

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2494

HOUSE
BILL 2

Representative Carl Moses appeared before the committee to represent his views on HOUSE BILL NO. 2 (an act relating to the wage and hour act). Mr. Moses said there has been a lot of concern regarding hiring practices of the oil industry on the North Slope and said this is a situation that has been going on for at least 60 years in the fishing industry. He said that HOUSE BILL 2 will go along way in correcting this. Mr. Moses discussed some of the problems the workers in canneries have, saying the Filipinos are paid on a monthly basis while the Eskimoes who are hired are on an hourly basis. He said some of the canneries are only paying 20¢ an hour on overtime, and after 12 or 14 hours a day, the worker would get another 15¢ an hour.

In answer to Mr. Boyer, Mr. Moses said Dick Jensen had testified on this bill but he did not have testimony from any of the Alaskan canneries unions.

Mr. Sackett asked how much the Filipinos are making on a monthly salary and Mr. Moses said around \$450 a month.

Mr. Sackett asked how this compared with what the Alaskans were making. Mr. Moses said he was sure the Filipinos were making more. He said the Department of Labor had this information but it was confidential. Mr. Sackett asked if the Filipinos have the top jobs or if they do menial work. Mr. Moses said they do a little bit of everything.

Mr. Moses said if the canneries have to pay time and a half for overtime he thought there would be a big change in the number of Filipinos who were being brought up and they would

hire more Alaskans.

Mr. Moses left the meeting.

HCSCSSB 212 Mr. Croft moved and asked unanimous consent that the committee consider HOUSE COMMITTEE SUBSTITUTE FOR SENATE COMMITTEE SUBSTITUTE FOR SENATE BILL 212 (relating to the legal rate of interest). No objection so ordered.

Mr. Croft said that there are two proposed committee substitutes for this bill, one prepared by Mr. Fink and the other by himself. He said that the bill primarily sets the Alaska interest ceiling at twice the federal reserve discount rate which until yesterday was 5% and is now 6%, which would make Alaska's usury limit 12%. He said that in his committee substitute, subsection b, establishes the right to prepayment of the loan without penalty. This really allows people to make up their own mind. Subsection C removes the Federal Administration Mortgage rate from the maximum rate requirement, as this is regulated by the federal government. Subsection D allows a person purchasing an Alaska Business license to contract for a loan up to 10% interest. Mr. Croft said that the interest ceiling he believes is primarily designed to protect those people needing some kind of protection, and he feels that people in business ought to be able to take care of themselves.

Mr. Fink's committee substitute, Mr. Croft said, takes the idea of Senate Bill 212 but changes it from twice the amount

of federal reserve discount rate to 4 percentage points above it.

The discussion on this bill was interspersed with references to and comments on HOUSE BILL 234 (relating to bank hold companies) which would permit chartering foreign persons for banking business in the state.

Mr. Croft added to his committee substitute for Senate Bill 212 at the end of subsection d, the words "except contracts in section b. Mr. Croft moved and asked unanimous consent that his COMMITTEE SUBSTITUTE FOR SENATE BILL 212 be moved out of committee with individual recommendations. No objection, so ordered. The bill was passed out of committee with 1 do pass and 6 no recommendations.

CSHB 72

Mr. Ray moved and asked unanimous consent that COMMITTEE SUBSTITUTE FOR HOUSE BILL 72 (an act relating to depositing of state funds; and providing for an effective date) be considered by the committee at this time. No objection, so ordered. Mr. Croft said at the present time the state has from \$30,000,000 to \$35,000,000 on deposit with state banks and \$10,000,000 in bond fund in transit. At the present time the state requires these deposits to be 100% secure and Mr. Croft said this bill relaxes the collateral to 50% for certain qualified banks.

Mr. Borer said that something that should be considered is as of June 30, if the state doesn't get a bonus from the oil discovery, the state will need all the money they have

and if the collateral is only 50 per cent it may take the banks more time to return the money to the state. There was a brief discussion on this and Mr. Croft said the state deposits can be withdrawn any time. The whole problem with these funds is they are so short ranged they can't be used for long term loans. Mr. Hohman asked how much money this would involve and Mr. Croft said possibly \$5,000,000. Mr. Borer said this might mean as much as \$10,000,000 to \$15,000,000. It was moved and asked unanimous consent that COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 272 be passed out of committee.

"Do pass" recommendation: Messrs. Bradner and Croft

"No recommendation": Messrs. Ray, Hohman, Borer and Haugen

Recess:

The meeting recessed at 10:45 a.m.

AFTER RECESS
3:30 p.m.

HOUSE
BILL 350

Mr. Ray moved and asked unanimous consent that the committee consider HOUSE BILL 350 (an act authorizing a program of state aid for local school and other municipal purposes; and providing for an effective date). No objection so ordered. It was moved and unanimous consent asked that the committee adopt COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 350 in lieu of HOUSE BILL 350. No objection so ordered. Mr. Ray moved and asked unanimous consent that this bill be reported out with individual recommendations. COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 350 was reported out of committee with 4 "do pass" and 3 "no recommendations.

Adjournment: Meeting adjourned at 3:30 p.m.

HOUSE FINANCE COMMITTEE
Saturday, April 5, 1969
9:00 a.m.

Present: All members were present.

CSHB 168

Mr. Ray moved and asked unanimous consent that COMMITTEE SUBSTITUTE FOR HOUSE BILL 168 (Relating to electrical safety) be considered by the committee. No objection, so ordered. Mr. Croft asked what the cost of the bill would be. Mr. Ray said he understands \$21,000. Mr. Croft then asked what the income would be coming in from inspection fees. Mr. Ray said there was no fiscal note on the bill, and so the bill was tabled until further information was gathered.

HB 48

Mr. Bradner moved and asked unanimous consent that HOUSE BILL 48 (Western Interstate Nuclear Compact) be considered by the committee. No objection, so ordered. Mr. Bradner said that he is informed that that the need for membership in this compact is because the administration would like to be able to talk with other states, especially with reference to the use now of Amchitka as a testing ground. Mr. Ray said that last year the Governor allocated \$5,000 for this in the Governor's Office. They feel it is necessary. Mr. Croft asked what the compact does, and Mr. Ray said the compact members all sit down and discuss what they know, what they feel should be done, and in case of real problems bring a greater force to bear than just one state would be able to. Mr. Borer asked how Alaska's contribution is determined. Mr. Bradner said that is one of his chief objections. Alaska would pay an equal portion to the other states, arrived at by dividing the total budget. He said that leaves a lot of latitude. Mr. Hohman said that he is not convinced of the need.

Mr. Haugen said that he thinks what they are concerned with is the effect of the nuclear testing on wildlife, resources, and such. This compact would give these states that have mutual concern a chance to work things out and share ideas. He said that he thinks for \$5,000 the state can give it a try, and he said he will vote "do pass". Mr. Bradner said there is another problem - it takes two years to resign from the compact. Mr. Ray said he had sent for Mr. Kubley from the Governor's Office to come up to answer questions. Mr. Borer said the committee also ought to consider if this testing in Amchitka is permanent and problems develop, the increased strength they would have with the support of the other states in the compact.

Mr. Ray said the committee would hold this bill in abeyance until the arrival of Mr. Kubley.

2
Mr. Sackett moved and asked unanimous consent that HOUSE BILL 2 (Relating to the wage and hour act) be considered at this time. No objection, so ordered. Mr. Hohman moved and asked unanimous consent that HB 2 be passed out of committee with individual recommendations. Mr. Borer objected. Mr. Ray objected also, stating that there have been numerous requests for hearing on this bill. Mr. Borer said there should be a public hearing. Mr. Ray said there isn't really time. Mr. Ray moved that HB 2 be put back in the file and considered at a later date if there was time. Mr. Hohman moved and asked unanimous consent that a public hearing be scheduled for 1:00 p.m. April 12. Objection was heard and the motion failed 3-4.

HB 48
Mr. Kubley came in and the committee reverted back to HB 48. Mr. Ray requested Mr. Kubley to explain further the nuclear compact. He said that the committee is concerned about the

possibility of inflating costs to the state, and that with the binding two year disengagement clause this could cause problems. Mr. Kubley said that for one thing, one legislature cannot be binding on another, and if a program is not funded it just is not funded. He said it was only \$5,000 this year and he has heard nothing to indicate that the cost to Alaska is going to increase over that.

Mr. Kubley said that Mr. Ward, Secretary of State, would like to testify on this bill. Therefore, the committee moved to hold the bill until Mr. Ward could testify on it.

HB 2

Mr. Ray moved and asked unanimous consent that HB 2 be brought up again for committee consideration. No objection, so ordered.

Mr. Ray asked Mr. Borer how long it would take to get his people down here. Mr. Borer said he would like at least five days notice. Mr. Ray said that there would be a public hearing on April 11, Friday, at 8 p.m. on House Bill 2, and he directed the staff to prepare a press release to that effect. Mr.

Borer requested that a letter be sent to Mr. Harold Hansen informing him of the same. Mr. Ray appointed Mr. Haugen, Mr. Borer, and Mr. Hohman subcommittee for this bill, with Mr. Haugen as chairman.

Legislature

Mr. Ray said the committee would now discuss the Legislature budget. Mr. John Elliott, Director of Legislative Affairs, was present at this time to present the budget to the committee. Mr. Elliott said that the budget in the budget book is completely obsolete. He said the revised budget has been submitted to both finance committees at the direction of the new legislative council, which has been reviewing the budget submitted to the Governor in November, and said that he was instructed to make

numerous changes. He said that the increase shown in the total figure should actually be \$217,000 rather than \$417,007 since \$200,000 was allocated to them by supplemental this year.

Personal
Services:

The major increase, Mr. Elliott said, is in Personal Services. Everything in the budget is based on a 90 day session rather than a 60 day session. In addition to the increase in Personal Services due to the additional 30 days, there is a raise in the special allowance for legislators from \$300 to \$1,000, salary increases for Legislative Affairs staff, and three new hires, those being fiscal counsel, legislative counsel and a deputy director. Mr. Elliott said that temporary employees were budgeted at the same salaries as this year, although now their salaries may change since it is up to Rules Committee what they earn.

Mr. Elliott justified the position of Deputy Director, stating that this would free him of some of his administrative duties and enable him to do more legal work and supervision of the legal work done by his staff, which he feels is important. The additions are sorely needed, he said. The Legislative Affairs staff has not increased since 1962, although the workload has greatly increased.

He said he was aware that there are some rather startling salary increases. However, he said, they took job descriptions over to Personnel and had the Director, Mr. Hunt, figure out what these people would be earning with the duties they do were they in the regular classified service. He said the figures in the budgets are a result of Mr. Hunt's statements. The employees have been underpaid. He cited as an example the fact that he has had to start his attorneys at \$10,000 a year, whereas the

Department of Law starts them at \$15,000.

Travel:

Mr. Elliott said that the greatest portion of the Travel increase is due to the increase of per diem for legislators due to budgeting for a 90 day session. Also there are increases due to excess baggage allotment of 500 rather than 100 pounds and increased travel for Council Chairman and Secretary, Speaker of the House, and President of the Senate during the interim between sessions (for one trip per month to Juneau).

Contractual:

There is a normal increase here due to increased costs of rental equipment, supplies for the boiler room, and indexing Alaska Statutes from concordance to topical indexing. This indexing will be done by the Mitchie Company.

Commodities:

Mr. Ray asked why there was an increase here, and Mr. Elliott said that with the additional number of bills being put out, the duplicating room needs more paper supplies. This is a normal increase based on the volume of work done.

Equipment:

No questions.

Mr. Sackett asked if the lounge is being changed. Mr. Elliott explained that this is in a letter attached to the revised budget, but the money would have to go into Public Works to do the remodeling. The amount for this is \$633,400. At this point the committee recessed to look at the remodeling plans in Mr. Elliott's office and then to go to the floor.

Adjourned:

Meeting adjourned at 10:00.

HOUSE FINANCE COMMITTEE MEETING
Monday, April 7, 1969
9:05 a.m.

Present: All members

Mr. Ray called the meeting to order and moved and asked unanimous consent that the committee consider COMMITTEE CSHB 202 SUBSTITUTE FOR HOUSE BILL NO. 202 (an act relating to the regulation of public utilities, defining the composition, powers and duties of the Alaska Public Service Commission; and providing for an effective date). No objection, so ordered.

Mr. Ray said one of the points he was concerned with is on page 1, line 20 ... "This member shall serve as chairman for a term of four years, but may be appointed for successive terms." Mr. Ray said this would not allow a member who had been appointed for a term of two years to serve as chairman. He said, on page 2, line 27, "two members of the commission shall constitute a quorum for the transaction of business... and said this should read "the chairman and two other members..." or "the chairman and one other member of the commission..."

Ernie Lahn entered the meeting.

Mr. Ray said he would like to call the following to the attention of the committee, page 4, line 3, "The executive director and all other employees and agents of the commission, other than legal counsel, are in the classified service under AS 39.25."

Mr. Croft questioned page 2, line 11, which read "Removal of Commissioners. (a) The governor may remove a commissioner from office by and with the consent of a majority of the legislature..." Mr. Croft questioned whether with these regulatory agencies they are trying to isolate them from being solely responsible to the executive branch.

Mr. Ray questioned what was meant by line 5, page 6,

" (a) The administrative adjudication procedures of the Administration Procedure Act (AS 44.62) do not apply to adjudicatory proceedings of the commission except that final administrative determinations by the commission are subject to judicial review under that Act as provided in sec. 551(a) of this chapter."

Mr. Haugen remarked some of the people are opposed to this bill because on a minor complaint they can throw a whole utility into an "uproar".

Mr. Ray referred to page 7 of the bill, saying that all public utilities will have to have a new certificate or they can't stay in business.

There was a brief discussion on the power that the commission should have.

Mr. Haugen asked if there was any place in the bill where it showed the qualification of the Commissioner and Mr. Ray said no.

Mr. Ray read from page 24, line 6, "When the commission finds, after providing notice and an opportunity to be heard, that a public utility has been in violation, and is charged under

secs. 571 and 581 of this chapter, the commission shall determine the extent and duration of the violation, the circumstances under which it occurred and the amount of the civil penalty, if any to be levied. A levy of penalty shall be made by written order of the commission."

Mr. Croft said on page 23 it says "The commission may apply to the superior court..."

Mr. Ray also noted on page 6, line 5, "(a) the administrative adjudication procedures of the Administrative Procedure Act (AS 44.62) do not apply to adjudicatory proceedings of the commission except that final administrative determinations by the commission are subject to judicial review under that Act..."

Mr. Croft said he thought Mr. Haugen's point concerning the fact that the bill does not set out qualifications of an executive director should be considered.

Mr. Ray questioned page 25, line 18, "EXPENSES OF HEARING. After a public hearing held under this chapter the commission shall allocate the actual costs among the parties, including the commission, as is just, subject to a hearing at the request of any party. In assessing costs, the commission shall consider the results, inability to pay, evidence of good faith, other relevant factors and mitigating circumstances. The commission may determine and allow a reasonable time in which costs shall be paid. An order of the commission that increases a rate of a public utility does not take effect until the costs assessed against the public utility are paid..."

Mr. Van Haute entered the meeting.

Mr. Croft said he thought what was meant by the section Mr. Ray read was that this puts an incentive on the company to pay the cost.

Mr. Ray also questioned page 26, line 14, of the bill which reads "...the commission shall order the information withheld from public disclosure if in its judgment a disclosure of the information would adversely affect the interest of that person and is not required in the interest of the public."

Mr. Borer gave an example of a company in Cordova -- Club Enterprises -- saying they are selling heat and hot water to a couple of local businesses and they had started doing this after the earthquake. Mr. Borer questioned whether this would be a public utility under this bill. It was decided after a brief discussion this particular company probably would be considered a utility as "(5) 'public' or 'general public' means the public generally, or any limited portion of the public..."

There was a brief discussion as to whether this bill would apply to "sauna baths".

Mr. Ray noted on page 31 the bill refers to "the council" and said the public utilities might be in a borough. He said on line 3 it should read "publicly by the council or borough"; line 9, "reasonable exceptions the council or borough requires"; and on line 13 "the council or assembly may regulate, fix, ..."; line 15, "given to the city or

borough"; line 23, "If the council or assembly considers...";
line 26, "to be held before the council or assembly at a time..."

Mr. Borer said that this bill is adding a tremendous amount of cost to those municipalities who operate their own system.

Mr. Bradner said as he sees this bill, the idea is to have a full time commissioner trying to get at the problem of marring together the actions of the commission.

Mr. Ray questioned whether the set up is to have the chairman and executive director one in the same person.

Mr. Ray left the meeting and Mr. Haugen took over the chair.

HB 365

Mr. Haugen moved and asked unanimous consent that the committee consider HOUSE BILL NO. 365 (an act amending the Pacific Fisheries Compact). No objection, so ordered.

Mr. Haugen gave a brief explanation of this bill and said last year this compact cost the state \$20,100 and under this bill it will cost \$15,000. Mr. Dean said this bill loosens up the language. He said under this bill 50 per cent of the cost will be on an equal share no matter what the commercial catch is and then proportion catch pays for the balance of the cost. Under this new bill Washington and Oregon's cost will go up and California and Alaska's share will go down. Mr. Dean said the state law has to be in effect before the next commission meeting takes place.

Mr. Sackett asked how much more this would cost and Mr. Haugen explained it would be \$5,000 less. Mr. Haugen moved and asked unanimous consent that the committee consider HOUSE BILL NO. 48 (an act entering into the Western Interstate Nuclear Compact). No objection, so ordered.

Mr. Robert Ward, Secretary of State, was present to testify before the committee.

Mr. Ward said as far as the compact itself is concerned he does see some advantages in this. He said there is much Alaska can gain by being a member of this compact. He noted other aspects that other states are doing in terms of not only nuclear emergencies and radiation but that the explosions are being considered for harbor development, underground work for canals, etcetera. The charges are much cleaner now and there is less fallout, Mr. Ward said. He said in terms of budgetary requirements since it is a new program it will be hard to determine and the only thing he could go by is the publication of an eight year program. He said there are five states that have adopted this legislation. This indicates the first year's total cost would be around \$68,000 and then it would range from \$68,000 to \$135,000, toppling off after eight years. He said it would require a member's share of \$10,334.

Mr. Ray said the committee is concerned with Alaska paying the same share as California and questioned whether Alaska wanted to share equally with the more populous states. Mr. Ray noted that after a state serves written notice it takes two years to withdraw itself from this compact.

Mr. Ward said he appreciated Mr. Ray's concern and apologized for not having a better answer. Mr. Ray explained this is a model program and had to be enacted as written.

Mr. Ward left the meeting and Representative Tom Fink and Art Peterson, of the Legislative Affairs Agency entered. Mr. Ray moved and asked unanimous consent that the committee consider COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 202

(an act relating to the regulation of public utilities, defining the composition, powers and duties of the Alaska Public Service Commission; and providing for an effective date). No objection, so ordered.

Mr. Ray said that there was no fiscal note attached to the bill and Mr. Fink said the fiscal note they have is \$408,000 for the entire commission but that \$18,000 should be added to include the salary for the chairman.

Mr. Bradner asked what the increase of this would be and Mr. Fink said he understood there was \$196,000 budgeted for this year and Mr. Sackett noted the exact amount was \$196,400.

Mr. Croft asked if the Governor did not have a bill to "beef up" the Commission.

Mr. Fink said yes, this was SENATE BILL NO. 128 (an act relating to the regulation of public utilities, defining the composition, powers and duties of the Public Service Commission; and providing for an effective date). Mr. Fink said the only difference between this bill and HOUSE BILL No. 202 is that it didn't completely cover municipalities. Mr. Ray discussed some of the points that had been taken into consideration earlier in the meeting with Mr. Fink.

The first one, Mr. Ray said, refers to page 1, line 21, "this member shall serve as chairman for a term of four years,..." Mr. Ray said this would automatically rule out the person who had a two year appointment. Mr. Fink said in setting this up they were trying to eliminate the political aspect and to provide more security. He said by setting this up for a four year period a new governor could not come in and appoint someone else when the chairman had only served for a couple of months.

Mr. Ray brought to Mr. Fink's attention line 27 on page 2, "Two members of the commission shall constitute a quorum..." and said this should be the chairman and one other member. Mr. Fink said they were assuming the chairman would always be there. He also said he would have no quarrel with rewording this.

In answer to a question from Mr. Ray, Mr. Fink said the executive director might be a member of the commission. He added one of the things this bill eliminates is a hearing officer.

There was a brief discussion on whether this position would be exempt or classified. Mr. Croft said if the chairman was also a member they should make mention in the bill that he could not receive both salaries.

Mr. Fink said the salary of the executive director could not exceed that of the Superior Court Judge. Mr. Croft said they didn't want him to get two salaries -- as chairman and

executive director. Mr. Fink said the total amount would not exceed that of a Superior Court Judge, but they did not care if he received two salaries as long as it did not exceed the salary of a Superior Court Judge.

Mr. Ray said he would suggest that if he is a board member then he is unclassified.

Mr. Ray asked what was meant by the term on page 6, line 5, "The administrative adjudication procedures of the Administrative Procedure Act..."

Mr. Peterson explained that the Administrative Procedure Act isn't entirely adequate and this is why it was made applicable to the Public Service Commission. He said the ideas are applicable if they are talking about rate hearings. There was a brief discussion on this.

Mr. questioned page 6, line 18, "A commissioner who has not read or heard the entire record, including the argument, may not participate in making a decision of the commission."

Mr. Fink said the third member would have to read or listen to the record. He added this would provide protection for the public utilities and would assure that the member had read the record before he was allowed to make a decision. There was a brief discussion on how they would determine if a member had read the record. The committee then discussed the fact that the bill did not set up any qualifications for the chairman or executive director. Mr. Croft said since this allowed a commissioner to be a director, they should have some qualifications for a director. Mr. Peterson said

the members still have qualifications which are provided in A.S. 42.05.040 which provides, "Members shall be qualified as follows: one member shall be a graduate of an accredited school of law; one member shall be a graduate of an accredited university with a major in engineering; one member shall be a graduate of an accredited university with a major in finance, accounting, or business administration." Mr. Ray questioned the right of the Commission to decide if public utilities have the right to use public streets, alleys, etcetera, and Mr. Fink said that someone has to make the decision for this and this makes the Public Service Commission the final authority.

There was an example of a problem in Anchorage given and Mr. Haugen said it was grossly unfair for the rest of the state to pay for the problems of certain areas.

Mr. Fink said this gives the Commission authority to establish reasonable regulations throughout the state and isn't intended to help one little area of the state. Mr. Fink said the biggest argument on the entire bill is whether or not they are going to have regulations if the majority of the House wants regulations then this is a necessary part of it.

Mr. Ray questioned page 23, line 23 which provides only a \$500 penalty. Mr. Fink said the Judiciary Committee didn't argue over the amount of the fine. He said the present Director of the Public Service Commission had given a brief to the Judiciary Committee and they incorporated some of his

ideas and Mr. Fink said he was not sure if the fine was one of his ideas or not. In answer to a question from Mr. Ray regarding the expenses of a hearing, Mr. Fink said under the bill anyone can request a hearing and this would provide a method of allocating the costs.

There was a brief discussion on what utilities would be covered by the bill and the "sauna bath" and Club Enterprise was again mentioned. Mr. Peterson said this is a slight rewording of the old law and if the utility wasn't covered before it probably wouldn't be covered under this bill. Mr. Croft said he was not satisfied with the term "public" or "general public". Mr. Croft said if they set up the standards then the commission would be free of those charges of political motivations.

There was a brief discussion on the regulations that might be set up by the commission.

Mr. Ray again mentioned that the borough or assembly was not included in this bill. Mr. Peterson said they are all included by reference to Title 7. He said the borough has the same power as a first class city. There was a brief discussion on Title 7.

Mr. Croft questioned page 26, referring to the fact that the commission can keep information secret. Mr. Fink said the discussion he had listened to indicated that if someone is giving inside information on a company the best interest in this would be that it might not be made public until the hearing is made public. Mr. Croft said then this is not limited just to the time of the hearing.

Recess:

The meeting recessed at 10:45 a.m.

AFTER RECESS

11:10 a.m.

CSHB 202

Mr. Ray moved and asked unanimous consent that the committee pass out COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 202 with a "no recommendation" vote. There were 5 "no recommendations" and two "do not pass".

HB 48

Mr. Ray moved and asked unanimous consent that the committee pass out HOUSE BILL NO. 48 (an act entering into the Western Interstate Nuclear Compact). No objection, so HOUSE BILL NO. 48 went out of committee with 3 "do pass" and 4 "no recommendation" vote.

Mr. Ray left the meeting and Mr. Croft took over the chair and brought up the Legislative Budget.

Legislative
Affairs Agency

Mr. Croft moved and asked unanimous consent the figure of \$1,363,200 be adopted for the Legislative Affairs Agency. No objection, so ordered.

Legislative
Audit

There was discussion on the budget for Legislative Audit and Mr. Croft asked the estimate of the fiscal note pertaining to HOUSE BILL NO. 36am. It was determined this would cost an additional \$3,500 and Mr. Croft moved and asked unanimous consent the figure of \$223,900 be adopted for Legislative Audit which would include an additional \$3,500. No objection, so ordered.

Mr. Croft moved and asked unanimous consent that the committee adopt the total figure of \$1,587,100 for the legislative budget. No objection, so ordered.

Recess:

Meeting recessed at 11:30 a.m.

JOINT FINANCE COMMITTEE PUBLIC HEARING
Monday, April 7, 1969
7:30 p.m.

Present: In addition to the general public, all members of the Senate and House Finance Committees were present with the exception of Senators Bradshaw, Lewis, Miller and Phillips.

Chairman Ray called the meeting order and apologized to the public for postponing the public hearing last Friday. He outlined the rules for the hearing stating that those wishing to come forward and give testimony on bills may do so as the committee goes through them, that the committee if they desire would question the witnesses, and asked that when giving testimony the witness direct questions and answers to the chair to keep order. Chairman Ray then introduced the members of the committee and supporting staff.

HOUSE
BILL 106

HOUSE BILL NO. 106 (an act amending the State Personnel Act; and creating the Alaska Civil Service Commission) was opened for discussion. Mr. E. W. Lahn, Executive Secretary for the Alaska State Employees Association, and State employee lobbyist came before the committee to testify on HOUSE BILL NO. 106. He stated that HOUSE BILL NO. 106 has a companion bill, SENATE BILL NO. 187, and both are identical in original form. Both have been moved out of State Affairs Committee and he thought they were both in Judiciary Committee at this time.

Mr. Lahn felt the existing State merit system has failed to do the job its authors intended it to do. People have not been able to get grievances when requested, and the system has generally failed in all aspects important to a merit system. Testing is not maintained and very often tests are not relevant to the job, and there are questions on the tests which shouldn't be on them. He went on to say that there has been a general lack of maintenance of the merit system, and because of this system, which has been in effect almost ten years, many people in state employment and state associations have sought another way of doing the same job. This is basically the reason this Civil Service Commission bill is before the Legislature this session.

Mr. Haugen asked Mr. Lahn if he could give the committee an idea of the costs of setting up this commission.

Mr. Lahn said there seems to be substantial disagreement on this point, there is a fiscal note on the bill that runs around \$100,000. He said he couldn't tell the committee where this \$100,000 is needed. He said the authors of this bill intended the existing system be put under different leadership - the Director of Personnel would be taken from under the Commissioner of Administration and put under the Civil Service Commission.

Mr. Borer asked Mr. Lahn how long he has been trying to get the Civil Service Commission bill passed. Mr. Lahn said they had a Civil Service bill in the last session of the previous legislature, which didn't get very serious.

consideration. This is the first session there has been any serious consideration of the bill. Mr. Borer then asked if it was only a year ago he became concerned about the situation, and Mr. Lahn said he had only been in his position a little over a year, but to say there were not problems before is not fair, the problems are more out in the open today than two or even five years ago. In answer to Mr. Borer's question as to who was hiding these problems if they were problems, Mr. Lahn said he thought probably Administration was hiding them and said he felt confident in that answer. The association was successful in bringing them out in the open.

Mr. Bradner asked that if the Director of Personnel is to be appointed by the Commission with the approval of the Governor, what the provisions are for his removal. Mr. Lahn replied "cause" as specified on page 2 of the bill.

Mr. Bradner referred to the problems mentioned earlier by Mr. Lahn with the present system, including minimum qualifications, and said he assumed Mr. Lahn also meant there were problems of reclassification. Mr. Bradner asked if the problems weren't also due to budgetary problems and lack of staffing, and stated that if the legislature did pass this bill it would not necessarily solve these problems. Mr. Lahn said that is a necessary point, and one of the biggest weaknesses of the in the bill. He said that before

either of the bills pass, hopefully there will be a provision giving guidelines for funding the Division of Personnel. He said the only problem they have is the Constitutional limit on charging funds against future legislatures. Mr. Lahn said for funding he would like to see the Division of Personnel get one percent of what is budgeted for the total state budget to do an adequate job. He also mentioned that he had heard via the grapevine that the 12 positions they had budgeted for, for the Division of Personnel, had been cut to seven. He said a merit system is not a simple thing to operate, and testing, qualifications, etc., which they don't like to fund, are necessary to the system. He would certainly hope these committees will not cut any of the twelve positions.

Senator Lewis came in.

Mr. Sackett took exception to Mr. Lahn's statement about hearing via the grapevine, and said none of the committee members know exactly what the ultimate figure will be.

Mr. Ray said the point was well taken.

Mr. Lahn admitted that it was probably improper to go by the grapevine, but that even the twelve positions are completely inadequate and if they could find 21 it would help.

In answer to Mr. Bradner's question, Mr. Lahn said if the present system were funded the way it should have been it would be a going system today, and that the proposed

system would not prove adequate unless properly funded. In answer to Senator Lewis' question, Mr. Lahn said in his opinion it takes both labor and management to make a going operation. Frequently, the purpose of management is not necessarily the same as labor or the employee, and both sides are needed for representation.

Senator Koslosky noted that the Civil Service Commission budget is approximately one-and-a-half million dollars. Mr. Lahn said that to fund a merit system or Civil Service Commission, a system that involves the type of program this does, would run in the State of Alaska about one percent of what is budgeted - not for the Civil Service Commission, but to run the Division of Personnel.

In answer to a question from Senator Merdes, Mr. Lahn said that in his opinion when any management group is unable to rid itself of the "deadwood" there is inadequate management. It is the responsibility of management to get rid of them. He said if the evaluation system was working the way it should, once a year they would document good and bad employees. Too many of the state's supervisors are not trained in this and don't know how to document a case. If a man isn't doing a good job it should be reflected in his record, and this, Mr. Lahn said, could be done under the Civil Service approach.

Mr. Bradner asked how Mr. Lahn saw the relationship between the Director and the commission if with six-year terms a

member couldn't be removed except by cause. Mr. Lahn said he hoped it would be a harmonious relationship, otherwise it would not be conducive to getting the job done. Mr. Bradner felt six years is a long time and if commission members couldn't be removed except by cause, then in order to remove him it would have to be done through the same process as any other employee. Mr. Bradner asked how they would handle this type of situation. Mr. Lahn said he hadn't given the question serious consideration, but they have had four directors of Personnel employed by the state in the last ten years. He didn't think any of them were fired, but on a practical basis if a Director of Personnel wasn't liked by the commission, the Governor, the Legislature, etc. it would be a very untenable position. All the commission would have to do is ask for his resignation and he would probably quit. Mr. Lahn didn't feel there would be too much difficulty in getting rid of him.

Mr. Bradner maintained that a director could cause quite a problem if he so chose, and felt it would be better if the director served at the pleasure of the commission.

Senator Koslosky asked Mr. Lahn if he had polled the members of the association as to their acceptance of this legislation. Mr. Lahn said their legislative course was determined by the directors of the association scattered throughout the state; that there is one director for every 25 members and hopefully each director reflects the opinion of those members.

Senator Blodgett said he has been aware of charges being filed against Civil Service employees by supervisors throughout the years and removed from service by Civil Service action. He said he has also been aware that when a supervisor has removed three or four people for cause, they soon get a new supervisor, regardless of how right he may have been. Senator Blodgett said the Federal Civil Service System is not all it's cracked up to be, and from his interpretation of this bill he doesn't think it is either. He said rules are promulgated over which there is very little control, and he is very apprehensive about this. Senator Blodgett added that the six-year tenure is not palatable, and asked Mr. Lahn what his thinking would be of amending it to two years. Mr. Lahn didn't think he would support a two-year tenure, but if the Legislature thought a four-year tenure was adequate he would go along with this. In answer to another question from Senator Blodgett, Mr. Lahn said the six-year terms are staggered. Mr. Lahn said he could see advantages to a short term, but the disadvantage is that it takes a good length of time to learn the system, and a short term wouldn't be adequate. He added that there is a tremendous lack of knowledge in Alaska as to what a Civil Service System is and how it functions.

Representative Schwann said that Representative Chance and he had discussed the length of terms of this office and

have worked out a schedule they are going to propose to the Judiciary Committee as an amendment to this bill. He said there are different ideas on this, but felt a four-year term would be adequate and give sufficient staggering.

Representative Harris wondered what percentage of state employees belong to the Alaska State Employees Association. Mr. Lahn said this is a difficult question to answer, that there are about 4,500; however, after eliminating teachers, employees on the ferry system, and temporaries, even though they are eligible but do not have any real interest in it, the membership then would be slightly over 2,200.

Mr. Bradner referred to the bottom of page 6 of the bill which provides for a classification plan for all positions in the classified and partially exempt services; and on page 7 referred to the maintenance and development of a pay plan; and asked if it was their anticipation that the commission would develop and maintain this pay plan to have the effect of law. Mr. Lahn said the language is identical to what is in the law today. This would not take away the funding responsibility of the Legislature. Representative Chance said they have some recommended changes, in addition to bringing the director's term down to four years, regarding political reasons for dismissing employees. She said they have quite a few petitions, letters and telegrams from employees around the state. It was her impression that a large percentage

of the failure of programs stems from personal programs and problems, and she said she had heard politics have played an important part of this. Mrs. Chance said that in testimony before the State Affairs Committee, the Secretary of State and the present Personnel Director both testified that they couldn't say the Civil Service System could not work and realized that either one should work, and pleaded for at least one more year for the present system. Mrs. Chance said that her contention is that the state has had its present system for ten years and it still has not worked, and can no longer afford this as the number of employees increase. She said the state needs to create a good system to keep these employees regardless of political influence. If the state is going to operate like an efficient business it should provide a Civil Service System in order to provide political immunity to the state employees. Mrs. Chance said that about two years ago she started compiling information on the Civil Service System and has a model system. She said she could see no reason for it to be as restrictive as other Civil Service Systems are; Alaska led the way in the strong executive concept of state government, and feels a Civil Service System will strengthen that concept.

In answer to Mr. Bradner's question as to the basic reasons why the present system has failed to function, Mrs. Chance said one of the reasons is inadequate staffing; she strongly favors the minimum of twelve additional personnel in the Division of Personnel. She also felt there has been a strong political influence in personnel matters.

Senator Lewis asked Mrs. Chance why she feels they are inadequately staffed. Mrs. Chance replied that they do not have personnel to carry out the job of classification and reclassification, that the positions to carry out this work have not been approved by the Legislature. At one point last summer, Mrs. Chance said, the Director told her he was 18 months behind in reclassification. People leave the positions and the departments are faced with recruiting others.

In answer to Mr. Bradner's question as to why she chose that the commission consist of three members, Mrs. Chance said she wanted to keep it as close to the present personnel system as possible. Mr. Bradner thought there was danger with three, and Mrs. Chance said it might equally be so with a commission of five.

In answer to another question from Mr. Bradner, Mrs. Chance said the communications she has received have asked for both a pay raise and a Civil Service System, but there was no preference stated as to which they would rather have.

HOUSE BILL NO. 175 (An Act providing for overtime pay for state employees; and providing for an effective date) was opened for discussion. Mr. Lahn testified that the intention of this bill is to bring employment up to a level with other industries. Business should be done on a regular work schedule; if it cannot, employees should be paid a premium pay. The situation existing in State employment today is many of the employees receive no compensation at all for overtime work. Some departments promise compensatory time and don't pay overtime, and some tell the employees outright that they will be required to work overtime with no compensation. Employment in the State should be on an equal basis with other businesses. Mr. Bradner said this overtime pay provision is not just a means of remunerating employees, but also eliminating employers from discriminating against employees; and asked if this act, if enacted, would bring about a drastic drop in the number of hours worked overtime. Mr. Lahn replied yes, it would.

Senator Blodgett said that if this overtime act is passed they would proceed to put time clocks in all of the State offices. This would give them a check and balance in control of those departments who are now requiring their people to work overtime and are not giving them any compensation.

Mr. Bover asked Mr. Lahn if what he is saying is that he

wants the State employees to be treated as other employees in the state, and asked if he was suggesting the State go to a 40-hour week and be compensated time-and-a-half for overtime after the 40 hours. Mr. Lahn said no, the discussion of a 37-1/2-hour week has come up several times. In his opinion, this is a fringe benefit, and if for some reason this should be taken away he would object to it, would say it is regressive and there is little justification for it. He said there have been some employees suggesting the State work a 40-hour week and get paid overtime, and this he has also resisted.

Mr. Borer asked if this 37-1/2-hour week is sort of a fringe benefit for not getting paid for the overtime worked, partial compensation, and Mr. Lahn replied that in a way it is.

Senator Blodgett said that with the State work-week predicated on 37-1/2 hours, if overtime were required it would be his belief that the time up to 40 hours would be on a straight-time basis and anything after that would be on a time-and-a-half basis; in other words, anything over eight hours a day would be time-and-a-half.

Mr. Lahn said that anything the legislature would do in this area that was equal to Federal law would be quite palatable. The Federal Government is moving in in these areas. There are certain State employees required by Federal law to get time-and-a-half. These people are employees

working in nursing homes, the Pioneer's Home, API, etc., but this is only in certain groups, and there are probably no more than 50 - 60 of these people in the state. In answer to Senator Blodgett's question, these are not Federal funds, funding has nothing to do with it. Mr. Bradner asked which State agencies and division are the worst offenders for imposing on the employees. Mr. Lahn said that the Department of Highways is the best department for compensating its employees for overtime, and the Department of Fish and Game is probably the worst. The Department of Highways pays straight-time for overtime worked, and maybe some get compensatory time, it varies from time to time.

Mr. Bradner asked how they differentiate between the departments as to whether they can or cannot pay overtime. Mr. Lahn said he believed it is left up to the administrators of the individual departments.

Mr. Ray questioned whether there is any emphasis on the fact that monies spent by the Department of Highways for overtime is Federal money. Mr. Lahn said he has never heard that funding has any bearing on it. Mr. Ray thought possibly this feeling of being autonomous, a part of but yet apart from the State, might engender itself down to the budgetary factors; however, Mr. Lahn said that this is something delegated to them from the Department of Administration.

Mr. Bradner asked what method of appeal a classified State employee has if he has a complaint on his pay. Mr. Lahn said a classified employee can go through the grievance procedures; however, there is nothing in the personnel rules that requires the State to pay even straight-time for overtime. It is left up to the individual agencies. The only legitimate grievance is with the personnel rules; if there is no violation of the personnel rules there is no grievance, so where overtime is concerned the employee really has no recourse.

Mr. Ray left and turned the chair over to Mr. Croft.

HOUSE BILL NO. 218 (An Act extending employment security coverage to employees of the state; and providing for an effective date) was opened for discussion.

Mr. Lahn said HOUSE BILL NO. 218 is identical to SENATE BILL NO. 91, and follows the same pattern to bring State employment coverage up to the same level of private employment. As explained in the attachment, these bills would extend Employment Security Coverage (Unemployment Insurance) to State employees on a non-contributory basis. This program is needed in many parts of the state to put the State as an employer in a competitive position with private employers. The non-contributory program can be provided at less than one half of the cost (to the state) as a contributory program. A man looking for employment has a choice of going to work for the State or private industry. With the State having no unemployment insurance, he takes private industry.

Senator Blodgett asked who developed this information and how they went about it. Mr. Lahn said he couldn't testify to that although it was employees of the Department of Labor. Senator Blodgett thought it essential the matter be pursued.

Mr. Borer asked how many ASEA employees want this employment security coverage, and Mr. Lahn replied the response was through the chapters primarily organized in city areas/and these are not the people in the outlying areas. Mr. Lahn said he could testify to the fact that every time he takes a trip through these outlying areas the people ask him about this. There are about 650 members of ASEA who are not in organized chapters and these are the people it would have the greatest impact on.

Senator Blodgett felt that more information on the cost was necessary and requested this information be furnished at an early date.

HB 246

HOUSE BILL NO. 246 (An Act relating to state employees pay; and providing for an effective date) was opened for discussion. Mr. Lahn said that HOUSE BILL NO. 246, SENATE BILLS 155 and 301 are all similar to the extent that they would require the state to conduct an annual salary survey to determine the relative position of State salaries to non-state salaries, and the cost of living in the various districts of the state. The need for this comes from the situation that there is not adequate information available to judge what state employee salaries should be. This bill would put it into law and require the Director of Personnel to conduct a survey on an annual basis. As the bill is written they would have the assistance of the Department of Labor which has statisticians and data processing equipment needed for this type of survey. Given a chance, Mr. Lahn feels this could be a very worthwhile thing. The one significant part of the act is that this requires the legislature to act on a pay bill submitted to them by the Director of Personnel within the first 40 days of the session; if they do not act on it it becomes law without action.

Senator Blodgett said that with the last two pay raises, employees in Range 14 on down haven't really benefited. He said he would be disposed to considering legislation along the lines of correcting inequities in the lower ranges, feeling that it's always the "chiefs" who benefit, and never the "braves." He said he would not support any legislation along the lines presented until there are clear cut provisions for those in

the lower ranges.

Mr. Lahn said that one response to Senator Blodgett's comments is that as much as they may disagree with the two pay bills submitted and before the committee, and with a flat percentage being applied straight across the board, they are still faced with the unpleasant fact that it is a supply and demand situation. Mr. Lahn said he would support a minimum take home pay rate. The only other response Mr. Lahn said he had is that in ASEA they fly with the wind - if full parity with the Federal Government looks like it stands a chance, they support it; if minimum take home pay rate looks like it stand a chance, then they swing their support to that. They simply haven't the staff to research and strongly support something with no chance of success and still be able to support something that might stand a chance. He said that the annual salary survey approach has worked in other states for a long period of time and still others have just adopted it and are finding it successful. Representative Chance said this annual salary survey sets up one pay schedule instead of a series of pay schedules, covering the various areas of the state.

(Messrs. Ray and Borer returned.)

The Director of Personnel is to prepare this schedule and submit it to the legislature. This survey shall also reflect the cost of living in various house election districts of the state.

The Department of Labor would supply the statistics.

This way the employee would not have to worry about taking a cut in pay if transferred; he gets the same rate of pay plus a cost of living allowance for where he is in the state. When requiring this annual salary survey be conducted and submitted

to the legislature it is not anticipated that the result will be large pay raises every year or two, but merely adjustment by the legislature; the adjustments would be within each classification and the cost of living.

HB 156 and
HB 174

HOUSE BILL NO. 156 (Relating to compensation for state officers and employees) and HOUSE BILL NO. 174 (An Act relating to state employees' salaries) were opened for discussion.

Mr. Harvey Golub, President of the Juneau Chapter of the Alaska Society of Professional Engineers testified before the committees, and a copy of his testimony (in the form of a letter directed to Mr. Bill Ray, Chairman of the House Finance Committee) is attached.

Mr. Robert Cooksey, Alaska Education Association, testified that he is in favor of a significant salary increase. Talking with people from some of the other department in trying to fill vacancies, he said, the problem has come up of salaries in other states as compared to Alaska. Because of the low level of salaries here people in advisory positions are continually spending time to train people for jobs.

Mr. Cooksey pointed out the fact that the Commissioner of Education, as an example, is making less money than many other people in the state, and a school superintendent in Anchorage make more money than the Commissioner. Consultants in the Department make less than they could be making as principals. And, he said, the Governor's salary can be compared to that of an insurance agent. Mr. Cooksey encouraged the committee to look at an arbitrary figure of say \$50,000 for the Governor, etc. In respect to filling vacancies, there are approximately one dozen vacancies

in the Department of Education of a professional nature that aren't being filled. He encouraged the committee to make money available to have additional positions filled in the Department.

Senator Koslosky asked Mr. Cooksey if he would support an increase in taxes to fund these positions, and Mr. Cooksey replied that he is not opposed to an increase in taxes and didn't feel the taxes are completely out of line. Senator Blodgett commented that Mr. Cooksey indicated the teachers support the philosophy of an increased severance tax, and stated that he felt they may be trying to make a "whipping boy" out of the oil industry. Mr. Cooksey said that as a personal response he would say there are certainly other things that need looking at.

Senator Blodgett said there is no severance tax on timber and yet there are a lot of state schools that are in the forestry area.

Mr. Cooksey urged the committee to find a reasonable salary adjustment upward. In the Department of Education they had the directors of three divisions leave within a month.

Mrs. Madeline Sturm, Accountant for the Division of Buildings, Department of Public Works, testified on the take home pay of custodial workers, Grade 8, 3/31/69, as compared to 3/31/68 (her comparisons for sixteen positions are attached). She testified that many of these people have families with school children and have to go to Welfare for additional help. She explained that their take home pay with a 4.2% gross increase

would still be at least \$10 less than a year ago. It would take a 10% raise to give these people about \$10 more than a year ago.

Mr. Haugen commented that part of the difference in take home pay that occurred this last year was the surtax imposed on wages, and other normal payroll deductions.

Mrs. Chance said that recruitment is difficult because standards are far below that of other states, and this is a problem all personnel officers in the state face.

The actual percentage of the Governor's bill to be funded in the budget would be 55%, with the additional 45% to be picked up by the agencies in vacancy and turnover. Mrs. Chance's bill would require a large percentage to be funded, because there would be less turnover and vacancy. Therefore, although HOUSE BILL NO. 174 would require more state funds initially, it would be a saving to the state inasmuch as the cost of recruiting and then breaking in personnel, would be cut considerably.

Mr. Thomas R. Branton, Administrative Officer for the Division of Corrections, Department of Health and Welfare, testified that he had been reviewing various aspects of the various pay bills. His testimony is attached in the form of a letter to the Joint House-Senate Finance Committee.

Mr. Ken Grieser from the Department of Education testified that although he hasn't researched the entire matter of the state employees pay raise, he would like to comment on the

Department of Education, with which he is familiar. He said there are 36 professional positions in Range 20 and above, and 11 are vacant at the present time. A few positions are new, but some have been open a year-and-a-half to almost two years. Of the 11 professional people in one division, five who were there three years ago are not there now and people have come and gone since then. In most cases, they have had to go to advanced placement to fill positions, starting a person at Step C. Mr. Grieser said that experienced teachers in Anchorage are making the same salary in nine months as he makes in a year.

Mr. Walt Jones, Division of Corrections, Department of Health and Welfare, testified that he was representing 21 line probation payroll officers in the interest of trying to get higher income for them. These types of positions are being raised in the "South 48"; people are finding better opportunities down south with better working conditions and lower caseloads, and as a result last year out of 21 positions ten turned over and two of them twice. This makes it difficult to recruit, Mr. Jones said, and they personally write letters to candidates trying to explain to them why they should come to work for the Department, and rely on hunting and fishing aspects to attract the candidates.

In answer to a question from Mr. Haugen, Mr. Jones said qualified line officers, are Range 16, and those without degrees are Range 13. The basic requirements are a degree in behavioral sciences plus one or two years experience, or

one year in Alaska.

Mr. Lahn's testimony is attached. During his testimony he referred to a document prepared by the Division of Personnel, and the Chairman requested Mr. Lahn furnish the committee a copy.

Mr. Lahn said he couldn't live with HOUSE BILL NO. 156 in any way, shape or form. However, he mentioned that if the committee was willing to pass HOUSE BILL NO. 174, he thought Administration could find a way of living with that.

HOUSE
BILL 3

HOUSE BILL NO. 3 (an act relating to per diem for state employees; and providing for an effective date) was opened for discussion; however, Mr. Ray said he thought the committee understood this bill and unless anyone had any questions, or if the committee would like anyone to give pertinent information, they would go on to the next bill.

There were no questions, and Mr. Ray asked for a show of hands as to how many would like to have per diem increased - the majority was in favor of increasing it.

HOUSE
BILL 157

HOUSE BILL NO. 157 (a bill changing rate of pay increments in remote locations; and providing for an effective date) was then opened for discussion. Mr. Lahn's testimony on this bill is also attached.

Mr. Jones mentioned the high rise in the cost of living in Fairbanks area due to the North Slope, and said that perhaps this could include Fairbanks as a remote post. Mr. Ray said this could be an asset or a detriment in applying basic salary to the cost of living index.

Adjournment: Meeting adjourned at 10:35 p.m.

ALASKA STATE EMPLOYEES ASSOCIATION

Notes for the presentation of E. W. Lahn to the Joint Finance Committee public hearings, April 4, 1969 at 7:30 p.m.

PAY

HB 156 - The Administration's pay Bill averages 10 per cent, but is as low as 4.2 per cent in Grade 6 and goes up to over 24 per cent in Grade 27.

HB 174 - averaging 21 per cent, goes from 13.3 per cent to about 46 per cent in the same grades.

HB 156 comes nowhere near parity with Federal, and HB 174 is below Federal by about 4 per cent.

HB 174 was developed from a study done by the University of Alaska comparing Federal with State salaries and is based on a realistic approach with factual information. The report will be made available to the Committee if desired.

Both HB 174 and HB 156 are similar in that they are integrated and relieve compressions of salaries at the upper grades.

HB 174 is identical to SB 132 in Senate Finance.

Much of the difference between State and Federal salaries has been caused by the Federal "comparability" program that was started in 1967 to provide full parity in Federal pay with private industry-- this was an obvious recognition by the Federal government that it had a need to compete so as to recruit qualified personnel. The State of Alaska must make the same recognition.

Another significant weakness in the State's pay plan is that there are only six steps for merit increases as compared to the Federal's ten steps. Thus, a State employee may reach his maximum earning capacity in 4½ years whereas in Federal work he may have a goal to work toward for 15 years or more. Currently the State has nearly 20 per cent of its workforce at the "F" Step level (top Step).

Now, cost of living increases have been between 4 per cent and 5 per cent annually. The last State employee increase was in July 1967 so that the two years since then of cost of living would be near 9 per cent. Obviously an increase of 4.2 per cent will not begin to cover cost of living. We find that the vast majority (about 65 per cent) of the State employees would get less than a 9 per cent increase through HB 156.

COST

The Governor, in his budget message, included a little over \$2 million to fund HB 156. HB 174 is slightly more than double HB 156 so we may conclude its cost would be about 4.9 million. This is further borne out by the detailed analysis made by the Division of Budget and Management, and in testimony by Dick Fisher, the Director of the Division. Actually the Division has become quite sophisticated in its estimates of pay increases and I am able to accept their figures. (Refer to cost analysis and explain)

As to the State's ability to fund HB 174. We are of the opinion that the General Fund budget will increase between \$27 million and \$30 million next fiscal year over this year. If the Legislature does fund the 516 new positions requested, this would cost near \$6 million leaving over \$20 million in additional funding.

Historically, Personal Services have accounted for over 50 per cent of the State's General Fund expenditures, thus we can conclude that over \$10 million of the increase could be available for salary increases. If this is not true, then we must conclude that the money is being spent elsewhere. We feel strongly that the State would be wise to pay at least prevailing rates to its employees before it extends its efforts into other areas of endeavor. The old adage "You get what you pay for" applies here. If the State pays

HB 157 affects only the remote area pay provision now in Statute. Currently remote areas are paid 3 and 6 per cent more, based on a definition of remoteness. This Bill would change the 3 and 6 per cent to an amount equal to one step or two steps. Actually this is an increase to the extent that HB 156 has a difference of 3.75 per cent between steps and HB 174 has a difference of 4 per cent between steps. This use of "steps" for remote area differential is more easily handled administratively than the current arbitrary percentages, as well as more closely reflecting the additional costs in remote area living.

Also of importance to State employees is the staffing of the Division of Personnel. The ability of this Division has direct effect on virtually every State employee and many of the problems now existing in the Merit System can be traced directly to under-staffing of the Division. It is impossible to maintain current and accurate tests, minimum qualifications, procedures, classifications, and realistic Personnel Rules, without staff. The Division of Personnel has been under-staffed for years. The Administration has requested 12 new positions for the Division and I understand this has, or will be, cut to 7 by the Finance Committee. The 12 positions requested by the Administration are an absolute minimum to do the very basic work necessary to maintain the current system in its present state of inadequacy. In fact, we know that the Director could effectively use more than the 12 positions requested and we not only request that this Committee fund the full 12 positions requested, but fund additional positions that could be properly utilized by the Director. Gentlemen, the decay of the State of Alaska's Merit System should not be laid at the feet of the Legislature through underfunding. This could well happen in the next year because the system is in poor health today and under considerable pressure.

OTHER BILLS IN FINANCE

HB 3 - Raises Per Diem from \$21.00/day to \$30.00/day. The \$21.00 rate has been on the books since Statehood. Obviously cost of travel has increased substantially since then. Today we find State employees paying \$18.00/\$21.00 and even \$23.00 for room rent alone, and absorbing the difference into their personal budget. We do not intend that State employees "make money" on their per diem allowance, but we feel even more strongly that they should not be forced to pay for the cost of travel on State business from their personal income.

HB 246 - requiring an Annual Salary Survey. Lack of adequate statistics on non-State pay and Cost of Living has long been a stumbling block in developing proper pay plans for State employees. HB 246 would require the Director of Personnel to conduct a survey annually to determine the relative position of State salaries to non-State salaries. In the same survey the Director would determine the Cost of Living in the various House Districts so that this element of pay could be handled on a more factual basis. The Bill has another important element in that it requires the Legislature to act on the pay schedule as submitted by the Director in the first 40 days of the session, thus removing State employee pay from the political sphere to a large degree. It still leaves the funding of pay in the hands of the Legislature.

OTHER BILLS NOT YET IN FINANCE

The following Bills are now in other Committees and may progress to Finance this session. HB 106 and SB 187 would establish a Civil Service Commission covering most State employees. Again, much of the impetus for the Civil Service Commission can be traced to failures in the existing system that resulted from underfunding the Division of Personnel.

HB 173 and SB 106 would require the State to pay premium pay for overtime hours worked. This is intended to put State employees on an equal basis with employees in the private sector.

HB 218 and SB 91 would extend Employment Security Coverage (Unemployment Insurance) to State employees on a non-contributory basis. This program is needed in many parts of the State to put the State as an employer in a competitive position with private employers.

~~The non-contributory program can be provided at less than one half of the cost (to the State) than a contributory program.~~

I have attempted to make my remarks as brief as possible and still make a meaningful presentation to the Committee. I thank the Committee for conducting this public hearing & appreciate the opportunity to appear before the Committee. I will be pleased to attempt to answer any questions the Committee may have at this time.

THE ALASKA SOCIETY OF

PROFESSIONAL ENGINEERS



March 25, 1969

Honorable Bill Ray, Chairman
Finance Committee
Alaska House of Representatives
State Capitol
Juneau, Alaska

Sir:

The Alaska Society of Professional Engineers, an organization composed of and representing Professional Engineers licensed to practice in Alaska, is concerned about the several bills being considered by your committee, which would affect the salary schedule for State employees.

As Professional Engineers, we are interested in the welfare and advancement of engineers in Alaska; as citizens of Alaska, we are interested in seeing that State agencies hire and retain the best available engineering employees to carry out their responsibilities for the expenditure of millions of dollars in public funds.

To serve these interests, we have conducted a study of engineering salaries within the State Merit System, as compared to Federal salaries and those of neighboring States. The purpose of this presentation is to acquaint your committee with the results of this study.

A direct comparison of salaries for professional and subprofessional engineering positions, utilizing the entering monthly compensation on Schedule 1 (Southeast) has been made with entering Federal Salaries scheduled to go into effect on July 1, 1969, adjusted for the 25% tax free cost of living allowance paid to Federal engineers in Alaska and with an average of the entering salaries paid by the states of Washington, Oregon and California, corrected for a 25% cost of living differential. This comparison is graphically represented on the first accompanying exhibit. There are difficulties encountered in such a comparison, due to such factors as Federal discretion for hiring engineers of outstanding ability at higher grades than normal, different numbers of step increases in the various salary schedules and small disparities of experience requirements for positions. We believe, however, that these results do represent a fair compromise of these discrepancies and indicate a true picture of the situation.

From the exhibit, it may be seen that the present Alaskan salary schedule for engineering positions lags the Federal schedule by percentages ranging from 8.2% at the lower end to 39% at the top. The Corresponding gap between Alaska and her neighbor states ranges from 13% to 36%, again, with the greatest discrepancies in the higher grades.

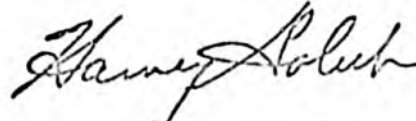
On the second exhibit, we have superimposed the affect which each of two bills, presently under consideration, would have.

Various State agencies have experienced a great deal of trouble recruiting and retaining career engineering employees of consistently high caliber. At present, almost one quarter of the budgeted engineering positions in the Department of Highways are unfilled, seriously handicapping its ability to carry out the long range highway construction program in an orderly economical manner.

Nationwide data gathered by engineering educators indicate that both undergraduate and graduate enrollment in engineering curricula continue to show a small but steady decrease each year. We are in the position of competing for an ever-decreasing supply of engineers in the face of an increasing demand. The latest forecasts predict an average salary for the graduating engineer this June will be more than \$800 a month. If Alaska is to remain competitive in this market, serious consideration must be given to upgrading its salary schedule.

We would not presume to advise this committee on how all of the divergent factors which must be considered in working out a salary schedule should be reconciled, but we hope that the information herein presented will aid you in your deliberations.

Respectfully yours,



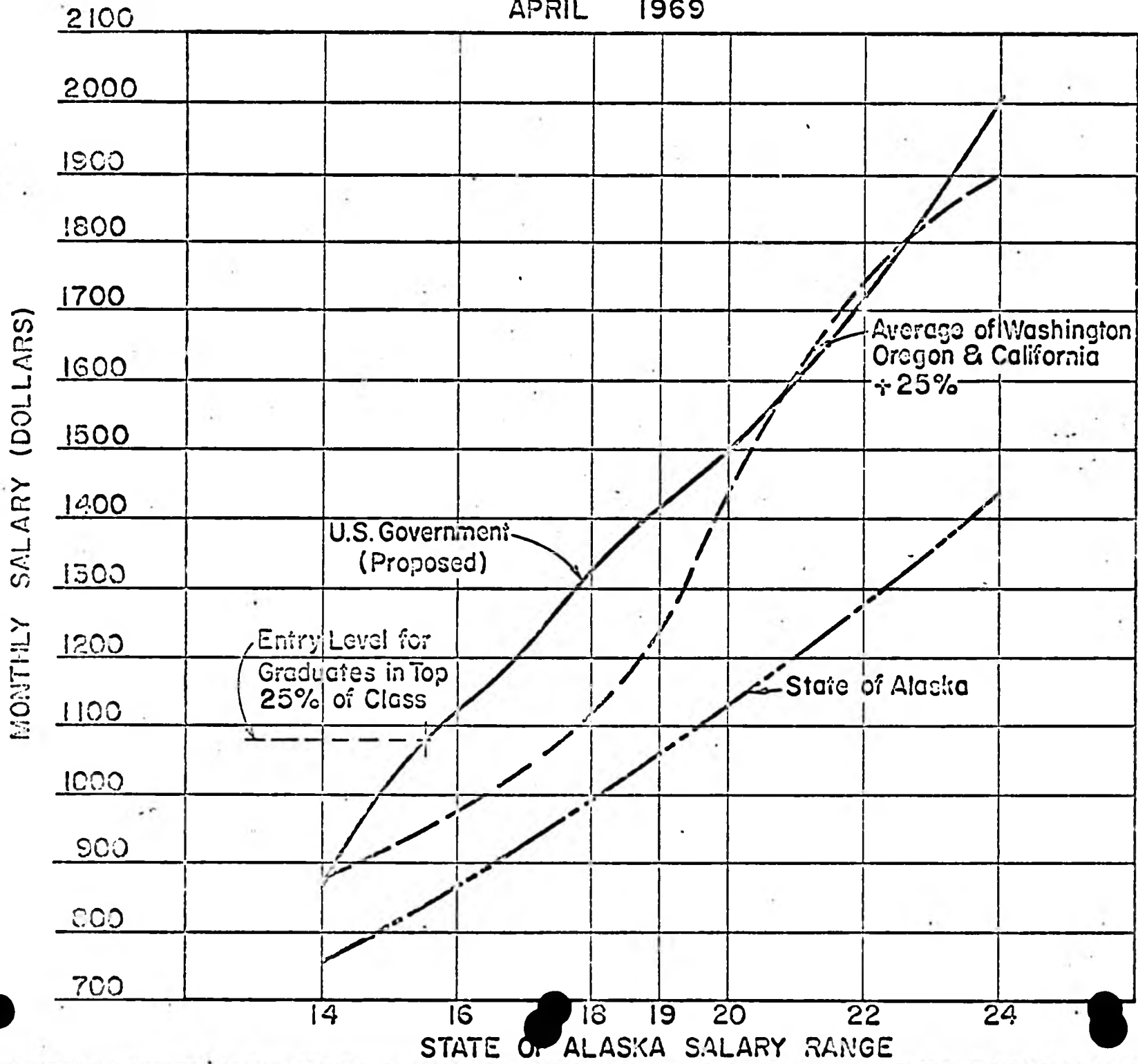
Harvey Golub, P. E.
President, Juneau Chapter

Attachments

SALARY STUDY

ALASKA SOCIETY OF PROFESSIONAL ENGINEERS

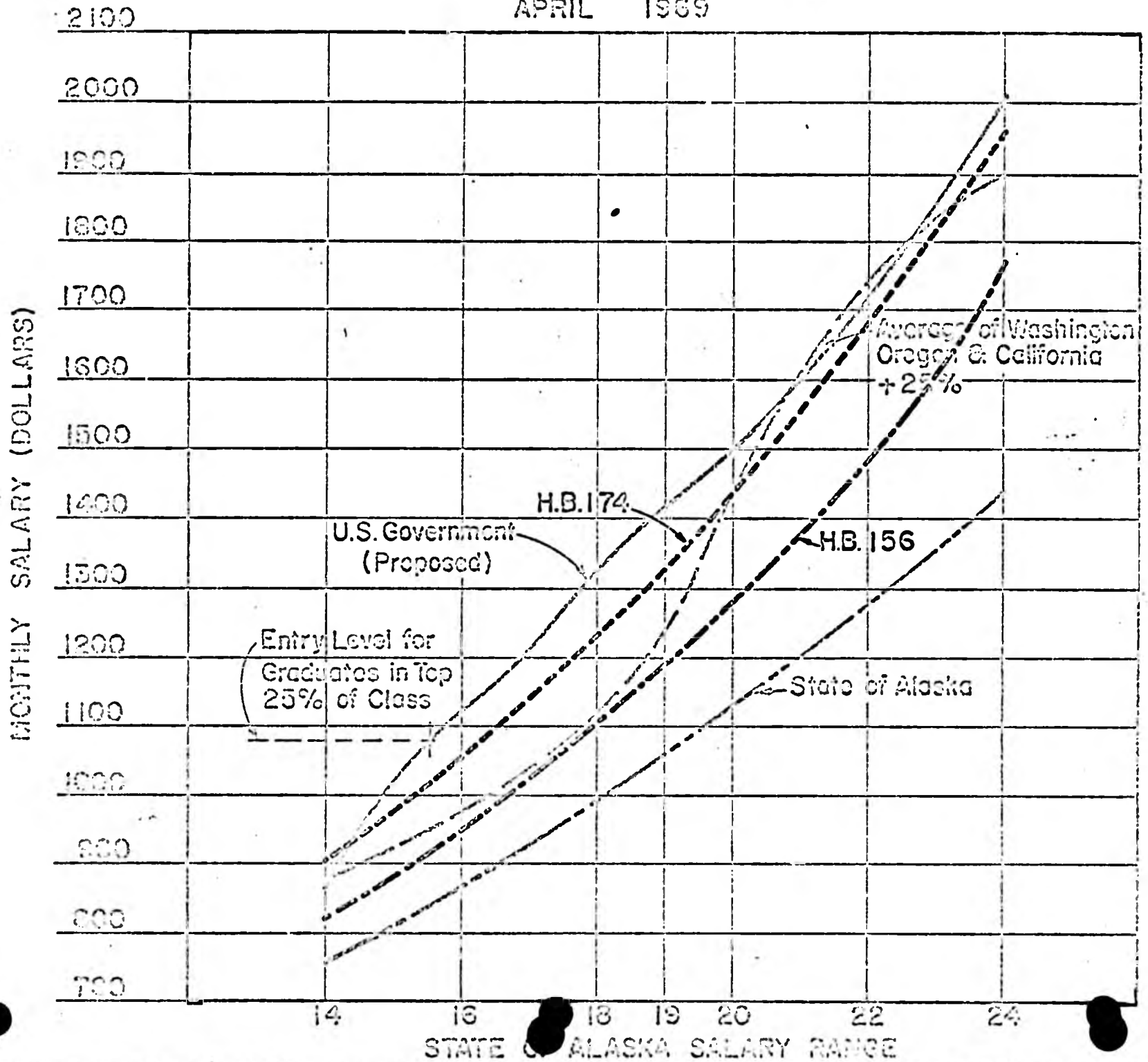
APRIL 1969



SALARY STUDY

ALASKA SOCIETY OF PROFESSIONAL ENGINEERS

APRIL 1969



Take Home Pay, Custodial Workers II Grade 8

	3/31/68	3/31/69	4.2 Gross Inc = 3.2 T.H. Inc	10. Gr Inc = 7.6 T.H. Inc
1.	384.98	360.63	372.17	388.04
2.	420.94	392.45	405.00	422.28
3.	450.84	409.82	422.23	440.97
4.	406.68	394.21	406.82	424.17
5.	395.82	304.27	314.00	327.39
6.	418.62	407.34	420.37	438.30
7.	369.10	355.25	366.62	382.25
8.	454.41	443.00	457.18	476.67
9.	394.24	365.73	377.43	393.53
10.	461.66	452.93	467.42	487.35
11.	367.05	363.47	375.10	391.09
12.	394.96	364.27	375.92	391.95
13.	404.94	379.42	391.56	408.26
14.	432.88	416.59	429.92	448.25
15.	461.39	456.49	471.10	491.18
16.	478.13	450.13	464.53	484.34
	<hr/>	<hr/>	<hr/>	<hr/>
	6,696.64	6,323.00	6,518.07	6,796.02
Average	418.54	395.19	407.33	424.75

April 7, 1969

Joint House-Senate Finance
Committee
State Capital Building
Juneau, Alaska 99801

Attention: Chairman

Gentlemen:

RE: STATE EMPLOYEES' PAY BILL

In order to fully understand the reasonableness of any pay bills currently submitted, I have gathered some material to develop what, in my opinion, would be necessary if any pay bill is to allow me as a State employee to maintain my purchasing power.

The United States Department of Labor has established the cost of living for Alaska as being approximately 24.25% above that in Seattle and specifically in Juneau at 28% over Seattle. We shall use the 24% figure for the basis of my calculations.

The Alaska Agricultural Experiment Station retail price average on forty grocery items establishes the cost of living increase from September 1967 to September 1968 as 5.2% in Seattle and 5% in Juneau.

There have been increases in Federal and State taxes, FICA, health insurance, P.E.R.S., as well as additional disaster relief taxes assessed all State employees since April of last year. In my case this amounts to 6.4% decrease in my take-home pay. When added to the cost of living increase of 5%, I am faced with 11.4% decrease in purchasing power between Nov and April of last year.

Any pay adjustment effective July 1 will reflect in my pay envelope August 30; therefore, five months is the earliest any relief is in sight; another 3% increase in cost of living will take place at that time. If I am to have the same purchasing power in August of 1969 which I had in April of 1968, 14.4% pay increase will be necessary. There is no provision made for the approximately \$1,010.00 loss in cash which the inflation and additional deductions have taken. This is money forever lost.

Joint-House-Senate Finance
Committee
Page Two
April 7, 1969

To maintain my purchasing power beyond the August 30 date will require a cost-of-living increase of 5% per year which means a 21.4% increase will be required to maintain my buying power of 1968 unless additional increases are granted in 1970 and 1971. No provision is herein made for any increased taxes, social security payments, insurance payments, etc.

My salary compared to a similar position in Wisconsin adjusted by 24% for cost of living is 22% less for the same work. When compared to similar positions in Oregon, it is 10-14% less.

The advantages of living in Alaska, I am a 20-year plus resident, will offset the raw salaries as paid by Wisconsin and Oregon, but I would endorse a pay bill providing a minimum of 14% effective July 1 with a built-in cost of living index for each year thereafter. This will not increase my salary, but will preserve the status quo of the year 1968.

Thank you.

Very truly yours,

Thomas R. Branton

HOUSE FINANCE COMMITTEE MEETING
Tuesday, April 8, 1969
9:00 a.m.

Present: All members with the exception of Mr. Borer were present.
Also present was Mr. Jess Harris.

HR 168 Mr. Ray moved and asked unanimous consent that COMMITTEE
SUBSTITUTE FOR HOUSE BILL 168 (Relating to electrical safety)
be considered by the committee. No objection, so ordered. Mr.
Harris said that Commissioner Moore said the cost of this would
be \$21,000. He said that the state had had an electrical code
for years until someone challenged it in court; it did not have
permissive enabling legislation and there has been nothing since.
Mr. Ray asked what would be done with the \$21,000 and Mr. Harris
said he would assume that another electrical inspector would
be hired along with necessary support.

Mr. Borer came in at this time.

Mr. Croft inquired about subsection (2) on page 1, line 22
under "DUTIES OF THE DEPARTMENT OF LABOR". Mr. Harris said
that this is a pretty standard provision.

Mr. Ray said that as the bill is written he feels it would create
problems for the Department of Labor, as they only have a limited
amount of money. Making inspections in the small, remote
villages would be difficult as they haven't personnel or funds
available. There was considerable discussion on inspections in
rural areas, relative to who should and who should not be
inspected. Mr. Croft asked if the danger of fires isn't less
in less congested areas, and Mr. Harris said actually it is
greater. The area of EXCEPTIONS would be discussed at length.

The committee finally decided to propose two amendments to the committee substitute for the bill. The first was on page 2, beginning with line 22, in the area of EXCEPTIONS, to read "The Department of Labor may (deleting shall) issue rules and regulations providing for (replacing exempting from) inspection in small towns and villages under 500 population or remote areas on utilities systems that are impractical for the department ("for the department" being inserted) to inspect. The second was on page 3, line 26, inserting after "who" the wording ", after receiving the notice required by sec. 650 of this chapter,". Mr. Harris said he had no objections to these amendments. It was moved and unanimous consent requested that the bill be passed out of committee with individual recommendations. The bill was reported out with 5 "do pass" recommendations and 2 "no recommendations."

HB 50

It was moved and unanimous consent requested that HOUSE BILL 50 (Amending the Teachers' Retirement Act) be considered by the committee. No objection, so ordered. It was moved and unanimous consent requested that the bill be passed out of committee with individual recommendations. All members signed "no recommendation" with the exception of Mr. Hohman who signed "do pass."

HJR 31

Mr. Chuck Juraz, a biology teacher at the Juneau Douglas High School, was present at this time to testify in favor of HOUSE JOINT RESOLUTION 31 (Requesting the Department of Education to institute an environmental education plan for the state and to establish the position of conservation and environmental consultant in the department). Mr. Juraz testified that the Biology II material being presented in the high school here could be digested

easily by those considerably younger than the juniors and seniors taking the course now. He indicated that he feels there is a considerable lack here of adequate education in conservation and environment, and that although there is interest shown by various parties, accomplishment is difficult because of lack of coordination. He said that there is considerably more done down south than there is here in Alaska where one would expect considerably more, due to the large part Alaska's resources play in her economy. He passed out prepared statements to the committee which cite the instance of a small town in Wisconsin paying more than the state of Alaska in this field. (copy in the file) Mr. Juraz said that he feels this position and program belong in the Department of Education rather than in Fish and Game or Forestry in Natural Resources, because he feels it should be ensured that this is a continuing program. Mr. Ray asked about the possibility of working this through the Alaska Sportsmen, perhaps having them make a grant each year to the Department of Education. Mr. Juraz said it would be good to have involvement by the Alaska Sportsmen but that he would rather use monies from them for advertising. If they are the ones funding the position, there is no assurance that the program will be funded every year.

In response to questioning on costs, Mr. Juraz said that the position, which would be the priority item, would be \$25,000 and the cost of setting up programs in Fairbanks, Anchorage, and Juneau would be about \$75,000. Mr. Ray asked if he has worked with Dr. Hartman on this, and Mr. Juraz said yes.

Mr. Lahn and Representative Moses came in at this time.

Mr. Ray said that the program is certainly commendable, but

said that given the financial condition in the state right now it may not be feasible to undertake this project at this time. There being no further questions by the committee, Mr. Ray thanked Mr. Juraz and Mr. Juraz left.

HB 2

Mr. Moses asked the committee about HOUSE BILL 2 (Wage and hour act) and inquired as to why there had been no publicity on the hearing scheduled for Friday night. Mr. Ray said that the committee was unaware that there had not been sufficient notice given, as they had made arrangements, and said he would see to it immediately that the public was informed.

Mr. Fritz and Mrs. Bayer arrived.

HB 142

Mr. Hohman moved and asked unanimous consent that HOUSE BILL 142 (Relating to education of exceptional children within the state) be brought up for discussion. No objection, so ordered.

Mr. Ray raised the question of whether this bill discriminated against parents who want their children sent outside, and expressed the feeling that if the state were to pay 100% of costs within the state and only 50% or \$3000 of costs outside the state, that that may be inequitable. Mr. Hohman said that it is true 75% or \$3,000 only is paid for those going outside the state. Mr. Ray asked that further discussion be postponed until Dr. Beirne, author of the bill, could be present for testimony. No objection was heard, so the bill is postponed.

Department of
Commerce
Insurance
Division

Mr. Fritz, Director of the Division of Insurance, and Mrs. Bayer, also with the Division, were present to testify on requested changes in the Division budget. Also present was Mr. Fink, and Mr. Ray left the meeting at this time, /requested subcommittee chairman Mr. Sackett to assume the chair.

Mr. Fritz testified that his budget request originally was small because they were told to keep within certain limits in preparing budgets, and so it was not possible to request some important additions. He said that the Division of Insurance is one of the largest revenue producers in the state, ranking third or fourth.

Mr. Metcalf came in at this time.

Mr. Fritz said that in Alaska the percentage of revenues brought in by insurance used for insurance division purposes is less than any other state - 3.7% where in most states it is 5% and even in those other states it is not a sufficient amount. He said that states are not doing an adequate job of protecting and the public in the field of insurance/that for this reason the federal government is threatening to take over the state insurance operations. This in Alaska would mean a goodly loss of revenue to the state. He said that there are at least two bills in the federal congress right now dealing with this. The only action the state can take to try to prevent this is to provide adequate coverage so that the claims of the federal government are not right.

He said one thing he wants to do is place a deputy director in Anchorage who will let the people know what services are available to them. He said people are not aware that they have an insurance division to help them with their claims, although he said he has worked at informing people. There has been a 100% increase in claims handled since he became director.

He then spoke about risk pool insurance. When a person cannot for various reasons be insured by a private company he can apply for risk pool insurance. At this time this is done out

of a San Francisco Office, and takes 30 to 60 days. Mr. Fritz proposes that this service be available here in Juneau. This will require another man in the Insurance Division office. They want to get a man who can fill this function and also that of an actuary.

Mr. Fritz said that agents and brokers in the state are so concerned that they have volunteered to pay additional funds into the Department if the money would be used for the operation of this division.

At the request of Mr. Croft, Mr. Fritz agreed to furnish to the committee copies of a revised budget containing his requested changes, to the amount \$183,588.

Recess: The committee recessed at 10:45.

After Recess
11:15

SB 81

It was moved and unanimous consent requested that COMMITTEE SUBSTITUTE FOR SENATE BILL 81(Relating to oil and gas leases) considered by the committee. No objection. In going over the bill the committee discovered that it would be necessary to have some questions answered by Commissioner Kelly, and so they decided to postpone the discussion until Mr. Kelly could be present.

HB 142

Mrs. Beirne arrived at this time to testify on HOUSE BILL 142 (Relating to education of exceptional children within the state). Mr. Ray asked her about the question which had earlier arisen on whether or not this bill discriminated against people who wanted their children to go outside for special education. Mrs. Beirne said that her attempt had been to make an equitable arrangement in order that people could keep their children in the state if they so desired. She said she certainly had no

objection to increasing the amount for those going outside.
Mr. Ray felt perhaps increasing the amount of \$3,000 to
\$6,000 would be a suitable arrangement/ for those going outside.
Mrs. Beirne
had no objection to such an amendment. Mr. Ray said then that
an amendment to that effect would be prepared.
There were no further questions by the committee.

CSSB 81

CSSB 81 was again brought up briefly for discussion, but the
committee again decided to wait for Mr. Kelly.

Recess:

Meeting recessed at 11:50.

After Recess
1:30 p.m.

HB 142

It was moved and unanimous consent was asked that the committee
continue to consider HOUSE BILL NO. 142 (Relating to education
of exceptional children within the state). No objection, so
ordered. Mr. Hohman moved and asked unanimous consent that the
committee adopt the following amendment:

"# Sec. 3. AS14.30.295(b) (2) is amended to read:

(2) the Department of Education shall pay whichever of the
following amounts is less, but not to exceed \$6,000
[\$3,000]:"

It was then moved and unanimous consent asked that the House
Finance Committee express the following Legislative Intent to
accompany HOUSE BILL NO. 142 if it is amended as per the
committee amendment.

Legislative
Intent

"It is the intent of the legislature that the Department
of Education shall fund for the remaining fiscal 1969 up
to the limits of the existing budget."

There being no objection, so ordered.

It was then moved and unanimous consent asked that HB 142 as

amended be reported out with "do pass" recommendation. No objection, so ordered.

Department of
Commerce
Division of
Insurance

Mr. Ray moved and asked unanimous consent that the budget for Division of Insurance be closed out at \$213,200, which is an \$87,600 increase over the Governor's original request. Mr. Sackett objected and asked to amend Mr. Ray's figure to \$156,400, or an increase of \$30,800 which would give the Division an examiner-auditor and rate analyst specialist. Mr. Ray objected because he felt the Insurance Division needed more money than that. The chairman called for a vote on the \$213,200, and motion failed 1-6 with Mr. Ray voting in the affirmative. Mr. Croft then moved for \$183,600 and Mr. Sackett objected with the comment that that was the figure Mr. Fink wanted. Mr. Croft's motion failed 3-4. Mr. Sackett renewed his motion for \$156,400 and the motion carried on 4-3 vote.

Legislative
Intent
Engineers &
Architects

With reference to the House minutes (page 615) the committee wishes to express in legislative intent that the Board of Engineers and Architects be given more flexibility in its travel and per diem allotment of \$2,000, with allocation to either per diem or travel, but left to the discretion of the board.

Mr. Ray moved and asked unanimous consent that the House Finance Committee go on record disallowing examination or publication of the minutes of hearings held by the committee until such time as the budget has been reported out of the committee and passed to on/the floor of the House. No objection, so ordered.

ourned:

Meeting adjourned at 2:00 p.m. so members could report for the meeting on the floor.

HOUSE FINANCE COMMITTEE MEETING
Wednesday, April 9, 1969
8:50 a.m.

Present: All members except Mr. Ray.

HOUSE
BILL 376

The meeting was called to order and it was moved and unanimous consent asked that the committee consider HOUSE BILL NO. 376 (an act relating to the tax on motor fuel used by watercraft; and providing for an effective date). No objection so ordered.

Mr. Dean had prepared two drafts of the bill: #1, which raised the watercraft fuel tax one cent, included fuel used for heating and cooking, and combined presently existing statutes in A.S. 43.40 as a "clean-up" measure; and #2 which raised the watercraft fuel tax one cent, included fuel used for heating and cooking, but did not combine the existing statutes.

Mr. Dean explained under the present statutes there are two different sections where there is a tax on motor fuel. Mr. Dean explained this was probably done because at the time one section was enacted it had a termination date on it but the legislature removed the termination date and the tax was left in two different sections.

Mr. Dean said, referring to #1, on page 1, line 16, the motor fuel tax for boats is raised from two to four cents a gallon, which is a net increase of one cent a gallon as the one cent per gallon tax existing in another section is repealed. He said this is the only actual rate change in the bill.

Mr. Dean explained that the last page of bill #1 repeals A.S. 43.40.110 and A.S. 43.40.120 which was where these additional taxes were levied. He explained he had talked to Vernon Snow, Department of Revenue, and he had agreed that nothing has been changed as far as any of the other taxes are concerned. After further discussion on this, Mr. Dean said that both he and the Department of Revenue thought the draft of #1 was the better one.

Mr. Tom Parke from the Department of Revenue entered the meeting. Mr. Parke said as far as the Department of Revenue was concerned they felt the "clean-up" legislation was very good and explained this would put all the tax in one section. Mr. Dean explained on page 2, line 15 of draft #1, "(d) A person who uses motor fuel for heating and cooking aboard boats and watercraft is entitled to a refund of four cents a gallon if (1) the tax on the motor fuel has been paid; and (2) the motor fuel is not used in an engine to propel a boat or watercraft." He explained this would tie it in with other Department of Revenue refunds. He said the Department felt like the bill he had drafted would be too heavy an administrative burden and they want to change this to up to 10% of the fuel at the time of purchase. He said at the time of purchase the buyer would sign an affidavit saying it would be used for cooking and heating with the provision that the Department of Revenue could check this out. Mr. Borer said this would just provide an automatic 10% reduction.

In answer to a question from Mr. Croft, Mr. Dean said the refund system in the bill he drafted is tied in with the existing refund system in the Department of Revenue. Mr. Croft asked if the Department needed additional authority to set up regulations for the refund. Mr. Dean said he felt they already had the authority and read A.S. 43.05.080: "The department shall prescribe and public regulations necessary for the enforcement of the tax, license, or excise tax laws administered by it. The department shall prepare and distribute all forms necessary or useful in the administration of tax, license, and excise tax laws."

Mr. Dean asked what the committee would think if they limited the refund to 10% of the total gallons. Mr. Borer said this was way too high, and Mr. Haugen said it was probably actually less than 5%.

Ernie John and Mr. Ray entered the meeting.

Representative John Sweet entered the meeting.

In response to a question, Mr. Dean said the Attorney General felt the state couldn't tax fuel used for heating and cooking aboard a boat when they don't tax this fuel in homes.

There was a brief discussion on the inconvenience to the people to have to keep the motor fuel slips necessary for a refund and Mr. Borer said they have to save these slips for income tax purposes and he did not feel it would be any inconvenience. Mr. Dean said he would like to add on page 2, line 16, after the word gallon, "on all motor fuel utilized for heating and cooking..." Mr. Haugen moved and asked unanimous consent that HOUSE BILL NO. 376 be passed out

of committee with a "do pass" recommendation. No objection so ordered. There were 6 "do pass" recommendations and 1 "do not pass" recommendation.

HOUSE
BILL 147

Representative John Sweet appeared before the committee for the purpose of discussing HOUSE BILL NO. 147 (an act relating to P.L. 81-874 funds and to state aid under the Public School Foundation Program; and providing for an effective date). He explained that this bill was put in by the Health, Welfare and Education Committee and at a later date HOUSE BILL NO. 300 (an act relating to the Public School Foundation Program; and providing for an effective date) was introduced at the request of the Governor. He explained that HOUSE BILL NO. 300 had a few paragraphs which should be included in HOUSE BILL NO. 147 which would make it more compatible. He requested that the Finance Committee introduce a Committee Substitute for House Bill No. 147 and incorporate these paragraphs. Mr. Roy said the committee would consider his recommendation and Mr. Sweet left the meeting.

HOUSE
BILL 300

Mr. Lahn explained he was present because he had understood the committee planned to discuss HOUSE BILL NO. 3 (per diem allowance for state employees). Mr. Lahn was informed the committee did not plan to discuss HOUSE BILL NO. 3 at this time but he would be informed of the discussion time so he could attend the meeting.

HOUSE
BILL 375

Mr. Ray moved and asked unanimous consent that the committee consider HOUSE BILL NO. 375 (an act authorizing the transfer between certain appropriations made to the Department of Natural Resources for the fiscal year ending June 30, 1969; and providing for an effective date). No objection so ordered. Mr. Ray explained this is a Finance Committee bill which transfers \$41,000 for Promotion and Regulation of Agriculture, Small Grain Incentive Program, to Land Management.

Mr. Ray moved and asked unanimous consent that HOUSE BILL NO. 375 be passed out of committee with a "do pass" recommendation. No objection so ordered. There were 7 "do pass" recommendations.

HOUSE
BILL 251

It was moved and asked unanimous consent that the committee consider HOUSE BILL NO. 251 (an act relating to the purchase of primary services by the Department of Health and Welfare from private voluntary institutions and agencies). No objection so ordered. Mr. Croft explained that he had talked to Mr. Richard Gilbert of the Jesse Lee Home regarding this and he said they had discussed the possibility of the committee insuring that the Department of Health and Welfare would approve standards for cost accounting so the different homes could go on this cost accounting as of July 1. Mr. Croft suggested a committee be appointed to check this out and report their findings to the Legislature next year. Mr. Ray asked the committee for their recommendation of legislative intent expressed to the Commissioner of Health and Welfare and a

Legislative
Intent

letter to the Governor requesting he have Health and Welfare set up cost accounting system along the lines they have asked to properly establish costs.

Mr. Haugen asked if it is the intent that the state is going to pay the full cost of this in private homes. Mr. Ray said they didn't know until criteria is established but he said the proposed legislation starts out if it is complimentary to both sides.

In answer to another question from Mr. Haugen, Mr. Sackett said hearings will be held on this.

Mr. Ray requested Mr. Dean to draft up a letter on this.

The bill was returned to the file.

Recess: The meeting recessed at 9:35 a.m.

AFTER RECESS
1:25 p.m.

Mr. Ray moved and asked unanimous consent that the committee consider HOUSE BILL NO. 394 (an act relating to relief and rescue parties). No objection so ordered. After a brief discussion Mr. Ray moved and asked unanimous consent

HOUSE BILL NO. 394 be passed out of committee with unanimous "do pass" recommendation. No objection so ordered.

Recess: Meeting recessed at 1:50 p.m.

HOUSE FINANCE COMMITTEE MEETING
Thursday, April 10, 1969
9:00 a.m.

Present:

CSSB 81

All members with the exception of Messrs. Bradner and Borer. Also present was Mr. Kelly, Commissioner of Natural Resources. Mr. Ray moved and asked unanimous consent that COMMITTEE

SUBSTITUTE FOR SENATE BILL NO. 81 (Relating to oil and gas leases) Mr. Kelly was present to give testimony on the bill.

He said that the committee substitute contains three major changes. He said that this bill he considers one of the major priority items of legislation.

The first change deletes the ^{discovery} 5% royalty provision that has been on the books supposedly as an incentive to induce companies to explore in Alaska. The initial bill primarily was to exclude lands on the North Slope. Mr. Kelly said that he has talked to industry people and they have admitted that this provision is not really an incentive. He said that the state is losing a good size portion of revenue because of this. He said that although he has testified that it might be helpful as an inducement in some of the more remote areas, he has to admit that he concurs in the opinion that it is not a strong factor and therefore would recommend deletion entirely from the statute.

He said that at the present time the difference between 12 1/2% and 5% amounts to \$217,574 a month. The provision opens the way for disputes, which causes problems.

He said that he would also suggest that the 10 year period of lease be made discretionary, no more than 10, no less than 5. This second item is felt to be the area where most objection will be heard. Therefore, in the interest of seeing the bill pass, he has not pushed for this discretionary provision except

4/10

for the Cook Inlet area.

The third area he said has received no controversy from the industry. What would be accomplished here is that lease duration would extend from the time of tentative approval for the 5 or 10 years. As the statutes stand now, a company can get tentative approval, start drilling, and be working the area for four or five years, but not have the lease time counted until the survey is completed, which may not be for five years or so. In this way, Mr. Kelly said, they actually have 15 and 20 year leases. He said he feels strongly before the lease sale in the fall this part of the law must be changed, or it will mean considerable loss to the state.

There being no further questions of Mr. Kelly, Chairman Ray thanked him and he left the meeting. Mr. Ray moved and asked unanimous consent that bill be reported out of committee with a "do pass" recommendation. There being no objection, it was so ordered.

At this time Mr. Bob Dupere came before the committee, to discuss alternate budgetary treatment of the disaster program if senate bills 222 and 224 are passed. (companion bills HB 260, 261) Mr. Dupere was representing the Fairbanks area. He passed out a memorandum and some statistics to the committee, copy of which is in the files under "Miscellaneous" and proceeded to discuss the figures.

HB 303

Mr. Ray moved and asked unanimous consent that HOUSE BILL 303 (Relating to limitations on acreage in coal leases and prospecting permits.) Mr. Ray said he could see no financial implication in this bill. He moved and asked that the bill be reported out with a unanimous "no recommendation", and there

being no objection, it was so ordered.

Mr. Lahn being present and with a vested interest in HB 246 Mr. Ray moved and asked unanimous consent that HOUSE BILL 246 (Relating to state employees' pay) No objection.

Mr. Lahn said that this bill will take politics out of employees' salaries. He said there would be no cost involved; that he felt there was sufficient personnel in the Department of Administration to take care of this and if there was not, if they felt they had to hire additional personnel, he would then be opposed to it. Mr. Ray said that it is his opinion that studies always cost money. There was some discussion on the cost of living factor, and it was noted that food in Alaska is often not much more or any more than in Seattle. Mr. Lahn said that the high cost areas are more in the line of rents.

He said that this type of program is very successful in other states where they are doing it, in response to Mr. Ray's comment that it seems to him it is the state employees should do the study and present it to the State rather than the State make the study.

The meeting recessed at 10:20 for 10 minutes.

After Recess
10:30

Mr. Freer was present at this time.

Department
of Public
Safety

There was discussion on the Narcotics Squad appropriation the Governor had sent down. Mr. Ray recommended cutting down Personnel Services for this and implementing the job with a crime lab in Anchorage. After considerable discussion the committee requested Mr. Freer to figure out what the cost would be to allow three troopers for special functions, one Clerk Steno as support personnel, sufficient support funds, and more.

\$12,500 to make \$25,000 for a crime lab in Anchorage.

The committee decided not to close out General Administration, Office of Commissioner, until this information was available.

Rescue and Relief

Mr. Ray moved and asked unanimous consent that the Governor's allowance of \$5,500 for Rescue and Relief be increased to \$7,500. No objection, so ordered.

Reward Fund

Mr. Croft moved and asked unanimous consent that the \$25,000 for Reward fund be deleted. Objection was heard, and on vote the motion passed 4-3, with Messrs. Hohman, Croft, Bradner, and Sackett voting yea, and Messrs. Ray, Borer, and Haugen voting nay.

Technical Services

In response to questioning by Mr. Ray, Mr. Freer said that the biggest increase here is due to bringing all the contract personnel into this program. They were down in state troopers. Mr. Ray explained that, in response to questioning by committee members, he wanted to leave vacancy and turnover as is so that the Department could fund the academy training program out of their vacancy and turnover and lapses. Mr. Ray moved the

following figures for Technical Services:

Personal Services	\$430,100
Travel	8,600
Contractual	47,900
Commodities	13,000
Equipment	5,400
Inter Agency	14,000

	\$519,000

He moved and asked unanimous consent that the figure of \$519,000, the Governor's Allowance, be accepted. No objection, so ordered.

Alaska State Troopers

Mr. Ray moved the following figures for State Troopers.

Division Headquarters	\$309,000
Southeastern Region	483,900
Southcentral Region	1,458,200
Northwestern Region	913,200

	\$3,164,300

Mr. Sackett objected to the figures for Southcentral and Northwestern. Mr. Ray expressed the feeling the Southeastern should be higher. However, all the figures were passed and the total of \$3,164,300 for Alaska State Troopers was accepted.

Fire Preven-
tion

Mr. Ray moved and asked unanimous consent that the figure \$136,200 be accepted for fire prevention. No objection, so ordered.

Adjourned:

Meeting adjourned at 11:45.