup>said</sup>/some of the travel is by military aircraft, although they are not supposed to travel very much by military aircraft, the primary reason being the expense, and stated that as taxpayers this is understandable because of the cost of a four-engine airplane. They do make these trips, but try to do it when a crew is going to get necessary training.

General Taylor referred to page 22 of the budget document which estimates their travel, and noted that this is travel only for headquarters, that there is a lot of other travel that is federally funded.

Code 300: It was noted that contractual services reflects an increase of 2.58% - from \$97,000 authorized for fiscal year 1969-70 to the Governor's allowance of \$99,500 for fiscal year 1970-71, an increase of \$2,500.

Mr. Sackett noted a decrease in Code 340 Repairs, Services,

and Alterations of (\$2,200), and asked if the repairs have just gone down within this coming year. General Reid said the hiring of the two custodians will reduce the cost of repairs on the two buildings involved in Juneau and Kodiak.

The major decrease, however, is in Code 390 Other Contractual Services (\$6,300). General Necrason said this is because the Adjutant General's Conference is to be held in Anchorage in May 1970 [headquarters].

The department request reflects costs for normal services.

Mr. Sackett <sup>wondered</sup> if since relocating to the McKay Building they have need for additional space. General Necrason said additional space is required because of the additional number of federal people. There are 38 federal people there now and it is getting real crowded.

Mr. Sackett asked how they [the legislature] would know in advance how many federal people will be coming in.

General Necrason said that depends on whether they expand their Guard. They always try to increase their Guard with the approval of the Governor and Chief of the National Guard Bureau. Many times some of the increases will counterbalance with the decreases in the regular forces. He said they are trying to develop now a Naval Militia to give the state move coverage.

Code 400:

Mr. Sackett noted that commodities reflects an increase of 8.25% - from \$41,200 authorized for fiscal year

1969-70 to the Governor's allowance of \$44,600 for fiscal year 1970-71, an increase of \$3,400.

It was noted that the major increase is in construction materials.

Code 500: Equipment shows an increase of 400% - from \$1,000 authorized for fiscal year 1969-70 to the Governor's allowance of \$5,000 for fiscal year 1970-71, an increase of \$4,000. General Necrason said they were authorized the position of Naval Operations & Training Officer last year, and this equipment is for that position.

Mr. Sackett asked if they didn't get equipment for that position last year when the position was authorized, as is usually the case. General Necrason said no, just authorization for hire.

Mr. Sackett noted the request for a micro filming unit amounting to \$4,000, and asked Mr. Freer if Central Duplicating has approved this as a part of their overall operations, and Mr. Freer said yes.

Code 900: Inter-agency charges shows an increase of 46.10% - from \$30,800 authorized for fiscal year 1969-70 to the Governor's allowance of \$45,000, an increase of \$14,200. There were no questions.

Air National Guard

Mr. Sackett noted the overall increase of 58.67% - from \$153,400 for fiscal year 1969-70 to the Governor's allowance of \$243,400 for fiscal year 1970-71, an increase of \$90,000. Of this, he said, \$182,500 is federal funds and \$60,900 from the general fund.

General Taylor said this increase is for a service contract which operates the Kulis Air National Guard Base, run by 75% federal funds and 25% state funds.

He said there will be several new buildings going up increasing floor space approximately 50,000 square feet. This request is an attempt to get the state portion of these funds in the next budget to primarily pay for the seven additional positions authorized the department this current year by the Governor. The rest is primarily operating expenses for new buildings, etc.

Code 100: Personal services shows an increase of 88.59% - from \$78,900 authorized for fiscal year 1969-70 to the Governor's allowance of \$148,800, an increase of \$69,900. Colonel Byington said this increase is for the seven new positions.

Code 200: No request for travel as all travel is done on federal funds.

Code 300: Contractual Services reflects a 22.13% increase - from \$47,000 authorized for fiscal year 1969-70 to the Governor's allowance of \$57,400 for fiscal year 1970-71, an increase of \$10,400.

General Taylor said they will have an increase in contractual services in the area of utilities with the increase in the number of buildings on the base. They have one building approved for construction this year of over \$1,000,000.

At the moment, however, these funds have been frozen under the President's orders, but they hope the funds will be free by the first of July. Also in the area of construction,

there will be another building of approximately \$1,000,000 to increase floor space. This will result in the expense of a new telephone exchange (\$12,500), etc.

Code 400: Commodities shows an increase of 35.27% - from \$27,500 authorized for fiscal year 1969-70 to the Governor's allowance of \$37,200 for fiscal year 1970-71, an increase of \$9,700. Generally speaking, General Taylor said, commodities will not increase until they get their full complement of 750 men on board, for which they have three years. They are up to 375 men at this time. In answer to a question by Mr. Sackett, General Necrason said they got the people in Washington to release funds for armory construction and they got money to start on Camp Carroll.

Army  
National  
Guard

Mr. Sackett noted a very slight increase in the Army National Guard of 7.87% - from \$47,000 authorized for fiscal year 1969-70 to the Governor's allowance of \$50,700, an increase of \$3,700. Of this, \$14,700 comes from the general fund and \$36,000 federal funds.

General Reid said they have a new consolidated maintenance shop in Anchorage which will be completed in April of this year; the Nome hangar was completed in January of this year; and the Bethel hangar will be completed in June of this year.

The federal government reimburses the state 75% for all expenditures under this program with the exception of

telephone, real property rentals and insurance costs. These facilities are constructed with 100% federal funding on land owned or leased by the state.

Mr. Ray interrupted to thank General Isbell for offering the Alaska Disaster Office for committee work, and complimented him on his Southeastern Regional Supervisor Floyd Johnson who is sharing his quarters with the committee.

Mr. Sackett asked if they anticipate any further capital improvements in this area. General Reid replied that they have the Kenai armory, the Sitka armory, and an increase in the size of the Anchorage armory. In addition, they hope to have eventually an army aircraft hangar in the Anchorage area.

Code 300: Contractual Services reflects an increase of 13.91% - from \$26,600 authorized for fiscal year 1969-70 to the Governor's allowance of \$30,300, an increase of \$3,700. This increase is in the areas of rents and utilities, and insurance and bonding for the new facilities.

Code 400: Commodities do not reflect any increase, but is kept at the same level as last year - \$20,400.

Code 500: Mr. Sackett noted that there is no request for equipment. Last request was in fiscal year 1968-69.

Federal  
Scout  
Armories

Mr. Sackett noted a 13.36% increase in Federal Scout Armories - from \$112,300 authorized for fiscal year 1969-70 to the Governor's allowance of \$127,300 for fiscal year 1970-71, an increase of \$15,000. Of this, Mr. Sackett

noted, only \$2,400 is from the general fund and \$124,900 federal monies.

Code 100: General Reid said the bulk of this increase is in personal services for salary increases, no new positions.

Mr. Sackett asked if there is any problem with federal receipts, and the reply was no.

Code 200: Travel is kept at the current level of \$23,600, reflecting no increase.

Code 300: Contractual services reflects a decrease of (\$200) with no department request and no Governor's allowance. Authorized for fiscal year 1969-70 was \$200 for insurance and bonding. This reduction results from public liability insurance costs now being carried as an employee benefit cost under personal services.

Camp  
Carroll

General Necrason said they have just received authorization to go ahead with this. This is a two-week training site used by their two Eskimo scout battalions. This is 100% federally funded.

ALASKA  
DISASTER  
OFFICE

Mr. Sackett noted a 23.65% increase in the Alaska Disaster Office - from \$203,800 authorized for fiscal year 1969-70 to the Governor's allowance of \$252,000 for fiscal year 1970-71, an increase of \$48,200.

Flood  
Control

General Isbell said there is one error on page 75 of the budget document. Of the \$252,000 Governor's allowance for "PERSONNEL & ADMINISTRATIVE/50% Federal", \$21,000 should be down on the line below "FACILITIES & EQUIPMENT/100% State" because this is the money they asked for

to support the Corps of Engineers in flood control in the spring. This \$21,000 is not 50/50 matching funds, but 100% state funds.

Mr. Freer said this is a request that came after the budget was originally submitted.

Mr. Sackett asked what they would like to call this item, and General Isbell thought "Flood Control" would be descriptive.

Mr. Sackett asked what their plans were for flood control. General Isbell said this is a matter the Corps of Engineers has been pursuing for several years. They have been carrying it out with their dusting operation, spreading coal dust and sand on the river at points to facilitate early thawing to open up the river and prevent ice jams from forming and floods.

The Corps of Engineers have expanded this program beyond dusting now and found that the strategic placing of demolitions can do the job more economical than aerial dusting. The Corps of Engineers are continuing research but feel they can no longer justify this as a totally research item. They approached the Department of Military Affairs with the objective of getting state funds for this year.

General Isbell said they had a meeting on this, and pointed out that if they were in time to get a supplement, they still wouldn't know in time to do the job, so it was agreed they would go back to the Corps of Engineers and ask for

this money for this year with the understanding that the department would put it in their budget for next year [fiscal year 1970-71].

The Corps of Engineers proposed the state pay \$21,000 of this largely for chartering civilian-owned aircraft to actually do flying and spreading of this dust. \$52,000 will be funded by the Corps of Engineers for this project, so they will really be funding more than 50% of the cost. Mr. Sackett asked if they have any guarantee the Corps of Engineers will be doing this this year. General Necrason said Colonel Hardin indicated they will.

General Necrason said it might be interesting to note that the use of demolitions is not to clear an ice jam, but to open holes in the water about ten feet apart in strategic places in the river to try to get those to open first.

Administrative Program

Code 100: Personal services reflects a 13.80% increase - from \$174,700 authorized for fiscal year 1969-70 to the Governor's allowance of \$198,800, a \$24,100 increase. No questions.

Code 200: Travel shows a 16.67% increase - from \$9,900 authorized for fiscal year 1969-70 to the Governor's allowance of \$10,500, an increase of \$1,500.

General Isbell said this increase represents actual costs. Last year they had to reprogram to meet their travel needs, and anticipate having to do it this year.

Code 300: Contractual services reflects an increase of 108.05% - from \$14,900 authorized for fiscal year 1969-70 to the

Governor's allowance of \$31,000 for fiscal year 1970-71, an increase of \$16,100. General Isbell said this increase is due primarily to "Operation Foresight" aircraft rental for use in the dusting project to minimize spring flooding, which amounts to \$15,200.

Code 400: Commodities reflect a 78.85% increase - from \$5,200 authorized for fiscal year 1969-70 to the Governor's allowance of \$9,300 for fiscal year 1970-71, an increase of \$4,100. General Isbell said this increase is due also to "Operation Foresight."

Mr. Sackett noted that if it weren't for "Operation Foresight" commodities would have decreased substantially [\$1,700], and asked the reason for this. General Isbell said they have been in the warehouse business for several years, and are transferring the warehouse they have to the Department of Highways on July 1.

Mr. Hohman asked if the aircraft they will use in "Operation Foresight" is the same aircraft used in fire fighting. General Isbell said yes, and added that they have lost their lowest bidder in Anchorage for B-25's, so they anticipate the costs going up.

Code 900: Inter-Agency Charges shows a Governor's allowance of \$2,400, which represents the increase over fiscal year 1969-70. General Isbell said this is a difference in bookkeeping, and Mr. Freer added this was previously in contractual services.

General Isbell pointed out that they haven't budgeted for repair of the building they are in because it is below city code and they are operating on a temporary building basis. It is not a state-owned facility. Three years ago they budgeted to move to the McKay Building and it was knocked out of their budget; they haven't requested it since then. When Mr. Sackett asked why they haven't requested it this year, General Isbell said because the outlook for getting federal funds to match this is pretty grim. They would save in the area of janitorial services and utilities, but it would take another \$7,000 - \$8,000 for rent. If it were matching, he said, they wouldn't mind asking for the funds.

Mr. Sackett asked if there was any possibility they wouldn't be allowed to continue renting this building since it does not meet code specifications, and General said he doesn't know now these things operate as he hasn't been in this position before. General Neerason added that the building is only occupied during business hours, no one sleeps in the building, and he didn't believe there was any fire hazard.

Mr. Sackett if there is any high priority to get out of this building. General Neerason said as far as efficiency in operations is concerned, there would be a great deal of advantage to move over to the McKay Building.

General Isbell said he didn't bring this up to get something

added to the budget, but someday they may have to put the building on a permanent foundation or get out of it.

ADO  
Participants

ADO Participants shows an increase of 41.67% - from \$36,000 authorized for fiscal year 1969-70 to the Governor's allowance of \$51,000 for fiscal year 1970-71, an increase of \$15,000. This is, however, not 100% federally funded as indicated in the budget document. Fifty percent of the money comes from the City of Anchorage and the City of Fairbanks.

Mr. Sackett asked how this is working out, and General Isbell said they are short of federal money because they have two other municipalities that want to participate on a 50/50 basis - the Kenai Borough and the City of Juneau. He said there just was not enough money in the federal budget this year, and the federal government put in the restriction that no political subdivision could be added. General Isbell said they still have hope of making money available to the Kenai Peninsula, but don't think Juneau is too hard put this year.

Mr. Sackett asked if they foresee future possibilities of the state participating in this in order to make up the deficit, and General Isbell said he would rather foresee prevailing upon the federal government to rearrange some of their money and make it available to the state. The general has been invited to a meeting on this subject in Washington next week and he hopes it will be a successful one.

Community  
Shelter

Mr. Sackett noted an increase in Community Shelter of 6.60% - from \$31,800 authorized for fiscal year 1969-70 to the

Governor's allowance of \$33,900, an increase of \$2,100.

General Isbell said this is a 100% federally funded contract administered through the state.

Mr. Sackett asked if they still go around selecting different places for shelters, and if this is a continuing program. General Isbell replied yes, as long as there is enough money made available by Congress - this is done by the Corps of Engineers - the federal funds provide supplies stored there.

Radiological Program Radiological and Calibrations Program shows a 16.16%

increase - from \$22,900 authorized for fiscal year 1969-70 to the Governor's allowance of \$26,600 for fiscal year 1970-71, an increase of \$3,700.

General Isbell said this is a 100% federal contract handled through the state merit system. There are about 500 radiological monitoring instruments in the state that read the radiation level that might occur after a nuclear weapon has been exploded. These instruments require checking for maintenance and calibration once a year.

Natural Disaster

This is a new division for which the department requests \$29,900, and for which the Governor's allowance is \$29,900. Of this, \$14,900 is from the general fund and \$15,000 federal funds.

General Isbell said Congress produced Public Law 91-79 last fall signed into law October 1, which provides for 50/50 funds to be made available to the states on a request basis and so long as they comply with the administrative

details for a natural disaster plan.

General Isbell said he has submitted a plan to the Governor for carrying out this natural disaster planning in the state of Alaska. He has estimated the requirements of his office and other departments for hours of man-days they would need to support this. He proposed a \$90,000 program, which would mean \$45,000 state money. He didn't know whether the other state departments could take this within what they have budgeted now, or whether they would need more money. General Isbell said he included it in his own budget and it comes to \$29,900.

Mr. Sackett asked if each department will have to have this, and General Isbell said each department will have to contribute; for example, the initial estimate for the Department of Public Safety would require 60-75 man-days of someone's time in the State Troopers organization to prepare State Troopers portion of a comprehensive natural disaster plan. If the State Troopers can take this in stride within their authorized personnel ceiling, they can still qualify for 50% federal money and have that much state money left over for temporary hire.

Mr. Sackett asked what kind of plans they would specifically make. General Isbell said that PL 91-79 requires a comprehensive natural disaster plan covering all contingencies with major emphasis on assistance to the individual.

Mr. Sackett asked if each department took this over how much the total would be. General Isbell said \$90,000 at

the outside. He said he anticipates that his office, already designated by the Governor as a focal point, will have the job of putting input from various offices together into one finished product.

Mr. Sackett asked if the departments don't get it in their budgets, would they [Military Affairs] ask for the \$30,000 additional state funds, and General Isbell replied he didn't know, he had just received approval for his proposal yesterday. He hoped to do some "spadework" while in Juneau. They are producing a plan, and it will be better if they get participation from all corners.

Mr. Sackett asked where the Natural Disaster Coordinator and Clerk Stenographer II [new positions] would be located and if they would have to travel. General Isbell said they will be located in Anchorage and the coordinator will have to travel to all directions.

Mr. Sackett requested they let the committee know, if the committee is still in session, if the department has anything more concrete. General Isbell said yes, but he hoped it could be taken in stride in the other departments.

Mr. Freer asked, for clarification, if the Department of Public Safety could participate by making available 60-70 man-days and get reimbursed even though they only put in time, not money. The other departments might not require anything additional in their budgets if they can absorb this with existing personnel and do the work involved, according to General Isbell.

Hardware  
Program

Mr. Sackett noted the Hardware Program showed a (91.67%) decrease - from \$2,400 authorized for fiscal year 1969-70

to the Governor's allowance of \$200 for fiscal year 1970-71, a decrease of (\$2,200). Mr. Sackett asked why they are requesting the \$200, and General Isbell said they need to buy a slide projector. They have bought some furniture in the last couple of years and are in good shape. The only equipment they need is one slide projector, and they can't buy that item unless the legislature approves it. Mr. Freer thought it could be incorporated back in the basic program and funding spelled out so that it would be clarified.

Facilities  
& Equipment

Facilities and Equipment reflects a decrease of (\$400) - from \$4,000 authorized for fiscal year 1969-70 to the Governor's allowance of \$3,600 for fiscal year 1970-71. Mr. Sackett asked if this is a phase out, or just a general decrease. General Isbell replied part of it is phasing out of the warehouse referred to earlier, fuel and utility costs, etc.

CIVIL AIR  
PATROL

Civil Air Patrol reflects a 6.62% increase - from \$78,600 authorized for fiscal year 1969-70 to the Governor's allowance of \$83,800 for fiscal year 1970-71, an increase of \$5,200. Mr. Sackett said that last year they made the recommendation that Civil Air Patrol either be kept at its general level or expanded greatly, and asked if they have decided which way. General Neerason said the responsibility of Military Affairs for Civil Air Patrol is proper administration of funds

approved by legislation. However, he said, Colonel Carter, head of Civil Air Patrol, is doing a wonderful job, and with increased activity on the North Slope Colonel Carter visualizes, and General Necrason agrees, that they should get behind the CAP in the state and give them the equipment and facilities necessary to have a good active CAP, which they now have, but they have to stay with it.

General Necrason felt their program is quite modest, and although Colonel Carter could not come down to Juneau, he gave General Taylor a briefing. He also felt their program is a good solid program considering the number of lives saved and number of flying hours.

General Taylor said this program is possibly one of the best bargains the state has in service to the state as a whole. Last year there were 155 missions with 814 searches - a total of 288 lives involved in these searches of which 12 were saved and 223 assisted, 46 missing and 7 deceased. General Taylor continued saying that the CAP is funded in large measure by the Air Force. The Air Force furnishes all the gas, oil, etc., on search missions, and offers overall coordination of missions, in addition to furnishing them offices. A Lt. Colonel is assigned to CAP. It involves in the state over 1,000 members and 600 CAP cadets. They found the Air Force would furnish some of the flying gear they were having trouble funding a year ago. They are now on the verge of getting five U-3's twin engine aircraft Cessna 120, made available from/<sup>Air Force</sup>resources. If they do get them they will have to bring them up to date.

He said they have a long-range program of \$35,000 for the purchase of two of these airplanes. They would like to try to take money programming in this respect and use it to up date five aircraft donated to them from the Air Force. They own 19 aircraft at this time and have a total of 186 private planes that participate in this program. The money they are requesting pays for travel expenses, food, lodging, etc., if they have to stay out all night on a search; it will buy certain gas and oil for training - they gave flying lessons to five CAP cadets last year. They are programming in capital improvements program for two hangars - one in Juneau and one in Fairbanks, in addition to the one in Anchorage.

They get a bargain on these hangars as the people who construct them could actually put them up for \$40,000 because the contractor can donate materials for this project and still claim it as a deduction.

Mr. Sackett said that last year he thought they were thinking about going for more state participation, close to \$1,000,000.

General Neerason said he felt that was a little ambitious at the time, being able to keep up with the equipment as they get it is more reasonable.

Mr. Sackett asked if something should arise in this department before the session adjourns could they come down to Juneau later on. General Neerason said they could come at the

committee's convenience.

Mr. Hohman referred back to page 37 of the budget document and asked if their proposed maintenance projects are put out on bid. Colonel Byington said all of that is under the Division of Buildings, Military Affairs doesn't do it. Mr. Hohman stated that during the day of this meeting there were five or six bills introduced and assigned to the State Affairs Committee which all relate to this National Guard program, and asked if they had any comments on them. General Necrason said that with the recent changes in the Selective Service regulations and with the gearing down of the war in Viet Nam, the popularity of the Guard for the use of the country will not be as attractive as it has been in the past.

Every state has recognized there will be serious problems in getting people to join the Guard and stay in unless they have an attractive program to do something to make it attractive. Consequently, there have been many efforts on the part of the National Guard Bureau, and they have developed meetings within their department. As a result, the National Guard Association has worked up a series of recommendations. They have gone over them with the Governor. These were worked up rather late in the program because of some of the changes on the national level, which came quite late. Regardless, they have worked them up, and some of them have been introduced by the administration and the rest have been given to individual legislators to introduce and support.

These bills include a retirement program, a uniform allowance, reenlistment bonuses, etc., which are being supported by the federal government. They want to give the same privileges to people serving in the National Guard as those a veteran gets. They would also like to give a free<sup>plane</sup>/trip on a space available basis, and General Necrason said he believed the administration could do this within their present law. Also they would like a veteran loan program. In other words, giving those rights to the National Guard men in Alaska as those given to other armed forces. In addition, he said, they would have a recruiting and retention branch for which he has designated General Reid to head up because again on funding if on a full-time basis they would not get money to be effective this coming summer. They are going to try this within their own organization to see if they can do it. They will be working with the Bureau of Land Management and other federal and state agencies to try to get jobs for their National Guardsmen, particularly their Eskimo Scouts - they have a program going for them to be smoke jumpers.

There was further discussion on dusting and demolition of

Adjournment: Ice Jams, then the meeting adjourned - 3:35 p.m.